Free translation of the French language original

PagesJaunes Groupe

Consolidated financial statements as at 31 December 2006

Unofficial translation of the French-language "Comptes consolidés au 31 décembre 2006" of PagesJaunes Groupe, for information purposes only.

This English-language translation of the consolidated financial statements prepared in French has been provided solely for the convenience of English-speaking readers. Despite all the efforts devoted to this translation, certain errors, omissions or approximations may subsist. PagesJaunes Groupe, its representatives and employees decline all responsibility in this regard.

PagesJaunes Groupe,

A limited liability company (Société Anonyme) having a Board of Directors (Conseil d'Administration) and a share capital of €56,053,356
Registered office: 7 avenue de la Cristallerie – 92317 Sèvres Cedex
Commercial and Companies Register: Nanterre 552 028 425

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Consolidated income statement

(Amounts in thousands of euros, except data relating to shares)

	Notes	Period ending 31 December 2006	Period ending 31 December 2005	Period ending 31 December 2004
Net revenues	7	1 124 475	1 060 700	967 160
External purchases		(311 305)	(330 366)	(317 582)
Other operating income	8	12 489	54 906	55 249
Other operating expenses		(25 747)	(24 588)	(28 353)
Personnel expenses : - Salaries and charges	9	(313 592)	(297 577)	(268 992)
Gross operating margin		**486 320**	**463 075**	**407 482**
- Employee profit-sharing		(13 565)	(32 906)	(29 926)
- Share-based payment		(9 213)	(20 450)	(25 274)
Depreciation and amortisation	14 & 15	(12 639)	(9 744)	(10 066)
Result of asset disposals		(558)	(569)	(363)
Restructuring costs		(63)	(372)	-
Result of equity method associates		-	-	774
Operating income		**450 282**	**399 034**	**342 627**
Financial income		21 167	16 378	20 784
Financial expenses		(13 663)	(4 795)	(444)
Result of disposal of financial assets		764	(18)	-
Gain (loss) on foreign exchange		-	18	(51)
Financial result	10	**8 267**	**11 583**	**20 289**
Corporation tax	11	(161 655)	(148 873)	(149 314)
Net income		**296 895**	**261 744**	**213 602**
Attributable to:				
- Shareholders of PagesJaunes Groupe		296 895	261 744	213 602
- Minority interests		-	-	-
Net earnings per share (in euros)	12			
- basic		1,07	0,94	0,77
- diluted		1,05	0,93	0,76

Consolidated balance sheet
(Amounts in thousands of euros)

	Notes	As at 31 December 2006	As at 31 December 2005	As at 31 December 2004
ASSETS				
Net goodwill	13	107 727	107 394	77 475
Other net intangible fixed assets	14	28 016	11 511	8 419
Net tangible fixed assets	15	19 021	17 995	16 816
Investments accounted for using the equity method	16	-	-	15 493
Available-for-sale assets	17	169	438	
Other non-current financial assets	18	3 259	44 081	3 784
Derivative financial instruments	20	17 479	-	-
Net deferred tax assets	11	1 959	28 527	26 144
Total non-current assets		**177 631**	**209 946**	**148 131**
Net inventories	21	6 625	5 281	12 373
Net trade accounts receivable	22	499 953	472 756	430 793
Other current assets	23	35 324	39 764	44 350
Current tax receivable		15 774	5 106	133
Prepaid expenses	24	59 501	55 639	39 844
Other current financial assets	19	285	39 356	861
Cash and cash equivalents	29	55 076	549 827	644 077
Total current assets		**672 537**	**1 167 729**	**1 172 431**
TOTAL ASSETS		**850 168**	**1 377 675**	**1 320 562**
LIABILITIES				
Share capital		56 053	55 758	55 758
Issue premium		94 325	68 335	68 335
Reserves		(2 507 818)	23 422	49 848
Net income		296 895	261 744	213 602
Translation differences		(19)	8	-
Own shares		-	(2 169)	-
Shareholders' equity	26	**(2 060 565)**	**407 098**	**387 543**
Non-current financial liabilities and derivatives	29	1 910 990	17	32
Employee benefits - non-current	27	29 374	25 450	22 062
Provisions - non-current	27	6 889	7 876	8 329
Other non-current liabilities		90	2 492	-
Total non-current liabilities		**1 947 342**	**35 835**	**30 423**
Bank overdrafts and other short-term borrowings	29	22 813	13 288	14 552
Accrued interest	29	5 645	8	18
Provisions - current	27	746	509	236
Trade accounts payable		116 679	124 167	107 026
Employee benefits - current	27	73 507	87 890	82 021
Other current liabilities	27	102 805	101 155	91 261
Corporation tax		912	16 069	72 112
Deferred income	30	640 284	591 656	535 370
Total current liabilities		**963 391**	**934 742**	**902 596**
TOTAL LIABILITIES		**850 168**	**1 377 675**	**1 320 562**

Statement of changes in consolidated shareholders' equity
(Amounts in thousands of euros)

	Number of shares in circulation	Share capital	Issue premium	Income & reserves	Translation reserve	Own shares	Total shareholders' equity
Balance as at 1 January 2004	**182 700**	**54 810**	**42 249**	**235 159**	**-**	**-**	**332 218**
Division of par value by 1500	273 867 300						
2004 result				213 602			213 602
Capital increase	4 739 610	948	68 335				69 283
Share-based payment				8 399			8 399
Dividends paid			(42 249)	(193 710)			(235 959)
Balance as at 31 December 2004	**278 789 610**	**55 758**	**68 335**	**263 450**	**-**	**-**	**387 543**
2005 result				261 744			261 744
Share-based payment				19 246			19 246
Dividends paid				(259 274)			(259 274)
Translation difference re Edicom					8		8
Shares of the consolidating company net of tax	(100 000)					(2 169)	(2 169)
Balance as at 31 December 2005	**278 689 610**	**55 758**	**68 335**	**285 166**	**8**	**(2 169)**	**407 098**
2006 result				296 895			296 895
Share-based payment				7 071			7 071
Dividends paid				(283 994)			(283 994)
Exceptional dividend				(2 519 748)			(2 519 748)
Translation difference					(27)		(27)
Change in value of hedging instruments net of tax				3 244			3 244
Stock options exercised	1 477 170	295	25 990				26 285
Shares of the consolidating company net of tax	100 000			443		2 169	2 612
Balance as at 31 December 2006	**280 266 780**	**56 053**	**94 325**	**(2 210 923)**	**(19)**	**-**	**(2 060 565)**

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Cash flow statement

(Amounts in thousands of euros)

	Notes	Period ending 31 December 2006	Period ending 31 December 2005	Period ending 31 December 2004
Consolidated net attributable income		**296 895**	**261 744**	**213 602**
Depreciation and amortisation of fixed assets	14 & 15	12 639	9 744	10 065
Capital gains or losses on asset disposals		558	569	411
Change in provisions	25 & 27	2 887	(3 633)	(4 081)
Undistributed earnings of companies accounted for using the equity method		-	-	512
Tax charge for the period	11	161 655	148 873	149 314
Interest income and expenses	10	(4 061)	(11 565)	(20 391)
Minority interests		-	-	-
Unrealised exchange difference		10	(25)	51
Hedging instruments	20	(4 206)	-	-
Share-based payment		7 071	19 238	24 124
Decrease (increase) in inventories		(1 343)	7 148	(5 086)
Decrease (increase) in trade accounts receivable		(27 510)	(25 743)	(36 325)
Decrease (increase) in other receivables		(9 165)	(16 891)	18 138
Increase (decrease) in trade accounts payable		(9 574)	14 679	(10 810)
Increase (decrease) in other payables		37 923	56 045	70 229
Dividends and interest received		15 187	18 737	20 784
Interest paid and rate effect of net derivatives		(5 864)	(3 288)	(444)
Taxes paid	11	(162 752)	(212 181)	(67 859)
Net cash from operations		**310 349**	**263 451**	**362 234**
Acquisition of tangible and intangible fixed assets	14 & 15	(30 585)	(11 843)	(7 677)
Change in suppliers of fixed assets		1 405	20	(699)
Proceeds from sale of tangible and intangible assets		119	125	215
Acquisitions of investment securities and subsidiaries, net of cash acquired	6	(2 043)	(12 498)	(21 981)
Investments in equity method associates	6	-	-	(13 500)
Income from disposals of financial assets		45	-	-
Decreases (increases) in marketable securities and other long-term assets	29	81 578	(80 794)	11 509
Net cash used in investing activities		**50 519**	**(104 990)**	**(32 133)**
Increase (decrease) in long-term borrowings	29	1 901 981	(18)	(89 326)
Increase (decrease) in bank overdrafts and short-term borrowings	29	9 578	(1 328)	(1 167)
Decrease (increase) in deposits and other financial assets		-	(26)	-
Movements in own shares	12	2 208	(2 169)	-
Capital increase	26	34 385	10 081	58 492
Dividends paid	26	(2 803 742)	(259 274)	(235 958)
Net cash provided by (used in) financing activities		**(855 590)**	**(252 734)**	**(267 959)**
Net increase (decrease) in cash and cash equivalents		**(494 721)**	**(94 273)**	**62 142**
Impact of changes in exchange rates on cash		(29)	22	-
Net increase (decrease) in cash position		**(494 751)**	**(94 251)**	**62 142**
Cash and cash equivalents at beginning of period		549 827	644 077	581 935
Cash and cash equivalents at end of period	29	**55 076**	**549 827**	**644 077**

Note 1 - Description of the business

For over fifty years, the PagesJaunes Group has been offering a wide range of products and services geared to the general public and businesses. Its core business is directories in France and abroad on printed and online media.

The financial year of the companies of the PagesJaunes Group is from 1 January to 31 December. The presentation currency of the consolidated financial statements and notes is the euro.

PagesJaunes Groupe is listed on Euronext Paris (PAJ) – compartment A.

This information was issued by the Board of Directors of PagesJaunes Groupe of 15 February 2007.

Note 2 - Context of the publication and basis for preparation of the 2006 financial information

In accordance with European regulation 1606/2002 dated 19 July 2002, the consolidated financial statements for the 2006 financial year have been prepared in accordance with the IAS/IFRS international standards and presented with comparative data for 2004 and 2005 prepared under the same standards.

The basis for the preparation of this financial information, as described in note 3, results from:

- All the standards and interpretations adopted by the European Union as at 31 December 2006;
- IFRS standards and interpretations whose application will be compulsory after 2006 and for which the Group has opted for earlier application;
- Accounting positions adopted by the Group, on which work is currently being carried out by the IASB (IFRIC) or the CNC, as recalled in note 3;
- The options and exemptions used.

The preparation of financial statements requires the management of PagesJaunes Groupe to make estimates and apply assumptions that affect the reported amounts of assets and liabilities and contingent liabilities at the date of preparation of the financial statements and reported income and expenses for the period. The management reviews these estimates and assessments on a continuous basis, by reference to past experience and various other factors considered as reasonable which form the basis for assessing the book value of assets and liabilities. These concern in particular intangible fixed assets, share-based payment and the valuation of pension liabilities. Actual results may differ significantly from these estimates, if different assumptions or circumstances apply. Finally, where a specific transaction is not dealt with in any standards or interpretations, the management of the Group applies judgment to define and apply accounting policies that will lead to relevant and reliable information, so that the financial statements:

- Give a true and fair view of the Group's financial position, financial performance and cash flows,
- Reflect the substance of transactions,
- Are neutral,
- Are prepared on a prudent basis,
- Are complete in all material respects.

Note 3 - Accounting policies and changes of estimate

3.1 Accounting policies

This note describes the Accounting Policies applied to the accounts as at 31 December 2006 in accordance with the provisions of international accounting standards as adopted by the European Commission as at 31 December 2006.

Unless stated otherwise, these methods have been applied consistently to all the financial years shown.

3.1.1 Application of standards, amendments to standards and interpretations in advance of the date of compulsory application

From 1 January, 2004, the Group had applied in advance the following two regulations which became compulsory on 1 January 2006:

- IAS 39 “Fair Value Option”. This amendment, relating to the choice of recognition of an asset at the outset and a financial liability at fair value through the income statement, allows the cancellation of one of the two exclusions decided on by the European Commission at the time of the adoption of IAS 39, which became compulsory on 1 January 2006;
- IFRIC 4 “Asset usage rights – Determining whether an Arrangement contains a Lease”, which is compulsory with effect from financial years commencing on or after 1 January 2006.

New regulations or amendments have come into force since 1 January 2006:

In the 2006 consolidated financial statements, the Group has not used the option provided by the amendment to IAS 19 “Actuarial Gains and Losses, Group Plans and Disclosures, applicable on 1 January 2006. This option allows actuarial gains and losses recognised during the year to be recognised immediately in shareholders’ equity.

The Group is not affected by:

- Interpretation IFRIC 6 “Liabilities arising from participating in a specific Market-Waste Electrical and Electronic Equipment”, which became compulsory with effect from financial years commencing after 1 December 2005, IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies” which has been compulsory with effect from financial years commencing after 1 March 2006 and IFRIC 9 “Reassessment of Embedded Derivatives” which has been compulsory with effect from financial years commencing after 1 June 2006;
- Standard IFRS 6 “Exploration for and Evaluation of Mineral Resources”, which is compulsory for financial years commencing after 1 January 2006;
- the amendments to IAS 39 “Cash Flow Hedge Accounting of Forecast Intragroup Transactions”, to IAS 21 “Effects of Changes in Foreign Currency Exchange Rates” concerning net investment in an activity abroad and IAS 39 and IFRS 4 “Insurance Contracts – Financial Guarantee Contracts”, which have been compulsory since 1 January 2006.

Standards, amendments to standards and interpretations which are not being applied in advance:

PagesJaunes Groupe has not opted for early application of the following standards, amendments to standards and interpretations:

- IFRS 7 “Financial Instruments – Disclosures”; the date of first application of this regulation is 1 January 2007;
- IFRIC 8 “Scope of IFRS 2”, which is compulsory for financial years commencing after 1 May 2006;
- Amendment to IAS 1 “Presentation of Financial Statements”, notes to the share capital, which becomes compulsory on 1 January 2007.

