

# PagesJaunes Groupe

Document de référence **2005**



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# Document de référence 2005



Unofficial translation, for information purposes only, of the French language *document de référence* 2005 of PagesJaunes Group, registered with the Autorité des marchés financiers on 23 March 2006 under the registration number R. 06-024.



PagesJaunes Groupe

Limited liability corporation with 55,757,922 euros in capital  
Registered Offices: 7, avenue de la Cristallerie – 92317 Sèvres Cedex – France  
R.C.S. Nanterre 552 028 425

## Document de référence 2005

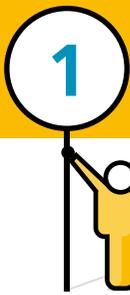
In application of its general regulations, in particular Article 212-13, the *Autorité des marchés financiers* (the AMF) has registered this *document de référence* on 23 March 2006 as number R 06-024. It can only be used to back up a financial operation if it is accompanied by a memorandum of operation approved by the *Autorité des marchés financiers*. This *document de référence* was drawn up by the issuer, under the responsibility of its signatories.

This registration, in accordance with measures stipulated in Article L. 621-8-1-I of the French Monetary and Financial Code, was carried out after the AMF verified that “*the document is complete and understandable, and the information herein is consistent*”. It does not imply any authentication of the accounting and financial information presented.

Copies of this *document de référence* are available free of charge from the PagesJaunes Group, 7 Avenue de la Cristallerie, 92317 Sèvres Cedex, as well as on the PagesJaunes Group website at <http://www.pagesjaunesGroup.com> and on the website of the *Autorité des marchés financiers* at [www.amf-france.org](http://www.amf-france.org).

In compliance with Article 28 of European Regulation (EC) No. 809/2004 as application of Directive 2003/71/EC referred to as the “Prospectus” Directive, the following information is provided for reference in this *document de référence*:

- the Group’s consolidated financial statements and the Auditor’s Report on the consolidated financial statements for the period ended 31 December 2003, as presented respectively in the *document de référence* registered on 3 June 2004 as number I.04-104 on pages 94 and following, and on pages 120 and following;
- the Group’s corporate accounts and the Auditor’s Report on the corporate accounts for the period ended 31 December 2003, as presented respectively in the *document de référence* registered on 3 June 2004 as number I.04-104 on pages 146 and following, and on pages 156 and following;
- the Group’s consolidated financial statements and the Auditor’s Report on the consolidated financial statements for the period ended 31 December 2004 as presented respectively in the *document de référence* registered on 30 March 2005 as number R.05-034 on pages 83 and following, and on page 105;
- the Group’s corporate accounts and the Auditor’s Report on the corporate accounts for the period ended 31 December 2004 as presented respectively in the *document de référence* registered on 30 March 2005 as number R.05-034 on pages 106 and following, and on page 116.



# Those responsible for the *document de référence*

In this *document de référence*, the terms “PagesJaunes Group” or “the Company” refer to the PagesJaunes Group holding company, and the terms “PagesJaunes SA” or “PagesJaunes” refer to the company PagesJaunes SA. The term “Group” refers to the group of companies comprising the Company and all its subsidiaries and the term

“Consolidated Group” refers to the group of companies comprising the Company and all its subsidiaries apart from PagesJaunes Outre-Mer and PagesJaunes Liban, which are not consolidated. A glossary defining the main terms in this *document de référence* is given at the end of this document.

## 1.1 Those responsible for the *document de référence*

Responsibility for this *document de référence* is ensured by Mrs. Stéphane Pallez, Chairman of the Board and Mr. Michel Datchary, CEO of PagesJaunes Group.

## 1.2 Statement by those responsible for the *document de référence*

*“To the best of our knowledge, and after having taken all reasonable measures for this purpose, the information in this document de référence is accurate; it includes all the information needed by investors to form an opinion on the Group’s assets, business, financial position, results and prospects; it contains no omissions which could change its scope.*

*We have obtained a letter of work completion from the official auditors, in which they indicate that they have carried out their work in accordance with professional standards accepted in France, in verifying the information pertaining to the financial situation and statements in this document de référence as well as in reading the complete document de référence.*

*The historical financial information presented in the document de référence was subject to official auditor’s reports.*

*Without putting into question the opinion that they expressed concerning the accounts, the official auditors in their report on the consolidated financial statements for the period ended 31 December 2005, presented in chapter 20.5 of this document de référence made an observation on note 3.1.2 concerning the accounting positions retained by PagesJaunes Group pertaining to paragraphs 10 to 12 of IAS 8.”*

Mrs. Stéphane Pallez  
Chairman of the Board, PagesJaunes Group

Mr. Michel Datchary  
CEO, PagesJaunes Group

# 2

## Official auditors



### 2.1 Statutory auditors

#### **Deloitte & Associés**

represented by Éric Gins and Jean-Paul Picard  
185 avenue Charles de Gaulle  
92524 Neuilly-sur-Seine Cedex

Appointed at the General Shareholders' Meeting held on 3 June 2003 as replacements for the resigning Statutory auditors Ernst & Young, for the remaining period of their predecessors' appointment, until the end of the General Shareholders' Meeting voting on the accounts for the fiscal year ending on 31 December 2003. This appointment was renewed at the General Shareholders' Meeting held on 27 May 2004 for a term of six fiscal years until the end of the General Shareholders' Meeting voting in 2010 on the accounts for the Company's fiscal year ending on 31 December 2009.

#### **Ernst & Young Audit**

represented by Christian Chiarasini and Jérémy Thurbin  
Tour Ernst & Young  
Faubourg de l'Arche  
11 allée de l'Arche  
92037 Paris-La Défense Cedex

Appointed joint chief auditor of the Company at the General Shareholders' Meeting held on 27 May 2004 for a term of six fiscal years, until the end of the General Shareholders' Meeting voting in 2010 on the accounts for the fiscal year ending on 31 December 2009.

### 2.2 Substitute auditors

#### **BEAS**

7-9, Villa Houssay  
92524 Neuilly-sur-Seine Cedex

Appointed at the General Shareholders' Meeting held on 3 June 2003 as replacements for the resigning substitute auditors Mr. Francis Gidoin, for the remaining period of their predecessors' appointment, until the end of the General Shareholders' Meeting voting on the accounts for the fiscal year ending on 31 December 2003. This appointment was renewed at the General Shareholders' Meeting held on 27 May 2004 for a term of six fiscal years until the end of the General Shareholders' Meeting voting in 2010 on the accounts for the Company's fiscal year ending on 31 December 2009.

#### **Auditex**

Tour Ernst & Young  
Faubourg de l'Arche  
11, allée de l'Arche  
92037 Paris-La Défense Cedex

Appointed joint substitute auditor of the Company at the General Shareholders' Meeting held on 27 May 2004 for a term of six fiscal years, until the end of the General Shareholders' Meeting voting in 2010 on the accounts for the fiscal year ending on 31 December 2009.

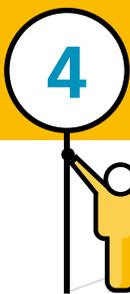


(in millions of euros)	FY 2003 (French referential)	FY 2004 (French referential)	FY 2004 (IFRS)	FY 2005 (IFRS)
<b>Consolidated Group revenue</b>	<b>882.7</b>	<b>973.1</b>	<b>967.2</b>	<b>1,060.7</b>
PagesJaunes in France segment	847.5	908.4	903.9	956.1
International and Subsidiaries segment	35.2	64.7	65.1	108.9
<b>Gross operating margin (GOM) of the consolidated Group <sup>(A)</sup></b>	<b>368.4</b>	<b>416.0</b>	<b>407.5</b>	<b>463.1</b>
PagesJaunes in France segment	365.9	423.7	413.9	457.5
International and Subsidiaries segment	2.5	(7.7)	(6.5)	5.5
<b>Consolidated net income of the Group</b>	<b>230.6</b>	<b>233.4</b>	<b>213.6</b>	<b>261.7</b>
<b>Total shareholders' equity – Group share</b>	<b>332.4</b>	<b>383.4</b>	<b>387.5</b>	<b>407.1</b>
<b>Consolidated net Group cash</b>	<b>578.1</b>	<b>613.5</b>	<b>629.7</b>	<b>553.0</b>
<b>Cash from the business of the consolidated Group</b>	<b>277.5</b>	<b>362.2</b>	<b>362.2</b>	<b>263.5</b>
<b>Net profit per share (euro)</b>	<b>0.83 <sup>(B)</sup></b>	<b>0.84</b>	<b>0.77</b>	<b>0.94</b>
<b>Dividend per share (euro)</b>	<b>0.86</b>	<b>0.93</b>	<b>0.93</b>	<b>1.02 <sup>(C)</sup></b>

(A) Operating results before amortization and employee profit sharing in French referential.

(B) Published comparable.

(C) Board of Directors' proposal to the General Shareholders' Meeting on 19 April 2006.



## Risk factors

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Investors are asked to consider the risk factors described in this chapter before taking any decision to invest. If one or more of these risks were to materialise, the Group's business, financial position, results and development could be affected.

## 4.1 Cautionary Notes Regarding Forward-Looking Statements

This *document de référence* contains statements about outlook. These declarations are sometimes identified by using the future tense, the conditional tense and terms such as "aim to", "believe", "expected to", "could", "estimate", "anticipate", "plan" and "should", as well as other similar terms. The reader is therefore warned that these statements about outlook depend on circumstances or facts which could occur in the future. These statements are not historical facts and should not be interpreted as guarantees that the facts and data given will occur. Apart from the information contained in this *document de référence*, investors are asked to carefully consider the risks described below before taking any decision to invest. Any or all of these risks could have a negative effect on the Group's business, financial position or results. In addition, other risks, which have not yet been identified or are considered insignificant by the Group could have the same negative effect and investors could lose all or part of their investment. These risks particularly include:

- changes in the advertising market, particularly local advertising;
- a reduction in revenue;
- changes in technology and changes in users' preferences;
- the effects of integrating entities already purchased or past or future investments and the ability to realise anticipated profits;

- the inability to recruit capable and qualified sales staff;
- customers' and suppliers' financial or operating conditions and relations with them;
- fluctuations in costs and the availability of paper in the world market;
- risks of disputes over rights to the intellectual property needed for the business;
- economic, regulatory and political factors in the countries where the Group operates;
- factors relating to the Group's business, particularly lawsuits, employee relations, collective bargaining agreements and tax regulations;
- in general, all the risks described in this section.

The risks associated with the Group, the risks associated with the directories and Internet sectors, and the risks associated with the financial markets are presented in each of these categories, in decreasing order of importance, according to the Company's current opinion of them. The occurrence of events inside or outside the Group is likely to change the future of this order of importance.



## 4.2 Risks relating to the Group's business and its strategy

### CHANGES IN TECHNOLOGY AND USERS' PREFERENCES – REDUCTION IN THE USE OF THE PRINTED AND MINITEL DIRECTORIES

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The development of new technologies and widespread use of the Internet in the workplace, at home and on the move has meant that consumers' preferences and habits have changed. This has had a particularly negative effect on the use of Minitel services and could have a long-term significant influence on the use of the printed directories, and it should be noted that a reduction in the audience of a particular format leads over time to a reduction in advertising revenue for that format. So, the Paris region is distinguished from the rest of France by a lower use of printed directories and higher use of on-line directories. Even if this can be explained by the fact that the place of usage is often not the home of the person concerned

and by a historically higher use of on-line services (Minitel and Internet), there is no guarantee that this is not a precursor of the long-term audience situation in France.

The Group takes a substantial part of its advertising revenue from the printed directories and, to a lesser degree, from operating the Minitel services, and the new revenue which the Group could extract from on-line directories, particularly the Internet, may not compensate for the expected drop in Minitel service income or a possible drop in the printed directories, which could have a significant negative impact on the Group's business, financial position or results.

### UNCERTAINTY ABOUT THE BUSINESS MODEL OF ON-LINE ADVERTISING

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The Group must deal with its competitors in the Internet market for the services it offers. Various pricing models are used to sell advertising on the Internet and it is hard to predict which of these models will turn out to be the industry standard, if any. Although the Group has managed to increase its profitability due to a reasonable increase in the price of its advertising products on the Internet, an increase in the number of competitors in the on-line advertising market sector could lead to a drop in the rates in effect on the market and a change in the Group's business model.

Based on the factors described above, no assurances can be given that the Group will be able to maintain or increase its prices in the future. These factors could have a significant negative impact on the Group's business, financial position or results, or in its ability to achieve its goals.

### UNCERTAINTY ABOUT THE DEVELOPMENT OF THE DIRECTORY INQUIRIES SERVICE IN FRANCE (118 008)

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In November 2005, the Group launched a directory enquiries service (118 008) and is striving to become a leader in this business. As this is a new

field for the Group and entirely open to stiff competition, no assurances can be given that the Group will reach its goals in this area.



## INABILITY TO HANDLE COMPETITION

The Group is seeing an increasing level of competition in the local advertising market over all geographical markets where it is present. No assurances can be given that the Group will be able to handle this competition now or in the future. Increasing competition could result in lower prices, reduced

growth, reduced margins or the loss of market share, and each of these elements could have significant negative effects on the Group's business, financial position or results.

## SENSITIVITY TO THE ECONOMIC CIRCUMSTANCES GROUP'S INABILITY TO ADAPT ITS COST STRUCTURE

The Group's income could drop significantly if the countries where the Group generates major advertising revenue experienced a deterioration in their economic conditions.

The Group's inability to adapt its cost structure if faced with a downturn in the economy or increased competition could also have a significant negative impact on the Group's business, financial position or results.

## RISKS FROM THE BUSINESS IN SPAIN

The Group is present in Spain through QDQ Media, the second largest directory publisher in the Spanish market. QDQ Media suffered heavy operating losses up to 2004. The Group has been taking restructuring measures since 2003 (see section 6.2.2.1.1 "QDQ Media") intended to correct the situation at QDQ Media. The Spanish directory market is very

competitive, and despite improvements observed since 2003, there can be no assurances given that the Group will manage to make QDQ Media profitable. The Group's inability to make QDQ Media profitable may have a significant negative impact on the Group's business, financial position or results.

## INCREASE IN THE PRICE OF PAPER OR OTHER PRODUCTION FACTORS

If the price of paper or the cost of other production factors goes up, operating costs could increase significantly.

An increase in the price of paper or a shortage of paper over a long period could have a significant negative impact on the Group's business, financial position or results. The price of paper when this document goes to press is at a historic low, so it is possible that the price could go up significantly in the future. As an example, based on the volumes of paper purchased by PagesJaunes in 2005, a 10% increase in paper price per ton on the world market leading to an equivalent increase in the cost of paper under the paper supply contracts signed by the PagesJaunes Group, would have meant an increase in printing paper costs of 4.2 million euros in 2005 (i.e. 0.4% of PagesJaunes revenue for 2005). The Group has no mechanisms to cover variations in the price of paper.

Moreover, in France, Article L. 541-10-1 of the French Environmental Code, institutes the obligation, for publishers of paper editions distributed to the general public, to contribute to the costs of collecting, recycling and eliminating waste produced by this publishing activity. This article calls for an order of application which has not yet been published.

If this order were to be published, PagesJaunes, as a publisher of directories, would have to pay this contribution, referred to as "green tax on distributed printed material", such as provided for under 9 of I of Article 266 sexies of the Customs Code. The increase in PagesJaunes' costs or charges because of this contribution or tax could have a significant negative impact on the Group's business, financial position or results.

The Group subcontracts most of the work involved in printing, binding and packing printed directories. An increase in the cost of these jobs could have a significant negative impact on the Group's business, financial position or results.

In addition, the Group has outsourced the distribution of the directories to a certain number of subcontractors. The increase in distribution costs or difficulties encountered with distribution could have a significant negative impact on the Group's business, financial position or results.



## Risk factors

Risks relating to the Group's business and its strategy

### RISKS ASSOCIATED WITH CUSTOMER SERVICE PAYMENTS

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Advertisers can be billed on an instalment basis when their advertising products actually appear. There can be no assurances that these payment plans and the Group's current levels of uncollected debts can be maintained

in the future, which could have a significant negative impact on the Group's financial position and cash flow.

### RISK OF A DROPPING OFF IN THE CONTENT OF PUBLISHED DIRECTORIES; INABILITY TO IMPROVE THE TECHNICAL FEATURES AND FUNCTIONALITIES IN THE SERVICES OFFERED BY THE GROUP

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The Group's goal in its printed and on-line directories, as well as via its information enquiry services, is to provide useful information which is as exhaustive as possible. The information about individuals and businesses published in the Group's directories is mostly gathered from databases of various telecommunications operators. If the Group was unable to access these databases, if the number of people with a landline telephone was to drop significantly in favour of mobile telephones, without the possibility of creating a complete database of mobile telephone subscribers, or if a large number of subscribers asked to be unlisted, no assurance can be given that the Group would be able to gather the information about individuals and businesses by other means, and that this would not lead to a dropping off in the content of these directories, which could have a significant negative impact on the Group's business, situation or results.

In addition, to remain competitive, the Group must continually improve its reaction time, the functionality and features of its products and services, and develop new products and services which are attractive to users and advertisers. Use of the Internet as a format for some products developed by the Group has increased this need for adaptability. In fact, compared to other formats, the Internet is characterised by more rapid technological advances, the frequent introduction of new products and services, business standards in constant and rapid process of change, very volatile and changeable demand from the consumer and instability in its business models. The new nature of these products and services and their fast evolution requires the Group to constantly improve its performance and be very adaptable in its technology. Any inability by the Group to anticipate or properly respond to changes in technology or demand, significant delays or major costs incurred in developing and marketing new products and services could have a significant negative impact on the Group's business, financial position or results.

### DAMAGE TO INFORMATION, PRODUCTION OR DISTRIBUTION SYSTEMS

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A major part of the Group's business depends on the efficient, continuous operation of its information, production and distribution systems. These systems could be damaged due to a range of causes, including fire, widespread power cuts, damage to communications networks, intrusions into the computer systems, vandalism or any other cause which could affect operations. As far as the activities which the Group subcontracts are concerned, the Group cannot respond to these types of events and must

rely on the ability of the subcontracting companies to react quickly and effectively. Any inability by subcontractors to respond to these problems could have an impact on the Group's business. As far as the activities where the Group has full control are concerned, no assurance can be given that the Group will have the technical and financial capacity to alleviate all the damage caused. The Group's business could be significantly affected.

## RISK ASSOCIATED WITH KOMPASS ACTIVITIES

The Group publishes the Kompass directories in France, Spain, Belgium, Luxembourg and Morocco based on contracts with Kompass International, which has assigned it the use of the "Kompass" trademark in each of these five countries. Because of changes in technology and users' preferences, the Kompass publishing companies' business is more and more geared towards the Internet with the marketing of advertising space and selling fee-based access to the kompass.com website. The kompass.com website

is published by Kompass International and the Kompass France, Kompass Belgium and Edicom companies, Group subsidiaries and publishers of a Kompass service, which are therefore more and more dependent on a service over which they do not have editorial control. This situation could reduce the Group's ability to develop its business associated with Kompass services in a profitable manner and could have a significant negative impact on the Group's business, financial position or results.

## FLUCTUATIONS IN THE GROUP'S QUARTERLY SALES AND SIX-MONTH RESULTS

The various editions of the Group's printed directories are published and distributed throughout the year, and so the business of printed directories does not go through any major cycles. However, unlike on-line directories, publishing and distributing printed directories can take place irregularly. From a bookkeeping point of view, income and expense from selling advertising space in the printed directories are taken into account in results when they are published. Therefore sales can be irregular from one quarter to the next and the results for one six-month period may not be representative of the Group's annual results. In addition, if the publication

of one or more directories is brought forward or delayed determining revenue as well as the associated costs of publication and distribution could be delayed or brought forward. Finally, the time delay between determining income and costs on the one hand, and the actual payment of the costs and billing advertisers on the other hand could have an influence on operating results, GOM or other financial indicators generally used by investors to evaluate the financial performance of a company and not reflect the Group's actual liquidity level.

## EFFECT OF INVESTMENTS OR DIVESTMENTS

The Group may decide to carry out acquisitions or investments in one of its businesses. No assurances can be given that the Group will manage to successfully integrate the acquired companies, to realise the anticipated synergies, maintain uniform standards, controls, procedures and policies, maintain good relations with the staff at the acquired companies or that the additional income and results generated by each acquisition will justify the price paid for the acquisition. A failure in any of these integration steps could have a negative impact on the Group's business, financial position or results.

A part of these acquisitions and investments could involve payment by issuing shares in the PagesJaunes Group, which could have a diluting effect for the PagesJaunes Group shareholders. These acquisitions and investments, whether paid for in cash or shares, could have an unfavourable effect on the Group's business, financial position or results.

The Group could also decide to divest itself, sell or close down any of its businesses. No assurance can be given that the Group could find potential buyers or that the price received for the sale of these businesses or the cost reductions associated with the sale or closing of these businesses could offset any drop in the Group's results.

## PRESENTATION OF DATA ON A LIKE-FOR-LIKE BASIS

The financial information on a like-for-like basis included in this *document de référence* is taken mostly from the business results of companies which were sold either directly or indirectly to PagesJaunes Group since the beginning of 2004. To prepare this information, a certain number of

assumptions and adjustments have been made. Therefore, this financial information is not necessarily an indication (i) of the operating results the Group would have had if it had been autonomous in the periods being analysed, or (ii) of the Group's operating results in the future.



## 4.3 Risks relating to relations between the Group and the France Télécom Group

### CONTROL OF THE FRANCE TÉLÉCOM GROUP

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Because of the amount of the Company's share capital it owns, France Télécom is in a position to have a decisive influence on most of the Group's corporate decisions, particularly those requiring approval from the shareholders (electing and dismissing members of the Board, distributing

dividends, changing the by-laws and deciding to undertake major Group operations, including new securities). This means that control of the France Télécom group could have a significant impact on the Group's recruiting or compensation policy.

### CONFLICTS OF INTEREST AND COMPETITION WITH THE FRANCE TÉLÉCOM GROUP

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The France Télécom group could exercise control over the PagesJaunes Group's operations and strategy. Although France Télécom agreed not to compete with the Group in France and Spain until 31 December 2008 in the area of publishing printed business directories, the Group's financial goals and those of France Télécom may not always be in agreement. In addition, France Télécom owns majority or minority holdings in other

companies in the telecommunications sector in a large number of countries in Europe and other countries in the world. Through these holdings, France Télécom could find itself in competition with the Group's business. As a result of the consolidation and convergence which are expected in the telecommunications sector, it is possible that other parts of the France Télécom group could become Group competitors.

### COMPETITIVE DIFFICULTIES ASSOCIATED WITH RELATIONS WITH FRANCE TÉLÉCOM

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For strategic reasons, the Group may not be able to tie up business relations with competitors of the France Télécom group. It is also possible that these competitors choose not to enter into a relationship with the Group because it belongs to the France Télécom group. Some commitments which France Télécom has made or may make in the future to its partners

could limit the Group's ability to compete with international partners of the France Télécom group. These factors could reduce the Group's ability to develop and have a negative impact on the Group's business, financial position or results.

### CONTRACTUAL RELATIONS WITH FRANCE TÉLÉCOM

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The Group has historically had a certain number of contractual relations with the France Télécom group (see section 6.4 "Relations with the France Télécom Group"). No assurance can be given that if these contractual

relations are stopped or modified that this would not have an effect on the Group's business, financial position or results.

## 4.4 Legal risks

### LAWSUITS AND ARBITRATION

In the normal course of business, companies in the Group may be involved in a certain number of legal, arbitration or administrative proceedings. The charges which may result from these proceedings are not provided for unless they are likely and can be quantified or estimated within a reasonable range. The amount of provisions made is based on an assessment of the risks on a case-by-case basis and depends in large measure on factors other than how far the proceedings have progressed, and it should be noted that the occurrence of events during the proceedings could mean that the risk has to be reassessed.

Except for the proceedings described below, neither PagesJaunes Group, nor any of its subsidiaries, is a party to any lawsuit or arbitration proceeding of any kind where the PagesJaunes management believes that the result could reasonably have a significant negative impact on its results, business or consolidated financial position.

- (i) The Prodis company, which operates a website at the address [www.pagesjaunes.com](http://www.pagesjaunes.com) and is the owner of the domain names [pagesjaunes.com](http://pagesjaunes.com) and [pagesjaunes.net](http://pagesjaunes.net), sued France Télécom on 26 September 2000 and PagesJaunes on 20 April 2001 mainly seeking to get the PagesJaunes trademarks cancelled. In the lawsuits, Prodis claims that filing the name "PagesJaunes" as a trademark is fraudulent because it is nothing more than the translation of the phrase "Yellow Pages" which has described the same concept of a business directory in the United States since 1886 and the plaintiff therefore claims that this is a generic term used indiscriminately in various countries. In a ruling dated 14 May 2003, the Paris Court of Grand Instance confirmed the validity of the "PagesJaunes" trademarks. The Prodis company filed an appeal against this ruling by repeating the same claims which also involve cancelling the trademarks "PagesBlanches," "l'Annuaire" and "l'Annuaire des Pages Blanches". In a ruling issued on 30 March 2005, the Paris Court of Appeal stated that: "these trademarks have acquired through long and intensive use which has given them a strongly distinctive character" that PagesJaunes and France Télécom had justified "by many official notifications entered into argument, that it had reacted against all illicit use of their trademarks by regularly defending the rights associated with them", and that "the contradictory nature of the argumentation by the Prodis company (...) is enough to establish its bad faith in initiating and conducting this case", The Paris Court of Appeal therefore confirmed the ruling handed down on 14 May 2003 by the Paris Court of Grand Instance, declared the new claims by Prodis inadmissible and denied all the claims made by Prodis and ordered it to pay PagesJaunes and France Télécom 20,000 euros each in damages and interest for bringing a nuisance lawsuit and 10,000 euros based on article 700 of the French New Code of Civil Procedure. Since Prodis did not lodge an appeal, the ruling of the Paris Court of Appeal became final. As Prodis did not appeal the Paris Court of Appeal's ruling stands.
- (ii) PagesJaunes implemented a plan at the beginning of 2002 to make changes in its marketing which particularly included changing 930 employment contracts for sales staff. This change is intended to bring these contracts into line with a new competitive environment.

About one hundred employees refused to sign the new contract offered to them and were dismissed during the second quarter of 2002. As of this date, almost all of the dismissed employees have sued PagesJaunes contesting the validity of the grounds for dismissal. The Supreme Court of Appeal has confirmed this marketing development plan via two judgements rendered on 11 January 2006. The Supreme Court of Appeal adjudicated that a layoff resulting from restructuring implemented in order to avoid upcoming economic difficulties pertaining to technological developments was justified. However, cases including pleas based on reasons that have not been ruled on by the above judgements as well as cases with administrative jurisdictions are still open.

- (iii) PagesJaunes was subjected to a tax audit in the years 2001 and 2002 for the 1998 and 1999 fiscal years. The only corrections which are still in dispute represent a risk of about 6.6 million euros (including interest). The Company believes it has powerful arguments to counter these corrections in dispute and has therefore not made any provisions to cover these corrections as of 31 December 2005. To make its case, the Company has initiated a dispute procedure by filing a preliminary claim with the tax administration in July 2004.
- (iv) On 26 June 2002 PagesJaunes was sued by an advertising agency (FAC) in the Nanterre Business Court. This advertising agency claims that PagesJaunes has engaged in unfair practices, such as stealing customers, disparagement and door-to-door selling. It is therefore asking for 1 million euros in damages and interest. This case was argued on 14 September 2004 and the ruling was issued on 21 December 2004. Our opponents did not win their case. This advertising agency FAC appealed this ruling and PagesJaunes Group, although it has arguments on its side, cannot exclude the possibility at this stage that the dispute will continue with a possible sentence following appeal.
- (v) PagesJaunes sued an advertising agency (LSM) on 10 June 2003 in the Cannes Business Court. PagesJaunes, supported by numerous statements by customers, is suing this agency for unfair competitive practices aimed at causing confusion between LSM and PagesJaunes in the minds of customers contacted by LSM to insert advertisements in the PagesJaunes directory. The Cannes Business court, in a ruling dated 19 February 2004, denied PagesJaunes' claims. PagesJaunes has appealed this ruling, which if it is confirmed in appeal, could encourage the development of this kind of competitive practices by other advertising agencies, and create difficulties for PagesJaunes when it is prospecting for new customers. Although it believes it has a solid case in this affair, PagesJaunes cannot exclude the possibility that this ruling will be confirmed in appeal.
- (vi) On 4 October 2004, the Company was informed of a claim filed with the Competition Commission on 11 May 1998 by the Minister of the Economy relating to practices implemented by the former Office des Annonces (now PagesJaunes) in the advertising insertion market in telephone directories in mainland France and on Réunion. The Competition Commission dismissed the case on 20 December 2005.



- (vii) On 24 January 2006 the Company was informed of a claim filed with the Competition Commission by the Le Numéro company relating to practices implemented by France Télécom and PagesJaunes in the area of telephone enquiry services. Although it believes that it has items in its favour, the Company cannot totally exclude a sentence.

In addition, like other companies in this sector, the Group is frequently sued in the courts as part of cases brought based on errors in the publication of the directories and other formats. In general, the financial risk represented by each of these cases is relatively small. However, a multiplication in the number of them could pose a significant risk for the Group.

The number of these cases has consistently gone down since 2001 and is stable in 2005. On 31 January 2006, there were 28 of these cases, for a total amount of damages and interest of 1.8 million euros. When dealing with these cases, the Group tries to negotiate an out of court settlement, which leads to a significant drop in the final overall cost of these cases. However no assurances can be given that these cases will not have a significant negative impact on the Group's financial position.

To the best of the Company's knowledge, there are no legal, arbitration or governmental proceedings, including all forms of proceedings, whether in suspense or with which it is threatened, that are likely to have, or which have had in the last twelve months, any significant effects on the profitability or financial situation of the Company and/or Group.

## CHANGES IN THE REGULATIONS AFFECTING THE GROUP'S MARKETS

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The communications industry where the Group operates is subject to many regulations (see section 6.7 "Regulation"). Changes in policy or regulations by the European Union (particularly the directive entitled "Privacy and Electronic Communications"), in France or in other European countries where the Group has operations could have a significant unfavourable effect on its business in these countries, particularly if the said changes increase the cost and regulatory constraints associated with providing the Group's products and services. These changes could have a negative impact on the Group's business, financial position or results.

In particular, the Group's marketing organisation is based in part on a structure of field vendors with the status of travelling sales staff. This organisation enables it to optimise its sales efficiency by encouraging flexibility, recruitment and training of the Group's sales force. Changing the status of these field sales staff could have a significant unfavourable effect on the Group's business, results, financial position or its ability to achieve its goals.

## LEGAL RISKS ASSOCIATED WITH UNCERTAINTY ABOUT THE EXISTING REGULATIONS

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The application of the existing laws and regulations covering the directory and Internet sector is being clarified in France and in the European Union, and a certain number of draft laws are being examined, particularly in relation to protecting personal information, confidentiality, responsibility

for content, e-commerce, encryption and electronic signatures. These future developments in regulations could have a significant unfavourable effect on the Group's business, results, financial position or its ability to achieve its goals.

## LEGAL RISKS ASSOCIATED WITH THE APPLICATION OF SEVERAL NATIONAL REGULATIONS

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The global nature of the Internet means that the laws of several countries can apply to the Group. Although the Group is established mainly in France, some States or national jurisdictions may require the Group to be subject to their national regulations. The potential simultaneous applicability

of several sets of regulations as well as the cost and regulatory uncertainty which may result could have a significant unfavourable effect on the Group's business, results, financial position or its ability to achieve its goals.



## INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS

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The Group cannot be certain that steps taken in France and in other countries to protect its intellectual and industrial property rights, particularly its trademarks, domain names, software and patents, will be adequate, or that third parties will not be able to counterfeit, misappropriate or have its intellectual and industrial property rights cancelled. In addition, particularly because of the global nature of the Internet, the Group's trademarks and other forms of intellectual and industrial property could

be spread to countries which offer a lower level of protection in terms of intellectual and industrial property than in Europe or the United States. Given the importance and impact of these trademarks, any counterfeiting, misappropriation or cancellation could have a significant, unfavourable effect on the Group's business, operating results, financial position or its ability to achieve its goals.

## USERS' PERSONAL INFORMATION

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If third parties were able to penetrate its network or somehow appropriate personal information about the users or their credit cards, the Group could be found liable. This liability could be invoked based on a breach of their right to privacy and to have their information kept confidential.

Investigating these claims and preparing defence against them could be expensive even if the Group is not found liable, and the existence of these claims could damage the Group's reputation.

## RESTRICTIONS ON THE GROUP'S RIGHT TO COLLECT PERSONAL INFORMATION

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The Group must abide by privacy protection laws, including European directive No. 95/46/EC of 24 October 1995, which limits its right to collect and use personal information about its users (see section 4.11.1.2 "Protecting Personal Information"). In particular, any restrictions on using software installed on an Internet user's computer when the user looks up information on the Internet showing how the user uses the Internet (cookies), or the obligation to allow users to object to the use of these

cookies could weaken the effectiveness of advertising as part of the Group's business. An increased awareness by the public of these questions of privacy and changes in the laws to which the Group must adapt could limit its ability to use such personal information for its business, and more generally affect the perception of the Internet by the public as a market for goods and services. Each of these developments could have an impact on the Group's business, financial position or results.

## USING DOMAIN NAMES

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The regulations governing the assignment of domain names are regularly changed and leave the possibility open of disputes between those registering domain names and holders of domain names, or the holders of trademarks or other prior rights. Although the policies for assigning domain names and guidelines were adopted by the regulatory authorities involved for the purpose of limiting the risks of lawsuits, a third party

could gain the right to use domain names similar to those registered by the Group, or the Group's use of its domain names could be limited based on prior intellectual property rights held by third parties. These situations could have an unfavourable effect on the Group's business, operating results, financial position or its ability to achieve its goals.



## 4.5 Market risks

### EXCHANGE RATE RISKS

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PagesJaunes Group believes that the exchange rate risk is not significant in terms of its business, because its operations essentially all take place in the euro zone.

### LIQUIDITY RISK

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Historically, the Group has financed its growth principally by self-financing, and the Group has not had to use any debt mechanisms except on a one-time basis. On 31 December 2005, the Consolidated Group net cash in hand was 553.0 million euros, compared to 629.7 million euros on 31 December 2004.

Therefore the Group is not open to any liquidity risk resulting from implementation of early repayment clauses for loans taken out by its companies or breach of financial commitments (ratios, goals etc.).

The Group does not securitize its customer receivables relating to current operations. However, in June 2005, PagesJaunes Group securitized the receivable that represents the exceptional State taking on the dividend distribution for 2005, which is a receivable of 64.2 million euros.

### INTEREST RATE RISK

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At the time of this *document de référence* going to press, the Group is not exposed to any significant risk of variations in interest rates. In fact, the Group's companies do not have any significant fixed-rate borrowings or loans with any entities which are not members of the Group, except for a loan of 64.2 million euros granted to France Télécom in June 2005, redeemable in three equal instalments in 2006, 2007 and 2008, bearing

interest at a fixed rate of 2.65%. In the future, the Group could be exposed to variations in the interest rate if it borrows money from third parties. In addition, a drop in interest rates could reduce the income received by the Group for its investments of surplus cash with France Télécom (see Section "6.4.7. Cash Management Agreements").

### SHARE RISKS

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As the Company does not own any third-party portfolio securities or mutual fund shares, there is no significant risk associated with a change in the value of these instruments.

However, the Company owns securities and receivables from holdings portfolio, for which it has booked, and for which it could book, provisions for depreciations, according to changes in the outlook and profitability of its subsidiaries. Likewise, the Group booked in its consolidated accounts

a certain amount of goodwill on its subsidiaries, for which it could need to book provisions according to changes in the outlook and profitability of its subsidiaries.

On 31 December 2005, the Company owned 100,000 treasury shares via a liquidity agreement (see section 21.1.3). A 10% drop in the Company share price would impact the Company's annual results negatively by about 200,000 euros.

## 4.6 Industrial and environmental risks

As part of its operations, the Group is subject to a certain number of regulations on the environment, health and safety.

As far as the activities concerned which are not carried out directly by companies in the Group but are subcontracted, such as printing or distributing the printed directories in particular, the Group only has limited room for manoeuvre to control their environmental impact. Although the Group pays attention to environmental factors when choosing its subcontractors, and has set up policies, in co-operation with its subcontractors, aimed at improving recycling of directories (particularly in the choice of glues and special inks which are easily recyclable), no assurance can be given by the Group that its subcontractors will respect all the regulations which apply in the area of environmental protection.

In terms of the activities which the Group carries out directly, the environmental impact is basically of two types. On the one hand, the risks associated with producing and putting such a large quantity of paper into circulation, and on the other hand, the risks associated with so-called "office" activities, to which comparable companies are subject.

The main environmental impact for the Group comes from producing and putting such a large number of printed directories into circulation. To limit this impact, the Group has put in place a certain number of measures aimed on the one hand at reducing the amount of paper needed for its business, and on the other hand, encouraging recycling of the paper which is used.

### REDUCING THE QUANTITY OF PAPER CONSUMED

In terms of limiting the quantity of paper needed, the Group has implemented the following measures:

- optimising the print run, by a more exact assessment of the number of directories to be published, to make the number of directories delivered better conform to the real needs of consumers;

- optimising directory page layout and formatting, to limit the consumption and loss of paper when the directories are produced.

The level of paper consumption for the publication of the PagesJaunes directory and l'Annuaire came to 66,732 metric tons of paper for 2005, compared to 67,141 metric tons of paper for 2004 and 69,900 metric tons of paper for 2003.

### DIRECTORY RECYCLING

At the same time, the Group has carried out a certain number of efforts aimed at more widespread and more effective recycling of the directories produced.

On the one hand, a part of the paper paste used is composed of recycled paper, and on the other hand, a part of the purchased paper is recovered during manufacture and printing of the directories for later recycling. In addition, various recovery and/or recycling actions have also been implemented.

The Group has also adopted the so-called "drop-off/pick-up" system which makes directory distributors in the most densely populated urban areas responsible for collecting old directories when the new ones are dropped off. And finally, the surplus directories are subject to recovery/recycling in the same way as the old recovered directories. All the directories so recovered are recycled by companies specialising in waste management. In total, over 25% of the paper purchased can be recycled today.

### ENVIRONMENTAL IMPACTS ASSOCIATED WITH SO-CALLED "OFFICE" ACTIVITIES

The companies in the Group have implemented a number of internal measures to ensure protection of the environment, particularly by reducing consumption of resources.

**Generally, in terms of all the risks described above, although the Company has adopted a policy of identifying and voluntarily managing risks relating to the environment, health and safety, it cannot guarantee that it will not suffer any environment-related**

**losses, or any resulting from the application of the regulations in this area. No assurances can be given that the Group's business, financial position or results will not be unfavourably affected by these losses. In addition, any possible amendments to the legal and regulatory provisions on the environment, national or international, could affect the Group's business, financial position or results.**

# 5

## Information concerning the issuer



### 5.1 History and changes in the Company

#### 5.1.1 CORPORATE NAME AND TRADING NAME

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“PagesJaunes Group”.

#### 5.1.2 PLACE OF REGISTRATION AND REGISTRATION NUMBER

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Business and Company Registry number: Nanterre 552 028 425.

Code APE: 744 A.

#### 5.1.3 DATE OF INCORPORATION AND TERM (ARTICLE 5 OF THE BY-LAWS)

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The Company was incorporated on 12 January 1897 and registered on 21 February 1955. Based on article 5 of its by-laws, the Company has a term of 99 years which started on 31 December 1954 and will run until

31 December 2053, unless it is dissolved earlier or extended as provided for in the by-laws.

#### 5.1.4 REGISTERED OFFICES, LEGAL FORM AND APPLICABLE LEGISLATION

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Registered offices and the Company's main place of business:

7, avenue de la Cristallerie, 92317 Sèvres Cedex - France

Telephone: +33 1 46 23 30 00.

Company country of origin: France.

PagesJaunes Group is a limited liability corporation with a Board of Directors subject to the provisions of articles L. 210-1 and following of the French Commercial Code and decree No. 67-236 of 23 March 1967 on business corporations.