Furthermore, standard IFRS 8 “Operating Segments” which is compulsory for financial years commencing after 1 January 2009 and interpreation IFRIC 11 “IFRS 2: Group and Treasury Share Transactions” which is compulsory for financial years commencing after 1 March 2007, issued by IASB but not yet adopted by the European Commission, have not been applied by the Group.

PagesJaunes Groupe is nevertheless analysing the practical consequences of these new regulations and the effects of their application in its financial statements. Standards IFRS 7 and IFRS 8, and the amendment to IAS 1 have no impact on the measurement and recognition of transactions.

3.1.2 Accounting positions adopted by the Group by virtue of paragraphs 10 to 12 of IAS 8

The accounting positions presented below are not the subject of particular provisions in international accounting standards as adopted by the European Commission or their interpretation.

Employee share issue:

The Group has adopted as the grant date for the employee share issue the date of announcement to the employees of the main conditions of the offer, thereby complying with the circular issued by the Conseil National de la Comptabilité of 21 December 2004 relating to employee share ownership plans. This circular interprets the date of announcement as the grant date defined in IFRS 2 “Share-Based Payment”. The charge recognised in this regard in the 2004 financial statements amounts to €25.3 million (including €1.2 million in respect of the contribution) and €20.5 million (including €1.2 million in respect of the contribution) for the 2005 financial year. If the grant date had been the closing date of the offer, an additional charge of €12.2 million would have been recognised in 2004 and €0.3 million in 2005, principally due to the change in the price of the share between the announcement date and the closing date of the offer. There was no employee share issue in the 2006 financial year.

Management share ownership plan:

Sèvres I, Sèvres II and Sèvres III, which jointly controlled 100% of the capital of Médiannuaire Holding, the indirect majority shareholder of PagesJaunes Groupe, have offered certain managers of the Group the possibility of acquiring a minority holding, in the form of 202,691 ordinary shares, in the capital of Médiannuaire Holding (i.e. 0.55% of the shares of the Company). This holding was acquired at the end of December 2006 on the basis of the price proposed by Médiannuaire Holding in the framework of the standing offer procedure relating to the PagesJaunes Groupe shares completed on 1 December 2006.

The capital of Médiannuaire Holding is made up of ordinary shares and preference shares. The right of each class of share to the increase in value of shareholders' equity is variable as a function of the internal rate of return recorded by the shareholders of Médiannuaire Holding on their investment during their holding period. Furthermore, the shares held by these managers are subject to presence and performance conditions, implemented by reciprocal purchase and sale undertakings signed with the shareholders of Médiannuaire Holding at a price which varies depending on the fulfilment of these conditions.

A valuation based on the Monte Carlo model, carried out by an independent expert, led to the conclusion that having regard to the discounted probabilised value of all of the foreseeable scenarios for the duration of the holding period and the exit value, and the rights to the increase in the value of the shareholders' equity attributed to them, the acquisition price of these ordinary shares did indeed correspond to their fair value on the acquisition date. In this context, no particular advantage was granted to the managers concerned, by Sèvres I, Sèvres II and Sèvres III, within the meaning of standard IFRS 2. The main assumptions applied in this valuation were as follows: volatility of 18% corresponding to the average of the volatilities recorded in respect of the company (calculated before the rumours concerning France Télécom's sale of its holding in PagesJaunes Groupe) and a sample of comparable stocks; an exit date based on probabilities centred on years four and five corresponding to the average holding periods recorded on LBO operations.

3.2 Consolidation

Subsidiaries which are controlled exclusively by the Group, directly or indirectly, are fully consolidated.

Companies which are controlled jointly by the Group and a limited number of other shareholders are proportionally consolidated.

Companies not controlled by the Group but over which the Group exercises significant influence (generally corresponding to an ownership interest of 20% to 50%) are consolidated using the equity method.

When assessing the level of control or significant influence exercised, account is taken of the existence and effect of any exercisable or convertible potential voting rights at the end of the period.

In accordance with IFRS 5, the assets and liabilities of controlled entities that are considered as being held for sale are reported on a separate line in the balance sheet. Profits or losses of discontinued operations are reported on a separate line of the income statement. IFRS 5 defines a discontinued operation as a component of an entity comprising cash flows that can be clearly distinguished from the rest of the entity, that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations.

Material intercompany transactions and balances are eliminated in consolidation.

3.3 Transactions in foreign currencies

The principles covering the measurement and recognition of transactions in foreign currencies are set out in IAS 21 "Effects of Changes in Foreign Exchange Rates". In accordance with this standard, transactions in foreign currencies are converted by the subsidiary into its operating currency at the exchange rate at the transaction date. Monetary assets and liabilities are remeasured at each balance sheet date at the period-end exchange rate and the differences arising from remeasurement are recorded in the income statement:

- In operating income for commercial transactions.
- In financial income or expenses for financial transactions.

3.4 Presentation of the financial statements

As permitted under IAS 1 “Presentation of Financial Statements”, the Group presents the income statement by type. The presentation of the income statement under IFRS is significantly different from that under French GAAP, in particular with the elimination of the notion of non-operating income and expenses and the reincorporation in operating income of expenses associated with goodwill.

Operating income corresponds to net income before:

- Financial income;
- Financial expenses;
- Current and deferred income taxes;
- Profits and losses of discontinued operations and operations held for sale.

Gross operating margin (GOM) corresponds to operating income before:

- Legal profit-sharing;
- Share-based payment, including any associated social charges;
- Depreciation and amortisation expense;
- Impairment of goodwill and fixed assets;
- Results of asset disposals;
- Restructuring costs;
- Share in profits (losses) of equity-method associates;
- Impairment of goodwill in respect of equity-method associates.

The GOM is an intermediate aggregate defined by PagesJaunes Groupe in accordance with paragraph 83 of IAS 1. It is the key metric of the Group’s operating performance.

3.5 Revenues

Revenues from the activities of PagesJaunes Groupe are recognised and presented as follows, in accordance with IAS 18 “Revenue”:

- Revenues from the sale of advertising space in printed directories are recognised at the time of publication. Consequently, sales of advertising space billed in respect of future directories are stated in the balance sheet under the heading of “Deferred income”.
- Income from the sale of advertising space in online directories and directories assistance is apportioned over the display period, which is generally 12 months.
- Revenues from traffic relating to the telephone enquiry services (118 008 in France and 118 75 in Spain) are recognised when the service is rendered.
- The expenses which are directly attributable to the directory publication campaigns for a particular financial period are recognised with the corresponding revenues stated for the period in question; this concerns commissions for sales and telesales personnel as well as the publishing costs including the publication fee.

Furthermore, in accordance with SIC 31 “Revenue – Barter Transactions Involving Advertising Services”, the revenue from ordinary activities does not include any benefits resulting from exchanges of goods or services for similar benefits, even if these benefits are relating to different periods.

3.6 Advertising and similar expenses

Expenses for advertising, promotion, sponsorship, communication and brand development are stated in full in the expenses for the year in which they are incurred.

3.7 Earnings per share

The Group discloses both basic earnings per share and diluted earnings per share. The number of shares used to calculate diluted earnings per share takes into account the conversion into ordinary shares of dilutive instruments outstanding at the period-end (unexercised options, free shares, etc.). If the basic earnings per share are negative, diluted loss per share represents the same amount as the basic loss. To permit direct comparisons of earnings per share, the weighted average number of shares outstanding for the reporting year and previous years is adjusted to take into account any shares issued at a discount to market price. Treasury stock deducted from consolidated equity is not taken into account in the calculation of earnings per share.

3.8 Goodwill

Goodwill represents the difference between the purchase cost of shares in consolidated companies, including transaction expenses, and the Group's equity in the value of the underlying net assets at the date of acquisition.

In accordance with IFRS 3 “Business Combinations”, goodwill is not amortised but is tested for impairment at least once a year or more frequently when there is an indication that it may be impaired. IAS 36 “Impairment of Assets” requires these tests to be performed at the level of each Cash Generating Unit (CGU) to which the goodwill has been allocated. In certain cases, CGUs may be combined if the combined CGUs represent the lowest level at which management monitors return on investment. (A CGU is defined as the smallest homogenous group of assets whose continuous use generates cash inflows that are largely independent of the cash inflows from other groups of assets.). The level at which PagesJaunes Groupe measures the current value of goodwill generally corresponds to the level of each of the consolidated companies.

To determine whether goodwill has been impaired, the consolidated net book value of the assets and liabilities is compared to their recoverable amount. The recoverable amount is the higher of the fair value less exit costs and value in use.

Fair value less exit costs is determined as the best estimate of the sale value net of exit costs in a transaction conducted under normal competitive conditions between knowledgeable, willing parties. This estimate is determined on the basis of the available market information, taking into account particular situations.

The value in use applied by PagesJaunes Groupe is the present value of the future cash flows expected to be derived from the CGU, including goodwill. Cash flow projections are based on economic and regulatory assumptions and forecast trading conditions applied by the management of PagesJaunes, as follows:

- Cash flow projections are based on the five-year business plan,
- Cash flow projections beyond the five-year period are extrapolated by applying a declining or flat growth rate over the next three years, followed by a growth rate to perpetuity reflecting the expected long-term growth in the market,
- The cash flows obtained are discounted using appropriate rates for the type of business and the countries concerned.

Goodwill impairment losses are recorded in the income statement as a deduction from operating income.

If the business is intended to be sold, the recoverable amount is determined on the basis of the fair value net of exit costs.

3.9 Other intangible assets

Other intangible assets, consisting mainly of trademarks, licences and patents, research and development costs and software, are stated at acquisition or production cost.

When intangible assets are acquired in a business combination, their cost is generally determined in connection with the purchase price grant based on their respective market values. When their market value is not readily determinable, cost is determined using generally accepted valuation methods based on revenues, costs or other appropriate criteria.

Internally developed trademarks are not recognised in the balance sheet.

Trademarks

Trademarks having an indefinite useful life are not amortised, but are tested for impairment (cf. note 3.11).

Licences and patents

Licences and patents are amortised on a straight-line basis over periods which correspond to the expected usage period, not exceeding 20 years.

Research and development costs

Under IAS 38 “Intangible Assets”, development costs must be recognised as an intangible fixed asset when the following can be demonstrated:

- The intention and financial and technical ability to complete the development project.
- The likelihood that the future economic benefits attributable to the development costs incurred will accrue to the company.
- The costs of this asset can be reliably valued.

Research costs and development costs not fulfilling the above criteria are expensed in the year in which they are incurred. Significant capitalised development costs are amortised on a straight-line basis over their useful life, generally not exceeding three years.

Software

Software is amortised on a straight-line basis over its useful life, not exceeding five years.

Concession relating to l’Annuaire

France Télécom was appointed by decree on 3 March 2005 as the publisher of the universal directory for a period of two years. Since France Télécom must remain the publisher, the transfer of the *l’Annuaire* trademark to PagesJaunes, a subsidiary of PagesJaunes Groupe, as provided for in the agreements of May/June 2004, could not be implemented. In this context the two companies agreed to establish an operational concession contract for the universal printed directory in favour of PagesJaunes accompanied by a contract for the transfer of the *l’Annuaire* trademark for a total of €12 million. These contracts were signed on 20 January and came into force on 1 January 2006. The price of the operating concession, €11 million, is being amortised over a period of four years with effect from 1 January 2006, the period corresponding to that of the non-competition undertaking granted by France Télécom for the publication of alphabetical directories.

3.10 Tangible fixed assets

Gross value

The gross value of tangible fixed assets corresponds to their purchase or production cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

It also includes the estimate of the costs of dismantling and removing the item and restoring the site on which it is located, such obligation being incurred by the Group either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories.

Finance leases

Assets acquired under leases that transfer the risks and rewards of ownership to PagesJaunes Groupe (finance leases) are stated in fixed assets, with a corresponding financial obligation being recorded in liabilities. The risks and rewards of ownership are considered as having been transferred to PagesJaunes Groupe when:

- The lease transfers ownership of the asset to the lessee at the end of the lease term,
- The Group has the option to purchase and the conditions of the option are such that it is highly likely that ownership will be transferred at the end of the lease term,
- The lease term covers the major part of the estimated economic life of the asset,
- The discounted value of the total of the minimum fees provided for in the contract is close to the fair value of the asset.

At the same time, the assets in respect of which the risks and rewards associated with ownership are transferred by PagesJaunes Groupe to third parties under a lease contract are considered as having been sold.

Maintenance and repair costs are expensed as incurred, except where they serve to increase the asset's productivity or prolong its useful life.

Depreciation

Tangible fixed assets are depreciated on a basis that reflects the pattern in which their future economic benefits are expected to be consumed in the case of each asset item on the basis of the acquisition cost, less any residual value. The straight-line basis is usually applied over the following estimated useful lives: 25 to 30 years for buildings, 5 to 10 years for fittings, 1 to 5 years for other fixed assets.

These depreciation periods are reviewed annually and are adjusted if current estimated useful lives differ from previous estimates. These changes in accounting estimates are recognised prospectively.

3.11 Impairment of fixed assets

Under IAS 36 "Impairment of Assets", the value in use of tangible and intangible fixed assets must be tested for impairment when there is an indication that they may be impaired. Indicators are reviewed at each closing date.

Intangible and tangible fixed assets are subject to a writedown for impairment when, because of events or circumstances which have occurred during the period (such as obsolescence, physical deterioration, significant changes to the manner in which the asset is used, worse than expected performance, a drop in revenues or other external indicators, etc.), their recoverable amount appears to be lower than their net book value in the long term. The recoverable amount of an asset is the higher of its fair value less exit costs and its value in use.

Each asset or group of assets is tested for impairment by comparing its recoverable amount to its net book value. When an asset or group of assets is found to be impaired, the recognised impairment loss is equal to the difference between its net book value and the recoverable amount.

The recoverable amount of an asset is generally determined by reference to its value in use, corresponding to the future economic benefits expected to be derived from the use of the asset and its subsequent disposal. It is assessed by the discounted cash flows method, based on economic assumptions and operating conditions expected by the Management of PagesJaunes Groupe.

3.12 Financial assets and liabilities

Financial assets include available-for-sale assets, held-to-maturity assets, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings, other financing and bank overdrafts and operating debts.

Financial assets and liabilities are measured and recognised in accordance with IAS 39 "Financial Instruments: Recognition and Measurement.

3.12.1 Measurement and recognition of financial assets

Assets held to maturity

Held-to-maturity investments comprise exclusively securities with fixed or determinable income and fixed maturities, other than loans and receivables, which the Group has the intention and ability to hold to maturity. They are recognised initially at fair value and are subsequently measured at amortised cost by the effective interest method.

The Group assesses whether there is any objective evidence that held-to-maturity assets are impaired. A financial asset is written down if its book value exceeds the recoverable amount estimated at the time of the impairment tests. The impairment loss is recognised in the income statement.

Available-for-sale assets

Available-for-sale assets consist mainly of shares in non-consolidated companies and marketable securities that do not fulfil the criteria for classification in any of the other categories of financial assets. They are measured at fair value and gains and losses arising from remeasurement at fair value are recognised in equity.

Fair value corresponds to market price for listed securities and estimated value in use for unlisted securities, determined according to the most appropriate financial criteria in each case.

If there is any objective indication that these assets are impaired, the accumulated loss stated in equity is recognised in the income statement.

Loans and receivables

This category includes receivables from participating interests, other loans and receivables and trade accounts receivable. They are recognised initially at fair value and are subsequently measured at amortised cost by the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Cash flows on loans and receivables at variable rates of interest are remeasured periodically, to take into account changes in market interest rates. The remeasurement has the effect of increasing or reducing the effective interest rate and, consequently, the carrying value of the loan or receivable.

The Group assesses whether there is any objective evidence that loans or receivables are impaired. A financial asset is written down if its book value exceeds the recoverable amount estimated at the time of the impairment tests. The impairment loss is recognised in the income statement.

Assets held for trading

Assets held for trading are assets which the Company intends to resell in the near term in order to realise a profit, which form part of a portfolio of financial instruments that are managed together and for which there is a practice of short-term disposal. This category also includes assets which the Group has opted to classify in this category, irrespective of the criteria stated above ("fair value" option).

Assets held for trading, consisting mainly of mutual fund units, are carried in the balance sheet under "Short-term financial assets".

Cash and cash equivalents

Cash equivalents are held to meet short-term cash needs rather than for investment or other purposes. They consist of instruments that are readily convertible into known amounts of cash and are not exposed to any material risk of impairment. Cash and cash equivalents comprise cash available on demand and short-term investments with maturities generally of three months or less at the date of purchase. They are stated at historical cost, which is close to their realisable value.

3.12.2 Measurement and recognition of financial liabilities

Financial liabilities

With the exception of financial liabilities held for trading, which are measured at fair value, borrowings and other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost by the effective interest method.

Transaction costs that are directly attributable to the acquisition or issue of a financial liability are deducted from the liability's carrying value. This is because financial liabilities are initially recognised at cost, corresponding to the fair value of the sums paid or received in exchange for the liability. The costs are subsequently amortised over the life of the liability, by the effective interest method.

The effective interest rate is the rate which discounts estimated future cash payments up to the maturity date or the nearest date of price adjustment to the market rate, to the net carrying amount of the financial liability.

Financial liabilities held for trading

Financial liabilities held for trading are measured at fair value.

3.12.3 Measurement and recognition of derivative instruments

Derivative instruments are measured at fair value in the balance sheet. Except as explained below, gains and losses arising from remeasurement at fair value of derivative instruments are systematically recognised in the income statement.

Hedging instruments

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", derivative instruments may be designated as fair value hedges or cash flow hedges:

- A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an identified portion of the asset or liability, that is attributable to a particular risk, notably rate and currency risks, and which would affect profit or loss;
- A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecast transaction (such as a future purchase or sale) and could affect profit or loss.

Hedge accounting applies if:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- At the inception of the hedge and in subsequent periods, the company may expect the hedge to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk and if the actual results of the hedge are within a range of 80-125 per cent.

The effects of applying hedge accounting are as follows:

- For fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognised in the balance sheet at fair value. The gain or loss from remeasuring the hedged item at fair value is recognised in profit or loss and is offset by the effective portion of the loss or gain from remeasuring the hedging instrument at fair value;
- For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity – because the change in the fair value of the hedged portion of the underlying item is not recognised in the balance sheet – and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. Amounts recognised directly in equity are subsequently recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

3.13 Inventories

Inventories are stated at the lower of cost and probable net realisable value. Cost corresponds to purchase or production cost determined by the weighted average cost method.

3.14 Deferred taxes

In accordance with IAS 12 “Income Taxes”, deferred taxes are recognised for all temporary differences between the book values of assets and liabilities and their tax basis, as well as for unused tax losses, by the liability method. Deferred tax assets are recognised only when their recovery is considered probable.

IAS 12 requires, in particular, the recognition of deferred tax liabilities on all intangible assets recognised in business combinations (trade marks, customer lists, etc.).

A deferred tax liability is recognised for all taxable temporary differences between the book value of shares and their tax base associated with investments in subsidiaries, equity-method associates and interests in joint ventures, except where:

- The Group is able to control the timing of the reversal of the temporary difference (e.g.: distribution of dividends); and
- It is probable that the temporary difference will not be reversed in the foreseeable future.

In practice, this means that for fully and proportionally consolidated companies, a deferred tax liability is recognised for taxes payable on planned dividend distributions by these companies.

The deferred tax assets and liabilities are set off if there is a legally enforceable right allowing set-off against a future tax liability. Any set-offs are treated by tax group depending on a single tax authority.

The deferred taxes relating to items stated directly in shareholders’ equity are also stated in shareholders’ equity.

In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

3.15 Provisions

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognised when, at the end of the period, the Group has an obligation towards a third party resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Group's practices or public commitments which have created a legitimate expectation among third parties concerned that the Group will meet certain responsibilities.

The amount recognised as a provision corresponds to the best estimate of the expenditure required of the Group to settle the present obligation. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded, but details of the obligation are disclosed in the notes to the financial statements.

Contingent liabilities – corresponding to potential obligations resulting from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Company’s control, and to probable obligations that are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation – are disclosed in the notes to the financial statements.

Provisions for restructuring costs are recognised only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed plan before the period end-date.

Provisions are discounted when the discounting adjustment is material.

Statutory training rights (DIF)

Expenditure in respect of statutory training rights constitutes an expense for the period and does not give rise to any provision. However, the notes to the consolidated financial statements include disclosures of the cumulative number of hours' training entitlement at the end of the accounting period and the unused portion of the vested entitlement.

In a limited number of cases (request for training leave, redundancy or resignation) or where such costs cannot be considered as remuneration of future services, the resulting short-term obligation is provided for in the financial statements for the period as soon as the obligation towards the employee becomes probable or certain.

In respect of the statutory training rights, for non-civil servant employees and those on indefinite-term contracts within the French entities of the PagesJaunes Group, the number of hours in the open but unconsumed portion of the rights was 177,208 as at 31 December 2006. 1,479 hours were the subject of employee requests in 2006.

3.16 Pension and similar benefit obligations

3.16.1 Post-employment benefits

Retirement benefits and similar commitments

In France, the legislation provides for benefits to be paid to employees at retirement on the basis of their length of service and salary at retirement age. The actuarial differences relating to post-employment benefits will be treated in accordance with the corridor method, which consists of recognising a specified portion of the net cumulative actuarial gains and losses that exceed 10% of the greater of the present value of the commitment and the value of plan assets, over the average expected remaining working lives of the employees participating in the plan.

The impact of changes in assumptions is reflected in the income statement over the residual average working life of the employees (cf. note 27).

Other retirement schemes

These benefits are provided either on the basis of defined contribution schemes or on the basis of defined benefit schemes.

In the context of defined contribution schemes, the Group has no commitment other than the payment of contributions; the charge corresponding to the contributions paid is recognised in the income statement for the period.

In accordance with IAS 19, obligations under defined benefit schemes are measured by the projected unit credit method. According to this method, each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately to value the final obligation, which is then discounted.

3.16.2 Other long-term benefits

Other long-term benefits which may be granted by the Group consist mainly of long-service awards, for which the related obligations are also measured on an actuarial basis.

3.16.3 Termination benefits

Any termination benefits are also determined on an actuarial basis and covered by provisions.

For all commitments where termination of employment contracts would trigger payment of compensation, the impact of changes in assumptions is recognised in profit or loss for the period during which the revision takes place.

3.17 Share-based payments

In accordance with IFRS 2 “Share-Based Payment”, stock options, employee share issues and free grants of shares to employees of the Group are valued on their grant date.

The grant date for employee share issues has been taken to be the date when the main terms of the plan were announced to employees, as stipulated in the circular issued by the CNC on 21 December 2004 relating to employee share ownership plans.

Since the related benefits are vested immediately (the vesting period being very short or non-existent), the related compensation expense is recognised in full in the period. The Group has valued the benefits granted to employees at fair value on the grant date of the rights, taking into account the restriction period.

The value of stock options is determined in particular by reference to the exercise price, the life of the options, the current price of the underlying shares, the expected share price volatility, expected dividends and the risk-free interest rate over the life of the options. The amount so determined (under the “share-based payment” heading) is recognised in personnel expenses on a straight-line basis over the period between the grant date and the exercise date – corresponding to the vesting period – and in equity for equity-settled plans or in liabilities to employees for cash-settled plans.

The Group has opted for retrospective application of IFRS 2 to equity- and cash-settled plans. Plans issued prior to 31 December 2003 have been valued in accordance with the North American standard FAS 123 using the Black & Scholes model. With effect from 1 January 2004, all new plans are valued in accordance with IFRS 2 using a binomial model.

The fair value of a free share is the market price of the share on the grant date after adjustment to take account of the loss of dividends expected during the vesting period. This expense is recorded on a straight-line basis over the vesting period and, if necessary, adjusted to take account of the likelihood that the performance conditions will be fulfilled.

Note 4 - Segment information

The core business of the Group is the publication of directories in France and abroad, offering a diversified range of products and services for the general public and businesses. Financial income, financial expenses, foreign exchange gains and losses and current taxation are not the subject of a segment allocation. Similarly, the related balance sheet items (cash, financial liabilities and tax liabilities) are not allocated to any segment. By convention, there is no segment allocation of deferred tax.

The Group’s business is organised in two main segments:

- PagesJaunes in France: the activities in France related to the publication and distribution of directories, the sale of advertising space in printed and online directories, the creation and hosting of websites, the 118 008 telephone directory enquiry services and the publication of the PagesPro directories, the sale of online access to databases, the reverse directory QuiDonc and the advertising representation for Europages. This segment also includes the holding company activities accommodated within PagesJaunes Groupe.
- International & Subsidiaries: the activities of the Company’s various subsidiaries that are principally involved in the publication of consumer directories outside France, developing the Kompass directories in Europe and developing complementary activities related to the publication of directories (such as the geographic services of Mappy and the direct marketing activities of PagesJaunes Marketing Services – formerly Wanadoo Data and e-sama). This segment also includes the new small ads business that is currently being launched as part of PagesJaunes Petites Annonces, formerly known as Cristallerie 1.

4.1 - Analysis by business segment

The following table shows information by business segment for the periods ended 31 December 2006, 2005 and 2004:

Free translation of the French language original

Analysis by business segment
Income statement

Amounts in thousands of euros	2006 PagesJaunes in France	2006 International & Subsidiaries	2006 Eliminations	2006 Group	2005 PagesJaunes in France	2005 International & Subsidiaries	2005 Eliminations	2005 Group	2004 PagesJaunes in France	2004 International & Subsidiaries	2004 Eliminations	2004 Group
Net revenues	**1 014 981**	**117 248**	**(7 754)**	**1 124 475**	**956 144**	**108 874**	**(4 318)**	**1 060 700**	**903 937**	**65 064**	**(1 841)**	**967 160**
- External	1 013 454	111 021		1 124 475	954 914	105 786		1 060 700	903 900	63 260		967 160
- Inter-segment	1 527	6 227	(7 754)	0	1 230	3 088	(4 318)	0	37	1 804	(1 841)	0
Gross operating margin	**479 907**	**6 413**	**0**	**486 320**	**457 538**	**5 537**	**0**	**463 075**	**413 940**	**(6 458)**	**0**	**407 482**
Legal profit-sharing	(13 497)	(68)		(13 565)	(32 340)	(566)		(32 906)	(29 408)	(518)		(29 926)
Share-based payment	(7 443)	(1 770)		(9 213)	(19 125)	(1 325)		(20 450)	(23 522)	(1 752)		(25 274)
Depreciation and amortisation	(8 791)	(3 848)		(12 639)	(5 872)	(3 872)		(9 744)	(6 670)	(3 396)		(10 066)
Result of asset disposals	(595)	37		(558)	(538)	(31)		(569)	(360)	(3)		(363)
Restructuring costs	-	(63)		(63)	-	(372)		(372)	-	-		-
Result of equity method associates	-	-		-	-	-		-	-	774		774
Operating income	**449 582**	**701**	**0**	**450 282**	**399 663**	**(629)**	**0**	**399 034**	**353 980**	**(11 353)**	**0**	**342 627**
Financial income				21 167				16 378				20 784
Financial expenses				(13 663)				(4 795)				(444)
Result of disposal of financial assets				764				(18)				-
Gain (loss) on foreign exchange				-				18				(51)
Corporation tax				(161 655)				(148 873)				(149 314)
Net income				**296 895**				**261 745**				**213 602**
Acquisitions of tangible and intangible fixed assets	**26 312**	**4 273**		**30 585**	**9 824**	**2 019**		**11 843**	**6 211**	**1 466**		**7 677**