#### 5.1.5 MAJOR EVENTS IN THE DEVELOPMENT OF BUSINESS

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Today the Group is the leading publisher of directories in France intended for the general public and professionals, available in printed form and on-line (Internet and Minitel). In 2005, the Group published 361 directory editions, distributed 69 million copies and 727,249 professionals used one or more Group publications as an advertising medium to develop their business.

The Group's range of products offered to the general public particularly includes the printed directories (the PagesJaunes directory and l'Annuaire in France and QDQ, La Guia Util in Spain), as well as on-line directory services (pagesjaunes.fr, PagesJaunes 3611 and QDQ.com). In the professional market, the Group publishes the PagesPro directories in France, and the Kompass directories in France, Spain, Belgium, Luxembourg and Morocco. The Group also offers a range of services linked to direct marketing and map services.



## History and changes in the Group's structure

On 4 February 1946, the Ministry of Posts, Telegraphs and Telephones ("PTT") made the Office d'annonces ("ODA"), a state-owned company through the Havas advertising agency, responsible for handling advertising representation for directories in mainland France.

The shareholders in the ODA changed on several occasions until 1998. In July 1998, Havas, which then owned all the share capital in the ODA, sold its holding to Cogecom (a subsidiary of France Télécom). In 2000, before Wanadoo's IPO, France Télécom first transferred some of SNAT's activities (the France Télécom division in charge of publishing the telephone directories) to the ODA, then transferred all ODA's shares to Wanadoo. ODA's name was then changed to "PagesJaunes". Following this reorganisation, PagesJaunes became the owner of the directory publishing business of the France Télécom Group, excluding l'Annuaire (formerly called the Pages Blanches) and alphabetical look up on PagesJaunes 3611 which were retained by France Télécom. Advertising representation as well as all of the design and manufacturing process for l'Annuaire and the alphabetical look up on PagesJaunes 3611 were however entrusted to PagesJaunes by France Télécom.

Advertising in the directories and the Company had developed continuously since 1946, (thanks to the growth in consumption and in the advertising market in France and thanks to the increase in directory distribution and its audience, linked to the increase in the number of telephone subscribers. The continuous increase in ODA's sales (from 1.6 million euros in 1956 to 1,060.7 million euros in 2005), was due particularly to its ongoing ability to make permanent adaptations in terms of business and technology. The 1980's saw the successful launch of the PagesJaunes directory as well as the start up of Minitel, a precursor of the advertising model on the Internet. PagesJaunes experienced many technological changes, especially with the adoption of computer aided publishing ("PAO") for all "paper" and "telematic" advertisements in 1990, the changeover to colour in 1995, the launch of Internet services in 1997, and finally the "PagesJaunes 2000" directory which introduced four-colour printing.

## 5.2 Investment

The Consolidated Group devotes between 1% and 2% of its revenue each year to investment costs, mostly in the computer technology area (operations, networks and office automation), and, to a lesser extent, to set up the installations in the premises occupied for its operations. Investment expenditures are primarily aimed on the one hand at making the pagesjaunes.fr user interface more intuitive, improved use of the wealth of its content as well as improving search result pertinence, and on the other hand at reinforcing the effectiveness of processes pertaining to defining offers, producing advertisements and more generally editorial management for directories.

In addition, the Group has developed its range of advertising services beyond that of the general public directories, with a range of directories intended for professionals (Kompass, PagesPro), as well as a range of services pertaining to the direct marketing business (Wanadoo Data).

In the framework of the public offering initiated by France Télécom for Wanadoo in February 2004, it was decided to place some companies in Wanadoo's directory division under the Company's umbrella (QDQ Media, Mappy and Kompass Belgium). These were then admitted for trading to the Eurolist of Euronext Paris on 8 July 2004.

In December 2004, PagesJaunes Group transferred to PagesJaunes SA, by a partial asset transfer agreement, the business assets, business, and staff members in charge of the business of publishing the PagesJaunes directories, previously performed by PagesJaunes SA, which is now PagesJaunes Group.

In January 2005, PagesJaunes Group consolidated Editus Luxembourg and Kompass Belgium for the first time. PagesJaunes Group had reinforced its presence in Luxembourg in October 2004 by increasing its holdings from 50% to 100% in the capital of the Luxembourg company Eurodirectory, which holds 49% of Editus Luxembourg. Editus Luxembourg is now consolidated via proportionate consolidation.

In February 2005, PagesJaunes Group acquired the French company e-sama through its subsidiary Wanadoo Data, which specialises in hosting databases and providing Customer Relationship Management (CRM) services. e-sama has been consolidated since February 2005.

PagesJaunes Group acquired the Moroccan company Edicom, publisher of the Télécontact directory which operates the Kompass name in Morocco. Edicom has been consolidated since July 2005.

Finally, on 20 January 2006, PagesJaunes signed a licensing agreement with France Télécom for using the printed general directory to the benefit of PagesJaunes accompanied by an acquisition agreement for the "L'Annuaire" name for a total amount of 12 million euros. These agreements took effect on 1 January 2006.

Pertaining to holding acquisitions in 2005, on 18 February 2005, via its subsidiary Wanadoo Data, PagesJaunes Group acquired 100% of e-sama which is specialised in database hosting and in customer relationship management (CRM) services for 13 million euros. On 29 June 2005, PagesJaunes Group concluded, effective 1 July, the acquisition with a subsidiary of France Télécom of Edicom, top publisher of directories in Morocco for 5 million euros (see Section "20.1 Historical financial information", note 6 "Variations in the consolidation scope").



# 6 Overview of the businesses

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## 6.1 Main activities and development strategy

### 6.1.1 GENERAL PRESENTATION OF THE BUSINESS

Today the Group is the leading publisher of directories in France. The media published by the Group are intended for the general public and professionals, and are available in printed form and on-line (Internet and Minitel). In 2005, the Group published 361 directory editions, distributed 69 million copies and 727,249 professionals used one or more Group publications as an advertising medium to develop their business.

The Group's range of products offered to the general public particularly includes the printed directories (such as the PagesJaunes directory and l'Annuaire in France and QDQ, La Guia Util in Spain), as well as on-line directory services (such as pagesjaunes.fr and QDQ.com). In the professional market, the Group publishes the PagesPro directories in France, and the Kompass directories in France, Spain, Belgium, Luxembourg and Morocco. The Group also offers a range of services linked to direct marketing business as well as map services.

#### The Directory: a unique advertising medium

A directory holds a unique position in the local advertising medium market. Found in homes and businesses, it allows a consumer looking for a product or service to quickly find precise and immediately useful information about all the businesses who could meet his needs. This information is enhanced by a certain amount of advertising content which helps the user in his search.

Because of all the information offered, directories are one of the most consulted media by French consumers aged 15 and above looking for a business when deciding to make a purchase. So in 2005, about eight in ten French consumers aged 15 and above used one of PageJaunes' directory services in France at least once during the year. In 82.4% of cases, looking in the PagesJaunes directory was followed by a commercial contact. In 57.3% of cases, this commercial contact resulted in a transaction or a purchase (source: ISL/Crédoc, Directory Consultation Table, 2005 Annual Report – study performed with four samples using 8,390 people, representative of the French population aged 15 and above, carried out at PagesJaunes' request). Therefore, for businesses, directories represent one of the essential means of entering the local advertising market.

In addition, the Group's platforms meet the information needs not only of individuals and businesses at the local level, but also more specific needs of business at the national and international levels thanks to the PagesPro, Europages and Kompass range of products, which give information about businesses over wider geographical areas.

#### The Directory: an economic model based on the "virtuous circle"

The goal of a directory is to offer useful, exhaustive information to the greatest number of people in multiple forms. The audience generated when this information is consulted produces income from businesses by selling advertising space, thereby contributing to enhancing the informational content made available to users.

#### European directory market

The European directory market is made up of publishers whose business is mainly geared to their domestic market, where they generally occupy a long-standing leading position. The European directory market represented 70 billion euros in 2004 (source: The Kelsey Group, Global Yellow Pages 2005, May 2005). Apart from PagesJaunes Group, the main companies active in the European directory market are Yell, Seat Pagine Gialle, TPI, Eniro, DeTeMedien, World Directories and European Directories (ex-Yellow Brick Road Directories).

In the United Kingdom, Yell published printed business directories under the names Yellow Pages and Business Pages, as well as an on-line directory (yell.com), and also operates a directory enquiry service (118 247). In the United States, Yell published printed directories under the name Yellow Book and an on-line directory (yellowbook.com).

In Italy, Seat Pagine Gialle publishes alphabetical and business directories in printed form and on-line (paginegialle.it). Seat Pagine Gialle is also present outside of Italy, particularly in the United Kingdom where it publishes Thomson Directories, the second largest directory publisher in that market. The group also operates a directory enquiry service via its subsidiary Telegate, in Italy, Germany, Austria, Switzerland, Spain and France, as well as a direct marketing business with its subsidiary Consodata. Finally, Seat Pagine Gialle has shares in Euredit, publisher of the Europages directory.

TPI, a subsidiary of the Telefonica group, specialises in publishing alphabetical and business directories, printed and on-line (pagesamarillas.es for Spain), in Spain and Latin America. TPI also operates directory enquiry services in Spain (118 88) and in Italy (1288).

Eniro is a Swedish group that publishes printed and on-line business directories (eniro.se for Sweden). The group is primarily present in Sweden, Norway (where Eniro bought out its counterpart Findexa at the end of 2005), in Finland, Denmark and in Poland. Eniro also operates directory enquiry services.

DeTeMedien, in Germany, is part of the Deutsche Telekom group, for which it publishes alphabetical and business directories in paper form, on CD-Rom and on-line (gelbeseiten.de). The German market, which is the biggest in Europe, is split between a large number of local companies under contract with the publisher DeTeMedien.

Gouden Gids in the Netherlands, Promedia in Belgium, Golden Pages in Ireland, Paginas Amarelas in Portugal and Pagini Auri in Romania publish directories and are subsidiaries of World Directories. Companies in the World Directories group publish printed and on-line directories (such as goudengids.nl for the Netherlands and pagesdor.be for Belgium). World Directories was sold by the VNU Group in September 2004 to Apax Partners Worldwide and Cinven Limited.

Finally, European Directories (ex-Yellow Brick Road Directories) groups together directory publishers in the Netherlands (De Telefoongids), in Austria (Herold), Finland (Fonecta), Czech Republic and Slovakia (Mediatel), Denmark and Sweden (TDC Directories, acquired in October 2005).



## Overview of the businesses

Main activities and development strategy

European Directories is held by a consortium led by Macquarie Capital Alliance Group.

The table below gives an estimate of the advertising revenue from the directory market in the main countries of Western Europe in 2004:

Country	Market Size (in millions of euros)	Main Actor
Italy	1,190	Seat PagineGialle*
Great Britain	1,183	Yell*
Germany	1,058	DeTeMedien
France	905	PagesJaunes*
Spain	538	TPI*
Sweden	354	Eniro*
Netherlands	264	Gouden Gids (World Directories/Telefoongids Media (European Directories)
Finland	215	Fonecta (European Directories)
Norway	214	Findexa (Eniro)
Belgium	206	Promedia (World Directories)
Denmark	181	TDC Directories (European Directories)
Other countries	734	
<b>European Market</b>	<b>7,042</b>	

Source: The Kelsey Group, *Global Yellow Pages 2005, May 2005*.

\* Companies listed on a regulated market on 31 December 2005.

### 6.1.2 DEVELOPMENT STRATEGY

The Group's strategy is based on:

- developing an audience for its services;
- increasing market penetration;
- reinforcing positioning for the "sales relations engine" for its media, especially Internet;
- developing new and innovating products and services;
- continuing to improve profitability.

This strategy as a whole is based on the assets of our staff and their ability to expand their skills to include the new technologies and services.

#### Developing an audience for the media

The Group believes that developing its audience depends in large measure on a continuing improvement in the distribution of the printed directories, adding to the features of its on-line directories and of its directory enquiry services, developing new services aimed specifically at users on the move and widening the platforms for distributing the Group's services, particularly through partnerships, to make these services accessible to a larger number of people. In addition, bearing in mind the growing range of information sources which consumers can use, the Group believes that advertising intended to increase recognition of its name and services will remain a priority.

Enhancing the content accessible via the Group's various media and developing location pinpointing services should be key differentiation elements which the Group aims to implement.

#### Increasing market penetration

The Group's markets are not as well covered as the European average. The penetration rate, measured in relation to the number of advertisers that purchased an advertisement in one of the Group's media and the number of advertisers that make up the market potential addressed by the Group, is less in France and in Spain compared to the average for Europe: 21.5% and 13.6% respectively compared to an average of 26.3% in Europe (Source: The Kelsey Group – 2005 – simple European average, excluding Norway).

The Group is therefore continuing its strategy of attracting new advertisers, striving to increase the number of its advertising customers especially in business that have a history of not been sought out as customers by the Group (such as the fashion and non-food retail businesses in the town centre and regulated professions).



This strategy is based on:

- an increase of between 20 to 25% in the sales force in France (between the end of 2003 and the end of 2006), essentially dedicated to finding new customers, and to a lesser degree in rendering existing customers loyal;
- increasing marketing efficiency, particularly by training and encouraging our sales staff, sharing good marketing practices and optimal distribution of advertisers over the various sales channels.

### Reinforce the position of “sales relation engine” on Internet

The rapid development enjoyed by Internet in the area of consumption provides the Group with many opportunities for growth. The Group's internet sites (pagesjaunes.fr, QDQ.com, etc.) are continuing with a growth strategy directed at developing their functionality, enriching their editorial content and optimising connectivity.

One of the purposes of pagesjaunes.fr is indeed to be a “sales relation engine” that favours links between private individuals and businesses, particularly through promotion of direct connections between the two parties, integration of reservation services and the “recherche à proximité” services.

The Group's internet platforms undergo constant change in order to make the user interface more intuitive, make better use of the rich content and thus improve the pertinence of search results. These developments make it possible to increase the attractiveness of the Group's services with users and advertising customers.

### Developing new and innovative products and services

In November 2005, PagesJaunes started a directory enquiry service (118 008) within the framework of liberalization in the market, which will become fully effective in April 2006. This new service allows the Group to make its services available across all the platforms in France (print, Internet, mobile Internet, telephone) and thus increase the audience for its services with its users.

Some of the areas that are related to the Group's activities are being transferred progressively from printed media to Internet media. PagesJaunes Group's strategy is to seize this opportunity and develop Internet services that are adjacent to its core business. These developments, initially internal ones, may be accompanied by targeted acquisitions that will allow the Group's know-how in this area to be supplemented. In this area, the group is paying particular attention to the classified ads market, especially in France.

In the end, the purpose of these new services is to provide growth supplements without replacing the Group's current business.

### Continuing improvement in the Group's operations management

Revenue growth should contribute, as in the past, to increase the Group's profitability. In fact, publishing costs (buying paper, printing and distributing the directories) constitute a major part of the Group's costs and are not significantly affected by changes in revenue. In addition, compensation costs for sales channels, which are essentially variable, are associated with generating revenue.

As well as improved profitability associated with growth, the Group aims to continue a policy of strict cost management by continuously improving the efficiency of its operating processes and optimising the contractual conditions negotiated with its key suppliers.

Over the long term, PagesJaunes Group is taking three directions with regards to development:

- obtain growth relay in 3/5 years;
- reinforce presence on the Internet market;
- improve its financial structure by making use of its borrowing power and operational opportunities for synergy.



## 6.2 Presentation of the business

### 6.2.1 PAGESJAUNES IN FRANCE SEGMENT

In 2005, PagesJaunes SA marketed 242 directory editions (PagesJaunes, l'Annuaire, PagesPro and Europages directories), and distributed 52.9 million copies.

The following table gives the list of PagesJaunes' various directory services in France and how they are distributed:

#### Means of distribution

List of services*	Print	Minitel	Audiotel	Enquiry services	CD-ROM	Internet	Internet mobile/SMS	Interactive Television
<b>Business Directory by heading</b>	PagesJaunes Directory	PagesJaunes 3611	-	118 008	-	pagesjaunes.fr	pagesjaunes.fr	PagesJaunes
<b>Alphabetic directory</b>	L'Annuaire	PagesJaunes 3611	-	118 008	-	pagesjaunes.fr	pagesjaunes.fr	PagesJaunes
<b>Business to Business Directories</b>	PagesPro	-	-	-	PagesPro	pagespro.com	-	-
<b>Reverse Directory</b>	-	3617 QuiDonc	32 88	118 008	-	quidonc.fr	62 800 by SMS	QuiDonc

\* This list does not include Europages, a directory for which PagesJaunes only handles the advertising representation.

PagesJaunes also offers businesses complementary services to the directory business, particularly services creating and hosting websites to promote their businesses.

In 2005, PagesJaunes SA had revenue of 956.1 million euros, an increase of 5.8% over 2004, which is 90.1% of Consolidated Group revenue. The Company's income mainly comes from selling advertising space in its printed directories and on-line services (98% of the Company's revenue in 2005). Most of the Company's costs are for publishing (buying paper, printing and distributing the printed directories), and marketing and management costs.

#### The advertisers

Most of our advertising customers in PagesJaunes are tradesmen, independent professionals (including the liberal professions) and small and medium-sized businesses. The potential market targeted by PagesJaunes SA is made up of 2.9 million businesses (source: *Agence des PME, PME:*

*Clés de Lecture. Definitions, Breakdown, Typologies – January 2003 [based on Insee figures December 2001]. Parameters used: Companies in the ICS field [industrial and professional consumer product companies], finance companies, non-merchant companies, legal entities subject to administrative law and private law groupings.)*

In 2005, 619,513 advertisers used at least one PagesJaunes outlet to promote their range of products and services, which represent about 21% of the market targeted by PagesJaunes. In 2005, the top 20 advertisers represented 1.1% of revenue and advertisers in the top 10 professional categories represented 15% of PagesJaunes' revenue (garages, car repair firms, estate agents; hotels and hotel/restaurants; restaurants; moving companies; woodworking companies; plumbers; general electricians; hairdressers; painters; cladding (companies)).

The following table shows changes in the number of advertisers and the average revenue per advertiser over the last five years:

	2001	2002	2003	2004	2005
<b>Total number of advertisers <sup>(1)</sup></b>	<b>548,232</b>	<b>560,453</b>	<b>561,180</b>	<b>583,386</b>	<b>619,513</b>
including new advertisers <sup>(2)</sup>	86,446	89,083	82,080	98,365	112,912
<b>Printed directory advertisers (PagesJaunes Directory or l'Annuaire)</b>	<b>520,618</b>	<b>531,320</b>	<b>532,041</b>	<b>550,504</b>	<b>575,435</b>
<b>On-line services advertisers</b>	<b>383,932</b>	<b>391,842</b>	<b>401,610</b>	<b>420,941</b>	<b>445,866</b>
including advertisers in pagesjaunes.fr at the end of December	203,613	231,806	267,175	307,953	339,553
(as a percentage of the total number of advertisers)	37.1%	41.4%	47.6%	52.7%	54.8%
<b>Average revenue per advertiser (in euros) <sup>(3)</sup></b>	<b>1,342</b>	<b>1,384</b>	<b>1,477</b>	<b>1,533</b>	<b>1,528</b>
<b>Average revenue per advertiser in the printed directories (in euros) <sup>(4)</sup></b>	<b>1,044</b>	<b>1,063</b>	<b>1,118</b>	<b>1,124</b>	<b>1,109</b>
<b>Average revenue per advertiser pagesjaunes.fr (in euros) <sup>(5)</sup></b>	<b>251</b>	<b>297</b>	<b>380</b>	<b>511</b>	<b>631</b>

(1) The number of advertisers includes all the advertisers in the year in question, including those who bought advertising space in PagesJaunes through an advertising agency.

(2) Number of advertisers in the year who were not advertisers in the previous year.

(3) The average revenue per advertiser is calculated by dividing total PagesJaunes revenue, excluding QuiDonc and access revenue ("Advertising revenue") by the total number of advertisers.

(4) The average revenue per advertiser in printed directories is calculated by dividing the PagesJaunes revenue for printed directories by the total number of advertisers in printed directories.

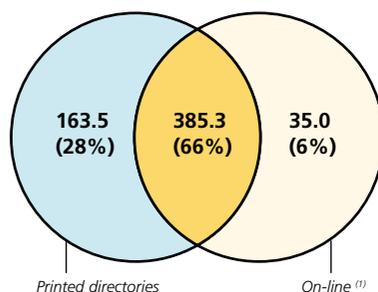
(5) The average revenue per advertisers in pagesjaunes.fr is calculated by dividing revenue for pagesjaunes.fr by the average number of advertisers on pagesjaunes.fr for the year in question (an arithmetical average of the number of advertisers on 31 December of the year in question and the number of advertisers on 31 December in the preceding year).

### Advertisers in multiple platforms

Most of PagesJaunes SA's advertisers use both the printed directories and the on-line directories. So, in 2005, 65% of them advertised both in one of the printed directories (the PagesJaunes directory or l'Annuaire) and one of the on-line services (PagesJaunes 3611 or pagesjaunes.fr).

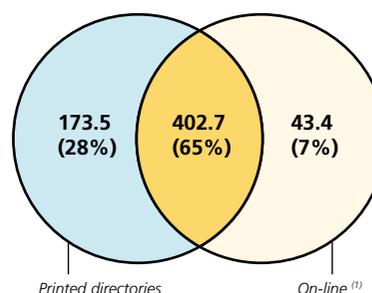
The following diagram shows how the advertisers were divided up in 2004 and 2005 and illustrates the different advertising platforms chosen by the advertisers:

NUMBER OF ADVERTISERS IN 2004 (IN THOUSANDS)



(1) Including advertisers on pagesjaunes.fr (Internet) and/or those on PagesJaunes 3611 (Minitel).

NUMBER OF ADVERTISERS IN 2005 (IN THOUSANDS)



(1) Including advertisers on pagesjaunes.fr (Internet) and/or those on PagesJaunes 3611 (Minitel).



#### Loyal advertisers

PagesJaunes has a very high loyalty rate of its advertisers. As such 86.8% of PagesJaunes' advertising customers in 2004 continued their business relationship with the Company in 2005 (the remaining 13.2% of the advertisers who did not continue their business relationship with the Company included companies who went out of business and Company liquidations). This loyalty rate of advertisers is closely related to the advertiser's spending pattern with PagesJaunes, which is itself closely related to how long it has been a PagesJaunes customer. As such the loyalty rate of advertisers is about 81.5% for advertisers who invest 500 euros or less (this is particularly true for new advertisers), about 89%

for advertisers who invest between 500 and 1,000 euros, about 91% for advertisers who invest between 1,000 and 1,500 euros, and reaches about 93.5% for advertisers who invest over 1,500 euros (generally the most long-standing advertisers).

Typically, an advertiser spends more on his advertising with PagesJaunes as his relationship as a customer continues over time. The table below illustrates the growth in average revenue of older customers compared to that of new customers (average revenue per advertiser) over the last 3 years:

(in euros)	2003	2004	2005
Average revenue per existing customer <sup>(1)</sup>	1,665	1,762	1,808
Average revenue per new customer <sup>(1)</sup>	582	581	551
<b>Total average revenue <sup>(2)</sup></b>	<b>1,477</b>	<b>1,533</b>	<b>1,528</b>

(1) Average budget per advertiser on a sales basis.

(2) Average revenue per advertiser on an accounting basis.

As an illustration, below is a table giving the average revenue per advertiser for a group of advertisers new to PagesJaunes in 2000.

(in euros)	2000	2001	2002	2003	2004	2005
Average revenue per advertiser <sup>(1)</sup>	546	772	903	1,148	1,367	1,800

(1) Internal study of new advertisers to the Company in 2000.

#### Services recognised by advertisers

Advertisers in PagesJaunes SA estimate that PagesJaunes brings them about 17% of their customers. In addition, to the question "What are the three PagesJaunes products or services which interest you most?", 92% of advertisers mentioned the PagesJaunes directory, 74% mentioned l'Annuaire and 75% pagesjaunes.fr. 84% of the advertisers are willing to recommend PagesJaunes and 29% have done so already (source: MV2 Group institutional satisfaction study, October 2004-September 2005 – telephone survey done with 3,070 advertisers representing PagesJaunes' advertising base, and carried out at PagesJaunes' request).

Several years ago, PagesJaunes SA set up a system to measure the effectiveness of the PagesJaunes directory for an advertiser. This involves including a telephone number in the advertising product which only appears in that location, which enables the calls so generated to be counted. This measure of effectiveness is more concrete for the local advertiser than the concept of "costs per thousand" (CPM in French) used by most media.

#### The contractual relationship

Businesses wishing to promote their business on one of PagesJaunes SA's media sign a contract for the lifetime of a particular edition, i.e. twelve months, except for some specific on-line advertising products. Payment is handled by making a down-payment when the contract is signed (usually 10% to 20%, depending on the size of the order) and paying the balance later in the two months following the publication of their advertising product.

#### Recognised trademark

PagesJaunes owns the trademark "PagesJaunes" which is very well known, and contributes to expanding the audience for its directories. Since 2001, the Company has used an advertising campaign depicting "runners" which personalise the Company's services in a friendly and dynamic way, and has contributed to making the trademark and its services better known. Therefore, in response to the question "When you are looking for an individual, a company or a business, a product or a service, what are all the sources of information you think of?", 88% of persons surveyed immediately mentioned a PagesJaunes service, and when the question was asked again quoting PagesJaunes' various services, the level of assisted recognition went up to 99% (Source: CSA 2005 – study performed on a sample of 1,312 people, representative of the French population aged 15 and above, and carried out at PagesJaunes' request).

#### A large audience

PagesJaunes has learned how to innovate to make its services accessible to a larger number of people, regardless of the technology or medium used – printed directories, Minitel, Internet, mobile telephones, interactive television – and wherever the user is located – at home, at work or on the move.

PagesJaunes SA now has a large audience for all its directory services. So, according to a study, 81% of persons surveyed had used at least one of the Company's media for private or professional reasons in 2005. The usage rate for PagesJaunes media in 2005 was 63% for the PagesJaunes directory, 62.1% for l'Annuaire, 21.4% for pagesjaunes.fr and 8.8% for



PagesJaunes 3611 (source: ISL/Crédoc, Directory Consultation Table, 2005 Annual Report – study performed with four samples using 8,390 people, representative of the French population aged 15 and above, carried out at PagesJaunes' request).

### Access to data

Information about individuals and businesses published in PagesJaunes SA directories is gathered from various sources.

On the one hand, PagesJaunes uses the subscriber databases of the various telecommunications operators in France, including France Télécom, through database availability. On the other hand, the Company adds to this information using contacts which the marketing network maintains with businesses. Finally, the Company has created a special number in operation since 20 March 2001, which enables any individual or business to add to its listing information free of charge by giving the Company its mobile telephone number.

### Advertising products

PagesJaunes SA offers its advertisers a wide range of advertising platforms (print, Minitel and fixed and mobile Internet, directory enquiry services). In fact, PagesJaunes SA believes that this wide range of platforms is needed to allow advertisers to reach the greatest number of users and respond to changes in usage. In addition, PagesJaunes offers a wide range of advertising products (see section relating to different supports) in each platform. Each of these products has its own rate structure.

### Commercial Organisation

PagesJaunes has set up an experienced commercial organisation that is appreciated by the advertisers, to build up customer loyalty and develop a new base of customers. The sales force markets all PagesJaunes' printed directories and on-line services in mainland France and in the four overseas departments (Guadeloupe, Martinique, French Guiana and Réunion). The sales force in the overseas departments is attached to PagesJaunes Outre-Mer, a 100%-owned subsidiary of the Company.

On 31 December 2005, PagesJaunes SA had a sales force of 1,829 salesmen and women, compared to 1,720 in 2004 and 1,558 in 2003, divided over three sales channels: telephone sales, field sales and major accounts.

- The telephone sales team has 663 sellers, 390 of whom work on attracting new customers (Télévente Prospects) and 273 work on retaining customers who have advertised in previous years (Télévente Clients) and who have spent about 500 euros to promote their business on one of the Company's platforms.
- The field sales team has 1,078 sellers attached to 20 regional agencies. Field sales are devoted to retaining the existing base of advertisers, and to a lesser extent attracting new advertisers. The biggest regional customers are under the responsibility of more experienced sales staff that has specific tools and management.
- The major accounts department has 15 sales staff and handles the biggest advertisers in terms of spending or with a big development potential. These are mostly major brands or advertisers with a network of sales outlets.

In addition, the business organisation has a mail-order sales department which has seven employees and, since 2004, field sales teams that concentrate on attracting new customers; at the end of December 2005, there were 66 of these sellers, divided over 8 sales offices.

Each of these sales channels works together, within a particular geographical area. Dividing customers between the various sales channels optimises customer relations and the direct cost of sales, defined as the compensation paid to the sales staff and management costs. So, in 2005, direct sales costs represented 13.8% of Company sales. This percentage may be up to six times higher when attracting a new advertiser.

To make sure it has an outstanding sales force, the Company is very selective in its recruitment, and offers its entire sales staff continuous training programmes about the products offered and new technologies. The training programme for newly-recruited sales staff – basically for telephone sales – takes three weeks, alternating between theory and practice. In 2005, apart from the initial training period taken by these new telemarketers, each salesman and woman also took an average of six days of additional training.

In addition, the heads of the sales teams regularly perform evaluations of the performance of the sales staff for whom they provide leadership, as well as personalised progress plans. The commission portion of the compensation paid to sales staff depends on the channel in question: for the field staff, who in 2005 was responsible for 76% of the Company's revenue, 100% of their salary is commission.

The Company's marketing organisation offers attractive career opportunities and pay increases for sales staff, who generally begin their careers at "Télévente Prospects". The best of them then have the opportunity to move to "Televente Clients" and then the field sales force, which contributes to motivation and retention of the Company's sales force. So the sales staff, whose average age was 37 and a half at the end of 2005, has an average length of service of eight years with the Company.

In 2005, the Company's marketing organisation contributed to retaining 506,601 advertisers and attracting 112,912 new advertisers, compared to about 98,365 new customers in 2004.

#### 6.2.1.1 Printed directories

PagesJaunes printed directories business includes the PagesJaunes directory and l'Annuaire. This business generated revenue of 638.2 million euros in 2005, i.e. 60.2% of the Group consolidated revenue in 2005. 575,435 advertisers bought an advertising product in 2005 in the PagesJaunes directory or l'Annuaire.

In 2005, the PagesJaunes and l'Annuaire printed directories came out in 236 editions, a figure slightly higher compared to previous years.

These directories appear at intervals throughout the year. The marketing of the advertising space in the directories for a particular year runs from April in the previous year to July in the current year. It takes an average of six months to produce a directory which is scheduled as follows:

- sale of advertising space. The sale of advertising space starts on average six months before the directory is published and mobilises all the sales staff in the department in question. As the marketing process continues, the advertising products are produced by the advertisement production department, and then sent to the advertisers for approval ("print order");



- page layout of the directory. About three months before the date scheduled for publishing the directories for a particular department, PagesJaunes stops selling advertising space in the directories in question and starts to do the page layout. This page layout is done by the production department which inserts the advertisements in the personal or business listings; a final check is performed by the same production department;
- printing and binding. The directory is then sent in electronic files to outside printers, who use paper purchased directly by PagesJaunes. The finished directories are then sent to distribution platforms located in the department in question;
- distribution. The directory distribution is carried out by outside service providers. The quality of the distribution of the printed directories is a key factor in their audience, so PagesJaunes performs audits to qualitatively and quantitatively measure the services provided. Compensation paid to the providers depends in part on the results of these audits;
- since 2000, the manufacturing and distribution processes of the printed directories, including organisation and management principles, received ISO 9001 certification, version 2000, from AFAQ. The certificate of conformity for this standard, for all of these processes, was renewed at the end of 2005.

#### Advertising products in printed directories

The printed directories offer advertisers three major types of advertising products:

- listing products: these are advertising enhancements and advertisements called “in column” in the published lists of individuals and businesses. These listing products may take the form of listings (putting the name and telephone number in bold, purchasing additional lines to show additional information such as an e-mail address or website address), or classified in column (in the case of the PagesJaunes directory this often involves information in a box on a yellow background published with the listing);
- impact products: these are advertisements called “outside column” which occupy several columns in the listing on the same page. The dimensions of these advertisements vary from 1/12 to a full page, and they enable the advertiser to show text as well as photos;
- display products: these are mostly covers (2nd, 3rd, and 4th cover pages), inserts, bookmark ribbons and sponsorship of the index, and for l’Annuaire, headers. These advertising products, available in limited numbers, require the space to be reserved. The function is close to that of advertising products offered by free or regional publications, or local display products;

To meet advertisers’ needs to tell the public about their special promotions, PagesJaunes has also created “Le Chéquier” (chequebook) which is distributed with the PagesJaunes directory and offers the consumer money-off coupons from local advertisers.

##### 6.2.1.1.1 The PagesJaunes directory

Each PagesJaunes directory lists businesses under one of its 1,690 categories depending on the place where the business is located. For each business listed, PagesJaunes shows an entry in the departmental directory where the business is carried out and in general where the corresponding telephone line is installed. For France as a whole, the PagesJaunes directory lists about 4 million businesses.

In 2005, the PagesJaunes directory published 134 different editions; these editions were mostly distributed free of charge to private homes and businesses, which represents a total distribution of 27.2 million copies. The PagesJaunes directory is also available for sale from the Company, upon request, by calling an “Azur” telephone number 0 810 810 767. Some of these directories have a cover with advertising for the whole department, some with advertising for a part of the department. This scoping technique enables advertisers to promote their business for a lower cost over a smaller geographical area.

The PagesJaunes directory generated revenue of 524.3 million euros in 2005, which is 49.4% of the Consolidated Group revenue for 2005. Almost all of this income is from advertising contained in this directory.

The costs associated with the PagesJaunes directory come mostly from publishing costs (buying paper, printing and distributing the directory) and marketing and management costs.

##### 6.2.1.1.2 L’Annuaire

In 2005, PagesJaunes issued 102 departmental editions of l’Annuaire, distributed free of charge to private homes and businesses, excluding individuals with Minitel, which represents a total distribution of 24.8 million copies. It is also available for sale from the Company upon request by calling an “Azur” telephone number 0 810 810 767.

France Télécom, the publisher of this directory, has given PagesJaunes the task of finding advertising customers, designing and producing the advertising material to be included in l’Annuaire, in an agreement dated 30 June 1967, replaced by an agreement dated 15 November 2002, valid until 31 December 2009. France Télécom has also assigned the production, manufacture and distribution of l’Annuaire to the Company, in an agreement dated 26 June 2000, in effect until 31 December 2005, and automatically renewable for the same length of time as the original agreement.

In 2005, under the advertising representation agreement, PagesJaunes prospected for customers and billed advertisers in l’Annuaire. The advertising revenue billed to advertisers by the Company was fully booked in PagesJaunes revenue figures. The amount paid back to France Télécom was booked under external purchases.

L’Annuaire produced revenue of 113.9 million euros in 2005, which is 10.7% of the 2005 Consolidated Group revenue. In 2005, PagesJaunes paid France Télécom a publisher’s fee of 54.5 million euros under the terms of the advertising representation agreement. Under the manufacturing agreement signed with France Télécom, PagesJaunes was responsible for the production, manufacture and distribution of l’Annuaire, published by France Télécom.

Under the regulations applicable to universal directory services for the printed and electronic directory, and directory assistance services, the France Télécom Group made a bid to publish printed and electronic directories, and provide directory assistance services, stating that the printed universal directory would be subcontracted to PagesJaunes. In a decree dated 3 March 2005 by the Ministry of the Economy, Finance and Industry, France Télécom as in particular appointed as sole operator of this universal directory service: France Télécom thus publishes a directory, in printed and electronic format, and operates a directory assistance service, in accordance with the technical specifications for the universal directory service and directory enquiries service resulting from said decree.

In order to improve the satisfaction level of those who consult the directories and the effectiveness of the advertisers' investments, PagesJaunes SA decided to reposition l'Annuaire in 2006 using a new advertising and editorial offer:

- new division of large-size departments into major living areas;
- new range of advertising products;
- increase distribution.

Finally, on 20 January 2006, PagesJaunes signed an operating licence agreement for the printed universal directory to the benefit of PagesJaunes, accompanied by an acquisition agreement for the "L'Annuaire" name for a total amount of 12 million euros. These contracts took effect on 1 January 2006.

### 6.2.1.2 On-Line Services

PagesJaunes SA's on-line services represent an increasingly important part of its business and stands at a high level when compared to most European directory publishers, on a revenue basis as well as from an audience standpoint. These on-line services underwent development starting in 1985 with the launching of PagesJaunes' first electronic directory on Minitel. The on-line services offer of PagesJaunes was then enriched in 1997 with the launching of the pagesjaunes.fr Internet site.

An initial version of pagesjaunes.fr intended for mobile Internet (accessible from mobile phones) was put on line as early as December 2000.

PagesJaunes also publishes a range of fee-paying directories for the user, grouped together under the name Quidonc, and since 1997 has been developing an additional business of creating and hosting Internet sites.

In 2005, PagesJaunes SA's on-line services generated revenue of 285.0 million euros, which is 26.9% of the consolidated group revenue for 2005. In 2005, about 445,866 advertisers were customers of the company's on-line services. Most of the revenue comes from listing products – the same for PagesJaunes 3611 and pagesjaunes.fr – and advertising products specific to each of these platforms. The revenue produced by these listing products, which represented about 33% of the revenue from on-line services in 2005, is divided between PagesJaunes 3611 and pagesjaunes.fr in proportion to their respective audiences. If we take PagesJaunes 3611 and pagesjaunes.fr as a whole, pagesjaunes.fr represented about 78% of this total in 2005, compared to 22% for PagesJaunes 3611. In addition, the revenue figures for the on-line services also include the website creation and hosting business.

The main costs associated with PagesJaunes SA's on-line business are information system costs, marketing and advertising costs, as well as administrative costs. The following table shows recent changes in the number of searches in PagesJaunes SA's on-line platforms:

Number of searches (in millions per month)	June 2004	December 2004	June 2005	December 2005	Variation June 2004/June 2005	Variation December 2004/ December 2005
PagesJaunes 3611*	19.5	15.0	13.7	10.7	-29.7%	-28.6%
Pagesjaunes.fr**	34.6	36.0	47.7	48.7	+37.9%	+35.3%
<b>Total</b>	<b>54.1</b>	<b>51.0</b>	<b>61.4</b>	<b>59.4</b>	<b>+13.5%</b>	<b>+16.5%</b>

\* Source: PagesJaunes. Number of requests made to the search centres on the PagesJaunes 3611 servers.

\*\* Source: Cybermétrie-Médiamétrie-eStat, in number of visits.

Since September 2003, the audience for pagesjaunes.fr has been higher than the audience for PagesJaunes 3611 and has more than offset the drop in the latter. As a whole, the audience for on-line media has increased between December 2004 and December 2005.

#### 6.2.1.2.1 Pagesjaunes.fr and Internet sites

Since it was launched in 1997, pagesjaunes.fr on Internet has enjoyed sustained growth. PagesJaunes also offers website creation and hosting services. At the end of December 2005, 339,553 advertisers had an advertisement on line on pagesjaunes.fr and 37,520 Internet sites were on line. Revenue in 2005 for pagesjaunes.fr and the website creation and hosting business was 227.7 million euros, which is 21.5% of the consolidated group revenue.

#### Pagesjaunes.fr on Internet

The pagesjaunes.fr internet site is one of the top sites in France in terms of audience. Sporting reach rate of 36.3% in December 2005 (source: Médiamétrie//NetRatings Panel France – home and/or workplace – excluding Internet applications – December 2005), the pagesjaunes.fr site holds 5th place among French sites. In terms of visits, figures went up sharply in 2005: 538.4 million visits in 2005 compared to 383.1 million visits in 2004 (source: Médiamétrie-eStat 2005). The pagesjaunes.fr site can also be accessed from the Wanadoo and Voilà portals, which belong to the France Télécom Group, and from the other major sites for French audiences. Access from all of these portals and sites combined represents about 12% of pagesjaunes.fr's audience in terms of number of pages viewed (source: Médiamétrie-eStat, November 2005).