Free translation of the French language original

Analysis by business sectors
Balance sheet

Amounts in thousands of euros	**2006** PagesJaunes in France	**2006** International & Subsidiaries	**2006** Eliminations	**2006** Group	**2005** PagesJaunes in France	**2005** International & Subsidiaries	**2005** Eliminations	**2005** Group	**2004** PagesJaunes in France	**2004** International & Subsidiaries	**2004** Eliminations	**2004** Group
Net goodwill		107 727		107 727		107 394		107 394		77 475		77 475
Net intangible fixed assets	22 586	5 430		28 016	6 031	5 480		11 511	1 578	6 841		8 419
Net tangible fixed assets	13 553	5 468		19 021	12 985	5 010		17 995	13 808	3 008		16 816
Investments accounted for using the equity method										15 493		15 493
Non-current non-segment assets				22 867				73 047				29 928
Non-current assets				**177 631**				**209 947**				**148 131**
Net inventories	5 944	681		6 625	4 653	628		5 281	11 842	531		12 373
Net trade accounts receivable	450 661	53 305	(4 013)	499 953	422 221	52 884	(2 349)	472 756	396 542	35 494	(1 243)	430 793
Other current assets	30 405	4 919		35 324	28 119	11 645		39 764	25 021	19 329		44 350
Pre-paid expenses	43 209	16 319	(27)	59 501	39 934	15 709	(4)	55 639	27 148	12 696		39 844
Current non-segment assets				71 134				594 289				645 071
Current assets				**672 537**				**1 167 729**				**1 172 431**
Total assets				**850 168**				**1 377 676**				**1 320 562**
of which segment assets	*566 358*	*193 849*	*(4 040)*	*756 167*	*513 943*	*198 750*	*(2 353)*	*710 340*	*475 939*	*170 867*	*(1 243)*	*645 563*
of which non-segment assets				*94 001*				*667 336*				*674 999*
Shareholders' equity				**(2 060 565)**				**407 098**				**387 543**
Personnel benefits - non-current	28 354	1 020		29 374	24 497	953		25 450	20 959	1 103		22 062
Provisions - non-current	6 709	180		6 889	7 876			7 876	8 217	112		8 329
Other non-current liabilities		90		90	2 400	92		2 492				
Non-current segment liabilities				1 910 989				18				32
Non-current liabilities				**1 947 342**				**35 836**				**30 423**
Provisions - current		746		746		509		509		236		236
Trade accounts payable	102 392	18 300	(4 013)	116 679	107 713	18 803	(2 349)	124 167	93 272	14 997	(1 243)	107 026
Personnel benefits - current	62 577	10 930		73 507	78 158	9 732		87 890	74 077	7 944		82 021
Other current liabilities	93 254	9 551		102 805	89 736	11 419		101 155	86 506	4 755		91 261
Deferred income	600 176	40 135	(27)	640 284	553 167	38 493	(4)	591 656	506 707	28 663		535 370
Current non-segment liabilities				29 370				29 365				86 682
Current liabilities				**963 391**				**934 742**				**902 596**
Total liabilities				**850 168**				**1 377 676**				**1 320 562**
of which segment liabilities	*893 462*	*80 952*	*(4 040)*	*970 374*	*863 547*	*80 001*	*(2 353)*	*941 195*	*789 738*	*57 810*	*(1 243)*	*846 305*
of which non-segment liabilities				*(120 206)*				*436 481*				*474 257*

4.2 - Analysis by geographic region

(Amounts in thousands of euros)	**31 December 2006**	**31 December 2005**	**31 December 2004**
Contributory revenues	**1 124 475**	**1 060 700**	**967 160**
- France	1 062 125	1 004 239	940 774
- Others	62 350	56 461	26 386
Assets	**850 168**	**1 377 676**	**1 320 562**
- France	622 637	570 251	469 804
- Others	133 530	140 089	91 565
- Unallocated	94 001	667 336	759 193
Tangible & intangible investments	**30 585**	**11 843**	**7 677**
- France	29 479	11 119	6 888
- Others	1 106	724	789

Note 5 - Additional information on a like-for-like basis

In order to make the data for 2004 comparable with that of the scope of consolidation in 2006, the 2004 data has been restated on the basis of the 2006 scope of consolidation.

The table below shows the transition between the consolidated financial statements as at 31 December 2004 and the consolidated information on a like-for-like basis as at 31 December 2004, taking into account:

- The entry into the consolidated group of QDQ Media and Mappy as at 1 January 2004 instead of 1 April 2004 and 1 May 2004 respectively
- The entry into the consolidated group of Kompass Belgium on 1 January 2004 instead of 1 January 2005,
- The acquisition of Edicom on 1 July 2004 instead of 1 July 2005. The adjustment to 1 January is insignificant.
- The proportional consolidation of Editus on 1 January 2004, this company having previously been consolidated by the equity method
- The acquisition of e-sama on 1 February 2004 instead of 1 February 2006. The adjustment to 1 January is insignificant.

HISTORICAL INCOME STATEMENT / LIKE-FOR-LIKE DATA
(Amounts in thousands of euros)

		2004 historical	Adjustments	**2004 on a like-for-like basis**
Net revenues		967,160	33,873	1,001,033
External purchases		(317,582)	(14,284)	(331,866)
Other operating income and expenses		26,896	(603)	26,293
Personnel expenses	- Salaries and charges	(268,992)	(14,718)	(283,710)
Gross Operating Margin		**407,482**	**4,268**	**411,750**
	- Employee profit-sharing	(29,926)	(224)	(30,150)
	- Share-based payment	(25,274)	0	(25,274)
Depreciation and amortisation		(10,066)	(788)	(10,854)
Impairment of goodwill		0	0	
Impairment of fixed assets		0	(11)	(11)
Result of asset disposals		(363)	(9)	(372)
Restructuring cost		0	0	0
Result of equity method associates		774	(774)	0
Operating income		**342,627**	**2,462**	**345,089**
Financial income		20,784	(1,714)	19,070
Financial expenses		(444)	(22)	(466)
Gain (loss) on foreign exchange		(51)	0	(51)
Financial result		**20,289**	**(1,736)**	**18,553**
Corporation tax		(149,314)	(1,457)	(150,771)
Net income		**213,602**	**(731)**	**212,871**

Cf. note 6 for further details.

Note 6 - Change in the scope of consolidation

- **2006**

The main operations during the 2006 financial year were as follows:

The companies Wanadoo Data and e-sama were merged on 31 March 2006 to form PagesJaunes Marketing Services. This internal restructuring operation has no significant impact on the consolidated financial statements. As forecast, a price supplement of €1.9 million was paid in April 2006 to close the acquisition of 100% of the shares of e-sama which began in February 2005.

The data for 2005 have not been adjusted to take account of the acquisition of e-sama, which took place on 1 February 2005, and of the acquisition of Edicom, which took place on 30 June 2005, as these companies, with revenues of €0.7 million in January 2005 in the case of e-sama and €1.2 million in the first half of 2005 in the case of Edicom, have no significant impact on the Group's results.

The company PagesJaunes Petites Annonces (formerly Cristallerie 1), which includes the new online small ads business, has been consolidated since 1 January 2006. This company had no activity in 2005.

- **2005**

The entry into the consolidated group of Kompass Belgium on 1 January 2005, this company having been acquired on 14 April 2004, at a price of €1.8 million, generated goodwill of €1.3 million, (for 100% of the shares and voting rights).

In February 2005, PagesJaunes Groupe acquired through its subsidiary Wanadoo Data 100% of e-sama, a company specialising in database hosting and Customer Relationship Management (CRM). This company has been fully consolidated since 1 February 2005 and its acquisition generated goodwill of €11.7 million for 100% of the shares at an acquisition price of €13 million (including a €1.9 million price supplement).

PagesJaunes Groupe also acquired the company Edicom, the leading publisher of directories in Morocco in July 2005. This company has been fully consolidated since 1 July 2005. The purchase from Atlas Services Belgium of 100% of the shares of Edicom at a price of €5.5 million generated goodwill of €4.8 million.

In view of the acquisition of the remaining 50% of the Eurodirectory sub-group at the end of 2004, Eurodirectory has been fully consolidated since 1 January 2005 and its subsidiary Editus has been proportionally consolidated.

- **2004**

The entry on 1 April 2004 of QDQ Media for €17 million with an equity loan of €89 million generated goodwill amounting to €69 million (100% of shares and voting rights were acquired). The cash acquired amounted to €7 million. On an indicative basis, the 2004 revenues of QDQ Media were €37 million, with a negative gross operating margin of -€13 million. The acquisition price relating to this entity is explained in particular by the fact that QDQ Media occupies the second position in the Spanish market and that the target of breakeven in gross operating margin is expected to be achieved by the end of 2006.

The entry of Mappy (formerly Wanadoo Maps) on 1 May 2004, at an acquisition price of €10 million for 100% of the shares and voting rights, generates goodwill amounting to €7 million. On an indicative basis the 2004 revenues of Mappy (before intra-group eliminations) amounts to €5.5 million, with a gross operating margin of €1.3 million.

The acquisition of 50% of Eurodirectory, for a price of €13.5 million, takes the holding of PagesJaunes Groupe in this company to 100% and generates goodwill of €12.1 million. PagesJaunes Groupe thus becomes an indirect 49% shareholder in Editus, a Luxembourg directory company. Eurodirectory, the remainder of which was acquired at the end of 2004, remains consolidated by the equity method in 2004. This decision has no significant impact on the financial statements.

All the companies were acquired for cash.

In order to separate the directories activity from the holding company assets, the Group acquired in November 2004 a company named Nedif (since renamed PagesJaunes), to which it has transferred the operating activity of PagesJaunes. At the same time, the PagesJaunes company changed its name to PagesJaunes Groupe. The new PagesJaunes company is fully consolidated retrospectively to 1 January 2004.

Note 7 - Revenues

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
PagesJaunes in France			
Printed directories	654 144	638 194	618 928
PagesJaunes	528 760	524 275	505 167
L'Annuaire	125 384	113 919	113 761
Online services	320 727	284 959	254 518
Internet	279 964	227 717	169 558
Minitel	40 763	57 242	84 960
Other businesses	14 410	391	-
Printed directories	25 700	32 600	30 491
Total for the PagesJaunes in France segment	**1 014 981**	**956 144**	**903 937**
International & Subsidiaries			
B to C directories	58 397	52 409	26 386
Kompass	31 392	29 338	23 356
Direct Marketing and geographic services	27 459	27 127	15 322
Total for the International & Subsidiaries segment	**117 248**	**108 874**	**65 064**
Inter-segment	(7 754)	(4 318)	(1 841)
TOTAL	**1 124 475**	**1 060 700**	**967 160**

In accordance with SIC 31, income from ordinary activities does not include exchanges of goods or services.

Note 8 - Other operating income

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Recharging of publication costs relating to *L'Annuaire*	5 891	47 276	48 264
Other income	6 598	7 630	6 985
TOTAL	**12 489**	**54 906**	**55 249**

Note 9 - Personnel expenses

(in thousands of euros, except for number of employees)		31 December 2006	31 December 2005	31 December 2004
Average number of employees (full-time equivalent)		4 736	4 677	4 233
Wages and social charges		**(313 592)**	**(297 577)**	**(268 992)**
of which:	- Wages and salaries	(204 489)	(195 082)	(185 114)
	- Social charges	(85 385)	(80 626)	(72 846)
	- Own work capitalised	-	-	-
	- Taxes on salaries and other items	(23 718)	(21 869)	(11 032)
Share-based payment		**(9 213)**	**(20 450)**	**(25 274)**
of which:	- Employee share issues	-	(14 732)	(15 299)
	- Stock options and free shares (1)	(7 071)	(5 718)	(9 975)
	- Social charges on exercised stock options	(2 142)	-	-
Legal profit-sharing		**(13 565)**	**(32 906)**	**(29 926)**
Total personnel expenses		**(336 370)**	**(350 933)**	**(324 192)**

(1) cf. note 27

At the end of 2005, the French companies in the PagesJaunes Group terminated their membership of the France Télécom group legal profit-sharing agreement. A pooled legal profit-sharing agreement bringing together all of the French companies of the PagesJaunes Group was concluded on 26 June 2006. This agreement, which was applicable with effect from the 2006 financial year in respect of the profit-sharing to be paid in 2007, provides for the pooling of the special profit-sharing reserves among all of the French entities within the PagesJaunes Group, with each special profit-sharing reserve being now calculated on the basis of a derogatory formula based on the operating result of each of the entities. In this context, the PagesJaunes Group recorded a consolidated legal profit-sharing charge of €13.6 million in 2006, compared to €32.9 million in 2005. This charge will benefit all of the employees of the PagesJaunes Group in respect of 2006, whereas the latter had received a total profit-sharing of €11.6 million in respect of 2005.

Employee share issues

- **2006**

None.

- **2005**

Following the sale by the State of 152.2 million existing shares of France Télécom representing 6.2% of the share capital, on 9 June 2006, the State offered shares to current and former employees of the France Télécom group and PagesJaunes Groupe, in accordance with the Privatisation Act of 6 August 1986. This offer involved 16.9 million shares of France Télécom, representing 0.68% (undiluted) of the total number of France Télécom shares.

The offer was the subject of a prospectus approved by the Autorité des Marchés Financiers on 8 September 2006 under the number 04-895. The France Télécom shares were offered at the unit price of €19.79, corresponding to 80% of the sale price of the France Télécom share in the private placement with investors (i.e. €22.55 per share).

The subscription period ran from 15 to 27 September 2004. A total of 16.7 million shares were purchased, including 3.2 million by employees of the PagesJaunes Group. The settlement and delivery of the shares took place on 7 November 2006.

The expense entered in respect of this transaction was €14.7 million.

- **2004**

Following to the IPO of PagesJaunes Groupe in July 2004, the Company carried out a capital increase reserved for personnel of the France Télécom group. A total of 4.7 million shares were purchased by the employees.

In addition, following the sale by the State of 10.85% of France Télécom's capital on 7 September 2004, the State offered shares to the personnel and former employees of the France Télécom group and PagesJaunes Group, in accordance with the Privatisation Act of 6 August 1986. The subscription period ran from 1 to 13 December 2004. A total of 28.7 million shares were purchased by the employees, including 2.3 million shares by employees of PagesJaunes Group. The settlement and delivery of the shares took place on 20 January 2005.

The expense entered in respect of these transactions was €15.3 million in 2004, including €3.0 million in respect of the PagesJaunes offer.

Note 10 - Financial result

The financial result is made up as follows:

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Interest and similar income from financial assets	16 384	16 027	20 434
Change in the fair value of hedging instruments	4 206	-	-
Dividends received	577	351	350
Financial income	**21 167**	**16 378**	**20 784**
Interest on financial liabilities	(11 501)	(3 278)	(444)
Amortisation of debt costs	(613)	-	-
Discounting cost (1)	(1 549)	(1 554)	-
Financial expenses	**(13 663)**	**(4 795)**	**(444)**
Result of disposal of financial assets	**764**	**(18)**	**-**
Foreign exchange gain (loss)	**-**	**18**	**(51)**
Financial income (expense)	**8 267**	**11 583**	**20 289**

(1) cost relating to the increase of the retirement benefit obligation present value, cf. note 27

The financial result consists primarily of income generated by cash placed with France Télécom up to 11 October 2006, and placed in short-term treasury instruments since that date. It also includes the change in the time value of the collar set up by the Company, amounting to net income of €4.2 million in 2006.