## Overview of the businesses

### Presentation of the business

The site provides a set of innovating services which have evolved over the years:

- searching for a business or an individual using refined search criteria such as the business, name, address, location or department of the business or individual sought. Users performing a search can also access maps for all towns in Metropolitan France and over 4 million photos of 25 towns to find the business or individual being sought. In addition, PagesJaunes has 1 million photos of 6 Spanish cities. These additional services are offered by PagesJaunes in partnership with its subsidiary Mappy. In 2005, aerial photos of 37 built-up areas were introduced and can be superimposed on the maps. The Internet user can then locate a business or an individual on the map or alternatively by using the aerial photo;
- a service called "Recherche à Proximité". Created in January 2004, this enables any Internet user, based on a simple address or a category of businesses being sought, to get a list of these businesses close to the address given, as well as a map of the area with the pagesjaunes.fr advertisers highlighted. This service was extended progressively and now covers all of France;
- the "Ville en direct" service. With this service started in February 2005, PagesJaunes provides Internet users with useful information that is updated in almost real-time on all of the cities in France: current weather conditions and a free 10-day forecast, traffic conditions in Ile-de-France and on the motorway networks, over 200 webcams distributed across France, sorted into 4 themes "the beach", "the mountains", "the city" and "traffic";
- the "Click to talk" service was launched in November 2005, allows a user to call a business free of charge either from his computer using (Voice over IP), or using his telephone through a system called "call back". This offer is proposed to advertisers who have subscribed to an internet site with PagesJaunes of the "ES+" (En Savoir +) type;
- a private space called "Espace Perso". Created in 2003, Espace Perso is a free service which allows individuals or businesses who wish to add active links to their information appearing in pagesblanches.fr. These links enable Internet users to send a text message or an e-mail directly without the subscriber's mobile telephone number or e-mail address being revealed. Espace Perso answers Internet users' desire to be easily contacted, while keeping their personal information confidential;
- access to the reverse directory "QuiDonc". This reverse directory is specifically described in section "6.2.1.4.2 QuiDonc";
- the possibility of rapid access to over 200 directories on line all over the world and to get information about a company in another country for example. This service is offered free of charge to users of pagesjaunes.fr.

In 2006, a considerable number of innovations should be made available, in order to further consolidate the positions of pagesjaunes.fr with users as well as with advertisers:

- publishing on-line in the first quarter of a new version of the city photos allowing for improved navigation;
- progressive extension of the "click to talk" offer to all advertisers in pagesjaunes.fr;
- extension of the aerial photos to national coverage and continuation of 3-D experiments;
- preparation and launching of a new generation of the pagesjaunes.fr site, characterised in particular by:

- much more intuitive navigation;
- developments in cartography, especially through a partnership with the IGN;
- searches in the advertising content of pagesjaunes.fr using web indexing technologies.

### Advertising products on pagesjaunes.fr (Internet)

The advertising products offered on pagesjaunes.fr, specially developed for the Internet, enable advertisers to take advantage of additional space and functionalities to get their message to their customers and prospects.

Beyond the listing products, also present on PagesJaunes 3611, the advertising products on pagesjaunes.fr may be classified in two main categories:

- impact products, particularly modules and other products which may be accessed from an icon on the hit list beside the information about the advertiser: the link to the site (enabling Internet users consulting pagesjaunes.fr to go to the advertiser's site in one click), an audio spot (an interactive product enabling businesses to record sound spots by telephone to highlight an event or a special promotion) and a clip (a sound and image sequence lasting thirty to sixty seconds which enables the advertiser to highlight his specific services);
- display products, which appear on hit lists or on the home page of pagesjaunes.fr (headers, banners and totems) which can be clickable, to access the advertiser's site. For these display products, the advertiser may choose a local advertisement: the advertising product will appear for all requests made for a particular town or department, enabling the advertiser to benefit from an advertising campaign resembling a local display campaign. The advertiser is also offered the option of theme-based advertising: the advertising product will appear for all requests made for a particular town or department, for a particular type of business.

In look-ups by category, businesses who have bought an advertising product appear before the non-advertising listings. For the advertisers, the order of appearance in the hit lists rotates so that all advertisers get the same visibility.

PagesJaunes also offers advertising on the mobile Internet, made up of an image and text of one to three lines, which allows the advertiser to advertise on all mobile phones with Internet access.

This range of platforms and products enables the Company to offer a pricing structure within the reach of all advertisers, whatever their advertising budget.

### Pagesjaunes.fr on mobile telephones

Pagesjaunes.fr for mobiles was started in December 2000. The service is now available on the portals of the various operators, under its own name. It is also available on the Gallery portal. Mobile users can also access it directly via the pagesjaunes.fr url.

With an audience of 718 visits in December 2005 (source: Mobivillage), the service progressed sharply during the year 2005. Most of this progression can be attributed to searches becoming free of charge for users, since the service has no longer been subject to extra charges since May 2005. The business model retained by PagesJaunes is that of distribution free of charge and advertising sales, as with most of the group's platforms.



### Website creation and hosting

Since 1997, PagesJaunes has offered businesses a website creation and hosting service to promote their business on a website. Offering website creation and hosting is a natural extension of the relationship with the advertiser, which strengthens the Company's customer retention strategy. This service is offered throughout the country by the whole field sales force.

PagesJaunes SA's service mostly comprises registering the domain name, creating the website, hosting, regularly updating the site and on-line help. All these activities are carried out directly by PagesJaunes, including the hosting activity which was made an internal activity in November 2004. Experts in the field of website creation stay with the customer throughout the production process and provide personalised, specific advice.

This service was enhanced in November 2004 by a new product called "En Savoir+". This new product uses a very standardised production process which reduces both production costs and the tasks performed by the marketers to sell this type of product. This simplification also allows Televanto to offer this product to its customers. Low-end range sites have made it possible for PagesJaunes to record strong growth in the number of sites created and hosted for its customers. The number of on-line sites indeed increased from 26,528 on 31 December 2004 to 37,520 on 31 December 2005.

The income from this business comes from billing for design costs, flat fees for services and marketing additional options, and for the "En Savoir+" product, an annual fee for a package which includes creating the website, hosting it and listing it on pagesjaunes.fr; this latter item is booked under pagesjaunes.fr earnings.

#### 6.2.1.2.2 PagesJaunes 3611 (Minitel)

Launched in 1985, PagesJaunes 3611 is an electronic telephone subscriber search service, accessible by Minitel. PagesJaunes 3611 gives continuous access to the Company's database, which is updated every day. Users can search for businesses or individuals in all departments of France, by name (alphabetical search) or by business. For the user, the first three minutes of the search are free; after that a fee is charged for the service.

PagesJaunes, publisher of PagesJaunes 3611 business searches, retains all the advertising revenue from business listing products. France Télécom, the publisher of PagesJaunes 3611 alphabetical searches has assigned to PagesJaunes all the tasks involved in advertising representation, the production and publishing of this directory. For advertising representation, (Section "6.4.2 Advertising representation agreement"), PagesJaunes receives payment based on an agreement. The amount of advertising invoiced to advertisers on PagesJaunes for advertising space in the alphabetical searches on PagesJaunes 3611 is fully booked in PagesJaunes' revenue. The Company then pays France Télécom the part of the revenue which is over and above its commission for advertising representation. The amount so paid is booked under external purchases.

PagesJaunes 3611 is now experiencing much less use which is more than offset by pagesjaunes.fr. The service had 10.7 million searches in December 2005 and generated revenue of 57.2 million euros in 2005, which is 5.4% of the consolidated group revenue.

### Advertising products on PagesJaunes 3611 (Minitel)

PagesJaunes offers advertisers on PagesJaunes 3611 three major types of advertising products:

- listing products: they offer the advertiser the opportunity to be found in one or more locations, in one or more departments, or under one or more business headings corresponding to his business;
- impact products: they are made up of modules (providing the advertiser with one to three lines of information to promote his business, and also give him priority listing in the hit list) catalogues (one or more information pages about the advertiser and his business, accessible from the hit list on PagesJaunes 3611);
- display products with banners which appear at the bottom of the hit lists.

#### 6.2.1.3 Voice and Services

Within the framework of the liberalisation of the directory enquiry services market that will come into effect on 3 April 2006, PagesJaunes opened a directory enquiry service, 118 008 PagesJaunes, on 2 November 2005.

The service is available 24 hours a day, seven days a week, from a land telephone (in metropolitan France, excluding total unbundling) or mobile telephone. The Service can only be reached from metropolitan France, and allows all types of searches to be made:

- search for individuals;
- search for businesses by name, brand or activity;
- reverse searches;
- "recherche à proximité" in order to locate the businesses that are closest to a particular address, section of town, company name or even a point of interest (underground station, museum, cinema, etc.).

Customers can run several searches during the same call at no additional charge. The 118 008 service also provides access to innovating offers called "Services Plus", from any fixed or mobile operator:

- the caller can be connected directly with the requested contact, except for foreign numbers, overseas departments and some special numbers;
- the information can be sent via a text message to a mobile phone: this is automatic for calls made from a mobile phone, and when requested by the caller for calls made from a fixed line;
- information can be sent by email, if the caller so requests;
- during a search by activity, except for the "recherche à proximité" feature, and when the hit list returns several possible results, the first on the list will be mentioned, and the caller retains the possibility to request several if desired.

PagesJaunes uses several call centres based in France to be as close as possible to its customers. These centres are outside of the company, on a high-performance computerised telecoms platform and with a database that is as complete as possible, combining information on customers from fixed as well as mobile operators if they desire to provide the information.



In order to supplement this system and provide a complete and high-performance service, the call centre agents can make use of several search options in order to meet the customers request:

- phonetic searches when a name is not spelled correctly;
- extend the search to neighbouring towns, departments and regions and even to all of France;
- search using an address.

PagesJaunes is planning to develop many offers progressively, that will add to the information provided to users:

- send the information by via a multimedia message with a locator map in order to find the sought-after address even more easily;
- enriched editorial content with for example hotel selection according to the number of stars, etc.;
- possibility for advertisers to optimise the quality of the information pertaining to them by providing for example the days and times that their business is open.

PagesJaunes's 118 008 directory enquiries service is based on a mixed business model that combines revenue from the customers that use the service (the service is provided to the caller for a fee) and the insertion of advertisements sold by PagesJaunes SA's sales team to the advertisers.

#### Cost of the call

PagesJaunes' 118 008 is billed between 1.01 euro (inc. tax) per call made from a France Télécom land line, 1.10 euro (inc. tax) per call + communication costs via the SFR network, and 1.12 euro (inc. tax) per call + communications costs when made from the Orange and Bouygues Telecom networks. These rates include a direct connection excluding exceptions, and the sending of the information via a text message (to a mobile phone number in metropolitan France) or by email.

The same rate applies regardless of the type of search: search for individuals, businesses, by name or activity, search in all of France, reverse searches and "recherches à proximité".

PagesJaunes' 118 008 PagesJaunes cannot be reached from abroad or by customers of a foreign mobile phone operator who are roaming via a French mobile network.

#### Advertising products on PagesJaunes 118 008 (directory enquiry services)

PagesJaunes has developed advertising products specifically for the 118 008 directory enquiries services:

- "À vos marques et enseignes" listing: this advertising offer allows the advertiser to be found via any of his names (brands, company name, corporate name);
- "Maxi Audience" offer: this advertising offer sorts the advertiser into a priority listing when the search is made by activity in his town;
- "SMS Publi-Infos" offer: this advertising offer allows the advertiser to include a message with sales or practical information along with his contact information in the text message that is sent by 118 008 to the caller's mobile phone.

#### Sale of On-Line Access to Databases

PagesJaunes SA has also operated a search access business since 1 January 2002, when this business was purchased from Intelmatique, a subsidiary of France Télécom. This business covers the development, set up and sale of on-line, real-time search access to the database of France Télécom landline telephone subscribers (excluding competitors) and the databases of foreign operators (19 European countries, the USA, Canada and Australia).

In application of a decision made by the Competition Council on 12 September 2003 against France Télécom, the prices charged for this business were reduced so that they are strictly geared towards covering costs.

In 2005, the main customers are the information services of French mobile telephone operators (Orange, SFR, Bouygues Télécom) and foreign operators (particularly Belgacom, Swisscom, Deutsche Telekom).

The business of selling on-line access to databases experienced a drop during the last few months of 2005. PagesJaunes is considering discontinuing this business at the end of April 2006.

#### 6.2.1.4 Others

##### 6.2.1.4.1 PagesPro

The PagesPro directory published by PagesJaunes is positioned as a regional directory intended for small and medium-sized businesses, intended to put businesses in touch with each other. The PagesPro directory is now available in the form of a printed directory, on CD-Rom and on the Internet.

The PagesPro directory is sent free of charge to companies appearing on a distribution list created by PagesJaunes which includes businesses selected based on the type and size of their business. Prior to distribution, PagesJaunes contacts each of these businesses to find out the format (printed or CD-Rom) in which they would like to receive the directory.

Most of this income is from sale of advertising space in the PagesPro directory. 24,631 businesses used one of the PagesPro directory services in 2005 to advertise.

##### Printed PagesPro Directory

In 2005, the printed PagesPro directory listed 302,364 businesses, selected based on type (which must be geared to other businesses) and their size (a minimum number of staff is set for each type of business). These businesses were categorised under 461 types of business and classified based on where they do business.

Five regional versions are published each year: Northwest, Southwest, Southeast, Northeast and Île-de-France. The PagesPro directory contains a lot of information about the businesses listed:

- contact information with the company name, address, telephone and fax numbers, how many employees it has, e-mail and website address;
- information about the company's business such as its main activity, products and services.

In 2005, about 285,000 copies were distributed.



### The PagesPro Directory on CD-Rom

In 2005, the PagesPro directory on CD-Rom listed 529,021 businesses. The search is simplified for the user by two choices: a free search or a search filtered by business, APE, NAF or SIRET/SIREN code, by name, geographical area or by size. The contact facility on the CD-Rom allows a user with an Internet connection to send e-mail messages to the company and to look at its website(s). The user can also use the autodial system for telephone or fax.

In 2005, about 364,600 copies were distributed.

#### Pagespro.com

The PagesPro directory is also available free of charge on the Internet ([www.pagespro.com](http://www.pagespro.com)) with a database of about 556,500 businesses all over the country. The information available to Internet users is enhanced, compared to the printed or CD-Rom PagesPro directories, by information bought from third parties (such as financial information about the companies and information about economic trends in this business sector). Searching for a business using the [pagespro.com](http://pagespro.com) site is facilitated by having four main search modes available: by company name, by business, by NAF or by SIRET/SIREN code. The search can also be refined using geographical criteria: region, department, locality or address. The Internet user also has an additional interactive service providing him with a map and itinerary to reach the business's physical site.

#### 6.2.1.4.2 QuiDonc

Created in 1998, the QuiDonc reverse directory lets a user find a business or individual in France based on a telephone or fax number. This directory also allows searches by name or a business or individual anywhere in France.

QuiDonc is available from Minitel (3617 QuiDonc), on an Audiotel server, by telephone at 3288 (voice server), by a text message sent to 61800, by interactive television (TPS line-up) as well as using services offered by mobile telephone operators. QuiDonc is also accessible directly over the Internet ([www.quidonc.fr](http://www.quidonc.fr)), on the [pagesjaunes.fr](http://pagesjaunes.fr) site, and is also available as a fee-paying service on [wanadoo.fr](http://wanadoo.fr) and [voila.fr](http://voila.fr) as well as other user sites.

The QuiDonc service is a fee-paying service. On the Internet payment is secured and the cost of a search is not calculated based on the amount of time used as on Minitel and Audiotel, but by search. The Internet user is billed 50 eurocents (inc. tax) per search with "À QuiDonc il est ce numéro?" and 1.50 euros (inc. tax) per search with "Mais QuiDonc porte ce nom?"

All the income from the "QuiDonc" business comes from payments made by users. This directory generated revenue of 7.3 million euros in 2004, which is 0.7% of Consolidated Group revenue.

#### 6.2.1.4.3 Europages

Europages is a directory available on CD-Rom and via the Internet that lists 600,000 companies selected based on the size of their import-export activity in all sectors of business, in about 35 European countries. The Europages directory provides the addresses, telephone and fax numbers, e-mail and website addresses of the companies listed. These businesses are listed based on detailed categories comprising 21 business sectors, 700 main headings and 3,500 specialist headings. The printed and CD-Rom directories are distributed free of charge to 619,000 businesses all over Europe, selected based on their type of business, size and export capacity.

Europages is a registered trademark of Euredit, a subsidiary of the Seat Pagine Gialle group. PagesJaunes is responsible for the advertising representation in France of the Europages formats (print, CD-Rom, Internet) based on a contract with Euredit renewed on 30 May 2000, which sets the conditions for advertising representation for the 2001 to 2006 editions.

Under the terms of this contract, PagesJaunes has agreed for the length of the contract and for a period of two years after its termination or expiration not to (a) operate in France as the advertising representation for a business database or a business directory distributed in at least two countries in the area comprising the European Union and Switzerland or (b) to participate in the creation of such a database or directory, or to become a shareholder or partner in a business which publishes or distributes such a directory or database in France, with the stipulation that these restrictions do not apply to the representation or publishing businesses operated by the Group prior to 30 May 2000. In addition, the contract allows the publisher to terminate the contract if PagesJaunes no longer exclusively prospects for advertising customers for the national directories of France Télécom.

In accordance with the measures provided for, PagesJaunes gave notice of termination on 1 August 2005, thus effectively ending the contract on 30 September 2006.



## 6.2.2 INTERNATIONAL & SUBSIDIARIES SEGMENT

Over and above publishing general public directories in France, which represents the largest share of its business today, the Group has been developing in three other directions over the last few years:

- publishing general public directories (B to C directories) outside France;
- developing the Kompass business;
- developing complementary activities to the directory publishing business, such as map and database marketing services.

The Group currently publishes general public directories in Spain, Morocco and Luxembourg.

The Group is also developing the Kompass services in France, Spain, Belgium, Luxembourg and Morocco.

Finally the Group has developed its complementary businesses which include value-added services such as Mappy's map services Wanadoo Data and e-sama's marketing files.

The International and subsidiaries segment represented total revenue in 2005 of 108.9 million euros, which is 10.3% of Consolidated Group revenue. PagesJaunes Group's goal is to profitably develop these businesses, which constitute a potential for additional growth and a natural extension of its directory publishing business in France.

### 6.2.2.1 B to C Directories

#### 6.2.2.1.1 QDQ Media

The QDQ Media company was created in 1997 to draw part of the development potential of the Spanish market (low directory penetration, small presence in the advertising market compared to the other European markets) with a differentiated and more modern product. QDQ Media was purchased by Wanadoo in April 2001 and then sold to PagesJaunes in April 2004.

QDQ Media currently offers printed directories, on-line services as well as a directory enquiries service. To market advertising space in these platforms, QDQ Media has developed a sales force and telephone marketing, which together represent about 450 people. The field sales force is organised into 7 agencies: Centre, Catalonia, North, Northwest, Castille/Canaries, Andalusia and Levant. Each agency manages between seven and eleven directories. Telephone marketing consists of three platforms: Madrid, Barcelona and Saragossa.

QDQ creates the database from public sources enhanced by information gathered in the field. In addition, QDQ Media gets free access to the databases of subscribers of the various operators following a decision by the Spanish Telecommunications Market Commission on 7 November 2002.

QDQ Media is now the second directory publisher in Spain in terms of revenue (source: The Kelsey Group, Global Yellow Pages 2005, May 2005). So, 78,300 advertisers used QDQ Media in 2005, generating revenue of 41.3 million euros, corresponding to 3.9% of Consolidated Group revenue. QDQ Media's income basically comes from selling advertisements in its printed and on-line directories. QDQ Media offers its advertisers a wide array of advertising products to best meet their different needs. The main costs of QDQ Media are publishing costs (buying paper, printing and distributing the directories), plus marketing and administrative costs.

#### Printed Directory: QDQ, La Guia Util

The printed directory called QDQ, La Guia Util ("The Useful Directory") lists businesses under one of its 1,384 categories. Under each category, the businesses are classified according to town, district in the town or in alphabetical order, depending on the business and directory in question.

The first five QDQ, La Guia Util directories were launched in 1998 in the province of Madrid. Today, QDQ Media publishes 70 printed directories which come out each year and cover almost all of Spain. They are distributed free of charge to private homes and companies. 15 million copies of QDQ, La Guia Util were distributed in 2005.

Like PagesJaunes in France, QDQ Media sells advertising space, designs advertisements for its advertisers, lays out the directories and has the printing and distribution handled by third-party suppliers, taking advantage of agreements negotiated by the Group.

35% of the Spanish population aged 16 and above said it had used a QDQ, La Guia Util directory over the previous twelve months (source: IPSOS, January – December 2005). The older directories are the best established and their audience is sometimes close to that of Páginas Amarillas, as is the case in the province of Madrid where the directories are in their eighth or ninth editions.

The printed directories represented about 85% of total revenue for QDQ Media in 2005. In 2005, in the printed classified directory segment defined as the sum of TPI and QDQ Media, QDQ Media's market share is estimated to be 11% (source: for the TPI printed classified directory revenue figures, TPI press release of 21 February 2006).

#### On-Line Services

QDQ Media launched the QDQ.com site in 2001 to offer users the possibility of searching for businesses on the Internet. The QDQ.com site has developed particularly by offering Mappy's photograph and mapping services. Madrid, Barcelona, Valencia and Seville in photographs, and then Santiago de Compostela, Santander and Valladolid in photographs have been very successful with users and have contributed to a significant increase in the audience for the QDQ.com site.

Since July 2003, QDQ.com has included QDQ Blancas, the first Spanish on-line directory to contain the details of all telecommunications operators who did not decline to be included for landline telephones, or who have given their consent in advance for mobile telephone subscribers.

The QDQ website received an average of 1.68 million visits per month in 2005 (source: OJD www), which is an increase of 62% compared to 2004. QDQ Media's Internet directories generated about 15% of company revenue.

#### Operator services

QDQ Media launched an enquiries service in July 2004: number 11875. This service uses QDQ Media's database and has gradually been made accessible on the networks of the main telecom operators in the second half of 2004. In 2005, 11875 represented less than 1% of QDQ Media's revenue.



### 6.2.2.1.2 Editus Luxembourg

Since its creation in 1995, Editus Luxembourg has been the publisher of the official P&T Luxembourg directories. The Company is 49%-owned by Eurodirectory and 51% by P&T Luxembourg. PagesJaunes Group owns 100% of the share capital of Eurodirectory, a holding company, since it bought the 50% previously owned by Seat Pagine Gialle in October 2004. In 2004, Eurodirectory was consolidated by the equity method into the Group's accounts: it has been consolidated by proportional integration since 1 January 2005. Based on a shareholders' agreement between Eurodirectory and P&T Luxembourg signed on 6 July 1995, neither party is allowed to create, part own, favour or grant a license to a company directly or indirectly competing with Editus Luxembourg. Eurodirectory and P&T Luxembourg appoint the same number of Directors, and the Chairman of the Board is someone appointed by P&T Luxembourg.

Editus Luxembourg offers users printed and on-line directories. The details of individuals and businesses listed in these directories basically come from P&T Luxembourg's databases. Editus Luxembourg's income is from sale of advertising in these printed and on-line directories to about 14,444 advertisers. Editus Luxembourg's main costs are publishing costs (buying paper, printing and distributing the directories) and commercial costs.

#### Printed Directories

Editus Luxembourg publishes l'Annuaire Professionnel, a directory by categories, comparable to the PagesJaunes directory in France, and l'Annuaire Téléphonique, which is alphabetical. Each directory is produced in a single edition for the whole country and is distributed to private homes and companies in Luxembourg. The company also publishes l'Annuaire BtoB Luxembourg & Grande Région which covers the Saar, the Palatinate, Lorraine, Belgian Luxembourg and the Grand-Duchy as well as a real estate magazine (Habiter).

#### On-Line Services

Editus Luxembourg's directories are also accessible on the luxweb.com site which, in addition to the directories, also offers portal services.

### 6.2.2.1.3 Edicom

In June 2005, Edicom, primary publisher of directories in Morocco, was acquired by PagesJaunes Group from Atlas Services Belgium, a subsidiary of the France Télécom Group. Edicom has been consolidated into the Group's accounts since July 2005. Edicom is the result of a merger, in the first half of 2005, of five companies that had been acquired by the France Télécom Group in 1999 and 2000.

#### Printed directories

Edicom publishes Télécontact, a business directory sorted into sections that are comparable to those of PagesJaunes in France, of which about 120,000 were distributed in 2005.

#### On-Line Services

The Télécontact service is also available on the Internet on the telecontact.ma site.

#### Kompass Service

Finally, Edicom also operates the Kompass name in Morocco (see Section. "6.2.2.2. Kompass Activities"). Edicom published two printed directories: Kompass national and Kompass Textile, and also operates the kompass.ma website.

### 6.2.2.1.4 PagesJaunes Liban

PagesJaunes Liban was created in January 1997 to publish Lebanon's official directories, based on a contract with the Ministry of Telecommunications in Lebanon in effect until 31 December 2006. Under the terms of this contract, PagesJaunes Liban markets the advertising, develops the advertisements for its customers, sets up the page layout for the directories and subcontracts printing and distribution activities to local service providers. PagesJaunes Liban publishes and distributes the Pages Blanches, an alphabetical directory, using a database provided by the Ministry of Telecommunications, et les Pages Jaunes, a business listing sorted into headings that is comparable to the PagesJaunes in France, a database which is constantly updated by PagesJaunes Liban. The Ministry of Telecommunications is responsible for part of the cost of publishing and distribution. PagesJaunes Liban also published the PagesJaunes tourisme.

PagesJaunes Liban is also the publisher of the on-line directory (Pagesjaunes.com.lb/yellowpages.com.lb) launched in 1999, which gives access to all the information in the Pages Jaunes and Pages Blanches directories, as well as the Pages Jaunes Tourisme. Finally, since January 2005, PagesJaunes Liban has been offering mobile telephone subscribers access to its business database using text messages via a short telephone number (1018).

PagesJaunes Liban is the owner in Lebanon of the trademarks PagesJaunes and Pages Blanches in French, English and Arabic.

PagesJaunes Liban takes most of its income from advertising products. The company is not consolidated in the Group's accounts because of its low revenue.

### 6.2.2.2 Kompass Activities

The Kompass concept is a world business database system using a detailed classification system with 53,000 products and services, owned by the company Kompass International, and constantly updated with value added data. Kompass information includes details about 1.9 million companies as well as information about their management, important figures, brands, products and services. Kompass is well known in Europe and particularly in France.

Kompass International, a subsidiary of Coface, owns the Kompass trademark and licenses it in 70 countries (source: kompass.com). The Group, through its subsidiaries Kompass France and Kompass Belgium, has the Kompass license for France, Spain, Belgium and Luxembourg (note that Edicom operates the Kompass name in Morocco, see 6.2.2.1.3). In each of these countries, PagesJaunes Group subsidiaries have exclusive rights to use the Kompass name and trademark, publishing and marketing advertising space in Kompass directories, as well as selling these directories.

Kompass International publishes the website kompass.com, which offers fee-paying access to Kompass's worldwide database, fed mostly by its licensees.

Kompass activities generated revenue of 29.3 million euros in 2005.



### 6.2.2.2.1 Kompass France

Kompass France, which had been owned since 1988 through Eurodirectory, became a directly-owned 100% subsidiary of PagesJaunes Group in 1999 and operates the Kompass trademark in France and Spain through a branch office.

Kompass France has two fields of business: advertising for businesses on the one hand, which involves selling advertising space in Kompass platforms (printed directories, CD-Roms and Internet with [kompass.com](http://kompass.com)), and also information, which involves selling the outlets themselves and direct marketing. The database on French companies created by Kompass France contains 204,000 companies.

The advertising business represented 66% of this revenue in 2005, excluding exchanges and postage, with about 9,300 customers and a field sales force of 97 people (in France and Spain). The information business represented the balance with over 5,600 client customers and a sales force of 32.

### 6.2.2.2.2 Kompass Belgium

Created in 1967, Kompass Belgium has the Kompass license for Belgium (since 1967) and Luxembourg (since 2000). Kompass Belgium was consolidated into the Group's accounts for the first time for fiscal 2005.

Kompass Belgium's database includes 112,000 companies, about 44,000 of which are classified according to Kompass's categories. His data is used in the form of printed directories, CD-Roms and are also accessible on the Internet at the [kompass.com](http://kompass.com) and [kompasslocal.be](http://kompasslocal.be) websites. Kompass Belgium also publishes Diamonds, the reference directory for the Antwerp diamond business.

## 6.2.2.3 Direct marketing and map services

Direct marketing activities and map services generated 27.1 million euros in revenue in 2005.

### 6.2.2.3.1 Direct Marketing

Created in 1999, Wanadoo Data acquired e-sama in February 2005. Wanadoo Data is considering taking the name PagesJaunes Marketing Services during the absorption of e-sama which is scheduled for March 2006.

Wanadoo Data and e-sama bring together all of the know-how in direct marketing, from designing customer relationship and management systems to multi-outlet marketing campaigns, including externalised database management. Wanadoo Data and e-sama offer a complete set of engineering services pertaining to marketing database handling (standardisation for mailing, removal of duplicates, removal of expired address and adding new addresses, enhancement, decisional and statistical analysis) and in operating databases in real-time (hosting). In addition to these activities, Wanadoo Data and e-sama offer multi-outlet customer relationship management and direct marketing services (multi-outlet contact centres, 70-position call centre, automated text message and email dispatching platform, mass mailing printouts, routing, payment and returns management).

Wanadoo Data and e-sama have about 1,550 customers, the main ones belonging to the telecommunications, electricity, banking and insurance, press and publishing, automobile and company service sectors.

Wanadoo Data and e-sama's income comes from billing for the databases sold and engineering and hosting/CRM services provided. Wanadoo Data and e-sama's costs come mostly from buying data and production costs, which are basically staffing costs.

### 6.2.2.3.2 Map Services

Mappy is the result of grouping two businesses together (Iti, created in 1984 and SNV, created in 1995). Mappy is now an important player in the on-line mapping services market. Mappy was bought by PagesJaunes Group from Wanadoo France in April 2004.

Mappy's business is based on two product lines: on-line mapping services and photographs of towns, which are natural complements to the on-line directories and contribute to developing their audience.

Mappy acquires raw map data from third parties and integrates it into its own technological platform, which enables it to create services such as map display, drawing itineraries and nearby searches. These services are sold to businesses and incorporated as a "white label" into their Internet/Intranet websites. They enhance the [pagesjaunes.fr](http://pagesjaunes.fr) and [QDQ.com](http://QDQ.com) directories. They also lead website users to the closest shop or let them follow fleets of vehicles on the screen. Mappy also makes these services available to the general public with [mappy.com](http://mappy.com), accessible on the fixed and mobile Internet as well as on Minitel. In total, about 290 million map displays, itineraries or nearby searches were generated in December 2005 on the Mappy platform (source: Mappy).

Mappy also creates photographic databases of whole towns, which can display the front of the building where most addresses are located, and, connected to Mappy's on-line mapping services, makes it possible to take a virtual walk in the towns covered by the service. Mappy's photographic databases include 33 towns (25 in France, 7 in Spain and 1 in Luxembourg), with nearly 6 million photographs, nearly 1 million addresses and over 17,000 kilometres of roads covered. The photographs are taken on public streets by professional photographers hired by Mappy. These photographic databases enhance [pagesjaunes.fr](http://pagesjaunes.fr), [QDQ.com](http://QDQ.com) and [luxweb.lu](http://luxweb.lu) and are also marketed to Internet portals, companies and local authorities. In total, over 22 million photos photographs were displayed in December 2005 (source: Mappy).

Mappy's revenue comes mostly from two sources: income from the [mappy.com](http://mappy.com) audience (sales of advertising space and commercial intermediation services) and selling services for businesses (map applications, itineraries, nearby searches, photographs of towns). Mappy's costs are mostly data acquisition costs (maps, content, etc.) and costs pertaining to its proprietary platform (servers, bandwidth, etc.).

## 6.3 Exceptional events

As of the date of this document, no exceptional events have taken place.

## 6.4 Relations with the France Télécom Group

The Company belongs to the France Télécom group and therefore benefits from synergies with France Télécom. The Group's policy has always been to sign contracts for all its relations with France Télécom and its subsidiaries

at market conditions. This section describes the main contracts between Group companies and companies in the France Télécom Group.

### 6.4.1 AGREEMENT FOR MAKING AVAILABLE DIRECTORY DATA FOR PUBLICATION OF DIRECTORIES

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This agreement was signed on 26 June 2000 for a period of four years, automatically renewable for one-year periods. This agreement was terminated early by amicable agreement and was replaced by an agreement signed on 11 March 2004, retroactive to 12 September 2003. This agreement is in force until 31 December 2004 and is then automatically renewable twice for one-year periods. Under the terms of this agreement, PagesJaunes received the non-exclusive and non-transferable right to use France Télécom's landline telephone subscriber database, which is updated every day as part of an obligation to provide means, for the sole purpose of information services and publishing directories, in any form, and using an amount calculated based on the rate of usage of this database (amount fixed by usage). The fees are payable according to the following terms: 50% when ordering and the balance six months after the start of the year. At the end of each year, a comparison is made between the provisional usage statement and the actual usage measured during the period. If the comparison shows that the data usage by PagesJaunes was higher than forecast, France Télécom creates a revised invoice.

In the opposite case, France Télécom enters a credit which is offset against the next invoice issued to the Company. This agreement falls under the obligation incumbent on all operators (including France Télécom) to provide the list of all its subscribers to anyone who wishes to publish a directory or provide an information service, under non-discriminatory conditions and at a price reflecting the costs of the service rendered.

Under the terms of this agreement, PagesJaunes agrees to immediately inform France Télécom of any change, of any kind, affecting the structure and/or the control of its share capital, ownership or management of its Company and, but not limited to, any change in its legal form, share capital, any changes in partners or shareholders. France Télécom then has the right to terminate the contract. If there is any change in the control of PagesJaunes, France Télécom will do its best to allow PagesJaunes to continue to use France Télécom's landline subscriber database at market terms.

In application of this agreement, PagesJaunes paid France Télécom 3.9 million euros in 2005.



## 6.4.2 ADVERTISING REPRESENTATION AGREEMENT

Under the terms of this advertising representation agreement, France Télécom has given PagesJaunes sole responsibility for finding new customers and gathering the advertising to be placed in l'Annuaire and on the alphabetical PagesJaunes 3611 service, as well as the technical design, production and page layout of this advertising. This agreement, signed on 30 June 1967, was amended several times and replaced by an agreement dated 15 November 2002 in effect until 31 December 2009, and automatically renewable for additional five-year periods. In application of this agreement, PagesJaunes is responsible for billing and collecting from the advertisers the cost of the advertisements they take out and is therefore their *del credere* agent (PagesJaunes is responsible for the payment for all advertisements published regardless of any insolvency on the part of the customers). France Télécom sets the prices for the advertisements applicable to each edition after consultation with PagesJaunes. The latter is paid for this representation by a commission calculated based on the amount, excluding taxes, for the advertising space billed for each accounting period as follows:

- 45% up to 65 million euros;
- 55% from 65 to 100 million euros;
- and 65% above 100 million euros.

In addition, when any usage of the PagesJaunes 3611 for alphabetical search is fee-paying for the user, an additional 10% commission is allocated to PagesJaunes on the amount, excluding tax, charged for the advertising space billed for PagesJaunes 3611 alphabetical search.

Moreover, a tracking committee made up of two representatives from France Télécom and two representatives from PagesJaunes has been created. The task of this committee is to examine all questions relating to the application of the agreement. The committee makes any suggestions and proposes any solutions it deems appropriate.

In application of this agreement, PagesJaunes was billed 61.3 million euros by France Télécom in 2005.

Finally, on 20 January 2006, PagesJaunes signed an operating licence agreement with France Télécom for the printed universal directory to the benefit of PagesJaunes, accompanied by an acquisition agreement for the "L'Annuaire" name for a total amount of 12 million euros. These contracts took effect on 1 January 2006.

## 6.4.3 AGREEMENT ON MANUFACTURING AND DISTRIBUTING L'ANNUAIRE AND PAGESJAUNES 3611 ALPHABETICAL SEARCH

Under an agreement dated 26 June 2000, France Télécom has made PagesJaunes responsible for carrying out on its behalf all the tasks required for the manufacture, distribution and promotion of l'Annuaire and PagesJaunes 3611 alphabetical search. France Télécom, as the publisher of l'Annuaire, sets the parameters for the database list of telephone subscribers to be inserted, the type of information regarding each subscriber's entry and the parameters for the distribution list. France Télécom approves the suggestions made by PagesJaunes in relation to the design of l'Annuaire, the publication schedule for the paper l'Annuaire and the availability of the electronic l'Annuaire, promotion campaigns for l'Annuaire, the advertising products to be inserted in l'Annuaire and their prices, and also decides on any changes in l'Annuaire. France Télécom provides to PagesJaunes all items relating to the content of l'Annuaire which concern France Télécom. This agreement is in effect until 31 December 2004 and is then automatically renewable for the same period as the first one, unless either of the parties has notified the other of its desire not to renew in a registered letter with return receipt, sent at least twelve months before the expiration of the current term. If France Télécom, on its own initiative or based on the text of a law or regulation or a decision (administrative or judiciary), has to change the features of l'Annuaire or the conditions for its manufacture or distribution, the parties have agreed to meet to assess the possibilities of continuing the contract bearing in mind these changes to be made to it. If continuing this contract is not possible for any reason whatever, it will be terminated as of right and neither of the parties may claim any compensation from the other.

Under the terms of this agreement, PagesJaunes charges all the costs of internal and external means needed to produce l'Annuaire and PagesJaunes 3611 alphabetical search to the publishing fees owed to France Télécom. France Télécom paid PagesJaunes 47.3 million euros in 2005 in application of this agreement.

Law No. 2003-1365 of 31 December 2003 provided for a call for applications to appoint in particular the operator responsible for the general information service and the general directory. The procedures for this call for applications were set out in a notice issued by the Ministry of the Economy, Finance and Industry published in the *Journal officiel* on 25 November 2004 ("*Notice on a call for applications to appoint an operator in charge of providing the general electronic communications service component set out in point 2 of article L. 35-1 of the French Postal and Electronic Communications Code*").

The France Télécom group made an application and stated that responsibility for providing the general printed directory would be given to PagesJaunes.

In a decree of 3 March 2005 by the Ministry of the Economy, Finance and Industry, France Télécom was appointed the sole operator in charge of the general information service and the general directory: in this capacity, France Télécom publishes a directory, in printed and electronic format, and operates a directory enquiry service, in accordance with the specifications for the general information and directory service as provided for in said decree. On 20 January 2006, PagesJaunes signed an operating licence agreement with France Télécom for the printed universal directory to the benefit of PagesJaunes, accompanied by an acquisition agreement for the "L'Annuaire" name for a total amount of 12 million euros. These contracts took effect on 1 January 2006.



## 6.4.4 OPERATING LICENCE AGREEMENT FOR L'ANNUAIRE

Following the appointment of France Télécom as sole operator in charge of the general information service and the general printed and electronic directories, France Télécom decided to entrust PagesJaunes with an operating licence for the printed general directory through an agreement signed on 20 January 2006, effective 1 January 2006.

In this capacity, France Télécom entrusted PagesJaunes with the supply, on its behalf, of the printed general directory and has conceded to it all of the rights pertaining to this operation, excluding publishing responsibilities.

PagesJaunes has contracted to respect in particular all of the measures set forth in the decree dated 3 March 2005 appointing France Télécom as operator in charge of the component mentioned above and of the annexed specifications as well as the terms in the application dossier filed by France Télécom on 16 December 2004 pertaining to this appointment.

Fees, costs and other expense pertaining to the operation and supply of the printed general directory are the responsibility of PagesJaunes. In exchange for taking this on and for payment of a flat fee of 11 million euros, PagesJaunes retains all of the income pertaining to operating the printed general directory.

A request to evaluate the value was made to Morgan Stanley bank. Based on listing projections for mobile telephone numbers, additional VOIP numbers and distribution to Minitel holders offered by France Télécom and PagesJaunes, Morgan Stanley came up with a value for the “publisher

flow”, the “L’Annuaire” name and for the non-competition clause between 10 and 14 million euros. So France Télécom and PagesJaunes retained an overall price of 12 million euros for:

- acquisition of the name “L’Annuaire” for a price of 1 million euros;
- the licence for the operating rights of the General Printed Directory for a price of 11 million euros.

This operating licence is granted for the entire period during which France Télécom shall be publisher of the general printed directory and at the latest up to 31 December 2009.