In 2005, the financial expenses included in particular a financial expense of €2.9 million paid at the time of the securitisation of the tax credit relating to the exceptional levy of 25% on the dividends paid in 2005.

Note 11 - Corporation tax

11.1 Group tax proof

The corporation tax for the year results from the application of the effective year-end rate to the pretax income.

The reconciliation between the effective tax expense and the theoretical tax calculated on the basis of the French statutory tax rate is as follows:

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Pretax income	458 549	410 617	362 916
Statutory tax rate in France	34,43%	34,93%	35,43%
Theoretical tax	**(157 878)**	**(143 429)**	**(128 581)**
Income from equity-method associates	0	0	274
Loss-making companies not integrated for tax purposes	(776)	(2 742)	(7 456)
Tax on long-term capital gain reserves	-	-	(964)
Distribution of special long-term capital gain reserve	-	-	(4 610)
Share-based payment	(2 435)	(6 720)	(8 547)
Foreign subsidiaries	(31)	113	-
Regularisation of CT in respect of previous years	(668)	3 232	-
Other non-taxable revenues and expenses	133	673	570
Effective tax	**(161 655)**	**(148 873)**	**(149 314)**
of which current tax	*(137 001)*	*(151 258)*	*(150 893)*
of which deferred tax	*(24 654)*	*2 385*	*1 579*

11.2 Balance sheet tax position

The net balance sheet tax position is made up as follows:

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Retirement benefits	8 321	7 105	6 201
Legal profit-sharing	4 663	11 361	10 320
Fixed assets	2 934	2 977	3 244
Non-deductible provisions	2 284	2 827	2 783
Tax loss carry-forwards and depreciation deemed deferred	1 743	2 466	2 829
Other differences	1 745	1 791	767
Subtotal of deferred tax assets	**21 690**	**28 527**	**26 144**
Hedging instruments	(3 433)	-	-
Loan issue costs	(16 298)	-	-
Subtotal of deferred tax liabilities	**(19 731)**	**-**	**-**
Total net deferred tax (assets)	**1 959**	**28 527**	**26 144**

No deferred tax assets were recognised in the balance sheet in respect of loss carry-forwards of QDQ Media, as this company recorded negative net income in 2006. The amount of the unstated deferred tax is estimated at €65.5 million as at 31 December 2006.

The companies' deferred tax assets and liabilities have been valued taking into account the departure in 2004, without compensation, of companies from the consolidated tax group formed by Wanadoo SA.

PagesJaunes has opted for the French tax consolidation regime provided for by Article 223A ff. of the French General Tax Code. This option aims to create a consolidated tax group, consisting of, in addition to PagesJaunes Groupe, all its French subsidiaries which satisfy the conditions required to become a member. This option took effect from 1 January 2006 for a period of five years.

Part of the deferred tax liabilities were recorded in shareholders' equity for €1,914,000, of which €1,703,000 in respect of hedging instruments (cf. note 20).

The liability in the balance sheet corresponds to current tax. The tax disbursed during the 2006 financial year amounted to €162.8 million.

Note 12 - Earnings per share

Net income amounted to €296.9 million. The number of ordinary shares was 280,266,780 (cf. note 26 – Shareholders' equity) as at 31 December 2006.

The net earnings per share therefore amount to €1.07 and €1.05 taking into account the potentially dilutive effect of the existence of 3,735,176 PagesJaunes Groupe stock options as at 31 December 2006 (3,757,000 as at 31 December 2005) and the existence of 1,356,201 shares which could be granted free of charge in 2008 and 2009 subject to the fulfilment of performance conditions.

Note 13 - Goodwill related to consolidated companies

The principal goodwill items arising from the fully consolidated companies are as follows:

(in thousands of euros)	31 December 2006			31 December 2005	31 December 2004
	Opening balance	Acquisitions/ disposals	Closing balance	Closing balance	Closing balance
QDQ Media	68 882	-	68 882	68 882	68 882
Mappy	7 400	-	7 400	7 400	7 395
PagesJaunes Marketing Services (formerly Wanadoo Data)	1 198	12 080	13 278	1 198	1 198
e-sama	11 747	-11 747	-	11 747	-
Eurodirectory	12 109	-	12 109	12 109	-
Edicom	4 796	-	4 796	4 796	-
Kompass Belgium	1 262	-	1 262	1 262	-
Total	**107 394**	**333**	**107 727**	**107 394**	**77 475**

In 2006, the companies Wanadoo Data and e-sama were merged on 31 March 2006 to form PagesJaunes Marketing Services. This internal restructuring operation has no significant impact on the consolidated financial statements. As forecast, a price supplement of €1.9 million was paid in April 2006 to close the acquisition of 100% of the shares of e-sama which began in February 2005.

The main operations in 2005 were:

- The entry into the scope of consolidation of Kompass Belgium in 1 January 2005, a company acquired on 14 April 2004, at a price of €1.8 million, generated goodwill of €1.3 million (for 100% of the shares and voting rights).
- The acquisition of e-sama, through the subsidiary Wanadoo Data, on 1 February 2005, at a price of €12.9 million for 100% of the shares, generated goodwill of €11.7 million.
- The acquisition of Edicom from Atlas Services Belgium, at a price of €5.5 million for 100% of the shares, generated goodwill of €4.8 million.
- The acquisition of the remaining 50% of the Eurodirectory sub-group at a price of €13.5 million at the end of 2004 generated goodwill of €12 million. This company is now owned 100%. By acquiring the balance of the holding in Eurodirectory, PagesJaunes Groupe has become a 49% shareholder in Editus, a Luxembourg directory company. Since 1 January 2006, Eurodirectory has been fully consolidated and its subsidiary Editus proportionally consolidated.

The value of goodwill was examined in the context of the preparation of the consolidated financial statements, in accordance with the method described in note 3.8 – Accounting policies, on the basis of business plans, a perpetual growth rate of between 1.5% and 2.5% and a discount rate after tax of between 8.7% and 12% depending on the cash-generating units.

Note 14 - Other intangible fixed assets

(in thousands of euros)	31 December 2006			31 December 2005			31 December 2004		
	Gross value	Accumulated amortisation	Net value	Gross value	Accumulated amortisation	Net value	Gross value	Accumulated amortisation	Net value
ERP & Applications support	44 521	(28 402)	16 119	37 674	(27 845)	9 829	32 865	(26 538)	6 327
Other intangible fixed assets	19 357	(7 460)	11 897	5 534	(3 852)	1 682	4 018	(1 926)	2 092
Total	**63 878**	**(35 862)**	**28 016**	**43 208**	**(31 697)**	**11 511**	**36 883**	**(28 464)**	**8 419**

No significant impairment was recognised as at 31 December 2005, 2005 and 2004.

France Télécom was appointed by decree on 3 March 2005 as the publisher of the universal directory for a period of two years. Since France Télécom must remain the publisher, the transfer of the *l'Annuaire* trademark to PagesJaunes, a subsidiary of PagesJaunes Groupe, as provided for in the agreements of May/June 2004, could not be implemented. In this context the two companies agreed to establish an operational concession contract for the universal printed directory in favour of PagesJaunes accompanied by a contract for the transfer of the *l'Annuaire* trademark for a total of €12 million. These contracts were signed on 20 January and came into force on 1 January 2006. The price of the operating concession, €11 million, is being amortised over a period of four years with effect from 1 January 2006, the period corresponding to that of the non-competition undertaking granted by France Télécom for the publication of alphabetical directories. This operation was recorded in the "Other intangible fixed assets" line.

The movements in the net value of other intangible fixed assets were as follows:

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Opening balance	**11 511**	**8 419**	**3 607**
Acquisitions	16 121	1 640	1 558
Assets generated internally (1)	7 205	4 908	394
Effect of changes in scope of consolidation (2)	-	293	6 796
Translation differences	(1)	-	-
Reclassifications	(65)	-	-
Disposals	(120)	(2)	(10)
Amortisation charge	(6 635)	(3 748)	(3 926)
Closing balance	**28 016**	**11 511**	**8 419**

(1) Concerns all capitalised development expenses.

(2) Concerns primarily the consolidation of Mappy and QDQ Media.

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Note 15 – Tangible fixed assets

(in thousands of euros)	31 December 2006			31 December 2005			31 December 2004		
	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value	Gross value	Accumulated depreciation	Net value
Land and buildings	2 855	(980)	1 875	2 855	(929)	1 926	632	(232)	400
Computers and terminals	40 577	(32 582)	7 995	37 295	(30 325)	6 970	36 073	(28 360)	7 713
Other assets	22 512	(13 360)	9 152	24 199	(15 100)	9 099	23 052	(14 349)	8 703
Total	**65 943**	**(46 922)**	**19 021**	**64 349**	**(46 354)**	**17 995**	**59 757**	**(42 941)**	**16 816**

No significant impairment was recognised as at 31 December 2006, 2005 and 2004.

Movements in the net value of tangible fixed assets were as follows:

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Opening balance	**17 995**	**16 816**	**15 321**
Acquisitions of tangible fixed assets	7 260	5 298	5 726
Effect of changes in the scope of consolidation	-	2 248	2 537
Translation differences	(3)	-	-
Reclassifications	65	-	-
Disposals and discards	(291)	(371)	(616)
Depreciation charge	(6 004)	(5 996)	(6 152)
Closing balance	**19 021**	**17 995**	**16 816**

Note 16 - Investments accounted for using the equity method

Following the acquisition of 100% of the shares of Eurodirectory at the end of 2004, Eurodirectory is fully consolidated and Editus Luxembourg, its subsidiary, is proportionally consolidated.

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Eurodirectory			
Opening balance	**-**	**15 493**	**2 504**
Share in earnings	-	-	774
Dividends paid	-	-	(1 285)
Interest acquired in 2004	-	-	1 391
Goodwill	-	-	12 109
Change of consolidation method (equity => full/prop.)	-	(15 493)	-
Closing balance	**-**	**-**	**15 493**

Note 17 - Other available-for-sale assets

		31 December 2006			31 December 2005	31 December 2004
(in thousands of euros)	% interest	Fair value	Change in fair value	Change in scope of consolidation, acquisitions and disposals	Fair value	Fair value
PagesJaunes Outre-mer	100%	76	-	-	76	-
PagesJaunes Liban	100%	-	-	(312)	312	-
Other securities		93	-	43	50	-
TOTAL		**169**	**-**	**(269)**	**438**	**-**

These entities are not consolidated, due to their non material contribution to consolidated accounts. PagesJaunes Liban was sold in June 2006.

Note 18 - Other non-current financial assets

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Loan to France Télécom (1)	-	42 805	-
Other non consolidated securities	-	-	2 263
Other assets (2)	3 259	1 276	1 521
TOTAL	**3 259**	**44 081**	**3 784**

(1) In June 2005, PagesJaunes Groupe granted to France Télécom a loan of €64,208,000, repayable in three equal annual instalments and subject to interest payable in advance at a rate of 2.65%. This loan, the long-term part of which, i.e. €42,805,000, was classified in “Other non-current financial assets” as at 31 December 2005, and the short-term part, i.e. €24,803,000, was classified in “Other current financial assets” (cf. note 19), was prepaid in full on the sale by France Télécom of its holding in PagesJaunes Groupe on 11 October 2006.

(2) The other assets comprise essentially the long-term portion of security deposits and guarantees.

Note 19 - Other current financial assets

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Loan to France Télécom (cf. note 18)	-	21 403	-
Short-term investments >3 months and <1 year (1)	285	16 482	-
Other assets	-	1 471	861
TOTAL	**285**	**39 356**	**861**

(1) On 14 November 2005, PagesJaunes Groupe assigned Rothschild & Cie Banque to operate a liquidity contract, for an automatically renewable period of one year, to which the sum of €17,000,000 had been allocated, including €16,482,000 classified as “short-term investments” as at 31 December 2005. PagesJaunes Groupe terminated this contract in November 2006.

Note 20 – Derivative financial instruments – non-current assets

PagesJaunes Groupe uses derivative financial instruments in order to manage the rate risk associated with the variable rate debt which the Company arranged in October 2006 and drew down in November 2006 in order to finance the exceptional dividend paid on 24 November 2006. PagesJaunes Groupe has implemented the procedures and documentation necessary to justify the implementation of hedge accounting within the meaning of IAS 39.

Description of derivative financial instruments

On 30 November 2006, PagesJaunes Groupe concluded the following with a number of financial establishments:

- an interest rate swap contract of a nominal amount of €380 million, commencing on 13 December 2006 and ending on 13 December 2011. In the context of this operation, PagesJaunes Groupe receives interest at a variable rate, i.e. Euribor, and pays a fixed rate of 3.7830%,
- a collar, comprising the synthetic combination of the purchase of a cap and the sale of a floor with a nominal amount of €1,140 million, commencing on 13 December 2006 and ending on 13 December 2011. The tunnel made up of this collar provides for a minimum interest rate of 3.0% and a maximum interest rate of 4.0%. The annual premium on this collar is €1.9 million.

These operations cover the cash flow relating to the variable-rate senior debt drawn by PagesJaunes Groupe in November 2006 (cf. note 29). The prospective effectiveness tests carried out by PagesJaunes Groupe when initiating these operations and the retrospective tests carried out on 31 December 2006 demonstrated that these financial instruments offered fully effective hedging of the cash flows relating to this senior debt.

Recognition of assets and liabilities relating to these derivative financial instruments

The initial fair value of the collar was recognised in the consolidated assets when it was concluded, in an amount of €8,326,000, with the opposite entry being “Liabilities in respect of hedging instruments” (cf. note 29) in an amount of €8,326,000, corresponding to the discounted premium which the Company will have to pay in five annual instalments.