If France Télécom is no longer publisher of the general printed directory before 31 December 2009, France Télécom contracts to not compete with PagesJaunes (see Section “6.4.11 Non-competition agreement”).

Moreover, at the same time the operating licence agreement was signed, France Télécom and PagesJaunes also signed a usage agreement for the name “L’Annuaire” to the benefit of PagesJaunes for a sum of one million euros.

Finally, France Télécom and PagesJaunes updated the advertising representation and production agreements (see Sections 6.4.2 and 6.4.3) so as to limit the scope to the 3611 alphabetical search directory, with all of the other conditions not modified but adapted to this scope.

## 6.4.5 AGREEMENT FOR MAKING THE DIRECTORY DATA OF FRANCE TÉLÉCOM AVAILABLE FOR DIRECT MARKETING OR MARKETING RESEARCH

This contract was signed by France Télécom and Wanadoo Data on 11 March 2004, retroactive to 12 September 2003, and ends on 11 September 2004. It is then automatically renewable for additional one-year periods. Under the terms of this contract, Wanadoo Data has the right to use France Télécom’s directory data, a weekly update and a redistribution credit of 10 million addresses, for an annual amount, excluding tax, of 200,000 euros. Above 10 million addresses redistributed, Wanadoo Data pays royalties of 0.010 euro per address distributed.

This contract stipulates that Wanadoo Data must inform France Télécom immediately of any change, of any kind, affecting the structure and/or control of its share capital, ownership or management of its company, including but not limited to any change in its form, share capital, any change in partners or shareholders. France Télécom then has the right to terminate the contract.

In application of this contract, Wanadoo Data booked as expense the sum of 768,000 euros billed by France Télécom in 2005.

## 6.4.6 AGREEMENT FOR MAKING THE DIRECTORY DATA OF FRANCE TÉLÉCOM AVAILABLE FOR QUALIFYING DIRECTORY INFORMATION

This contract was signed by France Télécom and Wanadoo Data on 26 July 2004, and ended on 1 August. Since then it can be renewed automatically twice. In the terms of this contract, Wanadoo Data has the right to qualify directory information, and for enriching databases excluding any other activity, especially direct marketing for a monthly update.

Rates are linked to the number of queries made to the directory database for the purposes of qualification and enrichment. The rate per query is 0.003 euro. Annual delivery fees are 2,400 euros.



This contract stipulates that Wanadoo Data must inform France Télécom immediately of any change, of any kind, affecting the structure and/or control of its share capital, ownership or management of its company, including but not limited to any change in its form, share capital, any change in partners or shareholders. France Télécom then has the right to terminate the contract.

In application of this contract, Wanadoo Data booked as expense the sum of 77,000 euros billed by France Télécom in 2005.

## 6.4.7 CASH MANAGEMENT AGREEMENTS

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Since 1999, based on agreements renegotiated each year, the Group invests almost all the Consolidated Group's liquid assets in France Télécom Group, within the framework of a cash management agreement as well as investments for which the maturity is usually less than or equal to three months on the date of acquisition, and which are subject to interest bonuses for funds invested continuously for a period of one year.

For the period from 12 December 2004 to 12 December 2005, the Company invested 480 million euros with France Télécom which received income at a variable interest rate of EURIBOR 3 months plus a margin of 0.10%. The bonus paid by France Télécom to the Company was equal to the difference between 2.80% and the interest rate that was applied during each three-month period: this bonus is applicable for each three-month period only on the part of the debt which was still on loan between 12 December 2004 and 12 December 2005.

This cash flow agreement was renewed for the period between 12 December 2005 and 12 December 2006. The Company invested 430 million euros remunerated at the same rate conditions as in 2005 (variable interest rate of EURIBOR 3 months plus a margin of 0.10%).

The bonus paid by France Télécom to the Company is now equal to the difference between 3.10% and the interest rate that will have been applied over each 3-month period only on the part of the debt that remained on loan between 12 December 2005 and 12 December 2006.

PagesJaunes is also associated with France Télécom by a cash flow agreement as part of the cash flow management of the France Télécom group, and this agreement is the same as the standard one between France Télécom and its subsidiaries. As the creditor, the Company's current account under this agreement is paid back at the EONIA (formerly TMP) rate plus a margin of 0.05%: this agreement also provides a possibility for the Company to borrow money from France Télécom. Just like the way a current account works, the amounts invested (or, respectively, all amounts borrowed), may be withdrawn (or paid back) at any time.

With respect of these cash management agreements, PagesJaunes booked financial income of 18.1 million euros in 2005.

Moreover, in 2005 PagesJaunes Group signed a loan contract with France Télécom for 64 million euros following the securitisation of a tax receivable that PagesJaunes Group held on the State. This agreement received prior authorisation by the Board of Directors of the PagesJaunes Group at the 28 June 2005 meeting.

## 6.4.8 LEASES AND SUBLEASING AGREEMENTS

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The great majority of the Company's premises are sub-let by the France Télécom Group by leases or subleasing agreements. These contracts are worded in application of the principle of euro for euro rebilling to each of the occupants for the rent and associated charges, based on their share of the space occupied.

Pertaining to these agreements, PagesJaunes paid France Télécom 11.4 million euros in rent in 2005.

## 6.4.9 PROFIT SHARING AND COMPANY SAVINGS PLANS

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The Group now benefits from the mutual profit-sharing agreement in effect at the France Télécom group. Companies in the PagesJaunes Group cancelled at the end of 2005 membership in this mutual profit-sharing agreement in effect at the France Télécom group. A new profit-sharing

agreement for PagesJaunes Group will be negotiated during the first half of 2006 and will take effect starting with fiscal 2006 (see Section "17.3. Profit sharing and company savings plan agreements").



## 6.4.10 ASSISTANCE AGREEMENTS

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In an agreement signed on 26 May 2004 for a period of one year starting on 1 January 2004, automatically renewable, France Télécom agreed to provide assistance and advice to PagesJaunes Group particularly in the legal, fiscal, accounting and strategy areas and to provide its expertise on the selection of methods of financing and financial management decisions. The services rendered by France Télécom under this agreement are billed at 0.55% of Group external revenue, excluding tax, for French companies and at 0.29% of Group external revenue, excluding tax, for subsidiaries in other countries. France Télécom's policy is to review these revenue percentages each year based on the type and volume of services provided and to change them if they no longer reflect the costs incurred, with the stipulation that, in accordance with application regulations, if these percentages no longer reflect market conditions, the agreement will be subject to advance permission from the Board of Directors or the Supervisory Committee of the Company, pursuant to the provisions of article L. 255-38 or article L. 255-86 of the French Commercial Code.

In addition, in an agreement signed on 26 May 2004 for a period of one year (1 July to 31 December 2004 for the first year), automatically renewable, France Télécom gave PagesJaunes Group a non-exclusive licence for the France Télécom brand names in exchange for an annual fee of 0.06% of the external revenue, excluding tax, of the Group companies receiving the licence.

Finally, in an agreement signed on 26 May 2004, for a period of one year, automatically renewable, France Télécom agreed to provide assistance to PagesJaunes Group in its financial reporting and its contacts with financial intermediaries, trading companies and market authorities. The services rendered by France Télécom under this agreement are billed at their actual cost plus a margin.

Pertaining to these agreements, France Télécom billed PagesJaunes Group 6.2 million euros in 2005.

## 6.4.11 NON-COMPETITION AGREEMENT

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In an agreement dated 26 May 2004, France Télécom agreed not to compete with PagesJaunes until 31 December 2008 in France and Spain in its business as a publisher of printed business directories (mainly the PagesJaunes and QDQ, La Guia Util directories). For its business publishing alphabetical directories, France Télécom agreed not to compete with PagesJaunes until 31 December 2009 only in France and only if PagesJaunes is assigned as the supplier of the general directory, or if

neither PagesJaunes, nor France Télécom nor any other company in the France Télécom group is assigned (see Section "6.4 Relations with the France Télécom Group – Agreement on Manufacturing and Distributing l'Annuaire and PagesJaunes 3611 Alphabetical Search").

There are no other non-competition agreements by France Télécom with the Company for its directory businesses.

## 6.4.12 FRANCE TÉLÉCOM GROUP HOLDING IN THE COMPANY'S SHARE CAPITAL

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The France Télécom group intends to retain control of the Company.



## 6.5 Group's reliance on certain factors

### 6.5.1 DEPENDENCE ON PATENTS AND LICENCES

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The Group owns many trademarks and domain names relating to a wide range of products and services in France and in other countries, particularly the "PagesJaunes", "Les Pages Blanches", "QDQ", "La Guia Util", "QuiDonc" and "Mappy" marks.

Therefore the Group owns all the marks used in its business, except for the "l'Annuaire" mark which is held by France Télécom, the "Kompass" mark held by Kompass International and the "France Télécom" mark held by France Télécom.

At the same time the operating licence agreement was signed on 20 January 2006 for the general printed directory (see Section 6.4.4), France Télécom and PagesJaunes also signed a usage agreement for the name "l'Annuaire" to the benefit of PagesJaunes for a sum of 1 million euros.

The "Kompass" trademark which is owned by Kompass International is covered by separate licensing agreements signed with Kompass France for the French and Spanish markets and Kompass Belgium for the Belgian and Luxembourg Markets.

Under the terms of these licensing agreements, the licensor, Kompass International, requires exclusive use of its nomenclature "Kompass nomenclature" and in exchange allows the use of the international "Kompass" trademark. These contracts stipulate therefore that the licensees have an exclusive right to use the Kompass trademarks in each country involved. In addition, the licensees have co-ownership of the Kompass system with Kompass International and the latter agrees

not to give a licence to anyone else during the term of the licensing agreement.

For France, Kompass International signed a licensing agreement with Kompass France on 21 September 1983. For Spain, in a contract dated 21 October 1998, Kompass France took over the licence which was previously given to Ibericom by Kompass International.

In addition, on 26 April 1984, Kompass International signed a licensing agreement with Kompass Belgium for Belgium. Finally, in a trademark licensing agreement dated 4 February 2000, Kompass Belgium took over the license given to Editus Luxembourg by Kompass International for Luxembourg.

For all these countries, the licensing agreements have been signed for an indeterminate period except for France where the licence is for 99 years.

Separate agreements have also been signed in regard to the provision of Internet services. Under the terms of these agreements, Kompass International has the exclusive right to operate the Kompass on-line service from a central point in co-operation with its licensees.

In addition, the Group has registered a large number of domain names, particularly pagesjaunes.fr, pagesblanches.fr, pagespro.com, kompass.fr, quidonc.fr, mappy.com and QDQ.com. The Group has also filed applications to register many domain names for each of its sites in the countries where it operates or may operate in future.

### 6.5.2 DEPENDENCE ON SUPPLY CONTRACTS AND INDUSTRIAL CONTRACTS

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#### 6.5.2.1 Paper purchases

As part of a centralised purchasing programme and based on PagesJaunes' experience, France Télécom has signed framework agreements with a certain number of major paper suppliers including UPM Kymmene France, Holmen Paper AB, Kruger, Norske Skog Canada, Katahdin Paper Company and M Real France. The terms and conditions of these framework agreements apply to all companies where France Télécom owns over 20% of the share capital, particularly including PagesJaunes and QDQ Media. Under the terms of these framework agreements, each company sends its orders directly to the suppliers and is solely responsible for the

resulting obligations. Contracts for supplying paper include commitments to purchase particular amounts. They are in effect until 31 December 2005. If PagesJaunes would like to make substantial changes to their terms, the supplier must inform France Télécom, who, if it finds it necessary, will open negotiations for this purpose with the supplier and PagesJaunes. For the risks involving the contractual relations with France Télécom, see Section "4.3 Risks Relating to Group Relations With the France Télécom Group".

PagesJaunes does not consider itself dependent on any of these suppliers.



### 6.5.2.2 Printing

PagesJaunes has signed three major contracts with the following printers in order of size and in terms of cost to the Company for 2005: EINSA (Spain), RR Donnelley UK Directory (United Kingdom) and Elanders Tryckeri AB (Sweden). These contracts were all signed to print the 2005 directories. The prices negotiated with the printers are fixed for the term of these contracts but the order amounts set out in the contracts are only provisional. PagesJaunes remains the owner of the paper provided and the printer assumes the risks of depositary in terms of the paper delivered to it for the purpose of providing its services.

Under the terms of the contract signed between PagesJaunes and EINSA, QDQ Media signed an agreement with EINSA on 26 September 2003 to print directories starting in September 2003. This agreement expires on 31 December 2005 and also covers the 2005 editions. It includes set prices for the term of the contract and order amounts which are only provisional.

In order to ensure printing for its B to C directories, in France and in Spain, for 2006, 2007 and 2008, the PagesJaunes Group launched a call to tender all across Europe. Following this call for tender, the Group has retained 4 printers:

- for its directories in France, they are, in order of printed volume for 2006, the following printers:
  - Maury (France),
  - Mohn Media (Bertelsman Group, Germany),
  - RR Donnelley UK Directory (United Kingdom).

The prices negotiated with the printers are fixed for the term of these contracts but the order amounts set out in the contracts are only provisional. PagesJaunes remains the owner of the paper provided and the printer assumes the risks of depositary in terms of the paper delivered to it for the purpose of providing its services.

- for the QDQ directories in Spain the Group has retained the Spanish printer EINSA. The contract signed with this printer calls for set prices for the term of the contract and order amounts which are only provisional.

PagesJaunes does not consider itself dependent on any of these printers.

### 6.5.2.3 Distribution

PagesJaunes has signed four major contracts for distributing the PagesJaunes and l'Annuaire directories. In order of size, these contracts were signed with Adrexo, Spass Diffusion, Médiapost and Solys. All these contracts cover the distribution of PagesJaunes directories between 1 January 2005 and 31 December 2005, and include provisional order amounts.

PagesJaunes does not consider itself dependent on any of these distributors.

### 6.5.2.4 Access to directory data

The Company has signed an agreement to make the directory data available for directory publishing purposes between PagesJaunes and France Télécom, described in Section "6.4.1 Agreement for making directory data available for publication of directories".

In addition, the Company has signed agreements with various operators (T. Systems, Tiscali, Kaptech, Louis Dreyfus Communication, 9 Télécom Entreprises, MFS Communication, Estel, UPC Phone Systems & Network, Afone) allowing it to access their subscriber databases. These agreements are usually signed for a period of one year automatically renewable for additional one-year periods.

Based on these contracts, the overall cost for the Group in relation to accessing operators' databases came to 3.9 million euros in 2005.



## 6.6 Competitive position

### 6.6.1 PAGESJAUNES SEGMENT IN FRANCE

PagesJaunes believes that its competitive environment is wider than just the competition from other general public or business directories. Like any media business, the Company has two types of competition:

- **Competition for audience:** there are various methods for customers to find information about an individual or a business, or more widely, to find out business information before buying a product or service. So, the services offered by the Company are only one of many sources of information available to individual or professional consumers;
- **Competition from local advertising media:** the local advertisers at whom PagesJaunes' services have traditionally been aimed to highlight their products and services have other locally-based advertising media available to them to promote their businesses.

#### Competition for audience

Changes in technology – particularly the Internet and mobile telephones – have had significant effects on the Company's competitive environment. A such, consumers can use the Internet to access a wide range of contents and services, in addition to or as a substitute for using the Company's services, and thanks to the sophistication of mobile telephones, they can also access a wide range of electronic listing services.

In addition, PagesJaunes services are in competition with paper listings, directory enquiry services, as well as all the press media which list businesses.

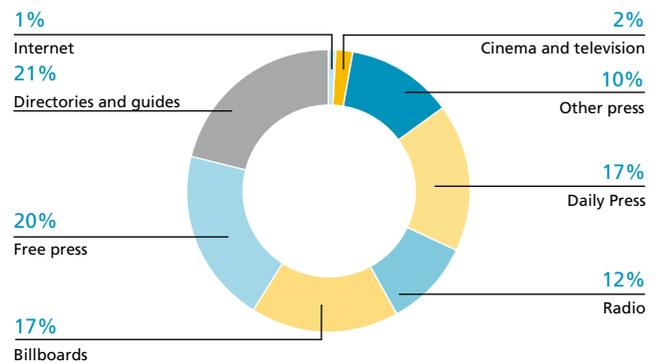
As such, the Company's main competitors are:

- electronic or paper listings, which store telecommunications numbers;
- directory enquiries services;
- the free press (particularly media published by Comareg and Spir Communication, 20 Minutes and Metro);
- Internet search engines (particularly Google, Voila, Yahoo! and MSN);
- thematic portals on the Internet, as well as specialised vendor sites (ViaMichelin.com, Ebay.fr, Voyages-sncf.com, Hotels.com, Kelkoo.com, etc.);
- other publishers of print or on-line directories (particularly Bottin – the Soleil, U Corsu and Iliad directories), as well as town directories and local guides which are also being developed on the Internet.

#### Competition from advertising media

The Company's directories are in competition with all the other advertising media which allow an advertiser to reach a local target. These are particularly the free press, regional daily press, magazines, billboards and local radio. In addition, the development of the Internet has widened the Company's competitive horizons. Publishers of thematic content on the Internet

are developing advertising services aimed at local advertisers (business listings, mini-sites describing the services offered by these businesses, on-line reservations or purchases). This is also true of Internet search engines which are developing fee-paying advertising services in their hit lists, aimed at small- and medium-sized businesses. The advertiser market at the local level in France (as defined in the diagram below) represented total spending of 4.7 billion euros in 2004 and the diagram which follows shows how this spending is divided among the various advertising outlets:



Source: France Pub, 2004 figures, excluding direct marketing, promotions, special events and public relations.

#### 6.6.1.1 Printed directories

PagesJaunes' printed directories have two types of competition:

- Competition amongst information suppliers is now fierce and extremely divers, especially when available on-line on the Internet: this can be search engines as well as well as PagesJaunes' own published directories (pagesjaunes.fr), or other directories.

Due to the recognised success of ADSL deployment in France, this competition is likely to capture part of the audience using PagesJaunes' printed directories and to reduce the attractiveness of this medium for advertisers in the future.

This outlook has led PagesJaunes to make adaptations, especially editorial ones, to the printed directories in order to maintain usage levels at the high levels they currently enjoy.

- Competition from other advertising media that are aimed at local advertisers (example: regional daily press, free press, free ad publications, billboards, local radio etc.).

PagesJaunes has succeeded in developing its revenue with printed directories even though the advertising market in metropolitan France is stagnating, and is even on the downswing for certain types of media (daily press, for example).



### 6.6.1.2 On-line services

PagesJaunes' on-line directories are comparable, just as with printed directories, in the local advertising market, even if for a marginal share, they also welcome advertising campaigns on a national level. To find information of a commercial nature, and especially of a local nature, consumers have various sources of information available to them (see Section "6.6.1 PagesJaunes in France"). These various media also allow local advertisers to communicate within their trading area.

The portion of investment for Internet advertising has started to rise sharply, and has resulted in Internet advertisers spending 256 million euros in advertising expense in 2005, which is an increase of 43% compared to 2004 (Source: France Pub – October 2005). This trend also filters down into the local advertising market.

If we consider the media that provides the most competition with pagesjaunes.fr into account, and especially on-line media, the market situation can be broken down as follows:

- **Internet display type advertising**, generally sold as "cost per thousand" ("CPM" in French)

The market was evaluated at about 110 million euros in 2005 (source: PagesJaunes Group).

This is for advertising most often at a national level that concentrates on sites with large audiences: Internet service provider portals, general or specialised information sites.

Pagesjaunes.fr is present in this market through its display products of the banner, totems or header type which can be generic or contextual (thematic and/or local).

- **Advertising of the sponsored link type**, sold under the PPP (pay per performance) model.

This new advertising model came out in 2001 and has enjoyed strong development. 2005 volume was about 80 million euros (source: PagesJaunes Group).

The main actors are Google, Overture, Miva and MSN.

This type of advertising is especially adapted to search engines and makes it possible to monetise the large audience pertaining to searches on the Internet for which Google is the main vector.

This type of competition affects pagesjaunes.fr directly in the sense that it functions on the same level of searching in a purchasing situation. The 3 largest actors in the Internet search market (Google, MSN and Yahoo) will probably open local search services in France as they have already done in other countries such as the United States and the United Kingdom. This development will continue to make this competition even more direct for pagesjaunes.fr. PagesJaunes intends to respond to this new competition by launching a new version of the pagesjaunes.fr Internet site that will make use of content indexing technologies and that will also provide the internet user with a new interface (see Section "6.2.1.2.1 pagesjaunes.fr and Internet sites").

#### On-line directory type advertising.

pagesjaunes.fr represents most of this form of on-line advertising. It is however possible that in the future, other actors in the market, whether existing or emerging, will implement voluntarist strategies aimed at capturing a considerable share of the market. This may be the case especially with directory enquiry services which can operate technical

platforms that they have developed for the directory enquiry services that use the 118 prefix, in order to publish directories on the Internet.

### 6.6.1.3 Voice and services

The directory enquiry services market is a market that represented about 270 million calls and around 300 million euros in revenue in 2004 (source: PagesJaunes estimates) and which was opened to competition on 2 November 2005, following the attribution by the ARCEP of 6-digit telephone numbers with the 118 prefix. PagesJaunes' main competitors in the directory enquiry services market are:

- Le Numéro (subsidiary of the American company Infonxx) with 118 218;
- France Télécom/Orange with 118 712;
- Telegate (subsidiary of Seat Pagine Gialle) with 118 000;
- Bottin and Belgacom with 118 007.

### 6.6.1.4 Others

#### 6.6.1.4.1 QuiDonc

The reverse directory market concerning telephone numbers was dominated for a long time by the Minitel services, especially Annu and QuiDonc.

The competition has now moved to the Internet, which represents about 50% of this type of search, with other means being the Minitel which is sharply declining, vocal service, mobile phones and directory enquiry services of the 118 type.

On Internet, the QuiDonc and CTQui websites represent together most of the traffic pertaining to reverse searches. In December 2005, QuiDonc had 347,000 different visitors, surpassed by CTQui with 586,000 distinct visitors (source: Médiamétrie//NetRatings Panel France – Home and/or place of work – Internet applications excluded). Note that these two services have different economic models: QuiDonc charges a fee to users while CTQui has chosen a model financed by advertising.

Also on the Internet, the directory enquiry services that have invested substantially in advertising in November and December 2005 represent real potential competition. They are transposing or getting ready to transpose their directory enquiry service to the Internet, especially for reverse searches. This is particularly the case with 118712.fr and 118218.fr.

#### 6.6.1.4.2 PagesPro

In France, PagesPro competes with the other publishers of printed business to business directories (mainly sector directories); moreover, on the Internet, there is multi-format competition (branch directories, but also search engines and other general on-line directories that flow from B to C also to B to B: societe.com, bottin.com, etc).



## 6.6.2 INTERNATIONAL & SUBSIDIARIES SEGMENT

### 6.6.2.1 B to C directories

#### 6.6.2.1.1 Spain

The Spanish directory market had total revenue of 538 million euros in 2004, including alphabetical directories, segment in which QDQ Media was not present.

The directory market in Spain is dominated by TPI, a subsidiary of the historical operator Telefónica. It also includes local companies, particularly Guia Color (Castille-León), Tu Distrito (province of Malaga) and Guiaraba (Alava).

#### 6.6.2.1.2 Luxembourg

Editus Luxembourg is the only publisher of general public directories present in Luxembourg. The company is in competition with all the local advertising media as well as local and international companies on the Internet. The general public directory market has experienced steady growth over the last few years.

#### 6.6.2.1.3 Edicom

Edicom primary publisher of general public directories in Morocco; the company competes with Maroc Télécom, which also publishes a business directory classified into headings, as well as with several local actors of small size. The directory market for the general public is of modest size; the directory publishers themselves compete with the various local media as well as with local and international actors on the Internet, for which penetration is enjoying sustained growth.

#### 6.6.2.1.4 PagesJaunes Liban

PagesJaunes Liban is the sole publisher of directories for the general public in Lebanon. The company competes with all of the local advertising media as well as with local and international actors on the Internet. The directory market for the general public is of modest size and is developing in an economic climate that is generally difficult.

### 6.6.2.2 Kompass activities

In the information market, Kompass France and Kompass Belgium are in competition with economic and financial information specialists (such as Coface, Fininfo, ORT, Euridile, Dun & Bradstreet and Experian with Infrogrefte) and direct marketing companies who have a range of business to business addresses. In addition, the fact that users also have the option of finding the information free on the Internet also constitutes a form of competition.

In business advertising markets, Kompass France and Kompass Belgium are in competition with other business directory publishers (including Europages, PagesPro for Kompass France, InterRégion for Kompass Belgium's business in Luxembourg), but also with some websites (search engines, portals) which offer advertising products aimed at companies.

### 6.6.2.3 Direct marketing and mapping services

#### 6.6.2.3.1 Direct marketing

In the various markets where they operate, Wanadoo Data and e-sama are up against these main competitors:

- database marketing market (postal address, telephone number, e-mail, text messaging): Mediaprisme, Axiom (Claritas/Consodata), La Poste, l'Insee, Wegener, lbase and Buongiorno;
- engineering market involving marketing database processing: Wegener, Bertelsmann (Arvato Services), Axiom (Claritas/Consodata), La Poste, Presse Informatique, DPV, Sogec Datamark Services and Uniservices Informatique.

#### 6.6.2.3.2 Mapping services

Mappy is faced with stiff competition in the on-line mapping services market, which in particular includes Viamichelin.com, Maporama.com, Webraska.com and Planfax. Moreover, many of the main actors on the Internet including Google, Yahoo ! and MSN have developed mapping solutions that are also a form of competition for Mappy.

The following table shows changes in the reach rate of the two biggest sites in terms of general public mapping services, mappy.com and viamichelin.com:

(in %)	December 2003	December 2004	December 2005
Mappy.com	17.4	20.3	25.9
Viamichelin.com	8.3	12.9	16.2

Source: Nielsen Home and Work.

Of all sites taken together, mappy.com is one of the 15 most consulted sites in France (Source: Nielsen Home and Work).

## 6.7 Regulation

Apart from the regulations generally applicable to companies in the countries where the Group operates, PagesJaunes is specifically subject to laws on the information services corporations relating to its directory business.

PagesJaunes is mostly present in Europe and more specifically in France, and so the discussion below involves European and French laws and regulations.

### 6.7.1 INFORMATION SERVICES COMPANY REGULATION

The law on Confidence in the Digital Economy was the subject of intense discussions in 2003 between French institutions and service providers. This draft law is aimed at adapting French law to the requirements of developments in the digital economy and strengthening confidence in the use of new technologies. This law which would complete the enactment of the directive on Electronic Commerce that was adopted on 13 May 2004 sets out the rules for the liability of Internet service providers and website hosting companies, and particularly deals with how domain name organisation is managed and encryption.

#### 6.7.1.1 Content regulation and responsibilities for Internet companies

The European directive of 8 June 2000 in relation to some legal aspects of information services companies, and particularly electronic trade, states that the obligations and responsibilities incumbent upon Internet companies must be enacted before 17 January 2002. A partial enactment of this directive had been effected in France through the law of 1 August 2000 amending the law of 30 September 1986 by adding a new chapter entitled "Clauses Relating to On-Line Communications Services Excluding Private Correspondence" (articles 43-7 to 43-10).

This law makes publishers of on-line communications services responsible for direct or indirect identification. As such, article 43-10 stipulates that individuals producing a non-professional on-line communications service must indicate their names and addresses on their website or the name and address of the website hosting company if they wish to remain anonymous. Legal entities and individuals publishing websites on a professional basis must put their exact contact information on their website (company name, registered offices and name of the managing editor or joint managing editor), as well as the name and address of the hosting company.

Hosting companies must also provide publishers with the technical means to meet the identification requirements incumbent upon them (article 43-9).

In relation to the hosting company's responsibility for the content of the services it hosts, article 43-8 states that hosting companies are neither criminally nor civilly liable for the content of the services they host, unless, after notification by a legal authority, they do not act promptly to block access to that content.

In addition, under the terms of their identification obligations, hosting companies must keep all the items needed to provide identification of the person who created or produced the content of the services they provide so they can be reported upon request to the legal authorities (article 43-9).

This provision is complemented by the law on Confidence in the Digital Economy [French acronym: "LCEN"] of 21 June 2004, which sets out the rules of responsibility for technical service providers on the Internet and particularly in regard to electronic commerce and encryption.

The *LCEN* states that hosting companies do not have a general obligation to oversee the information they transmit or store, or a general obligation to research the facts or circumstances relating to illicit activities. However, the legal authorities can order specific, temporary surveillance in individual cases.

The *LCEN* also states in its article 6 point 1-2 that "*individuals or legal entities providing, even free of charge, storage of signals, text, images, sound or messages of any kind provided by the recipients of these services, to be made available to the public by public on-line communication services, cannot be held civilly liable for these activities or the information stored at the request of a recipient of these services if they did not have actual knowledge of the illicit nature or of facts and circumstances demonstrating this nature or if, at the time they became aware of them, they acted promptly to remove this information or block access to it*".

The liability of the hosting companies indicated above is therefore only invoked if the content or information involved is manifestly illicit. In fact this provision in the *LCEN* was subject to a conditional interpretation drawn up by the Constitutional Council on 10 June 2004: "[...] *points 2 and 3 of 1 of article 6 of the law in question are intended only to remove civil and criminal liability from hosting companies under the two circumstances they describe; these provisions would not have the effect of invoking the liability of a hosting company which did not remove information reported to be illicit by a third party if the information does not manifestly appear to be so or if its removal has not been ordered by a judge [...]*".

The *LCEN* also includes strengthened protection for consumers, particularly by the provisions relating to the requirement for vendors to provide exact identification and principles which guarantee the validity of on-line contracts.



### 6.7.1.2 Protecting personal information

The European Framework directive 95/46/EC of 24 October 1995, relating to protection of individuals in relation to handling personal information and the free distribution of this information, defines the legal framework needed to provide proper protection for personal rights and freedoms. This framework directive was complemented by a European Sector directive 2002/58/EC of 12 July 2002 on handling personal information and protecting privacy in the electronic communications sector, replacing directive 97/66/EC of 15 December 1997.

The goals of this directive include:

- harmonising European law on personal information;
- facilitating its distribution (as long as the country to which the personal information is sent offers an adequate level of protection);
- and protecting privacy and personal freedom.

Law No. 2004-801 of 6 August 2004 on protecting individuals in the way their personal information is handled and amending law No. 78-17 of 6 January 1978 in relation to computers, computer files and freedoms, completes the enactment of directive 95/46/EC. This law strengthens individuals' rights over their information, helps to simplify the reporting formalities for handling information at risk and gives the *CNIL* greater powers to intervene.

The new law on computers and freedoms gives individuals greater rights over their information, and now makes those in charge of handling the information responsible for giving more detailed information about the terms of use of this information. The right to object to being subject to marketing prospecting is now embodied in the law and the conditions for exercising the right to access and correct information are now stipulated. In relation to simplifying the formalities, reporting falls under common law, with previous control by the *CNIL* being limited only to handling which presented special risks attacking individuals' rights and freedoms. Finally the *CNIL*'s powers to intervene have increased (stipulations have been added in relation to the procedures for on-site control, and the *CNIL* now has a wide range of powers to intervene (court order to stop using the information, or a request for temporary suspension, blocking information, removing authorisation, etc.). The *CNIL* can now issue monetary fines, up to 150,000 euros for the first reported infringement and 300,000 euros or 5% of the revenue, excluding tax, of the last fiscal year if it involves a company. Finally, the warnings issued by the *CNIL* may be made public, and notices of the warnings issued may be ordered inserted in any publications, newspapers or formats it decides, and the costs must be paid by the individuals being penalised.

In its course of business, the Group has to record and process statistical data, particularly in relation to use of its sites. Technical methods which can identify, on a global statistical basis, Internet users' main interests and their on-line habits have also been developed to optimise the services we provide and increase the income generated. In the same way, and to enable us to offer personalised services, the Group also collects and handles personal information and markets it to third parties.

The new European Sector directive relating to handling personal information and protecting privacy in the electronic communications sector, which has a deadline of 31 October 2003 for enactment by the Member States, expands its field of application to electronic communications and makes some amendments to the current provisions. The new provisions are as follows:

- traffic-related information now covers all traffic-related information, regardless of technology, and therefore includes information relating to Internet communications;
- cookies are only allowed if clear and complete information is given to the subscriber or user, particularly about how it will be used, and if the cookies can be refused. However, this provision does not cover cookies intended solely to effect or facilitate transmitting a communication, or those strictly necessary for providing a service expressly requested by the user (article 5.3 of the directive). These provisions were enacted by law No. 2004-801 of 6 August 2004 on protecting individuals in the way their personal information is handled (article 32 of the consolidated version of the law on Computers and Freedom);
- location information apart from that relating to traffic can only be handled after it has been made anonymous, or with the consent of the subscribers or users, who have been properly informed in advance, for the purpose of providing them with an added-value service. They have the option of withdrawing their consent at any time and must have the option of temporarily refusing to have this information used each time they connect to the network or each time they send a message, easily and free of charge. These provisions were enacted in law No. 2004-669 of 9 July 2004 on electronic communications and audiovisual communications services (article L. 34-1, IV of the Postal and Electronic Communications French Code);
- in relation to directories, subscribers have the option of deciding if their information, and in some cases which parts of this information, should appear in a public directory. Being unlisted is free, as is any correction or removal. Member States may require consent from subscribers for any public directory used for anything but an ordinary search for contact details about people based on their name. These provisions were adopted in decree No. 2003-752 of 1 August 2003 on general directories and general information services, amending the Postal and Electronic Communications French Code; in relation to unsolicited communications (or spamming), direct prospecting by e-mail is forbidden unless it is sent to subscribers who have given their consent in advance. However, if someone has directly obtained the e-mail addresses from its customers, it can use them for direct prospecting purposes for similar products or services which it provides itself, as long as customers can refuse when their information is collected and at each message. These provisions were enacted into French law by the law on Confidence in the Digital Economy and by the law on Electronic Communications, which makes customer prospecting by electronic means opt-in, therefore requiring the prior consent of the people being prospected (new article L. 34-1, III of the Postal and Electronic Communications French Code).



## 6.7.2 THE DIRECTORIES

Order No. 2001-670 of 25 July 2001 covering the adaptation of the Intellectual Property French Code and the Postal and Telecommunications French Code to Community law thus enacted several European directives into French law, including the law on protecting personal information in the area of telecommunications and the directive of 26 February 1998 on the application of an open telecommunications network provision (ONP) for voice telephony (98/10/EC). The enactment of this directive into law should lead to an effective liberalisation of the directory market and facilitate the production of the general directory. This directive forces all telecommunications operators, under certain circumstances, to provide their list of subscribers to any directory publisher who asks for it.

Decree No. 2003-752 of 1 August 2003 in relation to general directories and general information services, amending the Postal and Telecommunications French Code stipulates that operators must provide their list of subscribers and users to anyone who wishes to publish a general directory, either in the form of a computer file or by access to a database which the operators must keep up to date.

This obligation applies to any entity owning numbers, on a land network or on a mobile network. It will then be possible to publish a general directory, which means a directory containing all telecommunications service subscribers. The Group, which produces both print and on-line directories, is giving full consideration to this change in the regulations which would enable it to acquire permits for directory information from all telecommunications operators and thereby enrich its content. This decree is currently being reviewed.

New article L. 34 of the Postal and Electronic Communications French Code states that publishing lists of subscribers or users of electronic communications networks or services is free of restriction, subject to protecting individual rights, and that the operators must provide the list of all subscribers or users to whom they have assigned one or more telephone numbers in the telephone numbering system, without discrimination and at a price reflecting the actual cost of the service rendered. This article also repeats the rights guaranteed to all individuals in terms of publishing their personal information and consulting information services. It finally states that the consent of any subscriber to a mobile telephone operator is required before they can be entered in subscribers' or users' lists.

## 6.7.3 DATABASE REGULATION

On 11 March 1996 European Directive 96/9/EC was adopted as legal protection for databases.

The main innovation made by this directive is the creation of a "*sui generis*" right, in addition to copyright, intended to protect an investment in obtaining, verifying or presenting the contents of a database for the limited time the right exists, which states this investment may consist of employing financial means and/or using time, effort and energy.

This directive was enacted into French law by a law dated 1 July 1998, containing a "*sui generis*" right which protects database producers, regardless of the protection offered by copyright (articles L. 112-3 and L. 122-5 of the Intellectual Property French Code, as well as the whole of Title IV of Book III of the Intellectual Property French Code, i.e. articles L. 341-1 to L. 343-4 of the said Code).

The benefit of protection is afforded to the database content "when its creation, verification or presentation demonstrates a substantial financial, material or human investment". This protection is separate from and without prejudice to the protection provided for database content by copyright since article L. 341-1 of the Intellectual Property French Code states that a database producer, understood to mean the person who takes the initiative and risk involved in the corresponding investments, benefits from protection for the database content when the creation, verification or presentation of it demonstrates a substantial financial, material or human investment. This protection is separate from and exercised without prejudice to that resulting from copyright or any other rights over the database or one of its component parts.

Under the law, a database producer has the right to prohibit any substantial extractions of content from his database as well as any reuse. Therefore article L. 342-1 of the Intellectual Property French Code states that a database producer has the right to prohibit:

- the extraction, by permanent or temporary transfer, of all or a qualitatively or quantitatively substantial part of the contents of a database onto another platform, by any means or in any form whatsoever;
- the reuse, by making it available to the public, of all or a qualitatively or quantitatively substantial part of the contents of a database by any means or in any form whatsoever.

This protection is afforded even when the database is made available to the public, to the extent that it involves the extraction of a substantial part of the database. This protection is afforded even when the person proceeding to make the extractions has legitimately accessed the database. So article L. 342-2 of the Intellectual Property French Code states that: "*The producer can also prohibit the extraction or the repeated, systematic reuse of qualitatively or quantitatively non-substantial parts of the database when these operations manifestly exceed the conditions of normal use of the database*". On the other hand, article L. 342-3 of the Intellectual Property French Code states that: "*When a database is made available to the public by the owner of these rights, the latter may not prohibit (...) the extraction or reuse of a non-substantial part, assessed qualitatively or quantitatively, of the contents of the database by anyone who has legitimate access to it (...)*".



## 6.7.4 SECURE ELECTRONIC SIGNATURE

French regulations in regard to secure electronic signatures are contained in four successive laws: a law of 13 March 2000, two decrees of 30 March 2001 and 18 April 2002 and an order of 31 May 2002.

Law No. 2000-230 of 13 March 2000, on adapting laws on proof to cover information technology and relating to electronic signatures, goes beyond simple legal recognition of electronic signatures and gives legal validity to electronic documents, which are closely related. It creates two types of electronic signature with different legal effects: a simple signature and a secure signature.

The latter has the full force and probity in law of a handwritten signature because it is presumed to be true unless proven otherwise.

For electronic signatures which do not meet the conditions set by this decree, which are called simple signatures, the proof of technical reliability in the procedure used must be demonstrated, for example by an expert examination, even if their admissibility as proof cannot be denied. It is also still possible to have them legally recognised by agreements on proof, the legality of which is now clearly set out in article 1316-2 of the French Civil Code.

## 6.7.5 DOMAIN NAMES

The Group has registered a large number of domain names in France and in other countries (see Section "6.5.1 Dependence on Patents and Licences").

Domain names are terms assigned to the digital addresses of servers connected to the Internet (Internet addresses) to make Internet sites easier to identify and remember. Therefore, domain names represent major marketing tools for companies doing business on the Internet.

Domain names are made up of two distinct elements: the top-level domain name or "TLD" and the second-level domain name. The top-level domain names can be either generic (generic top-level domain names or gTLDs), such as ".com" for companies, ".net" for companies providing Internet services, ".org" for public interest organisations, or ".edu" for education institutions, or correspond to a particular geographical area (country code top-level domain names or "ccTLDs") such as ".fr" for France, ".de" for Germany or ".es" for Spain. Second-level domain names are the names chosen by each person or company to identify their website.

The registration of domain names in the ".com", ".net" and ".org" domains is carried out by a certain number of companies accredited by the Internet Corporation for Assigned Names and Numbers ("ICANN"), an international non-profit organisation. Registries such as Verisign for ".com" and ".net" are responsible for managing the extensions. Only these registrars are accredited by ICANN to file domain names.

Registration of geographical domain names is overseen by a national authority appointed in each State, which keeps a central registry and approves private companies as accredited registrars. Nordnet, a subsidiary of the France Télécom group is a "registrar" accredited by ICANN to register domain names as ".com", ".net", ".biz" and ".info".

As a general rule, domain names are assigned based on the rule of "first come, first served" and most registrars, whether for generic or geographical domain names, consider that the registrant assumes sole responsibility for making sure that no prior rights are being infringed by using a domain name he is registering.

Because each national authority can, up to a point, define its own policy for assigning domain names, the registration requirements for geographical domain names can differ from the requirements which apply to generic domain names and can also vary from one country to another. In particular, registrars can be more or less strict when they verify, in some cases, that the registration of a domain name does not infringe on prior rights held by others, whether intellectual property rights or others.

In France, the French Co-operative Association for Internet Names [French acronym: *AFNIC*] is responsible for registering domain names with the ".fr" extension. A certain number of Internet service providers, including several France Télécom group subsidiaries, have been accredited by *AFNIC*, according to the recommendations issued by ICANN, to handle requests for registering domain names.

Although the French courts have now admitted that using a term on a website or as a domain name can infringe on prior rights to a trademark, the outcome of a lawsuit in this area remains unclear. This is particularly due to the fact that the scope of trademark rights can be limited to a geographical area or based on classes of products and services covered by the registration, while use of a term on the Internet by another could create the risk of confusion or lead to acts of unfair competition well beyond these limits.



## 6.7.6 LAW RELATING TO PUBLIC TELECOMMUNICATIONS SERVICE OBLIGATIONS AND FRANCE TÉLÉCOM

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Law No. 2003-1365 of 31 December 2003 provided for a call for applications to appoint an operator in charge of general information services and the general directory. The procedures for this call for applications were set out in an opinion from the Ministry of the Economy, Finance and Industry published in the Official Journal of 25 November 2004 (*“Opinion on a Call for Applications to Appoint an Operator in Charge of Providing the Electronic Communications General Service Component” set out in point 2 of article L. 35-1 of the Postal and Electronic Communications French Code*).

The France Télécom group made an application, stating that the job of producing the printed general directory would be given to PagesJaunes. In an order of 3 March 2005 by the Ministry of the Economy, Finance and Industry, France Télécom was appointed the operator in charge of the general information service and the universal directory (see Section 6.4.4).

## 6.7.7 DIRECTORY ENQUIRIES SERVICES

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Directory enquiries services were, up until 2 November 2005, almost exclusively provided by number 12 (for fixed-line subscribers) and by 712, 612 and 222 (for mobile telephone network subscribers).

Since this date, and following a random drawing process for assigning the numbers in the 118XYZ format developed and implemented by the ARCEP, all directory enquiry services that meet certain criteria (especially in the case where the database of the subscribers that are likely to be found is complete) must use a number in said format 118XYZ.

Since a transition period was provided for until 3 April 2006, it is on this date that numbers 12, 712, 612 and 222 will effectively disappear.

So with each directory enquiry service now using a number of the same format and the number being available from any fixed-line or mobile network telephone, this activity has generated new actors, including PagesJaunes with 118 08.

# 6.8 Suppliers

See Section “6.5.2 Dependence on Supply Contracts and Industrial Contracts”.



## 6.9 Insurance and risk coverage

PagesJaunes Group, as a subsidiary of France Télécom, is covered by the insurance programmes taken out by the France Télécom group. This mutual insurance plan is taken out with major companies in the insurance and reinsurance field, to cover risks of:

- damage to assets and operating losses including damage to goods being transported;
- civil liability associated with operations and business activities in general, both in terms of customers and third parties (including the liability of corporate officers);
- and automobile risks.

The premiums paid by the Company, as for any subsidiary of the France Télécom Group belonging to the insurance programme, represent in the various risk areas covered, a share of the total premiums which is determined in proportion to the insured capital and revenue, using a weighting based on the characteristics and type of risks covered, as well as the claims history.

So, as far as insurance coverage for civil liability is concerned, the preliminary premium paid by the Company for the 2005 fiscal year came to about 142,000 euros including tax.

In relation to the Damage to Assets and Operating Losses policy, the premium paid by the Company came to about 307,000 euros including tax in 2005.

For the automobile risk, the Company is covered by the Automobile Fleet insurance programme, especially for subsidiaries of the France Télécom group: the share of the premium to be paid by each subsidiary is determined based on the number of vehicles they have and their claims history, and also depends on the guarantee options taken by each of them. So, for 2005 the Company paid about 155,000 euros including tax based on its own fleet of vehicles.

All of this coverage takes into account the types of risks incurred by the Group within the France Télécom group and is adapted to the type of products offered in the insurance and reinsurance market at the moment for groups of similar size with similar businesses.

As part of its insurance policy, the France Télécom group uses major international brokers, who in close co-operation with France Télécom draw up, place and manage all the insurance programmes. So, this policy enables identification and quantification of the various risk areas to determine the coverage needed with the goal of getting the best quality ratio between coverage and cost. Selecting mutual programmes, by using umbrella contracts for the France Télécom group, enables refinancing of all the risks with the insurance and reinsurance market. This coverage strategy, which consists of using "Corporate" programmes, takes into account the specific characteristics of the various businesses of the subsidiaries being covered. It also uses information obtained after comparisons with groups in the same business sector, or neighbouring or of an equivalent size.

The prevention policy provides a way of better understanding and controlling the risks to which each company in the France Télécom group could be exposed. In this regard, in the area of preventing physical risks, regular identification depends on a policy of site visits carried out in partnership with the internal engineering department and those of the main insurers. This measure enables any risks to be detected and evaluated to make sure that insurance coverage is always appropriate for these risks and if necessary to study any adjustments in levels of prevention and protection.

# 7

## Organisation chart



### 7.1 Description of the Group

The structure of PagesJaunes Group was modified in December 2004. PagesJaunes SA, the listed company, changed its name, and became PagesJaunes Group and fulfils the functions of a holding company.

This new organisation is aimed at separating the Group's steering activities from its operational activities, with the following goals:

#### Clarify the structure of PagesJaunes Group

- separate the management responsibilities of the Group ("holding" activity) from operational responsibilities;
- better meet the requirements of corporate governance (the Directories business in France of PagesJaunes SA, which represents more than 90% of the Group's business, was easily confused before with the business of other operational subsidiaries);
- simplify relations with the major shareholder, with the holding providing the interface with the latter, which limits the number of entry points in the Group;
- distinguish employees interests in the Directories business in France from the Group's financial needs and thus clarify labour-management relations.

#### Improve the operations of PagesJaunes Group as a group of companies

- clarify responsibilities in steering subsidiaries and better cover certain needs, especially pertaining to accounting consolidation, reporting, marketing and technical support, regulatory watch and legal support;
- facilitate where possible the execution of external growth operations and integrate them successfully into the PagesJaunes Group.

The Group's activities can be organised into two main segments:

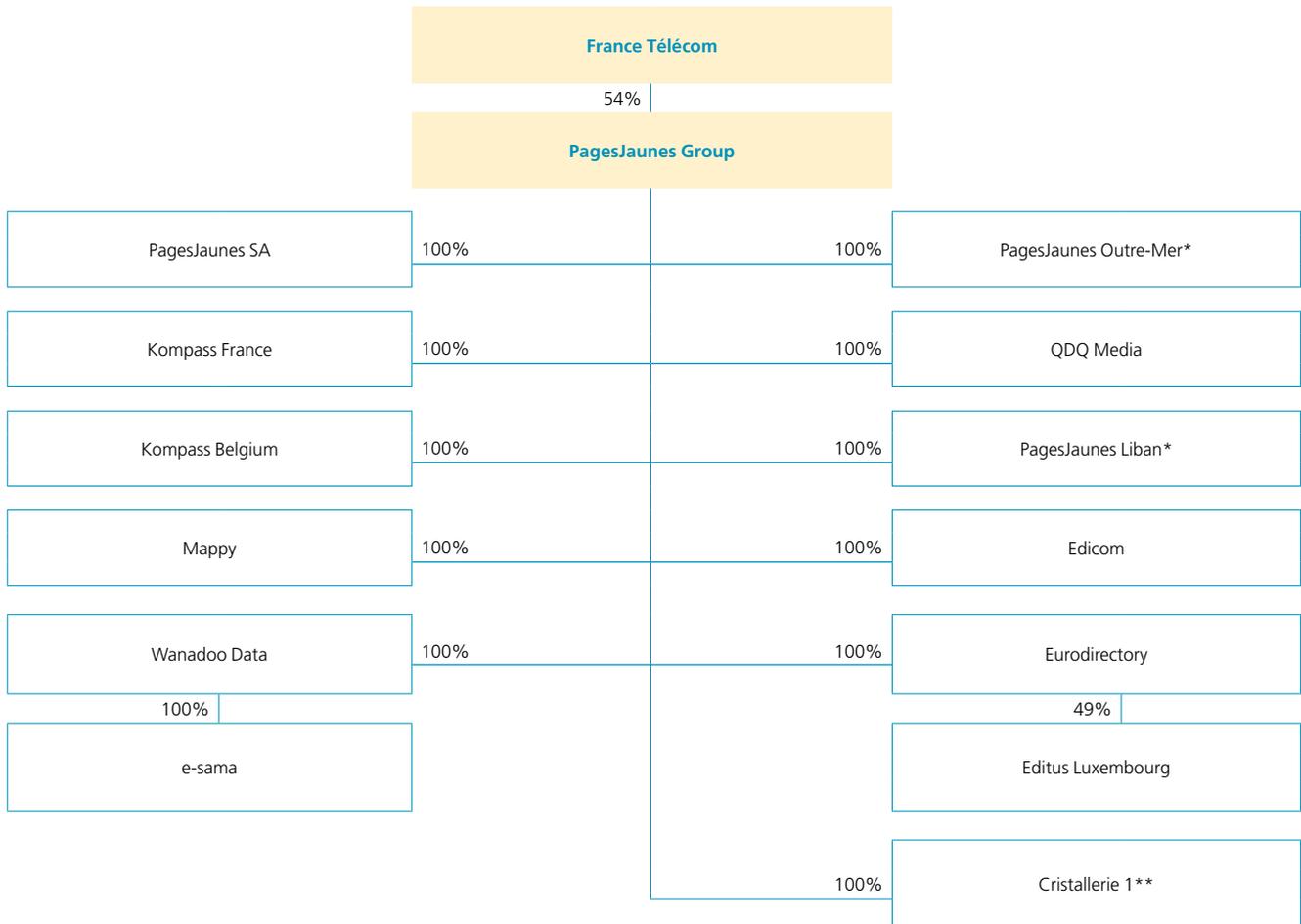
- **PagesJaunes in France:** this is the business of the PagesJaunes SA Company in France, which involves publishing the directories, distributing them, selling advertising space in the printed and on-line directories, creating and hosting Internet sites, the 118 008 directory enquiry services activities as well as publication of the PagesPro directories, selling on demand access, the reverse search directory QuiDonc, Europages advertising representation;
- **International & Subsidiaries:** these are the businesses of the various Company subsidiaries, which mostly comprise publishing directories for the general public outside France, developing Kompass directories in Europe and developing activities which complement publishing the directories (such as Mappy's map services and Wanadoo Data and e-sama).

Detailed sector information is provided in note 4 of the notes to the consolidated financial statements (Section "20. Financial information concerning the assets, financial situation and results").



## 7.2 List of subsidiaries

The following is an organisational chart of the Group on 31 December 2005:



\* Subsidiaries of PagesJaunes Group that were not consolidated in 2005.

\*\* Non-active subsidiaries on 31 December 2005.



## Real estate, plant and equipment

### 8.1 Major tangible fixed assets

The great majority of the Company's premises are sub-let by the France Télécom Group by leases or subleasing agreements. These contracts are worded in application of the principle of euro for euro rebilling to each of the occupants for the rent and associated charges, based on their share of the space occupied.

### 8.2 Environmental questions

Details on environmental questions are provided in section 4.6 "Industrial and environmental risks".



# Review of the financial situation and results: Group's Management report

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## 9.1 General presentation

The Group's core business is printing directories in France and abroad, offering a diversified range of products and services intended for the general public and businesses.

The Group's business is organised into two main segments:

- **PagesJaunes in France**

This is the business in France involving publishing and distributing directories, selling advertising space in the printed and on-line directories, the business of creating and hosting websites, the business of directory enquiry services 118 008 as well as publishing the PagesPro directories, selling on-demand access, the QuiDonc reverse directory and the Europages management (advertising representation).

- **International & Subsidiaries**

These are the businesses of the Company's various subsidiaries, which mainly consist of publishing directories for the general public outside France, developing Kompass directories in Europe and developing businesses that complement the directory publishing business (such as the Mappy mapping and Wanadoo Data and e-sama direct marketing).

In February 2005, PagesJaunes Group bought, via its subsidiary Wanadoo Data, 100% of the e-sama company, specialised in hosting databases and customer relationship management (CRM) services. This company has been fully consolidated since 1 February 2005.

In July 2005, PagesJaunes Group also acquired Edicom, primary publisher of directories in Morocco. This company has been fully consolidated since 1 July 2005.

In order to make the 2004 data comparable to that of the 2005 scope, the 2004 data has been rendered using the 2005 scope.

The table below shows the effect of the consolidated accounts on 31 December 2004 and information consolidated on a like-for-like basis on 31 December 2004, taking into account:

- entry of QDQ Media and Mappy into the scope on 1 January 2004 instead of 1 April 2004 and 1 May 2004, respectively;
- entry of Kompass Belgium into the scope on 1 January 2004 instead of 1 January 2005;
- acquisition of Edicom on 1 July 2004 instead of 1 July 2005;
- consolidation of Editus Luxembourg by proportional integration on 1 January 2004. In the past, this company was consolidated using the equity method;
- acquisition of e-sama on 1 February 2004 instead of on 1 February 2005.

Scope impacts are as follows:

PagesJaunes Group (in millions of euros)	Periods ending 31 December		
	Consolidated accounts 2004	Effects of scope 2004 & 2005	Like to like scope 2004
Revenue	967.2	33.8	1 001.0
Gross Operating Margin (GOM)	407.5	4.2	411.7
Operating income	342.6	2.5	345.1
Consolidated income	213.6	(0.7)	212.9

These effects of scope impact the "International & Subsidiaries" segment.

## 9.2 Comments on the results for the fiscal years ending 31 December 2005 and 31 December 2004

PagesJaunes Group (in millions of euros)	Fiscal years ending on 31 December		
	2005	2004 on a like-for-like basis	Changes 2005/2004
<b>Revenue</b>	<b>1,060.7</b>	<b>1,001.0</b>	<b>6.0%</b>
External purchases	(330.4)	(331.9)	- 0.5%
Other Operating income	54.9	60.4	- 9.1%
Other Operating expense	(24.6)	(34.1)	- 27.9%
Salaries and contributions	(297.6)	(283.7)	4.9%
<b>Gross operating margin (GOM)</b>	<b>463.1</b>	<b>411.7</b>	<b>12.5%</b>
<i>as a % of Revenue</i>	<i>43.7%</i>	<i>41.1%</i>	
Employee profit sharing	(32.9)	(30.2)	9.1%
Remuneration as shares	(20.5)	(25.3)	- 19.1%
Amortisation and depreciation	(9.7)	(10.9)	- 10.5%
Gains/losses on the sale of assets	(0.6)	(0.4)	52.8%
Restructuring expense	(0.4)	0.0	ns
<b>Operating income</b>	<b>399.0</b>	<b>345.1</b>	<b>15.6%</b>
<i>as a % of Revenue</i>	<i>37.6%</i>	<i>34.5%</i>	
Financial income	16.4	19.1	- 14.1%
Financial expense	(4.8)	(0.5)	ns
Corporate tax	(148.9)	(150.8)	- 1.3%
<b>Net income</b>	<b>261.7</b>	<b>212.9</b>	<b>23.0%</b>
Income assignable to shareholders of PagesJaunes Group	261.7	212.9	

The Consolidated Group's revenue increased by 6.0% in 2005 compared to 2004 on a like-for-like basis and came to 1,060.7 million euros on 31 December 2005. This increase is explained by an expanded range of products both for the printed directories and the on-line services, by an increase in the average revenue per advertiser and by attracting new advertisers in France and in Spain and by raising prices.

Gross operating margin (GOM) rose by 12.5% in 2005 compared to 2004 on a like-for-like basis and came to 463.1 million euros on 31 December 2005. Excluding IPO expense in 2004 (8.1 million euros) and on a like-for-like basis, growth in the gross operating margin was 10.3% in 2005. Gross operating margin (GOM) over revenue went from 41.1% (41.9% excluding IPO expense) in 2004 to 43.7% in 2005, which is a significant increase in the profitability of the Consolidated Group. This improvement is the result of an increase in revenue and good control over costs as a whole, particularly in optimising publishing costs for the printed directories and reducing the losses of QDQ Media.

External purchases (as defined in Section "9.2.1.2 External purchases for the PagesJaunes segment in France") dropped by 0.5% in 2005 compared to 2004 on a like-for-like basis. Salaries and expense, which mainly include personnel expense in relation to the sales force, only increased by 4.9% between the two periods, although revenue increased by 6.0%.

Net consolidated results come to 261.7 million euros in 2005 compared to 212.9 million euros in 2004 on a like-for-like basis, which is an increase of 23.0%. Excluding IPO expense in 2004, growth in net results was 20.0%.

The discussion below presents the revenue, operating results and well as some pro forma intermediate management balances for each of the segments in the Consolidated Group, the PagesJaunes in France segment and the International and subsidiaries segment.



## 9.2.1 ANALYSIS OF THE REVENUE AND OPERATING RESULTS ON A LIKE-FOR-LIKE BASIS FOR THE PAGESJAUNES IN FRANCE SEGMENT

The following table shows changes in the revenue and operating results for the PagesJaunes in France segment for periods ended 31 December 2004 and 31 December 2005:

PagesJaunes in France (in millions of euros)	Periods ending 31 December		
	2005	2004	Variation 2005/2004
<b>Revenue</b>	<b>956.1</b>	<b>903.9</b>	<b>5.8%</b>
External purchases	(287.2)	(288.4)	-0.4%
Other operating income	52.7	58.3	-9.5%
Other operating charges	(21.5)	(28.5)	-24.4%
Salaries and contributions	(242.6)	(231.4)	4.8%
<b>Gross operating margin (GOM)</b>	<b>457.5</b>	<b>413.9</b>	<b>10.5%</b>
<i>as a % of revenue</i>	<i>47.9%</i>	<i>45.8%</i>	
Employee profit sharing	(32.3)	(29.4)	10.0%
Remuneration in shares	(19.1)	(23.5)	-18.7%
Amortisation and depreciation	(5.9)	(6.7)	-12.0%
Gains/losses on the sale of assets	(0.5)	(0.4)	49.4%
<b>Operating income</b>	<b>399.7</b>	<b>354.0</b>	<b>12.9%</b>
<i>as a % of revenue</i>	<i>41.8%</i>	<i>39.2%</i>	

The PagesJaunes in France segment groups together the activities of publishing and distributing directories, selling advertising space in the printed and on-line directories, the business of creating and hosting websites as well as other activities (primarily publishing the PagesPro directories, selling on-demand access, the QuiDonc reverse directory, directory enquiry services via 118 008 and Europages advertising representation).

### 9.2.1.1 Revenue for the PagesJaunes in France segment

The table below shows the distribution of consolidated revenue of the PagesJaunes in France segment by product line for periods ending 31 December 2004 and 31 December 2005 and the change in percentage for these lines between these two periods:

PagesJaunes in France (in millions of euros)	Periods ending 31 December		
	2005	2004	Variation 2005/2004
<b>Printed directories</b>	<b>638.2</b>	<b>618.9</b>	<b>3.1%</b>
PagesJaunes	524.3	505.2	3.8%
L'Annuaire	113.9	113.8	0.1%
<b>On-line services</b>	<b>285.0</b>	<b>254.5</b>	<b>12.0%</b>
Internet	227.7	169.6	34.3%
Minitel	57.2	85.0	-32.6%
<b>Other activities</b>	<b>33.0</b>	<b>30.5</b>	<b>8.2%</b>
<b>Revenue</b>	<b>956.1</b>	<b>903.9</b>	<b>5.8%</b>



Revenue in the PagesJaunes in France segment is up 5.8% in 2005 compared to 2004 and stands at 956.1 million euros on 31 December 2005. This change is the result of the increase in revenue from printed directories and on-line services on the Internet, while revenue from on-line services with Minitel is dropping considerably. The increase in revenue from printed directories and the dynamics provided by Internet activities has offset by more than twice the decrease in Minitel revenue, especially thanks to the increase in the number of customers on printed and on-line platforms. Overall, the number of advertisers increased by 6.1% between 2004 and 2005 to about 620,000 advertisers in 2005. Nearly 113,000 new advertisers were won over in 2005 compared to 98,000 in 2004, with average revenue per advertiser remaining stable at 1,528 euros.

#### Printed directories

Revenue from printed directories, which primarily comes from selling advertising space in the PagesJaunes and l'Annuaire, directories is up 3.1% in 2005 compared to 2004 and stands at 638.2 million euros on 31 December 2005.

From one period to the other, revenue from the PagesJaunes directory increased 3.8% to 524.3 million euros and that of l'Annuaire remained stable at 113.9 million euros. These increases can be explained mainly by the increase in the number of advertisers (575,435 advertisers on 31 December 2005 compared to 550,504 advertisers on 31 December 2004), with average revenue per advertiser in 2005 (1,109 euros) being slightly less than that for 2004 (1,124 euros).

#### On-line services

Revenue from on-line services is up 12.0% in 2005 compared to 2004 and stands at 285.0 million euros on 31 December 2005. Revenue from on-line services mainly comes from selling advertising products on the on-line services (pagesjaunes.fr and PagesJaunes 3611) as well as from the website creation and hosting business.

This change is primarily the result of strong growth in revenue from Internet services, up 34.3% at 227.7 million euros on 31 December 2005. This increase can be explained by the 10.3% increase in the number of advertisers on pagesjaunes.fr between 31 December 2004 and

31 December 2005 (339,553 advertisers on 31 December 2005 compared to 307,953 advertisers on 31 December 2004), combined with the 23.5% increase in average revenue per advertiser (631 euros in 2005 compared to 511 euros in 2004), under the combined effect of the increase in prices in phase with the development of the audience and with the extension of the product offer such as multimedia impact products, "Totem" display offers and advertising products pertaining to local advertising on the Internet (e-pub). Furthermore, enriching the product range starting in November 2004 with an entry-level offer called "En savoir plus" contributed to the continuation of increasing customer loyalty and in increasing revenue for 2005. This innovating product incorporates features such as audience monitoring by the market reference statistics tool that can be consulted by advertiser and, since November 2005, the free service for putting contacts in touch ("click to talk"). On 31 December 2005, nearly 15,000 customers subscribed to the "En savoir plus" offer.

Revenue from PagesJaunes 3611 dropped 32.6% in 2005 compared to 2004, coming in at 57.2 million euros in 2005. This change is the result of the natural drop in Minitel's users.

#### Other businesses

Revenue from other activities in the PagesJaunes in France segment increased by 8.2% in 2005 compared to 2004, coming in at 33.0 million euros in 2005, which represents 3.5% of the segment's revenue. This revenue essentially comes from activities of PagesPro on printed and Internet platforms, but also from the business of selling on-demand access to French and foreign operators, of the QuiDonc reverse directory for consultation on the Internet, Minitel and Audiotel platforms, directory enquiry services activities with 118 008 and from Europages business on printed and Internet platforms. The change in revenue comes mainly from the increase due to PagesPro revenue on the Internet, from the increase in revenue from activities of selling on-demand access, and from the drop in revenue of the QuiDonc reverse directory which is a result of the drop in QuiDonc audience on the Minitel that has not been offset by the increase in audience of this service on the Internet. Note that revenue from 118 008 is not very significant in 2005 due to the recent (2 November 2005) and partial opening of the market. The French directory enquiries market will not become completely liberalised until 3 April 2006.

### 9.2.1.2 External purchases in the PagesJaunes in France segment

PagesJaunes in France (in millions of euros)	Periods ending 31 December		
	2005	2004	Variation 2005/2004
External purchases	(287.2)	(288.4)	-0.4%
as a % of revenue	30.0%	31.9%	



External purchases in the PagesJaunes in France segment were 287.2 million euros on 31 December 2005, down slightly compared to 2004, while revenue in the segment increased 5.8%. External purchases primarily cover publishing (buying paper, printing and distributing the printed directories), the publisher's fee paid within the framework of the advertising representation agreement for *l'Annuaire* with France Télécom, communications expenses (purchase of space and design costs), IT development costs, expenses for hosting and distributing the on-line directories as well as expenses for purchasing, compiling and updating databases and for producing advertisements. External purchases represented 30.0% of revenue in 2005 compared to 31.9% in 2004. Paper, printing and distribution costs in 2005 represented 97.8 million euros, of which 42.2 million euros for paper, compared to 97.4 million euros

in 2004, including 42.7 million euros for paper. This slight decrease in external purchases is the result, other than the continuation in cost control pertaining to costs for paper, inventories, and printing of directories in a context of stability for paper purchase prices, from the measured drop in computer development expenses and from the drop in the publisher's fee paid within the framework of the advertising representation agreement in relation to the drop in Minitel revenue with PagesJaunes 3611. Inversely, we invested heavily at the end of the year in purchases of space and communication within the framework of launching the 1 18 008 directory enquiries service, inducing an increase in communications expenses compared to the previous year.

### 9.2.1.3 Other operating income from the PagesJaunes in France segment

PagesJaunes in France (in millions of euros)	Periods ending 31 December		
	2005	2004	Variation 2005/2004
Other operating income	52.7	58.3	-9.5%

Other operating income from the PagesJaunes in France segment came in at 52.7 million euros in 2005, which is a 9.5% decrease compared to 2004. This other operating income is mainly made up of income from rebilling France Télécom for the expenses pertaining to internal and external costs relating to the production and distribution of *l'Annuaire* and PagesJaunes 3611 alphabetical search, and to a lesser degree from non-recurring

operating income. Excluding the effect of a tax credit of 1.8 million euros in 2004, other operating income has gone down slightly due to the drop in the amount rebilled to France Télécom for expenses pertaining to the production and distribution of *l'Annuaire* reflecting continued efforts in controlling the cost of paper and printing directories.

### 9.2.1.4 Other operating charges from the PagesJaunes in France segment

PagesJaunes in France (in millions of euros)	Periods ending 31 December		
	2005	2004	Variation 2005/2004
Other operating charges	(21.5)	(28.5)	-24.4%
as a % of revenue	2.3%	3.2%	

Other operating charges for the PagesJaunes in France segment stands at 21.5 million euros on 31 December 2005, which represents a decrease of 24.4% in relation to 31 December 2004. Other operating charges are 2.3% of revenue in 2005 compared to 3.2% in 2004. Other operating charges is made up of tax charges and certain provisions for risks and charges, as well as costs for assistance and trademark fees paid to the

France Télécom Group. Excluding the effect of non-recurring charges pertaining to the introduction of PagesJaunes Group on the stock market in 2004 (8.1 million euros) and the increase in the business tax linked to that of revenue, other operating charges have remained fairly stable between the two periods.



### 9.2.1.5 Salaries and charges in the PagesJaunes in France segment

PagesJaunes in France (in millions of euros)	Periods ending 31 December		
	2005	2004	Variation 2005/2004
Salaries and charges	(242.6)	(231.4)	4.8%
as a % of revenue	25.4%	25.6%	

Salaries and charges in the PagesJaunes in France segment were 242.6 million euros on 31 December 2005, up 4.8% compared to 2004, which is not increasing as fast as revenue, up 5.8% over the same period.

Salaries and charges represent 25.4% of revenue on 31 December 2005 compared to 25.6% in 2004. This item is made up of benefits and salaries, including fixed and variables ones, profit sharing, social contributions, taxes levied on salaries, provisions for holiday pay, benefits after employment and various indemnities paid to members of the sales force and support functions. Remuneration for the sales force and its direct supervision represented 13.8% of revenue in 2005 compared to 13.5% in 2004. This remuneration of the sales force, which is slightly higher and for the most part variable, primarily depends on the sales results reported for 2005.

#### 9.2.1.6 Gross operating margin for the PagesJaunes in France segment

Gross operating margin (GOM) for the PagesJaunes in France segment increased by 10.5% between the two periods and stands at 457.5 million euros on 31 December 2005. The GOM margin rate for this segment went from 45.8% in 2004 to 47.9% in 2005, which is an increase in the GOM margin rate of 2.1 points between the two periods. Excluding the non-recurring charges for the stock market introduction booked in 2004, GOM increased 8.4%. This performance is mainly the result of the growth in revenue and in cost control.

#### 9.2.1.7 Employee profit sharing and remuneration in shares for the PagesJaunes in France segment

Employee profit sharing for the PagesJaunes in France segment came in at 32.3 million euros in 2005, up 10.0% compared to 2004, and represents 7.1% of GOM in 2005 as in 2004. This increase is therefore in line with GOM growth. Charges for remunerating shares in the segment are 19.1 million euros in 2005, down 18.7% compared to 2004. This drop is mainly the result of progressive end to amortisation of the stock-option plans.

#### 9.2.1.8 Amortisation allowance and income from the sale of assets in the PagesJaunes in France segment

Amortisation allowances and income from the sale of assets decreased on the overall by 8.8% between the two periods and stand at 6.4 million euros in 2005, which is less than 1% of the segment's revenue.

#### 9.2.1.9 Operating income in the PagesJaunes in France segment

Operating results for the PagesJaunes in France segment are up 12.9% between the two periods and stand at 399.7 million euros on 31 December 2005.



## 9.2.2 ANALYSIS OF THE REVENUE AND OPERATING RESULTS ON A LIKE-FOR-LIKE BASIS FOR THE INTERNATIONAL & SUBSIDIARIES SEGMENT

The following table shows the change on a like-for-like basis in revenue and operating results in the International & Subsidiaries segment for periods ending 31 December 2004 and 31 December 2005:

International & Subsidiaries (in millions of euros)	Periods ending 31 December		
	2005	2004 on a like-for-like basis	Variation 2005/2004
<b>Revenue</b>	<b>108.9</b>	<b>99.5</b>	<b>9.4 %</b>
External purchases	(47.4)	(45.8)	3.5%
Other operating income and charges	(0.9)	(3.5)	-74.7%
Salaries and charges	(55.0)	(52.3)	5.1%
<b>Gross operating margin (GOM)</b>	<b>5.5</b>	<b>(2.2)</b>	<b>ns</b>
<i>as a % of revenue</i>	5.1%	-2.2%	
Employee profit sharing	(0.6)	(0.7)	-23.7%
Remuneration in shares	(1.3)	(1.8)	-24.4%
Amortisation and depreciation	(3.8)	(4.2)	-8.2%
Gains/losses on the sale of assets	(0.4)	0.0	ns
<b>Operating results</b>	<b>(0.6)</b>	<b>(8.9)</b>	<b>ns</b>
<i>as a % of revenue</i>	-0.6%	-8.9%	

### 9.2.2.1 Revenue on a like-for-like basis in the International & Subsidiaries segment

The table below shows the spread of consolidated revenue on a like-for-like basis for the International & Subsidiaries segment by product line for periods ending 31 December 2004 and 31 December 2005 and the change in percentage of these lines between these two periods:

International & Subsidiaries (in millions of euros)	Periods ending 31 December		
	2005	2004 on a like-for-like basis	Variation 2005/2004
B to C directory business	52.4	47.6	10.2%
Kompass business	29.3	27.4	7.1%
Direct Marketing Business and Mapping services	27.1	24.5	10.6%
<b>Revenue</b>	<b>108.9</b>	<b>99.5</b>	<b>9.4%</b>

Revenue in the International & Subsidiaries segment is up 9.4% compared to 2004 on a like-for-like basis and comes in at 108.9 million euros on 31 December 2005.

#### B to C Directory Business

Revenue in the B to C directory business is up 10.2% in 2005 compared to 2004 on a like-for-like basis, and stands at 52.4 million euros on 31 December 2005. Revenue in the B to C directory business comes from selling advertising space in the printed and on-line directories, and printing them and distributing them, carried out by subsidiaries QDQ Media in Spain, Editus in Luxembourg and Edicom in Morocco.

QDQ Media's revenue increased 13.2% in 2005 compared to 2004 and reached 41.3 million euros. The increase in this revenue is primarily the result of a 6.6% development in the average revenue per advertiser in 2005 compared to 2004 (524 euros in 2005 compared to 492 euros in 2004), as well as a 5.4% increase in the number of customers to 78,300 advertisers on 31 December 2005. The portion of sales generated by on-line activities went up considerably and represents 14.8% of revenue in 2005 compared to 9.6% in 2004. The number of advertisers on QDQ.com nearly doubled between the two periods, changing from 24,685 on 31 December 2004 to 40,951 on 31 December 2005.

Revenue for the other B to C directories was 11.1 million euros in 2005, which is stable when compared to 2004.



## Kompass Business

Revenue for the Kompass businesses went up by 7.1% in 2005 compared to 2004 on a like-for-like basis and came in at 29.3 million euros on 31 December 2005. Revenue for the Kompass business comes from marketing the Kompass information which covers sales of advertising space and data in print, on CD-Rom, Minitel and the Internet (Kompass.com, the world on-line directory of Kompass licensees). The sale of media is supplemented by direct marketing services. Revenue in the Kompass businesses comes from activities of the Group in France, Spain, Belgium and in Luxembourg.

## Direct Marketing business and Mapping Services

Revenue for the Direct Marketing business and mapping services went up 10.6% in 2005 compared to 2004 on a like-for-like basis and stands at 27.1 million euros on 31 December 2005. This revenue comes from selling particular files to individuals and companies for marketing campaigns, market database processing, on-line mapping services and photographs of towns. The Direct Marketing and Mapping Services division includes the business of subsidiaries Wanadoo Data, e-sama and Mappy.

### 9.2.2.2 External purchases on a like-for-like basis for the International & Subsidiaries segment

External purchases in the International & Subsidiaries segment came in at 47.4 million euros in 2005, which is an increase of 3.5% compared to 2004 on a like-for-like basis. External purchases represent 43.6% of revenue in 2005 compared to 46.1% in 2004 on a like-for-like basis. External purchases primarily cover publishing (buying paper, printing and distributing the printed directories), communications expenses (purchase of space and design costs), IT development costs, expenses for hosting and distributing the on-line directories as well as expenses for purchasing, compiling and updating databases and for producing advertisements. The change is due mostly to the drop in commercial and communications expenses at QDQ Media, with added expenses in 2004 incurred by the fees linked with increasing this subsidiary's capital.

### 9.2.2.3 Other operating income and charges on a like-for-like basis in the International & Subsidiaries segment

Other operating income and charges in the International & Subsidiaries segment came in at (0.9) million euros in 2005 compared to (3.5) million euros in 2004 on a like-for-like basis. This other operating income and charges is made up of management income other than revenue, cost of taxes (excluding corporate tax and taxes levied on salaries), customer provisions, certain provisions for risks and charges. This favourable change can be explained by the drop in customer risk at QDQ Media, following the efforts that were made within the framework of the recovery plan for this subsidiary, which result in the reversal of a provision pertaining to previous publications as well as a decrease in the allowance for depreciation of receivables on new publications.

### 9.2.2.4 Salaries and charges on a like-for-like basis in the International & Subsidiaries segment

Salaries and charges in the International & Subsidiaries segment came in at 55.0 million euros on 31 December 2005, up 5.1% compared to 2004 on a like-for-like basis, which is controlled progression in a context where revenue itself is up 9.4% over the period. Salaries and charges represent 50.5% of revenue in 2005 compared to 52.6% in 2004 on a like-for-like basis. This favourable change is mostly the result of a decrease in the number of employees at QDQ Media in 2005 in relation to 2004, in accordance with the recovery plan implemented in 2004.

### 9.2.2.5 Gross operating margin on a like-for-like basis in the International & Subsidiaries segment

Gross operating margin (GOM) is 5.5 million euros on 31 December 2005 compared to a loss of 2.2 million euros booked in 2004 on a like-for-like basis. Improvement in the GOM comes from growth in each of the subsidiaries' revenue, in combination with continued efforts with the QDQ Media recovery plan. QDQ Media's GOM reached -5.1 million euros in 2005 compared to -13.0 million euros in 2004.

### 9.2.2.6 Employee profit sharing and remuneration in shares on a like-for-like basis in the International & Subsidiaries segment

Employee profit sharing and charges for remuneration in shares in the International & Subsidiaries segment is 1.9 million euros on 31 December 2005 compared to 2.5 million euros in 2004.

### 9.2.2.7 Allowances for amortisation on a like-for-like basis in the International & Subsidiaries segment

Allowances for amortisation decreased 8.2% between the two periods and stands at 3.8 million euros in 2005. This change is the result of controlling the volume of investment carried out.

### 9.2.2.8 Operating results on a like-for-like basis in the International & Subsidiaries segment

Operating results for the International & Subsidiaries business on 31 December 2005 show a deficit of 0.6 million euros compared to a loss of 8.9 million euros booked in 2004 on a like-for-like basis.



## 9.2.3 ANALYSIS OF CONSOLIDATED NET INCOME ON A LIKE-FOR-LIKE BASIS

The table below shows the net consolidated income for the consolidated Group generated by all of the activities during the periods ending 31 December 2004 and le 31 December 2005:

Consolidated income statement – PagesJaunes Group (in millions of euros)	Periods ending 31 December		
	2005	2004 on a like-for-like basis	Variation 2005/2004
<b>Operating results</b>	<b>399.0</b>	<b>345.1</b>	<b>15.6%</b>
Financial income	16.4	19.1	-14.1%
Financial charges	(4.8)	(0.5)	ns
Corporate tax	(148.9)	(150.8)	-1.3%
<b>Net income</b>	<b>261.7</b>	<b>212.9</b>	<b>23.0%</b>
Income attributable to shareholders in the PagesJaunes Group entity	<b>261.7</b>	<b>212.9</b>	

### 9.2.3.1 Financial income (on a like-for-like basis)

Financial income dropped 14.1% in 2005 compared to 2004 on a like-for-like basis and was 16.4 million euros on 31 December 2005. This change is the result of an average amount of invested capital that was less in 2005 than in 2004 (effects due to timing differences in disbursements of corporate tax, see table of fluctuations in liquid assets) and of the drop in interest rates. This financial income is mainly composed of income from investing cash liquidities with France Télécom (see Section "6.4.7 Cash Management Agreements").

### 9.2.3.2 Financial charges (on a like-for-like basis)

Financial charges were 4.8 million euros on 31 December 2005 compared to 0.5 million euros in 2004 on a like-for-like basis. This change is mainly due to booking the financial charges paid during the securitisation of the receivable representative of the exceptional levy on distributions performed in 2005.

### 9.2.3.3 Corporate tax (on a like-for-like basis)

On 31 December 2005, the Consolidated Group showed a corporate tax charge of 148.9 million euros, a decrease of 1.3% compared to 2004.

In 2004, the Company decided to adopt the tax integration plan set out in articles 223A and following of the French General Tax French Code. This option allows the creation of a consolidated group from a tax point of view, which comprises, in addition to the Company, all its French subsidiaries meeting the conditions required for membership. This option went into effect on 1 January 2005 for a period of five fiscal years.

### 9.2.3.4 Net results (on a like-for-like basis)

Net results were 261.7 million euros in 2005 compared to 212.9 million euros in 2004 on a like-for-like basis, up 23.0%. Excluding IPO charges in 2004, growth in the PagesJaunes Group's net results was 20.0% in 2005.



The table below shows the changes in the consolidated Group's cash in 2004 and in 2005:

CONSOLIDATED CASH IN HAND		
(In millions of euros)	Periods ending	
	31/12/2005	31/12/2004
Short term investments > 3 months and < 1 year	16.5	0.3
Cash and cash equivalents	549.8	644.1
<b>Total active cash position</b>	<b>566.3</b>	<b>644.3</b>
Creditor banks	7.8	9.8
Other non-operating debts	5.5	4.8
<b>Gross non-operating debt</b>	<b>13.3</b>	<b>14.6</b>
Under one year	13.3	14.6
Over one year	-	-
<b>Net liquid assets</b>	<b>553.0</b>	<b>629.7</b>

The net cash position of the consolidated Group amounted to 553.0 million euros on 31 December 2005 compared to 629.7 million euros on 31 December 2004.