As at 31 December 2006, the value of these derivative financial instruments was as follows:

in thousands of euros	31 December 2006	31 December 2005	31 December 2004
Interest rate swap – cash flow hedge	3 715	-	-
Collar – cash flow hedge	13 765	-	-
of which intrinsic value	*1 233*	-	-
of which time value	*12 532*	-	-
Total	**17 479**	**-**	**-**

The change in the fair value of these derivative financial instruments between the date on which they were concluded and 31 December 2006, i.e. €3,715,000 for the interest rate swap and €1,233,000 for the intrinsic value of the collar, was recognised in recyclable shareholders’ equity, after the recording of a deferred tax liability of €1,703,000. The change in the time value of the collar was recorded in financial income (cf. note 10), in an amount of €4,206,000.

No ineffectiveness was recorded in respect of the cash flow hedges.

The maximum exposure to credit risk on the closing date corresponds to the fair value of each of the derivative instruments entered in the assets of the balance sheet, net of the liabilities recorded in respect of hedging instruments with regard to the collar.

Note 21 – Net inventories

Inventories principally comprise paper for the production of printed directories (PagesJaunes and *l'Annuaire*) and work in progress relating to the production of advertisements (printed and online products) and websites.

If necessary they are written down if, having regard to the commercial prospects, there is a risk that they may be sold for less than their balance sheet value.

No significant discards were recognised in the years 2004 to 2006.

Note 22 - Trade accounts receivable

Trade receivables are generally due in less than one year. The breakdown of the gross value and impairment of trade receivables is as follows:

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Gross trade accounts receivable	516 525	489 027	451 259
Provisions for impairment (1)	(16 572)	(16 271)	(20 466)
Net trade accounts receivable	**499 953**	**472 756**	**430 793**

(1) cf. note 25 – Changes in provisions for impairment of assets

Note 23 – Other current assets

Other current assets are made up as follows:

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
VAT receivable	18 129	17 897	13 690
Sundry accounts receivable	198	217	300
Uncalled subscribed capital (1)	-	7 485	17 566
Other current assets (2)	16 997	14 165	12 794
Total	**35 324**	**39 764**	**44 350**

(1) The uncalled subscribed capital corresponds to the balance of the 2003 capital increase of QDQ Media, which was paid up in full by Atlas Services Belgium (formerly Wanadoo International) in 2006.
(2) Concerns mainly advances and down payments to suppliers for €7,008,000 in 2006 and €7,206,000 in 2005.

Note 24 – Prepaid expenses

The prepaid expenses mainly comprise charges relating to the sale of advertising insertions invoiced in respect of forthcoming and online directories apportioned over a display period which is generally 12 months.

Note 25 - Changes in provisions for asset impairment

(in thousands of euros)	Opening balance	Net allowances (releases)	Other movements (1)	Closing balance
2004				
Investment securities	1 813	-	-	1 813
Trade accounts receivable	6 568	(4 892)	18 790	20 466
Other assets	1 264	(634)	-	630
2005				
Investment securities	1 813	889	-	2 702
Trade accounts receivable	20 466	(5 316)	1 121	16 271
Other assets	630	(572)	52	110
2006				
Investment securities	2 702	(2 702)		-
Trade accounts receivable	16 271	314	(13)	16 572
Other assets	110	412		522

(1) Effect of change in scope of consolidation

Note 26 - Shareholders' equity

26.1 - Share capital

As at 31 December 2006, the share capital of PagesJaunes Groupe, amounting to €56.1 million, was divided into 280,266,780 ordinary shares each of a par value of €0.20. It is fully paid up. The Company carried out a capital increase of €295,434 through the creation of 1,477,170 new shares in the context of the early exercise of PagesJaunes Groupe stock options. PagesJaunes Groupe is 54.80% owned by Médiannuaire SAS as at 31 December 2006.

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Movements in the number of shares during the period:

Number of €300 par value shares at start of period **on 1 January 2004**	182 700
Division of the par value by 1500 Capital increase reserved for personnel (1)	273 867 300 4 739 610
Number of €0.20 par value shares at end of period **on 31 December 2004**	278 789 610
	-
Number of €0.20 par value shares at end of period **on 31 December 2005**	278 789 610
Stock options exercised	1 477 170
Number of €0.20 par value shares at end of period **on 31 December 2006**	280 266 780

(1) Capital increase reserved for employees in an amount of €53.6 million

26.2 - Reserves

omponents of the consolidated reserves, which include the income for the period, are as follows:

In thousands of euros	31 December 2006	31 December 2005	31 December 2004
Company reserves of PagesJaunes Groupe SA	23 928	43 676	44 545
- of which legal reserve	*5 576*	*5 576*	*5 481*
- of which special reserve for long-term capital gains	-	-	*39 064*
- of which other reserves	*18 352*	*38 100*	-
Other reserves and consolidated results	(2 531 746)	(20 254)	5 303
Total reserves	**(2 507 818)**	**23 422**	**49 848**

26.3 – Own shares

As at 31 December 2005, PagesJaunes Groupe held 100,000 of its own shares under the liquidity contract implemented by PagesJaunes Groupe in November 2005. This contract was terminated at the end of 2006. No own shares were held at the end of 31 December 2006.

26.4 - Dividend

Two dividend distributions took place in 2006:

- On 2 May, €283,994,000, i.e. €1.02 per share,
- On 24 November, €2,519,748,000, i.e. €9.00 per share.

The dividend distributions in 2005 amounted to €259,274,000, i.e. €0.93 per share.

Note 27 - Employee benefits, provisions and other liabilities

These are made up as follows:

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Post-employment benefits	24 239	20 626	18 065
Other long-term benefits	5 135	4 824	3 997
Employee benefits – non-current (1)	**29 374**	**25 450**	**22 062**
Other provisions for risks	497	576	112
Provisions for corporate and taxation disputes	6 392	7 300	8 217
Provisions – non-current	**6 889**	**7 876**	**8 329**

(1) see more details further

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Personnel (1)	46 059	64 795	59 453
Corporate bodies	27 448	23 095	22 568
Total employee benefits – current	**73 507**	**87 890**	**82 021**
VAT payable	90 794	88 870	80 572
Sundry accounts payable	8 693	7 125	6 585
Other current liabilities	3 318	5 160	4 104
Other current liabilities	**102 805**	**101 155**	**91 261**

(1) Mainly comprises employee profit-sharing (legal and contractual) and provisions for personnel expenses

Movements in provisions were as follows:

(in thousands of euros)	**1 January 2006**	**Allowance for the period**	**Release for the period (unused provision)**	**Release for the period (used provision)**	**Changes in scope, reclassifications et al**	**31 December 2006**
Provisions for corporate and taxation disputes	7 300	63	-1 000	-	29	6 392
Other provisions for risks and charges	1 085	707	-471	-49	-29	1 243
Total provisions	**8 385**	**770**	**-1 471**	**-49**	**0**	**7 635**
- of which non-current	7 876	310	-1 355	0	58	6 889
- of which current	509	460	-116	-49	-58	746

Pension commitments and other personnel benefits:

(in thousands of euros)	Post-employment benefits	Other long-term benefits	**Total 31 December 2006**	**Total 31 December 2005**	**Total 31 December 2004**
Change in value of commitments					
Total value of commitments at start of period	**34 968**	**4 824**	**39 792**	**32 926**	**23 255**
Cost of services rendered	2 577	398	2 975	2 345	1 378
Discounting cost	1 384	165	1 549	1 573	1 239
Contributions paid by employees	-	-	-	-	-
Amendments to scheme	-	-	-	-	-
Reductions/liquidations	-	-	-	(94)	-
Actuarial (gains) or losses	1 762	(129)	1 633	4 450	7 728
Benefits paid	(1 082)	(123)	(1 205)	(1 426)	(674)
Acquisitions	-	-	-	36	-
Assignments/transfers of activity	-	-	-	(18)	-
Changes in scope	-	-	-	-	-
Others: (translation differences)	-	-	-	-	-
Total value of commitments at end of period (A)	**39 609**	**5 135**	**44 744**	**39 792**	**32 926**
Commitments at end of period relating to fully or partly financed schemes	*37 653*	-	*37 653*	*33 122*	*31 882*
Commitments at end of period relating to non-financed schemes	*1 956*	*5 135*	*7 091*	*6 670*	*1 044*
Change in cover assets					
Fair value of cover assets at start of period	**1 612**	**-**	**1 612**	**1 920**	**1 566**
Financial income from cover assets	63	-	63	50	66
Gains/losses on cover assets	(51)	-	(51)	(100)	-
Contributions paid by the employer	600	-	600	800	800
Contributions paid by the employees	-	-	-	-	-
Reductions/liquidations	-	-	-	-	-
Benefits paid by the fund	(937)	-	(937)	(1 058)	(512)
Change in scope	-	-	-	-	-
Others (translation differences)	-	-	-	-	-
Fair value of cover assets at end of period (B)	**1 287**	**-**	**1 287**	**1 612**	**1 920**
Financial cover					
Situation of the scheme (A) – (B)	38 322	5 135	43 457	38 180	30 982
Unrecognised actuarial gains or (losses)	(14 083)	-	(14 083)	(12 730)	(9 037)
Unrecognised cost of past services	-	-	-	-	-
Adjustment linked to upper limit of assets	-	-	-	-	-
Provision / (assets) at end of period	**24 239**	**5 135**	**29 374**	**25 450**	**22 062**
of which provision / (asset) short term	*220*	*282*	*502*	*334*	-
of which provision / (asset) long term	*24 019*	*4 853*	*28 872*	*25 116*	*22 062*
Pension charge					
Cost of services rendered	2 577	398	2 975	2 252	583
Discounting costs	1 384	165	1 549	1 573	1 239
Expected return on scheme assets	(63)	-	(63)	(50)	(66)
Amortisation of actuarial (gains) or losses	461	(129)	332	848	3 292
Amortisation of cost of past services	-	-	-	-	-
Effect of reductions/liquidations	-	-	-	(119)	-
Assignments/transfers of activity	-	-	-	(18)	-
Adjustment linked to upper limit of assets	-	-	-	-	-
Total pension charge	**4 359**	**434**	**4 793**	**4 486**	**5 048**
Movements in the provision / (asset)					
Provision / (assets) at start of period	**20 626**	**4 824**	**25 450**	**22 062**	**17 176**
Pension charge	4 359	434	4 793	4 486	5 048
Contributions paid by the employer	(600)	(122)	(722)	(800)	-
Benefits paid directly by the employer	(146)	(1)	(147)	(334)	(162)
Change of scope	-	-	-	-	-
Others (goodwill)	-	-	-	36	-
Provision / (assets) at end of period	**24 239**	**5 135**	**29 374**	**25 450**	**22 062**
Assumptions					
Discount rate (%)	4,25%	4,25%	4,25%	4,0%	
Expected long-term inflation rate (%)	2,0%	2,0%	2,0%	2,0%	
Expected long-term salary growth (%)	Dependent on employee category and age				
Expected yield on scheme assets (%)	4,2%			4,0%	
Probable residual activity period	20			20	
Amount entered as a charge in respect of the period	**4 359**	**434**	**4 793**	**4 486**	**5 048**

Note 28 - Stock options and free shares

Note 28.1 – Stock options

Note 28.1.1 – Description of the plans

PagesJaunes Groupe established a stock option plan on 28 June 2005. In addition, some employees hold options which had been granted to them when PagesJaunes was a subsidiary of the Wanadoo Group or when they were employees of Wanadoo and Orange S.A., subsidiaries of the France Télécom group.

PagesJaunes Groupe:

This plan established in June 2005, totalling 3,796,800 options with an exercise price of €19.30, has a life of 10 years and the options are fully vested after three years.

The settlement of the plan enabled the beneficiaries to exercise in advance up to 50% of the options granted to them, i.e. approximately 1.85 million options, within a period of three months from the date of sending of the notice of change of control, i.e., having regard to the change of control which occurred on 11 October 2006, from 12 October 2006 to 12 January 2007, and to sell the shares resulting from such exercise at their convenience. The capital gains recorded as a result of such advance exercise are treated for tax purposes as wages and salaries. As a result, they are subject to social charges and income tax for the beneficiary, and employer's charges for the company. 1,477,170 options were exercised in advance in 2006, generating additional social charges amounting to €2,142,000 classified under the heading "Share-based payment expenses" (cf. note 28.3).

In addition, the payment of an exceptional dividend by deduction from the Company's free reserves gave rise to an adjustment to the exercise price and to the number of shares granted, in accordance with article L.225-181 of the Commercial Code. As at 31 December 2006, taking into account this advance exercise on the one hand and the adjustment to the exercise price and the number of options on the other, and finally departures of employees, 3,735,176 options remained in circulation, the adjusted exercise price of which is now €11.72.

Orange S.A.:

"France" stock option plans: These plans (2001, 2002 and 2003), amounting to 45,983,363 options at the level of the France Télécom group, have a term of 10 years and, in the case of most plans, the options are fully vested after three years. Certain options also have individually specified vesting periods. All these plans reached the end of the vesting period in 2006.

Wanadoo S.A.:

The Wanadoo stock option plans for French employees (2000, 2001, 2002 and 2003), amounting to 30,630,000 options at the level of the France Télécom group, have a term of 10 years and are fully vested after three years (or five years in the case of the 2000 plan). In addition, for the 2000 and 2001 plans, the exercising of the options is subject to performance conditions associated with the performance of the underlying shares and the achievement of operating results. All the plans are based on settlement in shares (cash settlement was possible temporarily between 9 March 2004 and 1 September 2004. They reached the end of the vesting period in 2006.

Note 28.1.2 – Description of the valuation models

PagesJaunes Groupe has measured the fair value of the goods or services received during the period, on the basis of the fair value of the issued instruments of shareholders' equity.

The fair values of the options in the PagesJaunes plan granted in June 2005 have been calculated using a binomial model which reflects the expected exercise behaviour of grantees by means of "exercise ceiling" assumptions expressed as a multiple of the exercise price and representing the value of the shares for which it is expected that all the options will be exercised. The ceiling used to calculate the above fair values is 2.0. The expected volatility has been established on the basis of the historical volatility of PagesJaunes over the longest available period preceding the calculation date, i.e. since its initial public offering in July 2004, i.e. a volatility of 15%. Having regard to an estimated annual departure rate of 2.0% and an estimated expected dividend rate of 5.0%, the fair value of a PagesJaunes Groupe option had been measured at €1.68 for an underlying price on the grant date of €19.00 and an exercise price of €19.30. No new stock option plan was established in 2006.

Note 28.1.3 – Movements in stock option plans during the year

	Number of options 2006	Weighted average exercise price 2006	Number of options 2005	Weighted average exercise price 2005	Number of options 2004	Weighted average exercise price 2004
Options in circulation at start of period						
Orange stock option plan	-	-	186 900	9,15 €		
Wanadoo stock option plan	-	-	4 129 709	21,07 €		
PagesJaunes Groupe stock option plan	3 748 000	19,30 €				
Options granted					-	-
Orange stock option plan	-	-			-	-
Wanadoo stock option plan	-	-			-	-
PagesJaunes Groupe stock option plan			3 796 800	19,30 €	-	-
Additional options						
Orange stock option plan	-	-				
Wanadoo stock option plan	-	-	12 484	22,62 €		
PagesJaunes Groupe stock option plan (***)	1 588 512	11,72 €				
Options exercised						
Orange stock option plan	-	-	(5 000)	10,00 €	-	-
Wanadoo stock option plan	-	-	(868 128)	14,93 €	(309 624)	15,37 €
PagesJaunes Groupe stock option plan	(1 477 170)	17,80 €				
Options cancelled, lapsed						
Orange stock option plan	-	-				
Wanadoo stock option plan	-	-	(110 084)	22,79 €	(65 907)	19,73 €
PagesJaunes Groupe stock option plan	(133 166)	18,43 €	(39 800)	19,30 €		
Migration outside the PJ Group (*)						
Orange stock option plan	-	-			-	-
Wanadoo stock option plan	-	-	(128 737)	20,42 €	(250 781)	24,89 €
PagesJaunes Groupe stock option plan	9 000	19,30 €	(9 000)	19,30 €		
Migration inside the PJ Group (**)						
Orange stock option plan	-	-	136 300	9,00 €	186 900	9,15 €
Wanadoo stock option plan	-	-			95 461	19,82 €
PagesJaunes Groupe stock option plan						
Options in circulation at end of period						
Orange stock option plan	-	-	318 200	9,07 €	186 900	9,15 €
Wanadoo stock option plan	-	-	3 035 244	22,71 €	4 129 709	21,07 €
PagesJaunes Groupe stock option plan	3 735 176	11,72 €	3 748 000	19,30 €	-	-

(*) Options held by beneficiaries who transferred to another company within the France Télécom group in 2005

(**) Options held by beneficiaries who transferred within the PagesJaunes Group in 2005 but who were in another company within the France Télécom group when their options were granted.

(***) Represents the additional options resulting from the adjustment mechanism linked to the distribution of the exceptional dividend of €9.

Note 28.1.4 - Details of options in circulation at the end of the period

	Number of options not exercised at closing date	Weighted average time to start of exercise period (months)	Weighted average exercise price	Number of options exercisable at end of period
2004				
Orange stock option plan	186 900	2	9,15 €	137 500
Wanadoo stock option plan	4 129 709	8	21,07 €	1 188 556
Total	**4 316 609**	**7**	**20,56 €**	**1 326 056**
2005				
Orange stock option plan	318 200	1	9,07 €	276 080
Wanadoo stock option plan	3 035 244	3	22,71 €	2 289 492
PagesJaunes Groupe stock option plan	3 748 000	30	19,30 €	-
Total	**7 101 444**	**17**	**20,30 €**	**2 565 572**
2006				
PagesJaunes Groupe stock option plan	3 735 176	18	11,72	759 206 (1)
Total	**3 735 176**	**18**	**11,72**	**759 206**

(1) Options exercisable until 12 January 2007, cf. note 28.1.1

Note 28.2 – Free grant of shares

Note 28.2.1 – Description of the plans

The Board of Directors was authorised by the extraordinary general meeting of 19 April 2006 to implement a free share plan on behalf of a number of directors and employees of the Group, within the meaning of articles L. 225-197-1 to L. 225-197-5 of the Commercial Code, in order in particular to involve them in the development of the Company. This authorisation was granted for a period of 38 months and the total number of free shares allocated free of charge in respect of this resolution may not represent more than 0.5% of the capital of the Company on the date of this general meeting, i.e. 1,393,948 shares.

The Board of Directors drew up the conditions for the first free share plan on 30 May 2006. This plan gave rise to the initial grant of 602,361 shares to 591 employees of the Group on 30 May 2006. A second free grant was drawn up on 20 November 2006 and gave rise to the grant of 778,638 shares to 611 employees of the Group.

As at 31 December 2006, taking into account the departures which had arisen since these grants, 1,356,201 shares eligible for free grant remained in circulation. These shares will be finally vested at the end of a vesting period of two years, provided that the beneficiary is still an employee or director of the Group and performance conditions are fulfilled. The performance conditions concern the achievement of criteria for growth in consolidated revenues and growth in the Company's consolidated gross margin for the years 2006 and 2007 in the case of the first plan and criteria for growth in the Company's consolidated gross margin for the years 2007 and 2008 in the case of the second plan.

Note 28.2.2 – Description of the valuation models

The fair value of a granted share corresponds to the market price of the share on the grant date after adjustment for the expected loss of dividends during the two-year vesting period.

Note 28.2.3 – Fair value of options granted free of charge during the period

Main assumptions - Valuation model	May 2006	November 2006
Price of underlying asset on grant date (market price)	21,52 €	23,84 €
Vesting period	2 years	2 years
Expected dividend rate (1)	5.00%	5.00%
Probability of achievement of performance conditions at outset	100%	100%
Fair value of a share	**€19.47**	**€12.57**

(1) The exceptional dividend of €9.00 per share, paid on 24 November 2006 was also taken into account in the calculation of the fair value of the shares granted free of charge on 20 November 2006.

The expense representing the cost of these free share plans, which takes account of an estimated annual departure rate of 5%, is amortised over the two-year vesting period. It is adjusted on the basis of the probability that the performance conditions will be achieved or the workforce departure rate during this period and is fixed permanently on the basis of the number of shares actually distributed at the end of this period. Following to 2006 Group results, 33% of the shares granted in May 2006 will not be vested because performance conditions, set for 2006 financial year, have not been fulfilled. Related expense has been adjusted accordingly.

Note 28.3 - Expense relating to stock option plans and free share plans

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Expense for the period			
Orange stock option plan	17	440	65
Wanadoo stock option plan	1 265	4 267	9 910
PagesJaunes stock option plan	3 294	1 011	-
Free grant of PagesJaunes Groupe shares	2 495	-	-
Social charges of early exercised stock options (cf. note 28.1.1)	2 142	-	-
TOTAL	**9 213**	**5 718**	**9 975**

Note 29 - Net financial debt

The net financial debt corresponds to the total gross financial debt plus or minus derivative asset and liability instruments for cash flow hedging and minus cash and cash equivalents including mutual funds.

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Hedging instruments (cf. note 20)	17 479	-	-
ST investments >3 months and <1 year (cf. note 19)	285	16 482	265
Cash and cash equivalents	55 076	549 827	644 077
Cash position	**72 840**	**566 309**	**644 342**
Bank borrowing	(1 950 000)	-	-
Debt costs	47 336	-	-
Liability in respect of hedging instruments (cf. note 20)	(8 326)	-	-
Accrued interest not yet due	(5 645)	-	-
Bank overdrafts	(7 510)	(7 806)	(9 786)
Other financial liabilities	(15 303)	(5 507)	(4 816)
Gross financial debt	**(1 939 447)**	**(13 313)**	**(14 602)**
of which current	*(28 458)*	*(13 296)*	*(14 570)*
of which non-current	*(1 910 990)*	*(17)*	*(32)*
Net cash (debt)	**(1 866 607)**	**552 996**	**629 740**

Cash and cash equivalents

Cash and cash equivalents essentially comprised current accounts and investments up to three months with France Télécom in 2004 and 2005. These current accounts and investments were fully repaid at the time of France Télécom's disposal of its holding in PagesJaunes Groupe on 11 October 2006. As at 31 December 2006, the cash and cash equivalents mainly comprised mutual fund units and bank accounts.

Bank loan

On 24 October 2006 PagesJaunes Groupe concluded a financing arrangement with a syndicate comprising seven international banks for a maximum total of €2.35 billion, comprising a medium-term senior loan of €1,950 million and a revolving credit line of €400 million. The sole purpose of the senior debt was to finance the exceptional dividend of €9 per share paid on 24 November 2006 and was drawn in full on 24 November 2006. The revolving credit line is to intended to finance the Group's treasury requirements (working capital requirement, investments or refinancing) in the context of its operating activities and is available in the form of drawings, letters of credit or bilateral lines.

The medium-term senior loan has a maturity of seven years, with interest at a variable rate based on the Euribor reference rate and a maximum margin of 185 basis points (subject to downward adjustments as a function of the ratio of total net debt to an aggregate close to the consolidated gross operating margin), and is repayable in full at maturity. The revolving credit line has a maturity of seven years, with interest at a variable rate based on the Euribor reference rate or Libor (in the event of the use of a currency other than the euro) with a maximum margin of 185 basis points (subject to downward adjustments as a function of the ratio of total net debt to an aggregate close to the consolidated gross operating margin) and the repayment of each drawing takes place at the end of each of the drawing periods. PagesJaunes Groupe is required to pay a non-utilisation commission calculated at a rate of 0.625% per year on the undrawn part of its revolving credit line.

This financing contract contains in particular compulsory early repayment clauses and default clauses as well as evolving financial covenants providing for (i) on the one hand a ratio of consolidated gross operating margin to total net interest expense and a lower limit rising over the term of the credit from 3.25x to 4.00x and (ii) a ratio of total consolidated net debt to an aggregate close to the consolidated gross operating margin and a higher limit reducing over the term of the credit from 5.25x to 3.75x. These two ratios are calculated on the basis of consolidated data. It also includes a compulsory early repayment clause in the event of a change of control of the Company resulting from the acquisition of the shares of the Company.

PagesJaunes Groupe has incurred expenses totalling €48.0 million for the arrangement of this financing, comprising mainly commissions paid to the arrangers on the basis of a rate of 2% on the amount of the senior loan, i.e. €39.0 million and 2.125% on the amount of the revolving credit line, i.e. €8.5 million. The borrowing of €1,950 million has been recognised at fair value, on the basis of its nominal value less these issue costs of €39.0 million, the latter being the subject of actuarial amortisation over the life of the borrowing in accordance with the effective interest method. As at 31 December 2006, the fair value of the borrowing was €1,911.0 million. The issue expenses on the revolving credit line were also recorded as a deduction from the debt and are being amortised on a straight-line basis over the life of this credit line, which was not drawn as at 31 December 2006. The amortisation charge for all of these expenses is recorded in financial expenses (cf. note 10).

Other financial liabilities

The other financial liabilities essentially comprise debit balances on current accounts with PagesJaunes Outre-mer, a non-consolidated subsidiary owned 100% by PagesJaunes Groupe.

The movements in financial liabilities were as follows:

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
Opening balance	**13 313**	**14 602**	**15 386**
Changes in scope of consolidation	-	368	89 705
Net increase (decrease)	1 926 134	(1 657)	(90 507)
Closing balance	**1 939 447**	**13 313**	**14 602**

Note 30 - Deferred income

(in thousands of euros)	31 December 06	31 December 05	31 December 04
Deferred income	640 284	591 656	535 370
Total	**640 284**	**591 656**	**535 370**

Deferred income consists mainly of the billing for advertisements in as yet unpublished directories and online directories apportioned over a display period that is generally 12 months.

Note 31 – Information on related parties

Note 31.1 - Remuneration of members of the Executive Committee and the Board of Directors

This table breaks down remuneration of people who are at the closing of each financial year, or who was during the financial years, members of the Executive Committee of PagesJaunes Groupe, the Executive Committee of PagesJaunes or the Board of Directors of PagesJaunes Groupe. Up to 2006, this scope includes Board of Directors representing employees at the Board of PagesJaunes Groupe too.

In thousands of euros	31 December 2006	31 December 2005	31 December 2004
Short-term benefits (1)	4 267	2 851	3 226
of which employer's contributions	*1 121*	*778*	*955*
Post-employment benefits (2)	39	34	43
Other long-term benefits (3)	-	-	-
Termination benefits (4)	-	705	-
Share-based payment (5)	947	830	1 717
Total	**5 252**	**4 420**	**4 986**

(1) Salaries, remuneration, profit-sharing (legal and contractual) and bonuses and social security contributions, paid leave, director's fees and recognised non-monetary benefits

(2) Pensions, retirement and other benefits, life assurance, medical insurance, etc.

(3) Leave associated with length of service, sabbatical leave, long-term leave, end of career leave, deferred remuneration, profit-sharing and bonuses (if payable 12 months or more after the period-end)

(4) Redundancy benefits

(5) Stock options and other share-based payments, including social charges of early exercised stock options

Note 31.2 - Transactions with related parties

The transactions and balances with related parties summarised below form part of day-to-day operations.

Note 31.2.1 – Amounts receivable from and owed to associated companies

Having regard to the change of control which occurred on 11 October 2006, when France Télécom sold its majority holding in PagesJaunes Groupe to the company Médiannuaire, itself 100% owned by Médiannuaire Holding, the amounts receivable from and owed to associated companies concerned the France Télécom group as at 31 December 2004 and 2005, and Médiannuaire and Médiannuaire Holding as at 31 December 2006.

Amounts receivable from associated companies

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
France Télécom	-	15 821	15 710
Atlas Services Belgium (formerly Wanadoo International)	-	7 485	17 613
Other companies in the France Télécom group	-	1 591	1 875
Médiannuaire – Médiannuaire Holding	1 354	-	-
Total	**1 354**	**24 897**	**35 198**

In addition to these receivables, there are current accounts and investments with France Télécom amounting to €637.6 million as at 31 December 2004 and €537.6 million as at 31 December 2005. A loan was also granted to France Télécom in a total amount of €64.2 million relating to the investment resulting from the liquidities of the assignment of the receivable in respect of the exceptional levy on the 2005 dividend. All of these receivables were repaid in full, early where applicable, at the time of the sale by France Télécom of its holding in PagesJaunes Groupe on 11 October 2006.