Since 1999, the PagesJaunes Group has invested almost all available cash and cash equivalents with France Télécom under annually renegotiated agreements.

The table below shows the consolidated cash flows for the periods ending 31 December 2004 and 31 December 2005:

CONSOLIDATED CASH FLOW STATEMENT (HISTORICAL DATA)		
(In millions of euros)	Periods ending	
	31/12/2005	31/12/2004
Net cash from operations	263.5	362.2
Net cash used in investing activities	(105.0)	(32.1)
Net cash used in financing activities	(252.7)	(268.0)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(94.3)</b>	<b>62.1</b>
Effects of changes in exchange rates on cash and cash equivalents	0.0	0.0
Cash and cash equivalents – beginning of period	644.1	581.9
<b>Cash and cash equivalents – end of period</b>	<b>549.8</b>	<b>644.1</b>

Cash and cash equivalents on 31 December 2005 amounted to 549.8 million euros compared to 644.1 million euros on 31 December 2004.

The net cash flows from operations decreased by 27.3% between 31 December 2004 and 31 December 2005, amounting to 362.2 million euros and 263.5 million euros respectively. This substantial decrease is explained mainly by a larger payment of corporation tax in 2005 than in 2004, in view of a favourable timing difference in the payment of tax in 2004.

In 2005, the net cash used in investing activities amounted to 105 million euros and included net current investments (operations, network, office automation and equipment) of 11.7 million euros, the acquisition of e-sama for 9.5 million euros and Edicom for 5.0 million euros (net of acquired cash), the provision for the market maker of a sum of 16.5 million euros in respect of the liquidity contract entered into in November 2005 and the payment of a tax receivable in respect of the exceptional levy of 25% on the distributions made in 2005 ("compulsory loan") of 64.2 million euros, repayable in one-third instalments in the years 2006 to 2008.



In 2004, these flows amounted to 32.1 million euros and included essentially the acquisition of QDQ Media, Mappy and Kompass Belgium for 21.9 million euros (net of acquired cash), net current investments of 8.4 million euros, partly offset by the redemption of investment bonds amounting to 11.6 million euros maturing in May 2004.

The net cash flow used in financing activities mainly includes the distributions in 2005 amounting to 259.3 million euros, compared to 236.0 million euros in 2004. In 2004, this item also included the employee share offer made at the time of the IPO in an amount of 53.6 million euros as well as the entry into the consolidated group of the debt of QDQ Media in an amount of 89.4 million euros.

# 11

## Research and development



The Group is characterised by a strong culture of innovation which does not require major investments in fundamental research and development. In this regard most of the research and development expenses are not accounted for in investments but in charges.

However, in order to cater for technological developments, the group is planning to increase these investments in the next years aiming at acquiring technologies that will allow the group to make better use of the wealth of content in its on-line services and thus improve the pertinence of search results.

# 12

## Information on trends



### 12.1 Main trends that have affected the Group's business

See Sections 9 and 10.

### 12.2 Trends likely to have an influence on the company's outlook

The Company is not aware of any known trends or events concerning its business that would be reasonably likely to have considerable and exceptional influence on revenue during the course of fiscal 2006.



## 13.1 Forecasts

### 13.1.1 FINANCIAL GOALS FOR 2006

PagesJaunes Group has set the following financial goal for fiscal 2006:

- internal growth in consolidated revenue of 6.5% to 8.5%;
- growth in the consolidated gross operating margin of 5% to 7%, essentially in the second half of 2006 due to the investments in the 118 008 service in the first half of 2006;
- break even in gross operating margin at QDQ Media in the second half of 2006.

### 13.1.2 UNDERLYING HYPOTHESES FOR 2006 GOALS

The hypotheses on which the Company has based its goals and forecasts pertain in part to factors that can be influenced by the members of the management of PagesJaunes Group and in part on factors that are totally beyond their influence.

Among the hypotheses concerning factors that can be influenced by the Group's Management are in particular those concerning revenue:

- stability in the average amount of revenue per advertiser (all platforms taken as a whole) with PagesJaunes, taking into account the winning of new advertisers that have an average amount of revenue that is less than that of those already in our portfolio;
- continuation with extending the coverage of the market in France by PagesJaunes (number of advertisers that have purchased one or more advertisements in at least one of PagesJaunes' platforms compared to the total number of artisans, shop owners, small and medium-sized businesses that are likely to be interested by PagesJaunes' advertising products);
- progression with Internet penetration (number of advertising customers in the Group that buy an advertisement on Internet) and continuation with the growth in average revenue per advertiser on the Internet;
- capacity of PagesJaunes to be among the top three leaders in the directory enquiry services market in France, with a considerable share of the market after complete liberalisation of this market on 3 April 2006;
- continuation with the 2-digit growth in QDQ Media's revenue.

In addition to the hypotheses concerning revenue covered above, the other hypotheses that can have an impact on the gross operating margin are:

- level of charges pertaining to launching a full year of PagesJaunes' 118 008 directory enquiry service;
- increase in the publishing costs for printed directories in relation to the new editorial line for l'Annuaire;

- costs concerning initiatives that contribute to sustaining the audience of on-line services.

The main hypotheses that are based on factors that are beyond the influence of the Management of PagesJaunes Group and that have been retained are:

- moderate growth in the advertising market in France and sustaining of a dynamic advertising market in Spain;
- increases in certain publishing costs such as the price of paper subcontracting for the Group's printed directories, and application of the green tax in France;
- impact of legal obligations generated by the setting up of the printed directory for the general directory in France (see Section "6.2.1.1.2 L'Annuaire"), especially concerning the number of mobile phone subscribers that will be included in the directories;
- level of investment set aside by PagesJaunes' competitors pertaining to the directory enquiry services market in France.

The forecasts above are based on data, hypotheses and estimates that PagesJaunes Group considers to be reasonable. They are likely to change or be changed due to the uncertainty that pertains especially to the economic, financial, regulatory and competitive climate. In addition to the materialisation of certain risks described in Section "4. Risk factors", especially in Section "4.2 Risks related to the Group's business and its strategy – Uncertainty about the development of the directory enquiries service (118 008)", this could have an impact on the Group's business and its ability to meet its goals and forecasts. Furthermore, meeting goals and forecasts implies the successful implementation of the strategy described in Section "6.1.2 Development strategy".

The goals were set on a like for like business basis and on the basis of the IFRS standards such as they were applied by PagesJaunes Group on 31 December 2005, when the consolidated statements were established.



## 13.2 Official auditors' report on the forecasts

PagesJaunes Group, SA

### AUDITORS' REPORT ON THE FORECAST OF CONSOLIDATED GROSS OPERATING MARGIN

Document de référence 2005

To the CEO:

In our capacity as Auditors and in application of regulation (EC) #809/2004, we have drawn up this report on the forecast of consolidated gross operating margin of PagesJaunes Group pertaining to fiscal 2006 included in section 13 of its *document de référence*.

This forecast and the significant underlying hypotheses were established under your responsibility, in accordance with the measures set forth in regulation (EC) #809/2004 and CESR recommendations pertaining to forecasts.

We are responsible for providing, under the terms required by Appendix I, point 13.3 of regulation (EC) #809/2004, a conclusion on the adequate nature of establishing this forecast.

We performed our work following professional standards applicable in France. This work included an evaluation of the procedures set up by management in order to establish the forecast as well as the implementation of procedures making it possible to ensure that the accounting methods used are in conformity with those used to establish the historical information for PagesJaunes Group, i.e. the IFRS referential as adopted in the European Union used during the establishment of the consolidated statements for fiscal 2005. Our work also involved collecting information and explanations that we deemed necessary, allowing a reasonable degree of assurance to be obtained that the forecast has been adequately established based on hypotheses that are announced.

We remind you that, as this is a forecast that by nature has an uncertain character, what occurs will sometimes differ considerably from the presented forecast, and that we do not provide any conclusion on the possibility that this forecast will actually take place.

In our opinion:

- the forecast was adequately established on the indicated basis;
- the accounting base used for the purposes of this forecast are in conformity with the accounting methods applied by PagesJaunes Group, such as presented in the notes to the consolidated financial statement for fiscal 2005.

This report is issued for the sole purpose of registering this *document de référence* with the AMF and cannot be used in another context.

Neuilly-sur-Seine and Paris-La Défense, 13 March 2006.

DELOITTE & ASSOCIÉS  
Eric Gins Jean-Paul Picard

ERNST & YOUNG Audit  
Christian Chiarasini Jeremy Thurbin



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## 14.1 Members of the Board of Directors

During fiscal 2005, Mr. Philippe Leroux and Mr. Jean-Claude Marceau were appointed as members of the Board.

Mr. Jean-Claude Marceau, Department Manager, Advertising office, PagesJaunes, was appointed as a member of the Board by the General Shareholders' Meeting of 12 April 2005.

Mr. Philippe Leroux, Manager of PagesJaunes' Bordeaux office, was elected on 6 October 2005 as board member representing employees by the employees of PagesJaunes Group and its French subsidiaries. The Magistrates' Court in Boulogne, in a ruling dated 9 January 2006, cancelled the second round of this election, following an appeal filed by the CGT.

The Board of Directors of the Company, at its meeting on 7 February 2006, decided to hold another election to appoint a salaried employee to the Board of Directors of PagesJaunes Group and for this purpose to organise a second round for this election, on 18 May 2006.

During the meeting of the Board of Directors of PagesJaunes Group on Tuesday 7 February 2006, Michel Combes informed the members of the board that he wanted to resign as Chairman of the Board of the Company, for personal reasons. The Board of Directors, during this same meeting, elected from among its members, Mrs. Stéphane Pallez, as Chairman of the Board of PagesJaunes Group.

The members of the Board of Directors and advisor of the PagesJaunes Group, as this document goes to press, are:

Name	Position	Date of appointment	Term	Other positions and primary functions exercised in all other companies over the last 5 years
Stéphane PALLEZ	Board member Chairman of the Board	27 May 2004 Board of Directors meeting on 7 February 2006	General Shareholders' Meeting in 2009	Assistant Chief Financial Officer of France Télécom Member of the Supervisory Board of EQUANT NV <b>Terms which are no longer exercised</b> Board member of EIB (European Investment Bank) Member of the Supervisory Board of the French Development Agency
Olivier BARBEROT	Board member Member of the Compensation and Appointment Committee	27 May 2004	General Shareholders' Meeting in 2009	Member of the General Executive Committee Human Resources Manager, France Télécom Group <b>Terms which are no longer exercised</b> None
François de CARBONNEL	Board member Member of the Compensation and Appointment Committee	27 May 2004	General Shareholders' Meeting in 2009	Senior Advisor of the Global Corporate and Investment Bank of Citigroup Board member of Ecofin Hedge Fund Limited Board Member of Parc des Aulnois SA Board member of Cofipar SA Board member of GFISA (Group Foncier d'Île-de-France) <b>Terms which are no longer exercised</b> Manager of Geroa SARL
Élie COHEN	Board member Member of the Audit Committee	27 May 2004	General Shareholders' Meeting in 2009	Chairman of the Scientific Board of Vigeo and Board member Director of Research at CNRS Professor at Sciences-Po Vice-President of the Public Sector High Council Member of the Prime Minister's Economic Analysis Council Member of the Supervisory Board of the Steria Group (SSII) Board member of Orange <b>Terms which are no longer exercised</b> None

Name	Position	Date of appointment	Term	Other positions and primary functions exercised in all other companies over the last 5 years
Michel COMBES	Board member	GSM of 27 May 2004	General Shareholders' Meeting in 2009	Member of the Supervisory Board of Equant Member of the Supervisory Board of Procapital Chairman of the Supervisory Board of Assystem Brime Board member of Sonae.com Board member of Liberty TV <b>Terms which are no longer exercised</b> Chairman of the Board of Directors of PagesJaunes Group Board member of Eurotunnel Board member of Protravel
Michel DATCHARY	Chief Executive Officer non board member	23 September 2004	General Shareholders' Meeting in 2009	Chairman and Managing Director of PagesJaunes Board member of Kompass France Board member of Wanadoo Data Chairman of the Board of Directors and Board member of QDQ media <b>Terms which are no longer exercised</b> None
Patricia LANGRAND	Board member	27 May 2004	General Shareholders' Meeting in 2009	Chief Officer of Content Aggregation Division at France Télécom <b>Terms which are no longer exercised</b> None
Jean-Hervé LORENZI	Board member Member of the Compensation and Appointment Committee	Co-opted by the Board of Directors meeting of 23 September 2004 to replace Frank E. DANGEARD, co-opting ratified by the General Shareholders' Meeting of 23 December 2004	General Shareholders' Meeting in 2009	Advisor to the Management Board of La Compagnie Financière Edmond de Rothschild Professor at Paris Dauphine Member of the Economic Analysis Council and President of the Economists' Circle Member of the Supervisory Board of Compagnie financière Saint-Honoré Member of the Supervisory Board of Assurances & Conseils Saint-Honoré Member of the Executive Committee of Assurances Saint-Honoré Board member of Atlex Board member of Associés en France Advisor to Euler Hermès Member of the Supervisory Board of BVA Board member of AFOM (Association Française des Opérateurs Mobiles) <b>Terms which are no longer exercised</b> Chairman and Board member of Saint-Honoré Amérique Board member of Entenal Board member of Wanadoo Board member of e-Rothschild Services Board member of CDC Ixis LCF Rothschild Midcaps Board member of Anvie Board member of Mossley Badin
Jean-Claude MARCEAU	Board member	12 April 2005	General Shareholders' Meeting in 2010	None <b>Terms which are no longer exercised</b> None
Rémy SAUTTER	Board member Chairman of the Audit Committee	27 May 2004	General Shareholders' Meeting in 2009	Chairman and Managing Director of Bayard d'Antin Chairman of the Supervisory Board of Ediradio/RTL Chairman of Sicav Multimedia et Technologies Member of the Supervisory Board of M6 Board member of Partner Re (USA) Board member of Taylor Nelson Sofres (UK) Board member of Thomson <b>Terms which are no longer exercised</b> Board member of M6 Publicité
Marcel ROULET	Advisor Member of the Compensation and Appointment Committee	27 May 2004	General Shareholders' Meeting in 2009	Honorary President and Board member of France Télécom Board member of Thomson Permanent representative of Thomson S.A. on the Thales Board Board member of HSBC France (ex-CCF) Chairman of the Supervisory Board of GIMAR Finances SCA Member of the Supervisory Board of Eurazeo Advisor to Cap Gemini Business consultant <b>Terms which are no longer exercised</b> Chairman of the Supervisory Board of Pages Jaunes Board member of ON-X

## INDEPENDENT DIRECTORS

The Board of Directors has four independent members, i.e. Mr. François de Carbonnel, Mr. Élie Cohen, Mr. Jean Hervé Lorenzi and Mr. Rémy Sautter.

A member is considered independent if he has no relationship of any kind with the Company which could have a significant influence on his freedom of decision-making.

There are no family ties between the members of administration and management bodies.

## BIOGRAPHIES OF DIRECTORS

**Olivier Barberot** was appointed in February 2006, Chief Officer of Human Resources of the France Télécom Group. Olivier Barberot had previously been appointed in March 2003 Chief Officer of France Télécom in charge of Development and Optimisation of Human Competence in connection with the Ambition FT 2005 plan, and, in March 2004, head of Management Networks and Internal Communications Development. After holding several engineering positions up to 1985, Olivier Barberot was General Secretary of Futuroscope in Poitiers from 1985 to 1991, and the General Secretary of the CGI until 1993. From 1993 to 1997, he was General Secretary of the Léonard de Vinci University. Since 1997, he has been a member of the Executive Committee for Human Resources at Thomson. Born in 1954, Olivier Barberot is a graduate of the Paris *École des mines*.

**François de Carbonnel** has been "Senior Advisor" of the Global Corporate and Investment Bank of Citigroup since the end of 2004. He joined Citigroup at the end of 1999 as Managing Director for the Global Corporate and Investment Bank. After ten years spent at the Boston Consulting Group (Boston, Paris, Chicago), from 1971 to 1981, from 1981 to 1990 he was Chairman of Strategic Planning Associates (Washington, DC) which is now Mercer Management Consulting. After it was bought by Marsh McLennan, he went to General Electric (USA) as President of GE Capital Europe and Vice-President of General Electric. In 1993, he was appointed Vice-President of Booz-Allen and Hamilton in Paris, and then in 1994 he was made Chairman-Managing Director of Midial SA, which position he held until 1998. He was also Chairman of the Supervisory Board of GE Capital-SNC between 1996 and 1998. Born in 1946, François de Carbonnel is a graduate of the *École centrale de Lyon*, *faculté de Sciences économiques de Lyon*, and the Business School of Carnegie-Mellon University, Pittsburgh, USA.

**Élie Cohen** has pursued dual careers both as a researcher and university professor. A student researcher at the Paris *École des mines* and then head of research at the *Centre de sociologie de l'innovation de l'École des mines*, he subsequently joined the CNRS as Research Director of the *Group d'analyse des politiques publiques* in Paris I and then as Research Director at the National Centre for Scientific Research (FNRS). As an associate professor, then full professor, Élie Cohen has taught at the *Institut d'études politiques de Paris*, the *École supérieure in Ulm*, the *École nationale d'administration* and the Harvard School of Engineering.

Author of a number of articles in scientific journals, Mr. Cohen has published several books on business economics and public policy in France and other countries. As an economist, Élie Cohen has been a member of numerous parliamentary and executive commissions. He was a member of the France Télécom Board of Directors from 1991 to 1995 and has been a member of Orange's Board of Directors since 2003. He is a member of the *Conseil scientifique de l'institut du Développement durable et des Relations internationales*. Born in 1950, Élie Cohen is a graduate of the *Institut d'études politiques* de Paris and has PhDs in Management and Political Science.

**Michel Combes** was Chief Officer in charge of Financial Balance and Next Value Creation and a member of France Télécom's Strategy Committee from September 2005 to January 2006. He was named Executive Director in charge of the Finance Group in January 2003. Michel Combes started his career in 1986 at France Télécom at the External Networks Division and then went to the Industrial and International Affairs Division. He was appointed a Technical Advisor to the Minister for Postal Services, Telecommunications and Space in 1991, and to the Minister of Equipment, Transport and Tourism. Michel Combes rejoined France Telecom in 1995 as Deputy Managing Director of TDF, a position which he held from June 1996 until the end of 1999 while also serving as Chairman and Managing Director of Globecast. He then served as Executive Vice-President of the Nouvelles Frontières Group from December 1999 until the end of 2001, when he moved to the position of Managing Director of ASSYSTEM, a company specialising in technical assistance. Born in 1962, Michel Combes is a graduate of the *École nationale supérieure des télécommunications*.

**Patricia Langrand** was appointed Chief Officer of France Télécom in March 2004, responsible for the Content Aggregation Division. She started her career at France Télécom in 1988 and has held various positions relating to strategy, marketing and finance. In 1995, she was appointed Deputy Director for Consumer Electronics and Audiovisuals, and then for networks and multimedia, at the General Office of Industrial Strategy at the Ministry of Economics, Finance and Industry. At the end of 1999, she joined the Canal+ Group as Director of New Technologies before returning to France Télécom in November 2002 as Director of the Office of Thierry Breton. Born in 1963, Patricia Langrand is a graduate of the *École polytechnique* and the *École nationale supérieure des télécommunications*.



**Jean-Hervé Lorenzi**, a Doctor of Economics, tenured professor at the departments of Law and Economics, is today an Advisor to the Management Board of La Compagnie Financière Edmond de Rothschild Banque. He is also a Professor at Paris- Dauphine, a member of the Economic Analysis Council and President of the Economists' Circle. Previously he was Deputy Managing Director of Gras Savoye, Managing Director of CEA Industrie, an Economic Advisor to the Prime Minister and Managing Director of Sari Group.

**Jean-Claude Marceau** came to PagesJaunes in 1973 as a marketing consultant and is now head of marketing relations with advertising agencies.

**Stéphane Pallez** was appointed Chief Officer of France Télécom in April 2004 to the Executive Director in charge of Financial Balance and Value Creation. Before joining France Télécom, Stéphane Pallez was Head of the European and International Affairs Department at the Treasury Office at the Ministry of the Economy, Finance and Industry, President of the Club de Paris, and a Board Member of the *Banque européenne d'Investissement*. During her career at the Treasury Office, she was Deputy Director in charge of State Holdings between 1998 and 2000 and Deputy-Director of Insurance. Between 1991 and 1993 she was a Technical Advisor in charge of industrial affairs at the office of the Minister of the Economy, Finance and Industry, successively under Pierre Bérégovoy and Michel Sapin. From 1988 to 1990, she was a deputy Board Member representing France at the World Bank. Born in 1969, Stéphane Pallez is a graduate of the *Institut d'études politiques* in Paris (1980) and the *École nationale d'administration* (1984). She is a Chevalier of the National Order of Merit.

**Rémy Sautter** began his career at the Caisse de Dépôts et Consignations (1971-1981) before being appointed a Technical Advisor at the Office of the Minister of Defence for Financial and Budget Affairs (1981-1983). He was then Finance Director for the Havas Agency from 1983 to 1985 and Vice-Chairman- Managing Director of RTL until 1996. Rémy Sautter was the Managing Director of the CLT-UFA until 2000 before holding the position of Chairman-Managing Director at RTL until 2002. Since December 2002, he has been Chairman of the Supervisory Board at RTL. Born in 1945, Rémy Sautter has a law degree and graduated from the *Institut d'études politiques* Paris and the *École nationale d'administration*.

**Marcel Roulet** is the Honorary Chairman of France Télécom and served as its Chairman from 1991 to 1995. Then Marc Roulet was the Chairman-Managing Director of Thomson SA between February 1996 and March 1997 and of Thomson CSF (now Thales) between February 1996 and January 1998. A telecommunications engineer, who has been retired since 1 January 1999, Marcel Roulet works as a business consultant. Marcel Roulet is also a Board member of Thomson and Thales (as the representative of Thomson SA), a Board member of CCF and Chairman of the Supervisory Board of Gimar Finances. He is a member of the Supervisory Board of Eurazeo. Born in 1933, Marcel Roulet is a graduate of the *École nationale supérieure des télécommunications*.

## 14.2 Incriminations and potential conflicts of interest

Over the last five years, the members of general management and the management and administrative bodies have not been subject to any:

- conviction for fraud;
- bankruptcy, sequestration or liquidation;
- official public sanction and/or conviction handed down against them by a statutory or regulatory authority;

- court injunction preventing them from acting as a member of a supervisory, management or administrative body of an issuer or from intervening in the management and conducting of business of an issuer.

There are no potential conflicts of interest between the duties of the members of general management and the management and administrative bodies pertaining to the Company and their private interests and/or other duties.

## 14.3 Members of Management Bodies

On the date of issue of the *document de référence*, the Executive Committee of PagesJaunes Group is made up of:

Name	Position
<b>Michel Datchary</b>	Chief Executive Officer
<b>Thomas Abikhalil</b>	Chief Communications Officer
<b>André Chaperon</b>	Chief Officer of Human Resources
<b>Ghislaine Mattlinger</b>	Chief Financial Officer
<b>Henri Moché</b>	Chief Officer of Strategy
<b>Dominique Paoli</b>	Chief Officer of Legal Affairs

**Thomas Abikhalil** has been the Company's Chief Communications Officer since January 2005. He was previously Chief Communications Officer for PagesJaunes since 1999. After a short experience internationally with Africa and the Middle East, Thomas Abikhalil came on board PagesJaunes Group in 1986 as a Marketing Consultant. He then became a sales supervisor between 1987 and 1988; and Sales Manager from 1989 to 1992. When the regional offices were set up, he took charge of the office in Grenoble in 1993. He then participated in the development of the Group's international businesses by becoming assistant International Director from 1995 to 1999. Furthermore, Thomas Abikhalil is Vice-president of the SNA (*Syndicat national des éditeurs d'annuaires*) in France. Thomas Abikhalil, 47, graduated from the *Faculté Saint-Joseph* in Beirut with a degree in company management and from the *Faculté libanaise* of Beirut in political science.

**André Chaperon** has been the Company's Chief Officer of Human Resources since January 2005. He was previously Chief Officer of Human Resources for PagesJaunes since 1999. After starting his career at GMF, he joined the France Télécom Group in 1985 where he was successively responsible for Recruitment and personnel management for France Câble et Radio, and then starting in 1995 Director of Human Resources, Communication and Logistics for France Télécom Mobile Radiomessagerie. Born in 1951, André Chaperon holds a DES in public law and a DESS in human resources development.

**Michel Datchary** has been the CEO of PagesJaunes Group since 23 September 2004. He had previously been the Chairman of the Management Board of PagesJaunes since 1996. Michel Datchary started his career at the Havas group in 1977 before joining the ODA group. He also worked as the Head of Products in 1979, as Deputy Marketing Director in 1981, as the Managing Director of a subsidiary in 1985, and as Deputy Managing Director and a member of the Board of ODA in 1992. From 2000 to 2004 he was Director of Wanadoo's Directory Division. Michel Datchary is a graduate of the *Institut de promotion commerciale* of the Pau Chamber of Commerce (1977).

**Ghislaine Mattlinger** has been the Company's Chief Financial Officer since February 2006. She began her career in 1989 with Arthur Andersen, where she was responsible, over seven years, for various auditing and consulting assignments within the Banks and Financial Market department. In 1996, she became Director of Finance at VIEL & Cie, a world leading broker in financial and non-financial products, which she left in 2004, in order to participate in the creation of Aurige Finance, a consulting company in mergers and acquisitions. Born in 1968, Ghislaine Mattlinger graduated from HEC.

**Henri Moché** has been the Company's Chief Officer of Strategy since January 2005. He was previously Chief Officer of Strategy for QDQ Media from 2001 to 2004, after beginning his career at the head of Investor Relations at Havas from 1994 to 1997, and then was CEO of PagesJaunes Outre-Mer and responsible for International Development within PagesJaunes' International and Subsidiaries business unit. Born in 1971, Henri Moché graduated from ESCP.

**Dominique Paoli** is the Company's Chief Officer of Legal Affairs. He has also been Director of Legal Affairs and Real Estate for PagesJaunes since 1985. After having begun his career at Crédit Lyonnais, he then joined l'Office d'Annonces in 1977 in the Personnel Management department. Born in 1953, Dominique Paoli holds a DESS in management and labour law.



## 15 Compensation and benefits in kind

### 15.1 Overall total of compensation and benefits in kind

All of the gross compensation excluding employer contributions and benefits in kind individually paid by the Company to the Company officers during the fiscal year ending on 31 December 2005 at the PagesJaunes Group are summarised in the table below:

Company officers PagesJaunes Group	Fixed compensation paid during fiscal year		Variable compensation and other bonuses paid during fiscal year		Profit-sharing and company savings plan paid during fiscal year		Benefits in kind given during the fiscal year		Attendance fees earned during the fiscal year	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
François de Carbonnel	-	-	-	-	-	-	-	-	€24,000	€12,900
Élie Cohen	-	-	-	-	-	-	-	-	€25,000	€12,900
Michel Datchary, CEO	€300,000	€200,000	€56,740	€146,177	€10,702	€9,470	€10,458	€3,900	€3,324 <sup>(1)</sup>	€4,573 <sup>(1)</sup>
Jean Hervé Lorenzi	-	-	-	-	-	-	-	-	€25,000	€6,300
Jean-Claude Marceau*	€66,995	-	€42,654	-	€13,389	-	-	-	-	-
Rémy Sautter	-	-	-	-	-	-	-	-	€24,000	€12,900
Marcel Roulet (advisor)	-	-	-	-	-	-	-	-	€15,000	€15,000

\* Mr. Jean-Claude Marceau was appointed to the Board by the General Shareholders' Meeting of 12 April 2005.

(1) Compensation for the position of Chairman of the Board of Management of PagesJaunes.

Information concerning the stock-options given to or exercised by company officers is mentioned in Section 17.2.

In 2005, the CEO was eligible for a variable share, of which the annual amount could vary from 0 to 66% maximum of the base salary, according to the following target criteria: growth in revenue for 50%, growth in GOM for 30% and growth in net income for 20%.

After the decisions were taken by the Board for the 2005 fiscal year, the total amount of the variable portion of the CEO came to 53.25% of his base salary.

The Company has not created any specific additional retirement plans for its Company officers.

Michel Datchary's employment contract includes a clause of non competition limited to a period of 12 months and valid in all of France. This non-competition obligation, if it were applied, gives rise to a payment equal to 50% of the average monthly gross salary received over the last 12 months. It is limited to 25% of the average monthly gross salary received over the last 12 months in the event Michel Datchary leaves his position at his own initiative.

Michel Datchary's employment contract includes clauses covering employment agreement and contractual compensation for leaving his position which cannot exceed twenty-one months.

The Chairman of the Board of the Company does not receive any compensation from the Company.

No attendance fees were paid to the members of the Supervisory Board for the 2001, 2002 and 2003 fiscal years. The General Shareholders' Meeting of 27 May 2004 set the amount of attendance fees to be freely distributed to the members of the Board of Directors at the total sum of 45,000 euros for the 2004 fiscal year.

The General Shareholders' Meeting of 12 April 2005 set the amount of attendance fees to be freely distributed to the members of the Board of Directors at the total sum of 100,000 euros for the 2005 fiscal year and following years.

A proposal will be made to the General Shareholders' Meeting of 19 April 2006 to set the amount of attendance fees to be freely distributed among the members of the Board at 250,000 euros for the current and subsequent fiscal years, and this until a new decision is taken by the General Shareholders' Meeting.

For Marcel Roulet, the advisor, the General Shareholders' Meeting of 10 April 2002 set his compensation at 5,000 euros for the 2002 and subsequent fiscal years. The General Shareholders' Meeting of 27 May 2004 set his compensation as an advisor to the Board of Directors at 10,000 euros for the 2004 and subsequent fiscal years, with the stipulation that this compensation will be raised to 15,000 euros if he is a member of Board of Directors committees.

A proposal will be made to the General Shareholders' Meeting of 19 April 2006 to set the compensation for the advisor to 10,000 euros as an annual fixed sum, to 2,500 euros per session of the Board of Directors and 1,000 euros per session of a Board of Directors Committee of which he is a member for the current and subsequent fiscal years, and this until a new decision is taken by the General Shareholders' Meeting.



## 15.2 Amounts provisioned or booked for the payment of pensions, retirement or other benefits

On the date of issue of the *document de référence*, amounts that have been provisioned or booked for payment of pensions, retirement or other benefits are as follows:

for Jean-Claude Marceau: 64,596 euros as a provision for rights acquired for retirement compensation (French acronym: "IFC") and 2,951 euros as a provision for the employment medal plan.



The Company is managed by a Board of Directors that determines the direction of the Company's business and oversees their implementation by the General Management. Subject to the powers expressly delegated to the general shareholders' meetings, and staying within the limits of the

business purpose, the Board handles any questions involving the proper operation of the Company and by its deliberations regulates the matters concerning it. It votes on all the decisions relating to the major strategic, economic, social, financial and technological policies of the Company.

## 16.1 Conformity with corporate governance plan in effect in France

PagesJaunes Group follows the principles of corporate governance for listed companies set out in the Medef/AFEP report in October 2003 and especially:

- the responsibility and integrity of managers and Board members;
- the independence of the Board of Directors;
- transparency and release of information;
- respect for the rights of shareholders.

PagesJaunes Group has committed to implement the recommendations in these reports, particularly through the internal regulations adopted by the Board of Directors which set the guiding principles for its operations and the procedures it uses to carry out its tasks (See Section 21.2.2).

In application of the provisions of article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors must report in a report attached to the Board's Management Report, the conditions for preparing and organising the work of the Board; as well as the internal control procedures put in place by your Company. This report is annexed to the *document de référence*.

## 16.2 Absence of service contracts

None of the members of the Board of Directors and no CEO is linked by a service contract with PagesJaunes Group or one of its subsidiaries which would grant advantages at the term of such a contract.

## 16.3 Committees created by the Board of Directors

The Board of Directors can decide to create committees from within itself, for which it sets the membership and powers, and which perform their tasks under its responsibility, but the powers attributed to a committee cannot be for the purpose of delegating to a committee the powers which are vested in the Board of Directors by law or the by-laws, or for the purpose of reducing or limiting the powers of the Chairman, the CEO or the Deputy Managing Directors.

The Board of Directors, at its Meeting on 23 September 2004, set up two committees at the Company, i.e. an Audit Committee and a Compensation and Appointments Committee.

### 16.3.1 AUDIT COMMITTEE

#### Membership of the Audit Committee

The Audit Committee has at least two members, appointed by the Board of Directors upon recommendation by the Chairman. In addition, under the terms of the operating charter of the Audit Committee, the Committee appoints its Chairman itself.

The membership of the Audit Committee on the registration date of this *document de référence* is as follows:

- Mr. Rémy Sautter, Chairman;
- Mr. Élie Cohen;
- Mrs. Stéphane Pallez.

Following the nomination of Mrs. Stéphane Pallez as Chairman of the Board of the Company by the Board of Directors on 7 February 2006, Mrs. Stéphane Pallez informed the Board of her desire to no longer be a member of the Audit Committee.

#### Tasks of the Audit Committee

The tasks of the Audit Committee, on behalf of the Board of Directors, are as follows:

- to examine the Company and consolidated accounts, both half-yearly and annual, as well as the management reports and business and results statements;
- to make sure that the accounting standards adopted to draw up the Company and consolidated accounts are respected;

- to verify that the internal procedures for collecting and checking the information are properly applied;
- to control the quality and accuracy of the information given to shareholders;
- to examine the procedure for selecting the Company's Auditors, particularly looking at their choice and terms of compensation to make observations;
- to study each year the inspection procedures for the Auditors and the internal Auditors, to examine the internal auditing report for the year just past and the schedule of tasks for the year in progress;
- to examine the accounting treatment pertaining to special operations;
- to examine each year the report by the Chairman of the Board on the Group's exposure to risks, particularly for financial and legal matters, and the significant off-balance sheet commitments.

The tasks undertaken on behalf of the Board of Directors do not limit the powers of the Board of Directors, who cannot exempt themselves from liability by invoking the tasks or opinions of these committees.

The Audit Committee meets as often as it deems fit and considers all questions falling under the scope of its responsibility. It met eight times in the 2005 fiscal year.

The Audit Committee can ask the Company to provide it with any document or information needed to perform its tasks and perform any internal or external audit on any subject it believes relates to it. When examining the drafts of the annual and half-yearly accounts, it can question the Auditors without the presence of the Company managers. Any irregularities in accounting or auditing matters are brought to their attention.

### 16.3.2 COMPENSATION AND APPOINTMENTS COMMITTEE

#### Membership of the Compensation and Appointments Committee

This committee has at least three members, appointed by the Board of Directors upon recommendation by the Chairman. The committee appoints its Chairman itself.

The membership of the Compensation and Appointments Committee on the registration date of this *Document de référence* is as follows:

- Mr. Francois de Carbonnel, President;
- Mr. Olivier Barberot;
- Mr. Jean-Hervé Lorenzi;
- Mr. Marcel Roulet.

#### Tasks of the Compensation and Appointments Committee

The committee is responsible for submitting proposals to the Board of Directors for the appointment of members of the Board, the Chairman of the Board of Directors, the CEO and the members of the Board committees. It is also kept informed by the Chairman of the Board of the appointments of the other managers in the Group. In addition, the committee makes a recommendation to the Board for the amount of attendance fees to be submitted to the General Shareholders' Meeting as well as how this amount should be divided between the members of the Board.

The Committee also makes proposals to the Board on compensation for Company officers and may, if so requested by the Chairman of the Board, give an opinion on the procedures for setting compensation for the Company managers.

The Compensation and Appointments Committee met five times during the 2005 fiscal year.



### 16.3.3 COMMITTEE MEMBERSHIP AND OPERATION

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The operating rules are set by the Board of Directors based on the following principles:

- the committee meetings are called by the Chairman at least five days in advance and immediately in an emergency;
- the committee meetings may be held anywhere and attendance may be by videoconference or conference telephone (except for strictly confidential matters, which are defined as such when brought before the committee Chairman);
- the committees may invite outside or internal experts to look at particular questions, and the costs for any external experts are paid by the Company.

The committees are collegial bodies with a consultative role. They have no powers of their own as their role consists of providing information to the Board or the Chairman.

The members of the committees who are members of the Board of Directors cannot receive any permanent compensation for their membership in the committees. They can, however, receive exceptional payments for special, temporary tasks and can also receive a higher share than the other members of the Board of the attendance fees.

The members of the committees who are not members of the Board may receive compensation set by the Board of Directors, paid by the Company.



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The concept of Consolidated Group employees used in this Section covers all employees in the Consolidated Group companies except for those in Editus Luxembourg, a consolidated company using the equity method.

## 17.1 Number of employees and distribution by activity

On 31 December 2005, the Consolidated Group had 5,189 employees (including those sales staff with the status of sales representative-travelling salesman (French acronym "VRP") compared to 4,762 in 2004 and 4,689 on 31 December 2003.

The following table shows changes in the geographical distribution of employees in the Consolidated Group since 2003:

	2005*		2004*		2003*	
<b>France</b>	<b>4,227</b>	<b>81%</b>	<b>3,973</b>	<b>83%</b>	<b>3,827</b>	<b>82%</b>
of which Île-de-France	1,905		1,839		1,811	
outside Île-de-France	2,322		2,134		2,016	
<b>International</b>	<b>962</b>	<b>19%</b>	<b>789</b>	<b>17%</b>	<b>862</b>	<b>18%</b>
<b>TOTAL CONSOLIDATED GROUP</b>	<b>5,189</b>	<b>100%</b>	<b>4,762</b>	<b>100%</b>	<b>4,689</b>	<b>100%</b>

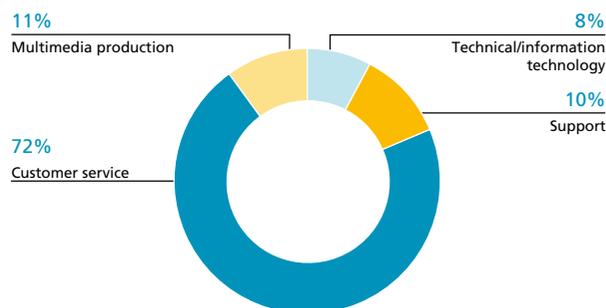
\* Registered employees as of 31 December of that year and for 2005 Editus Luxembourg at 49.5%.

In addition, PagesJaunes Outre-Mer and PagesJaunes Liban (non-consolidated subsidiaries) employed 16 and 25 people respectively on 31 December 2005.

The number of employees of the Consolidated Group has increased by 427 in relation to 2004. This increase is the result on one hand of consolidating new subsidiaries in 2005: e-sama 125, Kompass Belgium 41, Edicom 68 and Editus Luxembourg 114, and on the other hand, by the increase in the number of employees at PagesJaunes SA (+96) primarily the result of an increase in sales personnel. However, as in 2004, the drop in employees is due to QDQ Media. (-50 employees in 2005).

On 31 December 2005, the average age of employees in the Consolidated Group was about 38 and a half, and the number of female employees was about 50%.

The number of employees in the Consolidated Group on 31 December 2005 can be broken down as follows:





The Group is characterised by a large number of sales staff compared to the total number of employees (about 2,400 field sales staff and telephone sales staff). In France at PagesJaunes and Kompass France, the field sales staff (about 1,180 people) has the status of *VRP* and is basically paid based on commissions for sales and how they increase.

On 31 December 2005, 4,951 people, which is about 95.4% of the Consolidated Group's employees, were employees under private law (119 of whom had fixed-term contracts) and 238 people, which is about 4.6% of the employees, were employees on detachment or made available to the Group by France Télécom (see section below "Employees on Detachment or Temporary Transfer Within the Group").

Only PagesJaunes SA is subject to the obligation to produce an employment statement. This is presented each year for an opinion by the Company Committee and is sent to the Employment Inspection Office. A summary of the employment statement is sent to all employees at PagesJaunes SA.

The employee turnover rate at PagesJaunes was 13.3% in 2005 compared to 12.1% in 2004 and 10.1% in 2003 (the employee turnover rate is the number of people with an open-ended employment contract who left the Company during the fiscal year compared to the annual average number of people who have an open-ended employment contract).

Most Group employees have a portion of their compensation related to their individual performance. For the sales force, this can be up to 100% of their annual compensation. For executives, this portion can be up to 20% of their annual compensation, and up to 50% for senior management.