Amounts owed to associated companies

(in thousands of euros)	31 December 2006	31 December 2005	31 December 2004
France Télécom	-	35 973	30 280
Other companies in the France Télécom group	-	1 297	2 197
Médiannuaire – Médiannuaire Holding	319	-	-
Total	**319**	**37 270**	**32 477**

Note 31.2.2 – Significant transactions with associated companies

France Télécom group

Having regard to the change of control which occurred on 11 October 2006, when France Télécom sold its majority holding in PagesJaunes Groupe to the company Médiannuaire, itself 100% owned by Médiannuaire Holding, the expenses and income relating to associated companies concerned France Télécom group in 2004, 2005 and part of 2006. For the sake of simplicity and comparability of the data, the expenses and income relating to the France Télécom group are presented for the years 2004 and 2005 and for the first half of 2005 and 2006.

The operations conducted with Médiannuaire and Médiannuaire Holding, companies formed in 2006, are shown only for 2006.

(in thousands of euros) Nature of the transaction	**30 June 2006**	**31 December 2005**	**30 June 2005**	**31 December 2004**
Télétel	1 435	3 915	2 230	6 028
Publishing costs	2 956	47 276	21 171	48 264
Audiotel	200	1 248	606	1 395
Enriched databases (sale)	418	1 262	640	2 664
Advertising products and representation	2 966	3 672	1 153	
Direct marketing	720	1 377	693	
Other products	1 148	343	276	
Direct marketing – databases	(474)	(1 054)	(576)	
Provision of personnel	(2 453)	(5 948)	(3 102)	(7 631)
Pages Blanches fees	(2 365)	(61 323)	(29 454)	(58 622)
Real estate and rental charges	(5 785)	(12 022)	(5 070)	(10 085)
Gross databases (purchase)	(2 010)	(3 957)	(2 120)	(7 640)
Management fees	(2 868)	(5 618)	(2 821)	(5 464)
Trademark fee	-	(579)	(290)	(1 066)
Telephone - hosting	(3 451)	(6 394)	(3 594)	(5 438)
IT services and developments	(1 617)	(4 142)	(1 947)	
Call centres – training of telesales personnel	(3 904)	(907)	-	-
Operating concession for l'*Annuaire* brand (Intangible fixed asset)	(12 000)	-	-	-
Other operating services	(1 657)	(1 864)	(1 880)	(6 353)
Total	**(28 741)**	**(44 715)**	**(24 085)**	**(43 948)**

Médiannuaire – Médiannuaire Holding

A service contract was established in December 2006 with Médiannuaire, the new majority shareholder of PagesJaunes Groupe. This contract gives rise to a charge of €267,000 in respect of 2006.

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Note 32 – Contractual obligations and off-balance-sheet liabilities

Significant off-balance-sheet liabilities are as follows:

	2006				2005	2004
Contractual obligations (in thousands of euros)	Total	Payments due by period			Total	Total
		Less than one year	One to five years	More than five years		
Leases	**28 400**	**15 699**	**12 550**	**152**	**37 448**	**44 389**
Paper, Printing, Distribution [(1)]	11 560	11 560	-	-	-	-
Others	19 439	17 231	2 208	-	-	-
Purchase obligations for goods and services	**30 999**	**28 791**	**2 208**	**-**	**120 165**	**64 224**
Total	**59 399**	**44 490**	**14 758**	**152**	**157 613**	**108 613**

(1) see details in table below

The “Others” heading includes all the firm orders placed as at 31 December 2006 for goods and services deliverable in 2007.

	2006				2005	2004
Contingent liabilities (in thousands of euros)	Total	Payments due by period			Total	Total
		Less than one year	One to five years	More than five years		
Guarantees	329	3	2	324	1 013	853

Leasing contracts

PagesJaunes leases land, buildings, vehicles and materials. These contracts are due to mature at various dates over the next nine years.

The management believes that these contracts will be renewed or replaced at their termination by other contracts under normal business conditions.

The rent expense recorded in the income statement for operating leases amounted to €16.8 million in 2006.

Commitments to purchase goods and services

Production of directories

As part of its activity of producing and distributing printed directories, PagesJaunes enters into contracts with its paper suppliers, printers and distributors. These may be single year or multi-year contracts.

In particular, at the end of 2005 PagesJaunes entered into three-year contracts with its printers, in respect of the years 2006, 2007 and 2008, which fix the rate conditions granted for the period and state forecast order volumes for each of the years but without any minimum contract value, for a total estimated amount of €58.3 million as at 31 December 2006, including €31 million at less than one year. QDQ Media concluded similar contracts with its printers, with forecast volumes totalling €5.8 million, including €2.9 million at less than one year.

Only the firm orders placed as at 31 December 2006, with paper suppliers, printers and distributors, are therefore recorded in off-balance-sheet liabilities at that date, for a total amount of €11.6 million.

These liabilities are detailed in the table below:

Contractual obligations (in thousands of euros)	2006			
	Total	Payments due per period		
		Less than one year	One to five years	More than five years
Papier	5 471	5 471	-	-
Printing	3 313	3 313	-	-
Distribution	1 120	1 120	-	-
Editorial content	1 656	1 656	-	-
Total	**11 560**	**11 560**	**-**	**-**

Other commitments received

On 24 October 2006 PagesJaunes Groupe concluded a revolving credit line of €400 million with a bank syndicate comprising seven international banks. The revolving credit line is intended to finance the Group's treasury requirements (working capital requirement, investments or refinancing) in the context of its operating activities and is available in the form of drawings, letters of credit or bilateral lines.

Deconsolidating structures and ad hoc entities

The Group has not established any deconsolidating structures during the periods under review.

There are no contractual obligations towards ad hoc entities.

Note 33 - Disputes and litigation

In the ordinary course of business, the companies of the Group may be involved in a number of legal, arbitration and administrative proceedings. Costs that may arise from these proceedings are provisioned only when they are probable and their amounts can be either quantified or estimated within a reasonable range. The amount of the provisions is based on an assessment of the risk on a case-by-case basis and largely depends on factors other than the particular stage of proceedings, although events occurring during the course of proceedings may call for a reassessment of this risk.

With the exception of the proceedings described below, neither PagesJaunes Groupe nor any of its subsidiaries is party to any lawsuit or arbitration proceeding that the management of PagesJaunes believes could reasonably have a material adverse effect on its results, its business or its consolidated financial position.

(i) At the beginning of 2002, PagesJaunes implemented a commercial development plan, including, notably, the modification of the employment contracts of 930 sales representatives. This modification aims to adapt these contracts to a new competitive environment. Approximately 100 employees refused to sign the proposed new contract and were laid off during the second quarter of 2002. Almost all these employees commenced legal proceedings against PagesJaunes to contest the validity of the reason for the redundancies. The Cour de Cassation, in two judgments handed down on 11 January 2006, approved the commercial development plan. The Cour de Cassation ruled that economic redundancy following a reorganisation implemented to prevent future economic difficulties associated with technological developments was justified. However, cases including claims based on grounds not settled by the above judgments and cases before the administrative jurisdictions are still pending.

(ii) During the years 2001 and 2002, PagesJaunes was subjected to a tax inspection in respect of fiscal years 1998 and 1999. The only adjustments still disputed represent a risk of approximately €6.6 million (including interest). The Company believes that it has strong arguments for opposing the adjustments which remain in dispute and has therefore not recognised provisions in respect of these adjustments as at 31 December 2006. In order to assert its arguments, the company instituted a dispute procedure by filing a prior complaint with the tax authorities in July 2004.

(iii) PagesJaunes commenced legal action on 10 June 2003 against LSM, an advertising agency, before the Tribunal de Commerce of Cannes. Based on the testimony of many customers, PagesJaunes claims that this agency undertook acts of unfair competition with the aim of creating confusion between LSM and PagesJaunes in the mind of customers contacted by LSM for advertisement insertions in the PagesJaunes directory. In a judgment rendered on 19 February 2004, the Tribunal de Commerce of Cannes dismissed PagesJaunes' claims. PagesJaunes has appealed this decision, which, if confirmed on appeal, would likely foster the development of this type of competition from other advertising agencies and create difficulties for PagesJaunes in its customer prospection. Even though it believes it has a strong case in these proceedings, PagesJaunes cannot exclude a confirmation of this decision on appeal. A judgment was delivered on 18 January 2007 by the Cour d'Appel of Aix en Provence. This decision annuls that of the Tribunal de Commerce of Cannes and validates the claims of PagesJaunes. All of LSM's claims were dismissed and it was ordered to pay damages in respect of its unfair competition.

(iv) PagesJaunes was informed on 24 January 2006 of a reference to the Conseil de la Concurrence filed on 10 January 2006 by the company Le Numéro relating to alleged practices of France Télécom and PagesJaunes in the area of directory enquiry services. The Conseil de la Concurrence issued its ruling on 21 June 2006, closing the reference by Le Numéro and rejecting all of its claims against PagesJaunes.

(v) The company Le Numéro brought an action against PagesJaunes on 27 July 2006 before the Tribunal de Commerce of Nanterre on the grounds that some of the advertising sold by PagesJaunes in its directories did not benefit from any protection in respect of any property right and could therefore be used by Le Numéro. PagesJaunes, although having elements in its favour, cannot rule out an adverse judgment in the current circumstances.

(vi) The DGCCRF (Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes – Directorate General for Competition, Consumer Affairs and the Suppression of Fraud) is currently conducting an investigation into the relations between PagesJaunes and advertising agencies. Although at this stage PagesJaunes has no information on the precise purpose of this investigation and the possible consequences, PagesJaunes cannot exclude the possibility that this inquiry will have prejudicial consequences for it.

(vii) An action has been brought against PagesJaunes by an advertising agency (Publicom Méditerranée) before the Tribunal de Commerce of Nanterre alleging abuse of a dominant position, discriminatory practices and unfair competition. It is claiming damages of €1,600,000. The case is currently at the pre-trial stage. Although it believes it has elements in its favour, PagesJaunes cannot rule out an adverse judgment in this case.

(viii) PagesJaunes Groupe and its subsidiary PagesJaunes were the subject of a tax audit in 2006 covering the years 2002, 2003 and 2004. The companies received reassessment requests from the taxation authorities on 11 December 2006 concerning two points: (i) In respect of the first point, relating to the non-deductibility of debt cancellations, an additional tax charge of €0.7 million was recorded in 2006; (ii) By contrast, PagesJaunes Groupe and PagesJaunes intend to contest the second point, involving a claim of an additional tax charge for the two companies of around €4.8 million, including interest. The companies believe they have strong arguments for contesting this proposed reassessment and have therefore not recognised a provision in respect of this reassessment. They sent their observations to this effect to the taxation authorities in two letters dated 10 January 2007.

(ix) In January 2007, PagesJaunes was summoned to appear before the Conseils de Prud'Hommes (industrial tribunals) of Caen, Marseille and Lille by three employees of the company ADREXO, which is responsible for the carriage of directories in certain *départements*. The plaintiffs are filing various claims for back pay and compensation and complaining of unreported work. In particular they are holding PagesJaunes liable on the basis of financial solidarity. Since these proceedings are in the initial stage, PagesJaunes does not have sufficient information to assess their possible consequences. While it has strong arguments, it cannot rule out possible adverse judgments or prejudicial consequences.

In addition, in common with the other companies in the sector, the Group is frequently the subject of court proceedings brought in relation to errors in the publication of directories and other media. Generally the financial risk represented by each of these proceedings is relatively limited. However, an increase in their number may constitute a significant risk for the Group. The number of such proceedings declined constantly from 2001 and remained stable in 2006. As at 31 January 2006, the number of proceedings was 28, for a total amount of damages claims of €2 million. In these proceedings, the Group endeavours to negotiate out-of-court compensation, which significantly reduces the final total cost of these proceedings. However, no guarantee can be given that these proceedings will not have a significant negative impact on the financial situation of the Group.

To the Company's knowledge, there is no other dispute, arbitration or exceptional fact liable to have, or having had in the last 12 months, a significant impact on the financial position, earnings, activity and assets of the Company and of the Group.

Note 34 - Subsequent events

As at the closing date of the consolidated financial statements, no significant events have occurred since 31 December 2006.

Free translation of the French language original

Note 35 - Scope of consolidation

Scope as at 31 December 2006

Company	Country	Interest	Control
Fully consolidated companies			
PagesJaunes in France segment			
PagesJaunes Groupe	France	100%	100%
PagesJaunes	France	100%	100%
International & Subsidiaries segment			
QDQ Media	Spain	100%	100%
Eurodirectory	Luxembourg	100%	100%
Edicom	Morocco	100%	100%
Kompass France	France	100%	100%
Kompass Belgium	Belgium	100%	100%
PagesJaunes Marketing Services	France	100%	100%
(merger of Wanadoo Data, e-sama, Phesa & S2G)			
Mappy	France	100%	100%
PagesJaunes Petites Annonces (formerly Cristallerie 1)	France	100%	100%
Proportionally consolidated companies			
International & Subsidiaries segment			
Editus	Luxembourg	49%	49%

Scope as at 31 December 2005

Company	Pays	Interest	Control
Fully consolidated companies			
PagesJaunes in France segment			
PagesJaunes Groupe	France	100%	100%
PagesJaunes	France	100%	100%
International & Subsidiaries segment			
QDQ Media	Spain	100%	100%
Eurodirectory	Luxembourg	100%	100%
Edicom	Morocco	100%	100%
Kompass France	France	100%	100%
Kompass Belgium	Belgium	100%	100%
Wanadoo Data	France	100%	100%
e-sama (including Phesa and S2G)	France	100%	100%
Mappy	France	100%	100%
Proportionally consolidated companies			
International & Subsidiaries segment			
Editus	Luxembourg	49%	49%

Scope as at 31 December 2004

Company	Pays	Interest	Control
Fully consolidated companies			
PagesJaunes in France segment			
PagesJaunes Groupe	France	100%	100%
PagesJaunes	France	100%	100%
International & Subsidiaries segment			
QDQ Media	Spain	100%	100%
Kompass France	France	100%	100%
Wanadoo Data	France	100%	100%
Mappy	France	100%	100%
Proportionally consolidated companies			
International & Subsidiaries segment			
Eurodirectory	Luxembourg	50%	50%