In addition, employees of PagesJaunes and its subsidiaries in France benefit from profit-sharing agreements in place for the France Télécom group and employee shareholding agreements in some companies (see Section "6.4.9 Profit Sharing and Company Savings Plans").

## Highlights of 2005

### PagesJaunes Group

In 2005, set up of a corporate organisation for finance, legal, strategy, human resources and communication. The teams were set up progressively throughout the year. A first core was comprised by the transfer of PagesJaunes SA then supplemented with mobility within the France Télécom Group and by external recruitment.

Note that a profit-sharing agreement for PagesJaunes Group employees was signed in 2005.

Finally, after obtaining authorisation from the General Shareholders' Meeting of 12 April 2005, PagesJaunes Group set up a stock option plan. Within the framework of this plan, stock options were allocated to about 800 employees throughout the various subsidiaries of the Group (plan approved by the Board of Directors meeting of 28 June 2005).

### PagesJaunes SA

After going through a number of changes over the last few years, PagesJaunes wanted to gather opinions from its employees by carrying out an internal opinion survey on the company's main themes (work, management, professional development, information, etc.).

With good overall results, the company has made the commitment to work on the axes for progress pertaining to the understanding of what is at stake and careers, desegregation of operations and reinforcement for supervisory means.

On the other hand, PagesJaunes has begun a plan of action aiming at favouring the training and hiring of handicapped workers as well as reinforcing the development of partnerships in protected areas. The company has also embarked on a thought process together with the elected members of the CHSCT aiming at determining a general framework for the prevention and treatment of the risks pertaining to suffering in the workplace.

### Kompass France

The company has a new CEO. More accurate tools have been implemented in order to better detect and treat the increase encountered in *turnover* concerning sales personnel.

### Mappy

The increase in the number of employees accompanied the increasing needs of the Company, faced on the other hand with the departure of certain key people (change in General Management and in the Technical Manager).

A profit-sharing agreement applicable starting in 2005 was set up for the first time.

### QDQ Media

In order to support the recovery plan implemented in 2004, an ambitious training plan was implemented combined with an assessment of performance. On the other hand, in order to support development and reduce the rate of sales personnel turnover, compensation for sales personnel was reinforced. Finally, a "180° evaluation" was experimented with in the middle of the year with managers.

### Wanadoo Data – e-sama

The year was dedicated to the various preparatory work for merging the two entities, scheduled for the first quarter of 2006.

### Employee Relations

Relations between labour and management remained calm across the different companies in the Group.

At PagesJaunes, the renewal of the personal representative bodies (CE-DP) was disturbed by a request (refused) to acknowledge a UES between PagesJaunes Group and PagesJaunes SA at the initiative of the unions, then via persistent disagreements between the six unions at PagesJaunes concerning the electoral colleges.

Nevertheless, an employee agreement was signed with Management for all employees of all categories in the Company.



## Employees

Number of employees and distribution by activity

### Employees on detachment or temporary transfer within the Group

On 31 December 2005, the Group had 238 France Télécom employees whose status is governed by the law of 2 July 1990 in relation to the public service organisation of the post office and France Télécom, amended, particularly by the law of 31 December 2003.

Of these 238 employees, 118 are on detachment and 120 are on temporary transfer to PagesJaunes by France Télécom. In fact, the law of 2 July 1990, as amended by the law of 31 December 2003, states that employees of France Télécom may be temporarily transferred, detached or seconded, to carry out duties within the Group companies and their subsidiaries. The definition of the concept of "subsidiary" as well as the procedures for transfer back to France Télécom, particularly in cases where the company involved in the detachment is no longer a France Télécom subsidiary, were set by decree No. 2004-981 dated 17 September 2004, relating to temporarily transferring France Télécom staff members, detaching or seconding them to carry out other duties in the company or in its subsidiaries. This law states that France

Télécom subsidiaries means companies where France Télécom owns a majority of the share capital, either directly or indirectly, as well as companies where France Télécom owns at least 40% of the voting rights either directly or indirectly over two consecutive fiscal years as long as no other shareholder in that company owns a percentage of voting rights which is 40% or above. Compensation for detached employees is paid directly by the Company and compensation for temporarily transferred employees is paid by France Télécom and is then rebilled to the Company.

If the Company were no longer a subsidiary of France Télécom in the sense of this decree, and if, on that date, the Company is not considered to be fulfilling a task in the public interest, the 238 employees detached or temporarily transferred would then legally have to be transferred back to France Télécom according to procedures which would have to be defined. The Company cannot exclude the fact that such a massive transfer would have a negative effect on its business, its financial position, its results or the Group's goals. However, in this circumstance, any employees who wanted to could continue to work for the Company as employees on temporary transfer (for a maximum period of 10 years).

## 17.2 Profit-sharing and options to subscribe or buy shares given to each company officer and the options exercised by each of them

### HISTORY OF OPTIONS GIVEN TO SUBSCRIBE OR BUY SHARES

	Plan Wanadoo July 2000*	Plan Wanadoo April 2001*	Plan Wanadoo Nov. 2001*	Plan Wanadoo June 2002*	Plan Wanadoo Nov. 2003*	Plan Orange Feb. 2001	Plan Orange May 2002	Plan Orange May 2003	Plan PagesJaunes Group June 2005
Date of General Shareholders' Meeting	22/06/2000	22/06/2000	22/06/2000	22/06/2000	22/06/2000	29/12/2000	29/12/2000	29/12/2000	12/04/2005
Date of Board of Directors Meeting	18/07/2000	2/04/2001	26/11/2001	4/06/2002	26/11/2003	12/02/2001	15/05/2002	13/05/2003	28/06/2005
Total number of shares available for subscription to PagesJaunes Group employees	854,978	1,671,973	56,765	1,486,126	834,899	0	0	0	3,796,800
Including number available for subscription to company officers	M. Datchary 7,024 J.C. Marceau 2,341	-	-	-	M. Datchary 23,413	-	-	-	M. Datchary 72,000 JC Marceau 3,000
Including the number available for subscription to top ten employee recipients of PagesJaunes Group who are not company officers	46,660	157,106	-	116,660	70,000	0	0	0	336,000
Starting date for exercising the options	18/07/2005	2/04/2004	26/06/2003 <sup>(1)</sup>	4/06/2004 <sup>(2)</sup>	26/11/2006	4/05/2001	1/10/002	13/05/2004	28/06/2008
Expiration date	18/07/2010	2/04/2011	26/11/2011	4/06/2012	26/11/2013	12/02/2011	15/05/2012	13/05/2013	28/06/2015
Subscription price	€48.70	€15.38	€15.38	€13.84	€16.60	€10.00	€6.35	€7.43	€19.30
Number of shares subscribed to on 31 December 2005	0	894,990	18,091	264,671	0	5,000	0	0	0
Number of shares cancelled on 31 December 2005	89,830	139,782	10,887	117,819	61,853	-	-	-	39,800
Additional shares according to purchase ratio (Wanadoo/France Télécom merger) <sup>(3)</sup>	2,808	2,467	109	4,277	2,823	-	-	-	-
Transfers of shares from PagesJaunes Group employees joining France Télécom Group on 31 December 2005	93,251	129,140	2,536	102,699	51,892				9,000
Transfers of shares from France Télécom Group employees joining the PagesJaunes Group on 31 December 2005	13,608	19,636	0	40,441	21,775	230,000	51,080	42,120	0
Remaining shares	688,313	530,164	25,360	1,045,655	745,752	225,000	51,080	42,120	3,748,000

\* These subscription options for Wanadoo shares were converted into subscription options for France Télécom shares because of the merger between France Télécom and Wanadoo on 1 September 2004.

(1) 10% of the options can be exercised since 21 September 2001, 10% since 21 March 2002, 40% since 21 March 2003 and 40% since 21 March 2004.

(2) 5% of the options can be exercised on 26 June 2003, 23% on 26 September 2003, 5% on 26 June 2004, 23% on 26 September 2004 and 44% on 26 November 2004.

(3) Weighted exercise prices correspond to adjusted exercise price following the France Télécom capital increase on 26 September 2005.

## 17.3 Description of Profit-Sharing and Company Savings Plan Agreements

### COMPANY SAVINGS PLAN

The Company savings plan agreement signed by France Télécom on 19 November 1997 with four union organisations (CFDT, CFTC, CGC and FO) covers the companies in the France Télécom group owned more than 50% by France Télécom of which the Company is part. The special reserve for the Company savings plan of the France Télécom group is the amount in the special savings plan reserves calculated for each subsidiary involved using a derogation formula (derogation addendum signed on 29 June 2001).

The special savings plan reserves are divided among the beneficiaries at 20% based on their attendance and 80% in proportion to the gross annual salary received by each employee. The amounts allocated individually are put into the France Télécom group savings plan and blocked for five years. The table below shows the key figures for the company savings plan over the last three fiscal years:

(in millions of euros)	Total Company Savings Plan contributions distributed by the France Télécom Group	Contribution by PagesJaunes Group	Savings Plan contributions distributed to PagesJaunes Group employees*
2003	115	28.3	3.2
2004	264	30	7.7
2005	360	32.7*	11.4

\* Including PagesJaunes Outre-Mer, non-consolidated company and excluding e-sama, which in 2005 benefited from its own employee profit-sharing agreement.

Companies in the PagesJaunes Group at the end of 2005 denounced adherence in the France Télécom Group profit-sharing agreement.

A new profit-sharing agreement for PagesJaunes Group will be negotiated during the first half of 2006, and will apply starting with fiscal 2006.

### PROFIT SHARING

There are various profit-sharing agreements within the different subsidiaries of PagesJaunes Group.

For PagesJaunes SA, the latest profit-sharing agreement in effect was signed on 30 June 2004 and concerns 2004-2005-2006.

In order to more closely associate all of the employees with the improvement in PagesJaunes' performance, this agreement is based on the following principles:

- the overall amount of profit-sharing is based on the achievement of two corporate economic and strategic goals: Gross Operating Margin and revenue;
- the overall amount of profit-sharing changes in proportion to the operating results.

Two new profit-sharing agreements were signed in 2005:

- **PagesJaunes Group, on 27 June 2005**

For this agreement, the overall amount of profit-sharing is based on the achievement pertaining to the Gross Operating Margin of PagesJaunes Group.

- **Mappy on 29 June 2005**

For this agreement, the overall amount of profit-sharing is based on the achievement pertaining revenue on hand and the gross operating margin on the other hand.

The table below shows the amount of profit-sharing paid over the last three fiscal years in the PagesJaunes Group in France:

(in millions of euros)	2003	2004	2005
Profit-sharing paid in the PagesJaunes Group	6,209	6,759	9,749

## COMPANY SAVINGS PLAN

The company savings plan of the France Télécom group is accessible to employees (executives and private law employees) at the Company who have worked at the Company for more than three months as long as

France Télécom owns over 50% of the Company. It contains several mutual investment funds, some of which are solely for shares in France Télécom and PagesJaunes Group.

## GRANTING AND EXERCISING OF STOCK OPTIONS FOR THE COMPANY THAT TOOK PLACE DURING THE FISCAL PERIOD

In accordance with Article L 225-184 of the French Commercial Code, the granting and exercising of options of the Company's stock which took place in 2005 are as follows:

### Options to subscribe or buy shares given to top ten employees who are not company officers and options exercised by the latter

#### Wanadoo subscription plan

The table below shows the four Wanadoo share subscription option plans which some associates in the Company benefited from and which were adopted pursuant to articles L. 225-177 of the French Commercial Code (formerly articles 208-1 and following of the law of 24 July 1966) by the Extraordinary General Shareholders' Meeting of Wanadoo on 22 June 2000. It should be noted that these subscription options for Wanadoo shares were converted into subscription options for France Télécom shares because of the merger between France Télécom and Wanadoo on 1 September 2004.

France Télécom stock options (value in December 2005)	Total number of options granted or exercised	Exercise price in euros	Starting date to exercise the option	Expiration date for the plan
Option to subscribe France Télécom shares granted during 2005 to the top 10 employees of PagesJaunes Group who are not Company officers	-	-	-	-
Option to subscribe France Télécom shares exercised in 2005 by the top 10 employees who are not Company officers of PagesJaunes Group that have exercised the most options	24,555	15.38	April 2004	April 2011
	81,702	13.84	June 2005	June 2012

#### PagesJaunes Group subscription plan

The Board of Directors has decided to make a proposal to the shareholders, in the context of the 22nd resolution submitted for a vote to the Mixed General Shareholders' Meeting of 12 April 2005, to authorise, pursuant

to articles L. 225-177 and following of the French Commercial Code, to grant on one or more occasions, options to subscribe or buy shares in the Company.

	Total number of options granted or exercised	Exercise price in euros	Starting date to exercise the option	Expiration date for the plan
Option to subscribe France Télécom shares granted during 2005 to the top 10 employees of PagesJaunes Group who are not Company officers	336,000	€19.30	28/06/2008	28/06/2015
Option to subscribe France Télécom shares exercised in 2005 by the top 10 employees who are not Company officers of PagesJaunes Group that have exercised the most options	-	-	-	-



## 18 Major shareholders

### Contents

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## 18.1 Distribution of Company share capital

The distribution of capital in PagesJaunes Group changed over the course of the last three fiscal years as follows:

Stock ownership plan	Situation on 31 December 2005			Situation on 31 December 2004			Situation on 31 December 2003		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
France Télécom <sup>(1)</sup>	150,546,830	54.0	54.0	172,849,998	62.0	62.0	274,050,000	100.0	100.0
Employees (FCPE PagesJaunes Shares)	4,940,556	1.8	1.8	4,739,610	1.7	1.7	-	-	-
Public	123,202,224	44.2	44.2	101,200,002	36.3	36.3	-	-	-
Treasury shares	100,000	0.0	0.0	-	-	-	-	-	-
<b>TOTAL</b>	<b>278,789,610</b>	<b>100.0</b>	<b>100.0</b>	<b>278,789,610</b>	<b>100.0</b>	<b>100.0</b>	<b>274,050,000</b>	<b>100.0</b>	<b>100.0</b>

(1) Wanadoo SA on 31 December 2003.

Each of the members of the Board of Directors owns at least one Company share, pursuant to article L. 225-25 of the French Commercial Code. On 31 December 2005, the members of the Board of Directors and Company officers hold 17,222 Company shares (and/or shares in the FCP PagesJaunes Group).

Shares held by the public can be broken down into 119,651,177 shares in bearer form (42.9% of the capital) and 3,551,047 shares in nominative form (1.2% of the capital) on 31 December 2005.

The Company had requested a partial study on the identifiable bearer shares (TPI) on 31 December 2005 which showed that resident shareholders held about 83.7 million shares (68% of the share capital held by the public) and non residents about 39.5 million shares (32% of the share capital held by the public).

Pertaining to statutory thresholds that were crossed, PagesJaunes Group was informed on 14 December 2005 by Edmond de Rothschild Asset Management that the latter held, through the various funds that it manages, over 1% of the capital and held on that date 5,070,120 shares in PagesJaunes Group. Furthermore, Arnhold and S. Bleichroeder Advisers held, via its First Eagle Funds, on 30 November 2005, 3,454,850 administered shares in the nominative format, which is 1.2% of the Company's capital.

Treasury shares fall within the framework of the liquidity agreement in accordance with the ethics charter established by the French Association of Investment Companies and approved by the *Autorité des marchés financiers* in a decision rendered on 22 March 2005, and published in the Obligatory Legal Notices Bulletin on 1 April 2005, that was set up by the Company on 14 November 2005.

## 18.2 Voting rights

All shareholders have one voting right per share. The Company's major shareholders do not have any rights that differ from those of the other shareholders.

## 18.3 Persons exercising or who could exercise control over the Company

Apart from France Télécom, no individual or legal entity directly or indirectly, together or in concert, does or could exercise control over PagesJaunes Group on the registration date of this *document de référence*. France Télécom holds, on 31 December 2005, 54% of the capital and voting rights of PagesJaunes Group. France Télécom's control over PagesJaunes Group is exercised while respecting the principles of corporate governance for listed companies mentioned in the Medef/AFEP report of October 2003 to which France Télécom and PagesJaunes Group adhere, and which are described in Section "16. Function of the administrative and management bodies".

In particular, the Board of Directors of PagesJaunes Group includes a number of independent members that is in accordance with the proportion defined in the Medef/AFEP report of October 2003 for controlled companies. Moreover, with respect to the principles of governance mentioned above, PagesJaunes Group applies the regulations and procedures defined within the France Télécom Group, especially pertaining to matters of accounting, reporting and the budget.

## 18.4 Shareholders' agreements

On the registration date of this *document de référence*, there is no shareholders' agreement involving the share capital and/or voting rights in the Company.

## 18.5 Pledges

### Pledges of Company shares

On the registration date of this *document de référence*, there is no Company share which is subject to a pledge.

### Pledges of Company assets

On the registration date of this *document de référence*, there are no significant Company assets subject to a pledge.

During the fiscal year ending on 31 December 2005, the Company identified an agreement likely to fall under the scope of application of article L. 225-38 of the French Commercial Code, i.e.:

- a loan contract signed with France Télécom, following the securitisation of the tax receivable of 64 million euros that PagesJaunes Group holds on the State following the change in tax plan that took place in France. The conclusion of this agreement had received prior approval from the Board of Directors on 28 June 2005;
- a share transfer and acquisition agreement for Edicom, through which PagesJaunes Group acquired 99.87% of the capital of the company from Atlas Services Belgium, a subsidiary of France Télécom for 5.45 million euros. The conclusion of this agreement had received prior approval from the Board of Directors on 23 February 2005.

### PagesJaunes Group, SA

Period ending 31 December 2005

### SPECIAL AUDITORS' REPORT ON THE REGULATED AGREEMENTS

Dear Shareholders,

In our capacity as Auditors for your Company, we herewith present to you our report on the regulated agreements.

In application of article L. 225-40 of the French Commercial Code, we have been advised of an agreement which was the subject of prior authorisation from your Board of Directors.

It is not our task to research the possible existence of other agreements, but to report to you, based on the information provided to us, on the characteristics and basic procedures of those of which we have been informed, without needing to give an opinion as to their usefulness and merit. It is your task, according to the terms of article 92 of the decree of 23 March 1967 to make an assessment of the interest attached to signing this agreement before approving it.

We have performed our work according to professional standards accepted in France; these standards require the implementation of procedures intended to verify the agreement between the information which has been provided to us and the *document de référence* from which it was taken.

#### 1. With France Télécom SA, shareholder in your company (54%)

- Type and purpose

Loan contract for France Télécom. This contract was approved by the Board of Directors on 28 June 2005.

- Procedures

The amount of the loan made available from 30 June 2005 to 15 April 2008 is 64,208,023 euros. The overall effective rate due on the nominal amount of the loan is 2.65% per year. The amount of interest received in 2005 is 535,342 euros and the amount of interest to be received is 2,400,420 euros.

#### 2. With Atlas Services Belgium

- Shareholder involved

France Télécom SA.

- Type and purpose

Share transfer and purchase agreement for Edicom with Atlas Services Belgium through which your company acquired 99.87% of Edicom. This contract was approved by the Board of Directors on 23 February 2005.

- Procedures

The amount of this Edicom share acquisition is 5,450,000 euros.

Neuilly-sur-Seine and Paris-La Défense, 2 March 2006

The Auditors

DELOITTE & ASSOCIÉS  
Eric Gins Jean-Paul Picard

ERNST & YOUNG Audit  
Christian Chiarasini Jeremy Thurbin



# Financial information concerning the assets, financial situation and results of the issuer

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## 20.1 Historical financial information

In application of Article 28 of the Commission's (EC) regulation no. 809/2004, the following information has been included by reference in this *document de référence*:

- the consolidated accounts for the fiscal year 2004 and the corresponding audit reports which appear on page 83 and following of the *document de référence* for the fiscal year 2004, registered with the *Autorité des marchés financiers* under reference no. R05-034 dated 30 March 2005;
- the consolidated accounts for the fiscal year 2003 and the corresponding audit reports which appear on page 122 and following of the *document de base* registered with the *Autorité des marchés financiers* under reference no. I. 04-104 dated 3 June 2004.

IFRS CONSOLIDATED PROFIT AND LOSS ACCOUNT			
(Amounts in thousands of euros except for data relating to shares)	Notes	Fiscal year ended 31 December 2005	Fiscal year ended 31 December 2004
Net revenue	7	1,060,700	967,160
External purchases		(330,366)	(317,582)
Other operating income	8	54,906	55,249
Other operating costs		(24,588)	(28,353)
Personnel costs:			
- Salaries and expenses	9	(297,577)	(268,992)
<b>Gross operating margin</b>		<b>463,075</b>	<b>407,482</b>
- Employee participation	9	(32,906)	(29,926)
- Payment in shares	9	(20,450)	(25,274)
Amortisation allowance		(9,744)	(10,066)
Results for sale of assets		(569)	(363)
Cost of restructuring		(372)	0
Equity accounted results for business operations			774
<b>Operating results</b>		<b>399,034</b>	<b>342,627</b>
Financial income		16,378	20,784
Financial costs		(4,813)	(444)
Gain (loss) on exchange		18	(51)
<b>Non-operating results</b>	10	<b>11,583</b>	<b>20,289</b>
Corporate tax	11	(148,873)	(149,314)
<b>Net results</b>		<b>261,744</b>	<b>213,602</b>
Assignable to:			
- Shareholders of the operating group PagesJaunes Group		261,744	213,602
- Non-controlling interests			0
<b>Results per share (in euros)</b>	12		
Net results			
- base		0.94	0.77
-diluted		0.93	0.76



IFRS CONSOLIDATED BALANCE SHEET			
(Amounts in thousand of euros)	Notes	At 31 December 2005	At 31 December 2004
<b>ASSETS</b>			
Net goodwill	13	107,394	77,475
Other net intangible assets	14	11,511	8,419
Net tangible fixed assets	15	17,995	16,816
Equity accounted stock	16		15,493
Saleable assets	17	438	
Other non-current financial assets	18	44,081	3,784
Deferred tax on assets	11	28,527	26,144
<b>Total non-current assets</b>		<b>209,946</b>	<b>148,131</b>
Net stock	20	5,281	12,373
Net customers receivables	21	472,756	430,793
Other current assets	22	39,764	44,350
Current tax		5,106	133
Prepaid costs	23	55,639	39,844
Other current financial assets	19	39,356	861
Liquid assets	28	549,827	644,077
<b>Total current assets</b>		<b>1,167,729</b>	<b>1,172,431</b>
<b>TOTAL ASSETS</b>		<b>1,377,675</b>	<b>1,320,562</b>
<b>LIABILITIES</b>			
Share capital		55,758	55,758
Issuance premium		68,335	68,335
Reserves		23,422	49,848
Net results		261,744	213,602
Conversion adjustments		8	0
Own shares		(2,169)	
<b>Stockholders' equity</b>	25	<b>407,098</b>	<b>387,543</b>
Financial liabilities and long term derivatives	28	17	32
Non-current personnel benefits	26	25,450	22,062
Non-current provisions	26	7,876	8,329
Other non-current liabilities		2,492	
<b>Total non-current liabilities</b>		<b>35,835</b>	<b>30,423</b>
Share of long and medium term financial liabilities, payable in under one year			3,822
Overdrafts and other short term loans	28	13,288	10,730
Interest accrued not outstanding	28	8	18
Current provisions	26	509	236
Supplier liabilities		124,167	107,026
Current personnel benefits	26	87,890	82,021
Other current liabilities	26	101,155	91,261
Corporate tax liabilities	11	16,069	72,112
Unearned income	29	591,656	535,370
<b>Total current liabilities</b>		<b>934,742</b>	<b>902,596</b>
<b>TOTAL LIABILITIES</b>		<b>1,377,675</b>	<b>1,320,562</b>



## IFRS VARIATION IN CONSOLIDATED STOCKHOLDER EQUITY

(Amounts in thousands of euros)	Share capital	Issuance premium	Results & reserves	Conversion reserve	Own shares	Total share capital
<b>Balance at 1 January 2004</b>	<b>54,810</b>	<b>42,249</b>	<b>235,159</b>			<b>332,218</b>
Capital increase	948	68,335				69,283
Results for the fiscal year 2004			213,602			213,602
Payment in shares			8,399			8,399
Distribution of dividends		(42,249)	(193,710)			(235,959)
<b>Balance at 31 December 2004</b>	<b>55,758</b>	<b>68,335</b>	<b>263,450</b>			<b>387,543</b>
Results for the fiscal year 2005			261,744			261,744
Payment in shares			19,246			19,246
Distribution of dividends			(259,274)			(259,274)
Edicom conversion adjustment				8		8
Shares controlled by the company					(2,169)	(2,169)
<b>Balance at 31 December 2005</b>	<b>55,758</b>	<b>68,335</b>	<b>285,166</b>	<b>8</b>	<b>(2,169)</b>	<b>407,098</b>

CASH FLOW TABLE			
(Amounts in thousands of euros)	Notes	31 December 2005	31 December 2004
Group share in net consolidated result		261,744	213,602
Amortisation for assets	14 & 15	9,744	10,065
+ or - values on share sales		569	411
Variation in provisions	24 & 26	(3,633)	(4,081)
Non-distributed results of equity accounted companies		-	512
Tax charges for the fiscal year	11	148,873	149,314
Interest income and costs	10	(11,565)	(20,391)
Deferred tax	11		
Non-controlling interest		-	-
Exchange adjustments not realised		(25)	51
Other non-monetary elements		-	-
Payment in shares		19,238	24,124
Reduction (increase) in stock		7,148	(5,086)
Reduction (increase) in customers' receivables		(25,743)	(36,325)
Reduction (increase) in other debts		(16,891)	18,138
Increase (reduction) in supplier liabilities		14,679	(10,810)
Increase (reduction) in other liabilities		56,045	70,229
Dividends and interest income received		18,737	20,784
Interest withdrawn and net derivatives rate note		(3,288)	(444)
Tax paid	11	(212,181)	(67,859)
<b>Net cash flow generated by activity</b>		<b>263,451</b>	<b>362,234</b>
Acquisitions of tangible fixed and intangible assets net of the variation in asset suppliers	14 & 15	(11,823)	(8,376)
Income from sales of tangible and intangible assets		125	215
Acquisitions of holdings and subsidiaries, net of the cash acquired	6	(12,498)	(21,981)
Investments in equity accounted companies	6	-	(13,500)
Reductions (increases) in the value of securities and other long term assets	28	(80,794)	11,509
<b>Net cash flow allocated to investment operations</b>		<b>(104,990)</b>	<b>(32,133)</b>
Increase (reduction) in long term loans	28	(18)	(89,326)
Increase (reduction) in bank overdrafts and short term loans	28	(1,328)	(1,167)
Reduction (increase) in deposits and other financial assets linked to liabilities		(26)	-
Repurchase of shares	12	(2,169)	-
Increase in capital	25	10,081	58,492
Dividends paid out	25	(259,274)	(235,958)
<b>Net cash low linked to financing operations</b>		<b>(252,734)</b>	<b>(267,959)</b>
<b>Net variation in liquid assets and cash equivalents</b>		<b>(94,273)</b>	<b>62,142</b>
Impact of variations in exchange rates on liquid assets		22	-
<b>Net cash variation</b>		<b>(94,251)</b>	<b>62,142</b>
Liquid assets and cash equivalents at the start of the fiscal year		644,077	581,935
<b>Liquid assets and cash equivalents at the end of the fiscal year</b>	28	<b>549,827</b>	<b>644,077</b>

## Note 1 – Description of activity

For more than 50 years, the PagesJaunes Group has offered a wide range of products and services to the general public and to professionals, its core business being national and international directories in both printed form and on-line.

The PagesJaunes Group's fiscal year runs from 1 January to 31 December.

The consolidated accounts and their appendices are presented in euros.

## Note 2 – Context for publication and the basis for preparation of the financial information for 2005

In application of European regulation no. 1606/2002 of 19 July 2002, the consolidated accounts for the fiscal year 2005 have been drawn up in accordance with the international IAS/IFRS accounting standards, and are presented for comparison with the accounts for the fiscal year 2004, drawn up according to the same authoritative pronouncements. The principles used to draw up the financial information for 2005 are described in Note 3. They result from the application of:

- all the standards and interpretations adopted by the European Union on 31 December 2005;
- the IFRS standards and interpretations which have become compulsory since 2005 and which the Group has elected to apply in advance;
- accounting positions used by the Group, which are currently the subject of work at the IASB (IFRIC) or the *Conseil national de la comptabilité*, as restated in note 3;
- options retained and exemptions used.

To prepare the financial statements, the PagesJaunes Management has been obliged to use estimates and hypotheses which affect the amounts presented as assets or liabilities, the potential liabilities on the date the financial statements were drawn up and the amounts presented as income and costs for the fiscal year. The Management evaluates these estimates and assessments in a consistent manner on the basis of its past experience and various other factors which are considered to be reasonable. These form the basis of the book values for assets and liabilities. The actual results may differ significantly from these estimates under different conditions or hypotheses. Finally, where there are no applicable standards or interpretations for a particular transaction, the Group's Management relies on its own judgement to define and apply accounting methods to obtain relevant and reliable information, so that the financial statements:

- present a true reflection of the Group's financial information, the financial performance and cash flows;
- express the economic reality of the transactions;
- are neutral;
- are prudent;
- and are complete in all their significant aspects.

This financial information was closed by the PagesJaunes Group's Board of Directors on 7 February 2006.

## Note 3 – Accounting principles and changes in estimates

### 3.1 Accounting principles

This note describes the accounting principles applied for the closure at 31 December 2005, in accordance with the provisions of the international accounting standards as adopted by the European Commission on 31 December 2005.

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

With effect from 1 January 2004, the Group has decided to apply the following texts in advance, in order to allow a better comparison between the fiscal years 2004 and 2005:

- IAS 39 "Financial instruments: accounting and evaluation" and IAS 32 "Financial instruments: information to be provided and presentation", which became compulsory on 1 January 2005;
- IFRS 5 "Non-current assets held for the purposes of sale and abandoned activities". This text has been compulsory since 1 January 2005;
- IFRIC 1 "Variation in existing liabilities relating to dismantling, repairs and similar". This text is compulsory for fiscal years starting after 1 September 2004;
- IFRIC 4 "Determining if an agreement contains a lease contract". This interpretation, relating to the identification of operating leases, compulsory for fiscal years starting from 1 January 2006, may optionally be applied in advance;
- IAS 39 "The Fair Value option", compulsory since 1 January 2006. This amendment abolishes one of the two exclusions decided on by the European Commission when IAS 39 was adopted. The provisions of this text, relating to the choice of accounting based on the fair value of a financial asset and liability by income statement.

However, PagesJaunes Group has opted not to apply the following standards, amendments and interpretations in advance:

- IFRS 7 "Financial instruments: information to be provided". The date for the first application of this text is 1 January 2007. This text did not receive the approval of the European Commission, but received a favourable notice from the European Financial Reporting Advisory Group;
- IAS 19 "Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures", compulsory from 1 January 2006;
- IAS 39 "Financial instruments: accounting and evaluation – Cash flow cover in the context of future intragroup transactions", compulsory from 1 January 2006.

The PagesJaunes Group is in the process of analysing the practical consequences of these new texts and the effect of their application in the accounts.

The Group is not concerned by the interpretations "Shares in cooperative entities and similar instruments", IFRIC 5 "Rights to interests from management funds dedicated to dismantling, repairs and rehabilitation of the environment" and IFRIC 6 "Liabilities resulting from participation in a specific market – electronic and electrical equipment waste".



### 3.1.2 Accounting positions held by the PagesJaunes Group, by virtue of paragraphs 10 to 12 of IAS 8

The accounting positions presented below are not subject to any particular provisions in the international accounting standards or interpretations as adopted by the European Commission.

#### **Offer reserved for employees**

The Group has taken the date for the granting of the offers reserved for employees as the same date as the announcement to the employees of the main conditions for the offers, thus conforming with the *Conseil national de la comptabilité*'s communiqué of 21 December 2004 relating to Collective Savings Schemes, which interprets the date of the announcement as being the date of granting, as defined in IFRS 2 "Payment in shares and equivalents". The cost entered in the accounts in respect of this amounts to 25.3 million euros for the fiscal year 2004 (which includes 1.2 million euros in employer's contributions) and 20.5 million euros (including 1.2 million euros in employer's contributions) for the fiscal year 2005. If the date of granting had been the same as the date of closure of the offer, an additional cost of 12.2 million euros would have been entered in 2004, and 0.3 million euros in 2005, mainly because of the evolution of the share price between the date of the announcement and the date of the closure of the offer.

#### **Individual rights to training**

In accordance with Notice no. 2004-F of 13 October 2004 of the Urgent Issues Committee of the *Conseil national de la comptabilité* relating to "accounting for individual rights to training", the expenses incurred in this respect constitute a cost for the period, and are therefore not subject to any provisioning. However, the number of hours of the available share of these rights at the end of the fiscal year is recorded in the appendix, with an indication of the number of hours having been claimed by employees. In a limited number of cases (request for Individual Training Leave or in the case of a dismissal or resignation) where these expenses cannot be considered as payment for future services, the consequent short term commitment is provided for in the accounts for the fiscal year if the obligation to the employee becomes probable or certain.

### 3.1.3 Options authorised by the authoritative accounting pronouncements and elected by PagesJaunes Group

Certain of the standards given in the IASB's authoritative pronouncements provide for options in relation to the evaluation and accounting of assets and liabilities.

The Group has therefore chosen:

- to retain the method of accounting for stock at its initial cost, determined from the average weighted unit cost (standard IAS 2 "Stock");
- the method of evaluating tangible fixed assets and intangible assets at their historic depreciated cost, and not re-evaluating the tangible fixed assets and intangible assets at the end of each fiscal year (standards IAS 16 "Tangible fixed assets" and IAS 38 "Intangible assets") and not to capitalise the interest incurred during the period of construction or acquisition of the tangible fixed assets and intangible assets, as provided for by standard IAS 23 "Cost of loans";
- to enter the actuarial variances relating to recorded post-employment benefits according to the corridor method, which allows for the spread of the variances exceeding 10% of the highest of either the actual value of the obligation in respect of the services defined or the fair value of the assets of the scheme for the period of the residual working life of the personnel to whom the agreement relates. (standard IAS 19 "Personnel benefits");

- to conserve the method of consolidating jointly-controlled companies according to the proportional integration method (standard IAS 31 "Interests in joint ventures").

In addition, standard IFRS 1 relating to the first application of the international authoritative pronouncement makes provision for a certain number of possible exemptions to the principle of retrospective applications of IFRSs at the date of transition (1 January 2004 for PagesJaunes Group). Among these exemptions for drawing up the opening balance sheet, the Group has decided:

- not to apply standard IFRS 3 relating to company mergers before the date of transition. As this refers to the acquisition of minority interests which do not feature explicitly in the exemptions authorised by IFRS 1, and in the absence of any specific provision in the standards, the Group has retained the accounting procedure laid down by French standards;
- to use the historic cost of tangible fixed assets and intangible assets in accordance with IAS 16 and IAS 38;
- to apply retrospectively the provisions of standard IFRS 2 "Share based payment", for share and cash settled plans. As a result, all plans, even those issued before 7 November 2002, are accounted for according to the accounting principles defined by IFRS 2. Plans issued earlier than 31 December 2003 have been valued in the same way as evaluations made following the provisions of the American standard FAS 123 using the Black-Scholes model. From 1 January 2004 all new plans issued are valued in accordance with standard IFRS 2 using a binomial distribution model.

The other options provided for in standard IFRS 1 have not been used by the Group.

### 3.2 Consolidation

Subsidiaries over which PagesJaunes Group exercises, directly or indirectly, exclusive control are consolidated according to the global integration method.

Interests in which PagesJaunes Group exercises control jointly with a limited number of other shareholders are consolidated according to the proportional integration method.

Interests which are not controlled by PagesJaunes Group, but over which the Group exercises a significant influence (percentage of control generally between 20% and 50%) are consolidated according to the equity accounting method.

The existence and effect of potential voting rights, which are either exercised or convertible at the closing date, are taken into account when determining the degree of control of or significant influence on the entity.

In accordance with IFRS 5, the assets and liabilities of controlled entities which are considered to be held for disposal are presented on separate lines in the balance sheet. In addition, the results of discontinued operations must be presented on a separate line in the income statement. IFRS 5 defines a discontinued activity as being a component of an entity whose cash flow is independent from the rest of the entity, which has been sold or which is held for the purposes of sale and which represents a principal and distinct line of activity or geographical region.

Significant intra-Group transactions and sales are excluded.

### 3.3 Currency transactions

Accounting for and evaluating foreign currency transactions are defined by standard IAS 21 "Effects of fluctuations in foreign currency exchange rates". In application of this standard, transactions made in foreign currencies are converted by the subsidiary in its working currency at the rate applicable on the day of the transaction. The monetary elements of the balance sheet are re-evaluated at the current exchange rate of each statement of account. The corresponding re-evaluation adjustments are recorded in the income statement.

- in the operating results for commercial transactions;
- in non-operating income or financial costs for financial transactions.

### 3.4 Presentation of financial statements

As allowed for in standard IAS 1 "Presentation of financial statements", the Group presents the income statement by accounting item. International standards significantly alter the presentation of the income statement, notably by abolishing the notion of non-operational income and costs and reintegrating the cost related to goodwill in the operating results.

The operating results correspond to the net results before taking into account:

- non-operating income;
- financial costs;
- current and deferred tax;
- the results of activities which have been discontinued or held for disposal.

The gross operating margin corresponds to the operating results before taking into account:

- employee profit-sharing;
- costs of payments in shares;
- amortisation allowances;
- the loss of value of goodwill and fixed assets;
- the results of the sale of shares;
- costs of restructuring;
- the results of equity accounted entities;
- the loss of value of goodwill on equity accounted entities.

### 3.5 Revenue

The revenue realised from the activities of PagesJaunes Group is recognised and presented in the following manner, in application of the principles laid down in IAS 18 "Income from ordinary activities":

- income derived from the sale of advertisements in the printed directories are included in the results when they are published. Consequently, income derived for the sale of advertisements invoiced for directories which are yet to be published are presented in the balance sheet under the section "Unearned income";
- income derived from the sale of advertisements in the on-line directories are spread over the period of posting, which is usually 12 months;
- income derived from traffic relating to telephone information services (118 008 in France and 118 75 in Spain) are accounted for at the time the service is provided;

- costs which are directly attributable to directory publication campaigns in one fiscal year are reported in the corresponding accounted revenue for that fiscal year; this includes commission for sellers and telesellers and editorial fees.

### 3.6 Advertising and related expenses

Expenses for advertising, promotion, sponsorships, communication and brand development are integrally accounted for in the costs for the fiscal year during which they are incurred.

### 3.7 Results per share

The Group presents a result per base share and a result per diluted share. The number of shares used for the calculation of the diluted result takes into account the conversion into ordinary shares of diluting instruments in circulation at the end of the period. The diluted result is calculated from the Group's share of the net result, corrected for the financial costs of debt diluting instruments and their effect on worker participation, net of the effect of corresponding tax. When the base result per share is negative, the diluted result per share is identical to this base result. In order to allow a proper comparison of the presented results per share, the average weighted number of shares in circulation in the fiscal year and also the previous fiscal years are adjusted in case of an increase in capital applied at a rate below the market rate. Where necessary, the shares controlled by the company carried by reducing consolidated shareholder equities are not included in the calculation for the result per action.

### 3.8 Goodwill

Goodwill represents the difference between the price of acquisition, plus incidental costs, of stock in consolidated companies and the Group's share of the value of their net assets on the date of acquisition of the holding.

In accordance with IFRS 3 "Company mergers", goodwill is not amortised. It is subject to a loss of value test when loss of value indices are published, and no less than once a year. IAS 36 "Depreciation of assets" lays down that these tests are applied to each Cash Generating Unit to which the goodwill has been attributed, and that in certain cases, as a test of the goodwill, these cash generating units can be combined at the level of the estimated return on investment for these acquisitions (a cash generating unit is the smallest homogeneous group of assets whose use continues to generate cash inflows and which are largely independent of cash inflows generated by other groups of assets. PagesJaunes Group generally estimates the actual value of the goodwill at the same level of analysis as each of its other consolidated companies.

The necessity of establishing a loss of value is estimated by comparing the consolidated book value of assets and liabilities and their recoverable value. The recoverable value is the net fair value of the outflowing costs or the value in use, whichever is the greater.

The net fair value of outflowing costs is determined as the best estimate of the sale value net of outflowing costs when a transaction takes place in normal competitive conditions between two informed and consenting parties. This estimate is determined on the basis of the available market information and taking specific situations into consideration.

PagesJaunes Group takes the value in use as being the cash flows generated by Cash Generating Units inclusive of goodwill. They are determined in the context of economic and regulatory hypotheses and the operating conditions forecast by PagesJaunes' Management in the following way:

- the cash flows are those included in the 5 year plan;
- beyond this timescale, flows are extrapolated by applying a stable or decreasing growth rate for a period of three years, then a permanent growth rate which reflects the anticipated long term growth of the market;



- cash flow actualisation is carried out using rates which are appropriate for the nature of the activity and country.

Depreciation of goodwill is recorded in the operating results.

Where a sale has been decided, the recoverable value is determined by reference to the net fair value of the outflowing costs.

### 3.9 Other intangible assets

Other intangible assets principally include brands, licences and patents, research and development expenses and software. They are accounted for at their cost of acquisition or production.

When assets are acquired by company merger, their cost is usually determined on allocation of the cost of acquisition of the acquired company by reference to their market value or, failing this, by using methods which are generally accepted in this area, such as those based on revenue and costs.

Brands developed internally are not accounted for in the balance sheet.

#### Brands

Brands with an indefinite life are not amortised; they are subject to depreciation tests (see note 3.11).

#### Licences and patents

Licences and patents are amortised following the linear method for periods which correspond to the forecast duration of use, not exceeding twenty years.

#### Research and development expenses

In accordance with standard IAS 38 "Intangible assets", development expenses must be treated as immobilised when the following is demonstrated:

- the intention and financial and technical capacity to bring the development project to its conclusion;
- the probability that the future economic advantages attributable to the development expenses will go to the company;
- and that the cost of this asset can be reliably evaluated.

Research and development expenses which do not meet the above criteria are recorded as costs for the fiscal year in which they are incurred. Significant capitalised development costs are amortised linearly over their useful life which usually does not exceed 3 years.

#### Software

Software is amortised linearly over its useful life, which does not exceed five years.

### 3.10 Tangible fixed assets

#### Gross value

The gross value of tangible fixed assets corresponds to their cost of acquisition or production. This cost includes expenses which are directly attributable to the transfer of the asset to its place of operation and to carry out repairs necessary to put it to the use intended by the management.

The cost of a tangible fixed asset includes costs relating to the dismantling and removal of the fixed asset and preparation of the site where it is situated, an obligation which the Group may incur either by the acquisition of the tangible fixed asset or from its use over a specified period for purposes other than the production of stock during that period.

### Financial leasing agreements

Financial leasing agreements which transfer to PagesJaunes Group the risks and benefits associated with ownership (financial leasing agreements) are accounted for in the fixed assets with an offset entry as a financial liability. The following situations constitute indications of the conditions which transfer to PagesJaunes Group the risks and benefits associated with ownership:

- the agreement provides for the compulsory transfer of ownership at the end of the leasing period;
- the agreement includes an option to purchase, and the conditions of the option are such that transfer of ownership is highly probable at the end date of the lease;
- the duration of the agreement covers most of the estimated economic life of the leased good;
- the actualised value of the total minimum fees set out in the agreement is similar to the fair value of the good.

At the same time, goods whose risks and benefits related to ownership have been transferred by PagesJaunes Group to a third party are considered as having been sold.

Repair and maintenance expenses are recorded as a cost when they are incurred, unless they contribute to increasing the productivity or life of the fixed asset.

#### Amortisation

Amortisation of fixed assets is calculated as a function of the rate of use of expected economic benefits per element of the asset, based on cost of acquisition and, where necessary, a deduction for residual value. Therefore the linear method is generally used over the following periods: 25 to 30 years for buildings, 5 to 10 years for fixtures, between 1 and 5 years for other fixed assets.

These amortisation periods are reviewed annually and are modified if expectations differ from the previous estimates; these changes in accounting estimates are accounted for prospectively.

### 3.11 Depreciation of elements of fixed assets

According to standard IAS 36 "Depreciation of assets", the value in use of tangible and intangible fixed assets is tested when loss of value indices appear, and reviewed at each closure.

Fixed assets, both intangible and tangible, are subject to depreciation when, as a result of events or circumstances arising during the period (obsolescence, physical deterioration, significant changes in the mode of use, worse than expected performance, fall in revenues or other external indicators etc.), their recoverable value appears permanently lower than their net book value. The recoverable value is either the fair net value of outflowing costs or the value in use, whichever is the greater.

Depreciation tests are performed by asset or by group of assets by comparing their recoverable value and their net book value. When a depreciation is deemed necessary, the amount entered in the accounts is equal to the variance between the net book value and the recoverable value.

The recoverable value of assets is usually determined on the basis of the value in use, this being the value of expected future economic benefits derived from their use and their outflow. It is estimated particularly by reference to future actualised cash flows determined in the context of economic hypotheses and the forecasts for operating conditions used by the PagesJaunes Group Management.

### 3.12 Financial assets and liabilities

Financial assets include assets which are available for sale, assets held until their date of expiry, loans and debts and liquid assets and cash equivalents.

Financial liabilities include loans, other financing and bank overdrafts and operating liabilities.

The evaluation and accounting of financial assets and liabilities are defined by standard IAS 39 "Financial instruments: accounting and evaluation".

#### Evaluation and accounting of financial assets

##### Assets held until their expiry

These are exclusively holdings with fixed or determinable income and having a fixed expiry date, other than loans and debts which are acquired with the intention of retaining them until their expiry and which the Group is able to retain until this date. After their initial accounting at fair value, they are evaluated and accounted for at the amortised cost using the Effective Interest Rate method (EIR).

Assets held until expiry are subject to monitoring for objective indication of depreciation. A financial asset is depreciated if its book value is higher than its estimated recoverable value when depreciation tests are performed. The loss of value is recorded in the income statement.

##### Assets available for sale

Assets available for sale principally include non consolidated holdings and securities which do not conform to the definition for other categories of financial asset. They are evaluated at their fair value and variations in value are recorded in shareholder equity.

The fair value corresponds to the market price for listed holdings or an estimate of the value in use for unlisted holdings, determined according to the financial criteria which are most appropriate to the situation of each holding.

Where an objective indication of depreciation for these holdings exists, the accumulated deficit which has been accounted for in shareholder equity is recorded in the results.

##### Loans and receivables

This category includes receivables linked to holdings, other loans and receivables and commercial receivables. These instruments are initially accounted for at fair value then at the amortised cost, calculated using the EIR. Short term receivables with no declared interest rate are evaluated at the amount of the original invoice, unless the application of an implicit interest rate has a significant effect. For loans and receivables at variable rate, a periodic re-estimate of cash flow, in order to reflect the evolution of the market interest rate, modifies the effective interest rate, and consequently the valuation of the loan or receivable.

Loans and receivables are subject to monitoring for objective indication of depreciation. A financial asset is depreciated if its book value is higher than its estimated recoverable value when depreciation tests are performed. The loss of value is recorded in the income statement.

#### Transaction assets

Assets which are considered to be held for the purposes of transaction include assets which the company intends to resell in the short term in order to realise a profit, which form part of a portfolio of financial instruments which are managed together, and in which portfolio there exists a practice of short term sales. Transaction assets may also include assets which are voluntarily classified in this category, independently of the criteria listed above ("fair value" option).

These assets are classified in the balance sheet as short term financial assets and essentially include Unit Trusts and Mutual Funds.

#### Liquid assets and cash-equivalents

Cash equivalents are held to cover short term cash commitments, rather than for investment or other purposes. They are easily convertible to a known cash amount and are subject to a negligible risk of change in value. Liquid assets and cash-equivalents are made up of short term investments whose expiry date is usually less than or equal to three months from the date of acquisition. They are evaluated at historic cost which is close to their realisation value.

#### Evaluation and accounting for financial liabilities

With the exception of transaction liabilities which are evaluated at fair value, loans and other financial liabilities are initially valued at fair value then at amortised value, calculated using the effective interest rate (EIR).

Transaction expenses which are directly attributable to the acquisition or issue of a financial liability reduce this financial liability. In fact, liabilities are initially evaluated at cost, which is the fair value of the consideration given or received in relation to this financial liability. These expenses are then actuarially amortised over the lifetime of the liability using the EIR method.

The effective interest rate is the rate which converts to current value the expected flows of future cash outgoings up to expiry or the nearest date to the refixing of the price at market rate, at the actual net book value of the financial liability. This calculation includes all commissions and items paid or received between the contracting parties.

#### Transaction liabilities

Transaction liabilities are evaluated at their fair value.

### 3.13 Stock

Stock is valued at its cost of entry or at its probable net realisation value, whichever is the smaller. The cost of entry corresponds to the cost of acquisition or to the cost of production which is determined by the average weighted cost method.

### 3.14 Deferred tax

In accordance with standard IAS 12 "Income Tax", deferred tax is recorded on all temporary differences between the book value of the assets and liabilities and their fiscal bases, and on fiscal deficits, following the liability method of tax allocation. Deferred tax assets are only accounted for when their recovery is probable.

Standard IAS 12 specifically requires that deferred tax liabilities relating to all intangible fixed assets when companies are merged (brands, advertiser bases etc.) are accounted for.



Including holdings in subsidiaries, joint ventures and equity accounted companies, a deferred tax liability is entered in the accounts for all temporary differences between the book value of the holdings and their fiscal base, unless:

- the Group controls the date on which this temporary difference (dividend distribution for instance) will disappear;
- and it is probable that this difference will not disappear in the foreseeable future.

This means in practice that for fully and proportionally integrated companies a deferred tax liability is accepted up to the sum of due tax on dividend distribution whose payment is scheduled by the Group.

In accordance with standard IAS 12, deferred tax assets and liabilities are not converted to current value.

### 3.15 Provisioning

In compliance with standard IAS 37 "Provisioning, applicable liabilities and assets", estimated liabilities are accounted for when, at the time the books are closed for the business year, the Company has an obligation to a third party resulting from a past event whose payment must be translated for the company into an output of resources representing economic advantages.

This obligation may be of a legal, regulatory or contractual nature. It may also stem from Company practices or public commitments that created a legitimate expectation on the part of the third parties concerned about the Company assuming certain responsibilities. The amount of estimated liabilities corresponds to the output of resources that the Company is likely to have to bear in order to discharge its obligation. If no reliable evaluation of this amount can be produced, no provisioning will be accounted for; information will then be provided in an appendix.

Any applicable liabilities, corresponding to potential obligations resulting from past events whose existence can be confirmed only by the occurrence of uncertain future events that are not totally under the company's control or probable obligations for which the output of resources is not [under the company's control]. They are the subject of information provided in an appendix.

If restructuring is involved, an obligation shall exist as soon as the restructuring has become the subject of an announcement and a detailed plan or start of execution, before the closing date.

Estimated liabilities are discounted when the effect of the discounting is significant.

### Individual right to training (DIF)

Expenses incurred as part of the DIF constitute a periodic expense and therefore do not give rise to any provisioning, but in the appendix, mention is made, when the business year is closed, of the volume of hours of the open part of the charges, along with an indication of the volume of hours that were not subject to the requests of the employees.

In a few limited cases (request for individual time off for training ["CIF"] or in cases of layoff or resignation) where these expenses cannot be considered as compensation for future services, the resulting short-term engagement is provided for in the business year accounts, as soon as the obligation to the employee becomes probable or certain.

## 3.16 Obligations for retirement and similar benefits

### Benefits after employment has ended

#### *Exit indemnities upon retirement and similar obligations*

In France, legislation provides for indemnities to be paid to employees upon their retirement as a function of the number of their years of service and their salary at retirement age. Actuarial differences relative to benefits subsequent to employment shall be handled according to the "corridor method" which provides for the deferment of differences exceeding 10% of the higher of the involvement and the value of the covering shares over the duration of residual activity of persons comprising the involvement.

The incidence of variations in hypothesis is taken into consideration in the results over the mean residual duration of employee activity (ref. note 26).

#### *Other retirement programmes*

These benefits are offered through either defined contribution programmes, or defined allowance programmes.

As part of a programme of defined contributions, the Group has no obligation other than the payment of allowances; the expense that corresponds to the contributions paid is accounted for in the business year results.

In compliance with standard IAS 19, the defined allowance programmes are the subject of an actuarial evaluation according to the projected credit unit method. In this method, each service period gives rise to an additional unit of rights to allowances, and each of these units is evaluated separately in order to place a value on the final obligation. This final obligation is then re-calculated.

### Other long-term benefits

Other long-term benefits that may be granted by the PagesJaunes Group consist primarily of work medals and long-term paid absences which are also evaluated on the basis of actuarial hypotheses.

#### *Indemnities for breach of employment contract*

If applicable, indemnities for breach of contract shall be subject to an actuarial evaluation and shall be funded as a function of the level of the resulting commitment.

For all these commitments involving payment of penalties for breach of contract, the incidence of variations in hypothesis is accounted for in the results of the business year during which the modifications occurred.

### 3.17 Compensation in shares

In compliance with standard IFRS 2 "Payment based on stock shares", options to purchase and share subscription, offers reserved for employees and granting of free shares allocated to employees of the Group are evaluated on the date they are granted.

As regards these offers, the Group has selected, as date of grant, the date on which the primary conditions of the plan are announced to the employees, in compliance with the CNC release of 21 December 2004 regarding Company Savings Plans.

The benefit granted was immediately acquired (the period of rights acquisition is very short or nil), the expense is acknowledged in full upon exercise. The Group gave value to the advantage granted to the employees of the exact value on the date the rights were granted, taking the period of inaccessibility into consideration.

The value of purchase options and share underwriting is, notably, a function of the price of the business year and the lifespan of the share, of the current price of the subjacent shares, the expected volatility of the share price, expected dividends on the shares and the rate of interest without risk for the lifetime of the share. This value is recorded linearly in personnel expenses between the date of granting and the date of exercise – period of acquisition of rights – with a direct counterpart in owners' equity for closed share and debt plans with regard to personnel for the closed cash plans.

The Group opted for the retrospective application of provisions of the standard IFRS 2 for closed shares and cash plans. Plans issued prior to 31 December 2003 were valued in compliance with the evaluations conducted according to the provisions of the American standard FAS 123

using the Black-Scholes model. Starting on 1 January 2004, all the new plans issued were evaluated in compliance with standard IFRS 2, using a binomial law model.

### Note 4 – Information by sector

The heart of the group's activities is the publication of telephone directories in France and elsewhere, offering a diverse line of products and services for use by the general public and professional clients.

The Group's activities are organised into two main segments:

- PagesJaunes in France. This involves activities in France relative to the publication of telephone directories, their distribution, sale of advertising space in printed telephone directories and online, Internet site creation and hosting as well as publishing PagesPro directories, sale of access to inquiry, the inverse telephone directory QuiDonc, and the management of Europages;
- International & Subsidiaries. This involves activities of different Company subsidiaries, which consist primarily of publishing telephone directories for the general public outside of France, the development of the Kompass telephone directory in Europe and the development of activities associated with the publishing of telephone directories (such as Mappy's geographic services and direct marketing by Wanadoo Data and e-sama).

#### 4.1 By activity sector

The chart below shows the distribution of the primary aggregates as a function of activity sectors for the periods ending 31 December 2004 and 31 December 2005:

#### ANALYSIS BY SECTOR OF ACTIVITY – HISTORY

(Totals in thousands of euros)	2005				2004			
	PagesJaunes in France	International & Subsidiaries	Eliminations	Total PagesJaunes Group	PagesJaunes in France	International & Subsidiaries	Eliminations	Total PagesJaunes Group
<b>Net revenue</b>	<b>956,144</b>	<b>108,874</b>	<b>(4,318)</b>	<b>1,060,700</b>	<b>903,937</b>	<b>net 65,064</b>	<b>(1,841)</b>	<b>967,160</b>
External	954,914	105,786		1,060,700	903,900	63,260		967,160
Intersector	1,230	3,088	(4,318)	0	37	1,804	(1,841)	0
<b>Gross operating margin</b>	<b>457,538</b>	<b>5,537</b>	<b>0</b>	<b>463,075</b>	<b>413,940</b>	<b>(6,458)</b>	<b>0</b>	<b>407,482</b>
Employee profit-sharing	(32,340)	(566)		(32,906)	(29,408)	(518)		(29,926)
Compensation in shares	(19,125)	(1,325)		(20,450)	(23,522)	(1,752)		(25,274)
Allowances for amortisation	(5,872)	(3,842)		(9,714)	(6,670)	(3,396)		(10,066)
Transfer of assets results	(538)	(31)		(569)	(360)	(3)		(363)
Restructuring cost		(372)		(372)				0
Results for matched entities						774		774
<b>Operating results</b>	<b>399,663</b>	<b>(629)</b>	<b>0</b>	<b>399,034</b>	<b>353,980</b>	<b>(11,353)</b>	<b>0</b>	<b>342,627</b>
Financial products				16,378				20,784
Financial expenses				(4,813)				(444)
Gain (losses) from foreign exchange				18				(51)
Corporation tax				(148,873)				(149,314)
<b>Net results</b>				<b>261,744</b>				<b>213,602</b>
<b>Capex</b>	<b>9,824</b>	<b>2,019</b>		<b>11,843</b>	<b>6,211</b>	<b>1,466</b>		<b>7,677</b>



(Totals in thousands of euros)	2005				2004			
	PagesJaunes in France	International & Subsidiaries	Eliminations	Total PagesJaunes Group	PagesJaunes in France	International & Subsidiaries	Eliminations	Total PagesJaunes Group
Net differences in acquisition		107,394		107,394		77,475		77,475
Net intangible long-term assets	6,031	5,480		11,511	1,578	6,841		8,419
Net tangible long-term assets	12,985	5,010		17,995	13,808	3,008		16,816
Matched bonds						15,493		15,493
Non-identifiable, non-current asset				73,047				29,928
<b>Non-current assets</b>				<b>209,947</b>				<b>148,131</b>
Stocks nets	4,653	628		5,281	11,842	531		12,373
Net client accounts receivable	422,221	52,884	(2,349)	472,756	396,542	35,494	(1,243)	430,793
Other current assets	28,119	11,645		39,764	25,021	19,329		44,350
Expenses acknowledged in advance	39,934	15,709	(4)	55,639	27,148	12,696		39,844
Non-identifiable current assets				594,289				645,071
<b>Current asset</b>				<b>1,167,729</b>				<b>1,172,431</b>
<b>TOTAL ASSET</b>				<b>1,377,676</b>				<b>1,320,562</b>
Of which identifiable assets	513,943	198,750	(2,353)	710,340	475,939	170,867	(1,243)	645,563
Of which unidentifiable assets				667,336				674,999
<b>Owners' equity</b>				<b>407,098</b>				<b>387,543</b>
Employee benefits	24,497	949		25,446	20,959	1,103		22,062
Provisions	7,876	4		7,880	8,217	112		8,329
Other liabilities not current	2,400	92		2,492				
Liabilities, not identifiable, not current				18				32
<b>Liabilities not current</b>				<b>35,836</b>				<b>30,423</b>
Provisions		509		509		236		236
Benefits to current employees	78,158	9,732		87,890	74,077	7,944		82,021
Supplier debts	107,713	18,803	(2,349)	124,167	93,272	14,997	(1,243)	107,026
Other current liabilities	89,736	11,419		101,155	86,506	4,755		91,261
Products acknowledged in advance	553,167	38,493	(4)	591,656	506,707	28,663		535,370
Non-identifiable current liability				29,365				86,682
<b>Current liabilities</b>				<b>934,742</b>				<b>902,596</b>
<b>TOTAL LIABILITIES</b>				<b>1,377,676</b>				<b>1,320,562</b>
Including identifiable assets	863,547	80,001	(2,353)	941,195	789,738	57,810	(1,243)	846,305
Including unidentifiable assets				436,481				474,257

## 4.2 By geographic zone

(Amounts in thousands of euros)	31 December 2005	31 December 2004
<b>Contributory revenue</b>	<b>1,060,700</b>	<b>967,160</b>
France	1,004,239	940,774
Other	56,461	26,386
<b>Assets</b>	<b>1,377,676</b>	<b>1,320,562</b>
France	570,251	469,804
Other	140,089	91,565
Not affected	667,336	759,193
<b>Tangible and intangible investments</b>	<b>11,843</b>	<b>7,677</b>
France	11,119	6,888
Other	724	789

### Note 5 – Additional information on a like for like basis

In order to make the data for year 2004 comparable to that for the year 2005, the data from 2004 were restored to the 2005 scope.

The chart below shows the passage between the consolidated accounts on 31 December 2004 and the information consolidated on a constant basis on 31 December 2004 taking into account:

- the perimeter entries of the QDQ Media and Mappy on 1 January 2004 instead of 1 April 2004 and 1 May 2004 respectively;
- the perimeter entry of Kompass Belgium on 1 January 2004 instead of 1 January 2005;
- the acquisition of the Edicom company on 1 July 2004 instead of 1 July 2005. Retirement on 1 January shall not have any significance;
- the consolidation of the Editus company through proportional integration on 1 January 2004, a company consolidated by prior equity method;
- the acquisition of the e-sama company on 1 February 2004 instead of 1 February 2005. Retirement on 1 January 2005 shall not have any significance.



## INCOME STATEMENT HISTORY/INFORMATION ON A LIKE FOR LIKE BASIS

(Amounts in thousands of euros)	2004 History	Retirements	2004 constant perimeter
Net revenue	967,160	33,873	1,001,033
Outside purchases	(317,582)	(14,284)	(331,866)
Other products and operating expenses	26,896	(603)	26,293
Staff expenses:			
- Salaries and expenses	(268,992)	(14,718)	(283,710)
<b>Gross operating margin</b>	<b>407,482</b>	<b>4,268</b>	<b>411,750</b>
- Employee profit-sharing	(29,926)	(224)	(30,150)
- Compensation in shares	(25,274)	0	(25,274)
Allowance for amortisation	(10,066)	(788)	(10,854)
Loss of value of acquisition difference	0	0	
Loss of long-term asset value	0	(11)	(11)
Result asset transfer	(363)	(9)	(372)
Cost of restructuring	0	0	0
Results of matched entities	774	(774)	0
<b>Operating results</b>	<b>342,627</b>	<b>2,462</b>	<b>345,089</b>
Financial products	20,784	(1,714)	19,070
Financial expenses	(444)	(22)	(466)
Gain (loss) by foreign exchange	(51)	0	(51)
<b>Financial results</b>	<b>20,289</b>	<b>(1,736)</b>	<b>18,553</b>
Taxes on companies	(149,314)	(1,457)	(150,771)
<b>Net results</b>	<b>213,602</b>	<b>(731)</b>	<b>212,871</b>

See note 6 for further details.

## Note 6 – Variation in the scope of consolidation

### 2004

Entry into the QDQ Media perimeter on 1 April 2004 for 17 million euros and the undertaking of a participatory loan of 89 million euros generated an acquisition difference of 69 million euros (company acquired at 100% of shares and voting rights). Cash transaction acquired amounted to 7 million euros. As an example, the revenue for the year 2004 for QDQ Media was 37 million euros for a negative gross operating margin (GOM) of 13 million euros. The acquisition price for this entity can be explained specifically by the fact that QDQ Media occupies 2nd place on the Spanish market and that the goal for balancing the GOM is anticipated by year end 2006.

Entry into the Mappy scope (formerly known as Wanadoo Maps) on 1 May 2004, at an acquisition price of 10 million euros for 100% of shares and voting rights, results in an acquisition difference of 7 million euros. As an example, the Mappy revenue for year 2004 (before eliminating the intra-Group allowances) add up to 5.5 million euros for a GOM of 1.3 million euros.

The 50% acquisition of Eurodirectory titles, for a price of 13.5 million euros, brings PagesJaunes Group's participation in this company to 100% and generates an acquisition difference of 12.1 million euros. PagesJaunes Group is thus an indirect 49% shareholder in the Editus company, a Luxembourg telephone directory company.

The Eurodirectory company, of which the remainder was acquired late in 2004, remains consolidated by matching in 2004. The effect of this option has no significant incidence on the accounts.

All these companies were acquired in cash.

In order to isolate directory activity from holding activities, the Group purchased, in November 2004, a company called the Nedif Company (renamed PagesJaunes Group SA) and brought to it the operational PagesJaunes activity. At the same time, the PagesJaunes Group changed its name in to become the PagesJaunes Group. The new PagesJaunes is consolidated by worldwide integration retroactively to 1 January 2004.

It should be noted here that the adoption of IFRS standards has had no impact on the scope or on the consolidation methods applied in French standards.

### 2005

The entry by Kompass Belgium into the scope on 1 January 2005, a company acquired on 14 April 2004 at a price of 1.8 million euros, generated an acquisition difference of 1.3 million euros (for 100% of shares and voting rights).

In February 2005, PagesJaunes Group acquired, in cash, via its subsidiary Wanadoo Data, 100% of the e-sama company, which specialises in hosting database and *customer relationship management* (CRM) services.

This company has been consolidated by worldwide integration since 1 February 2005 and its acquisition generated an acquisition difference of 11.7 million euros for 100% of units, taking into consideration a title acquisition price of 13 million euros (of which 2 million euros are price complement).

In July 2005, PagesJaunes Group also acquired the Edicom company, the primary publisher of telephone directories in Morocco. This company has been consolidated by worldwide integration since 1 July 2005. The cash purchase from Atlas Services Belgium of 100% of Edicom's units for a price of 5.5 million euros generated an acquisition difference of 4.8 million euros.

Taking into consideration the acquisition of the remaining 50% of the sub-Group Eurodirectory late in 2004, the Eurodirectory company has been consolidated, since 1 January 2005 by worldwide integration and its subsidiary Editus by proportional integration.

## Note 7 – Revenue

(In thousands of euros)	31 December 2005	31 December 2004
<b>PagesJaunes in France</b>		
Printed telephone directories	638,194	618,928
- PagesJaunes	524,275	505,167
- L'Annuaire	113,919	113,761
Online Services	284,959	254,518
- Internet	227,717	169,558
- Minitel	57,242	84,960
Other activities	32,991	30,491
<b>Total segment PagesJaunes in France</b>	<b>956,144</b>	<b>903,937</b>
<b>International &amp; Subsidiaries</b>		
BtoC Telephone Directories Activities	52,409	26,386
Kompass Activities	29,338	23,356
Direct Marketing Activities and Geographic Services	27,127	15,322
<b>Total segment International &amp; Subsidiaries</b>	<b>108,874</b>	<b>65,064</b>
Intersegments	(4,318)	(1,841)
<b>TOTAL</b>	<b>1,060,700</b>	<b>967,160</b>

In compliance with SIC 31, the products of ordinary activities do not include benefits resulting from the exchange of goods or services for similar benefits.

## Note 8 – Other operating income

(In thousands of euros)	31 December 2005	31 December 2004
Re-invoicing of editorial costs related to l'Annuaire	47,276	48,264
Other products	7,630	6,985
<b>TOTAL</b>	<b>54,906</b>	<b>55,249</b>



## Note 9 – Personnel costs

(In thousands of euros, except for staffing)	31 December 2005	31 December 2004
Average workforce (equivalent full time)	4,677	4,233
<b>Salaries and costs including:</b>	<b>(297,577)</b>	<b>(268,992)</b>
- Salaries and wages	(195,082)	(185,114)
- Fringe benefits	(80,626)	(72,846)
- Immobilised production	-	-
- Taxes on salaries and others	(21,869)	(11,032)
<b>Compensation in shares including:</b>	<b>(20,450)</b>	<b>(25,274)</b>
- Offer reserved for employees	(14,732)	(15,299)
- Stock-options <sup>(1)</sup>	(5,718)	(9,975)
<b>Participation</b>	<b>(32,906)</b>	<b>(29,926)</b>
<b>TOTAL PERSONNEL EXPENSES</b>	<b>(350,933)</b>	<b>(324,192)</b>

(1) See note 27.

### Offers made only to salaried employees

#### 2004

Further to the opening of the capital of the PagesJaunes Group in July 2004, the Company proceeded with an increase of capital reserved for the employees of the France Télécom Group. Once this had been completed, 4.7 million shares were underwritten by all the employees.

Moreover, further to the transfer by the State of 10.85% of the social capital of France Télécom SA which took place on 7 September 2004, the State proceeded, in compliance with the law of 6 August 1986 relative to methods of privatisation, with an offer of shares reserved for current and former employees of the France Télécom and PagesJaunes Group groups. The underwriting period was opened from 1 to 13 December 2004. Upon its completion, 28.7 million shares were underwritten by all the employees, including 2.3 million shares by the employees of the PagesJaunes Group. Payment/delivery of the titles took place on 20 January 2005.

The acknowledged expense amount for these operations added up to 15.3 million euros in 2004, of which 3.0 million euros for the PagesJaunes offer.

#### 2005

Subsequent to the transfer by the State of 152.2 million existing shares of France Télécom representing 6.2% of the social capital, which took place on 9 June 2005, the State proceeded, in compliance with the law of 6 August 1986 relative to methods of privatisation, with an offer reserved for current and former employees of the France Télécom and PagesJaunes Groups involving 16.911 million shares of France Télécom representing 0.68% (undiluted basis) of the total number of shares.

The offer was the subject of a prospectus being considered by the Financial Markets Authority on 8 September 2005 under number 04-895. France Télécom shares were offered at a unit price of 19.79 euros, corresponding to 80% of the transfer price of the France Télécom share within the scope of private placement through investors (or 22.55 euros per share).

The underwriting period was opened from 15 to 27 September 2005. When it was over, 16.7 millions shares had been purchased, of which 3.2 million by the employees of the PagesJaunes Group. Payment-delivery of titles took place on 7 November 2005.

The amount of the calculated expense in 2005 for this operation added up to 14.7 million euros.

### Note 10 – Financial results

Financial results consist primarily of the products generated by the cash equivalent placed with France Télécom.

In 2005, the financial expenses include specifically a financial expense of an amount of 2.9 million euros paid at time of securitisation of the tax security relative to the exceptional draw-down of 25% on the distributions that were made in 2005.

## Note 11 – Corporate tax

### 11.1 Proof of Group taxes

Annual company taxes result from the application of the effective year-end rate to the before-tax results on 31 December 2005.

The reconciliation between theoretical calculated tax on the basis of the legal taxation rate in France and the effective tax is as follows:

(In thousands of euros)	31 December 2005	31 December 2004
<b>Before-tax results</b>	<b>410,617</b>	<b>362,916</b>
Legal taxation rate	34.93%	35.43%
<b>Theoretical tax</b>	<b>(143,429)</b>	<b>(128,581)</b>
Result for matched companies	0	274
Companies under loss	(2,742)	(7,456)
Tax of the Special Reserve of long-term added value	-	(964)
Distribution of the special reserve of long-term added value	-	(4,610)
Compensation in shares	(6,720)	(8,547)
Foreign subsidiaries	113	-
IS adjustment to previous tax years	3,232	-
Other non-taxable products and expenses	673	570
<b>Effective tax</b>	<b>(148,873)</b>	<b>(149,314)</b>
Including current tax	(151,258)	(150,893)
Including deferred tax	2,385	1,579

### 11.2 Taxes on the balance sheet

The net balance sheet position is detailed as follows:

(In thousands of euros)	31 December 2005	31 December 2004
Indemnities upon retirement	7,105	6,201
Long-term assets	2,977	3,244
Non-deductible provisions	2,827	2,783
Deficient reports and ARD	2,466	2,829
Provision for participation	11,361	10,320
Other differences	1,791	767
<b>TOTAL DEFERRED ASSETS</b>	<b>28,527</b>	<b>26,144</b>

It should be noted here that no deferred taxes were accounted for in the annual report relative to deficits reportable to companies operating at a loss (primarily QDQ Media), for which the amount was estimated at 66.5 million euros on 31 December 2005.

Deferred company assets and liabilities taxes were evaluated taking into consideration the output of 2004, without indemnification, the companies of the fiscal integration perimeter formed by Wanadoo SA.

PagesJaunes Group has opted for the fiscal integration programme indicated in articles 223 A and subsequent of the General Tax Code. This option involves constituting a fiscally integrated group that comprises, besides the PagesJaunes Group, all its French subsidiaries, fulfilling the conditions required for becoming members of it. This option took effect starting on 1 January 2005 for a period of five business years.

The debt to the annual report corresponds to the current tax. Tax paid out during the business year was 212.2 million euros.

## Note 12 – Results per share

Net result was 261.7 million euros.

The number of ordinary shares was 278,789,610 (see note 25 – Owners' equity) on 31 December 2005.

The net result per share was therefore 0.94 euros and 0.93 euros, taking into consideration the potentially dilutive effect associated with the granting to some employees of 3,796,800 options of PagesJaunes underwriting shares in June 2005, of which 3,757,000 are still in circulation as of 31 December 2005, on the one hand, and 100,000 PagesJaunes Group self-held shares within the scope of the liquidity contract implemented by the PagesJaunes Group in November 2005, on the other hand.

### Note 13 – Goodwill of integrated companies

The primary acquisition gaps of companies consolidated by worldwide integration are analysed as follows:

(In thousands of euros)	31 December 2005			31 December 2004
	Remainder start of business year	Acquisitions/transfers	Remainder end of business year	Remainder end of business year
QDQ Media	68,882	-	68,882	68,882
Mappy (ex-Wanadoo Maps)	7,395	5	7,400	7,395
Wanadoo Data	1,198	-	1,198	1,198
Eurodirectory	-	12,109	12,109	-
e-sama	-	11,747	11,747	-
Edicom	-	4,796	4,796	-
Kompass Belgium	-	1,262	1,262	-
<b>TOTAL</b>	<b>77,475</b>	<b>29,919</b>	<b>107,394</b>	<b>77,475</b>

#### Primary acquisitions in 2005 include:

- the scope entry of Kompass Belgium on 1 January 2005, a company that was acquired on 14 April 2004, for a price of 1.8 million euros, generated an acquisition difference of 1.3 million euros (for 100% of shares and voting rights);
- the acquisition of the e-sama company, via the subsidiary Wanadoo Data, on 1 February 2005, for a price of 12.9 million euros for 100% of units, generated an acquisition difference of 11.7 million euros;
- the acquisition of the Edicom company on 1 July 2005 from Atlas Services Belgium, for a price of 5.5 million euros for 100% of units, generated an acquisition difference of 4.8 million euros;

- the acquisition of the 50% remaining of the sub-group Eurodirectory for a price of 13.5 million euros at the end of 2004, generated an acquisition difference of 12 million euros. This company is henceforth held at 100%. By purchasing the remainder of the participation in the Eurodirectory company, PagesJaunes Group has become a 49% shareholder of the Editus company, a telephone directory company in Luxembourg. Eurodirectory Inc. has been consolidated since 1 January 2005 through worldwide integration and its subsidiary Editus in proportional integration;
- the acquisition value has been the subject of an examination within the scope of the decree for consolidated accounts, according to the method described in note 3.8 – Accounting principles, on the basis of business plans, a perpetual growth rate of between 2% and 3% and a rate of discount after-tax rate of between 9% and 11%.

### Note 14 – Other intangible fixed assets

(In thousands of euros)	31 December 2005			31 December 2004		
	Gross value	Accumulated amortisation	Net value	Gross value	Accumulated amortisation	Net value
ERP & Applications support	37,674	(27,845)	9,829	32,865	(26,538)	6,327
Other intangible fixed assets	5,534	(3,852)	1,682	4,018	(1,926)	2,092
<b>TOTAL</b>	<b>43,208</b>	<b>(31,697)</b>	<b>11,511</b>	<b>36,883</b>	<b>(28,464)</b>	<b>8,419</b>

No significant loss of value has been recorded on 31 December 2004 and 31 December 2005.

The evolution of the net value of other intangible fixed assets is analysed below:

(In thousands of euros)	31 December 2005	31 December 2004
<b>Balance at the start of the fiscal year</b>	<b>8,419</b>	<b>3,607</b>
- Acquisitions	1,640	1,558
- Internally generated fixed assets <sup>(1)</sup>	4,908	394
- Effect of variations in scope <sup>(2)</sup>	293	6,796
- Sales	(2)	(10)
- Amortisation allowance	(3,748)	(3,926)
<b>BALANCE AT THE END OF THE FISCAL YEAR</b>	<b>11,511</b>	<b>8,419</b>

(1) Concerns all activated development expenses.

(2) Principally concerns the entry into the scope of consolidation of Mappy (ex-Wanadoo Maps) and QDQ Media in 2004.

## Note 15 – Tangible fixed assets

(In thousands of euros)	31 December 2005			31 December 2004		
	Gross value	Accumulated amortisation	Net value	Gross value	Accumulated amortisation	Net value
Land and buildings	2,855	(929)	1,926	632	(232)	400
ICT and terminals	37,295	(30,325)	6,970	36,073	(28,360)	7,713
Other	24,199	(15,100)	9,099	23,052	(14,349)	8,703
<b>TOTAL</b>	<b>64,349</b>	<b>(46,354)</b>	<b>17,995</b>	<b>59,757</b>	<b>(42,941)</b>	<b>16,816</b>

No significant loss of value has been recorded on 31 December 2004 and 31 December 2005.

The evolution of the net value of tangible fixed assets is analysed below:

(In thousands of euros)	31 December 2005	31 December 2004
<b>Balance at the start of the fiscal year</b>	<b>16,816</b>	<b>15,321</b>
- Acquisitions of tangible fixed asset	5,298	5,726
- Effect of variations in scope	2,248	2,537
- Sales and cancellations	(371)	(616)
- Amortisation allowance	(5,996)	(6,152)
<b>BALANCE AT THE END OF THE FISCAL YEAR</b>	<b>17,995</b>	<b>16,816</b>

## Note 16 – Equity accounted holdings

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

(In thousands of euros)	31 December 2005	31 December 2004
<b>Eurodirectory</b>		
Balance at the start of the fiscal year	15,493	2,504
- Share of results		774
- Dividends paid out		(1,285)
- Share acquired in 2004		1,391
- Goodwill		12,109
- Change in method of consolidation (MEE => IG/IP) *	(15,493)	
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>0</b>	<b>15,493</b>

\* Equity Accounted company => fully consolidated/proportionally integrated.

## Note 17 – Other saleable assets

(In thousands of euros)	31 December 2005			31 December 2004
	% interest	Fair value	Variation in fair value	Fair value
PagesJaunes Outre-Mer	100%	76		
PagesJaunes Liban	100%	312		
Other holdings		50		
<b>TOTAL</b>		<b>438</b>		

These entities are not consolidated in view of their non-material character.

## Note 18 – Other non-current financial assets

(In thousands of euros)	31 December 2005	31 December 2004
Loan to France Télécom <sup>(1)</sup>	42,805	-
Other non-consolidated holdings	-	2,263
Other assets <sup>(2)</sup>	1,276	1,521
<b>TOTAL</b>	<b>44,081</b>	<b>3,784</b>

(1) Long term part of the loan given to France Télécom for a total amount of 64.2 million euros.

(2) Other assets essentially include the long term part of deposits and guarantees.

## Note 19 – Other current financial assets

(In thousands of euros)	31 December 2005	31 December 2004
Loan to France Télécom <sup>(1)</sup>	21,403	-
Short term investments > 3 months and <1 year <sup>(2)</sup>	16,482	-
Other assets	1,471	861
<b>TOTAL</b>	<b>39,356</b>	<b>861</b>

(1) Short term part of the loan given to France Télécom for a total amount of 64.2 million euros.

(2) Sum put at the disposal of the coordinator as part of the liquidity contract entered into in November 2005.

## Note 20 – Net stock

Stock mainly comprises paper for the production of printed directories (PagesJaunes and l'Annuaire) and the work-in-progress of services relating to the production of advertisements (printed and on-line material) and internet sites.

The application of IFRS standards does not involve a change in the method of valuing stock, as this is evaluated at its average weighted cost, in accordance with standard IAS 2.

Where necessary, they are depreciated when market prospects suggest a risk of sale for a value which is lower than the value in the balance sheet.

No significant cancellation has been entered in the accounts during the fiscal years 2004 and 2005.

## Note 21 – Customer receivables

Customer receivables have an expiration date which is generally less than one year. The breakdown in gross value and depreciations of customer accounts is as follows:

(In thousands of euros)	31 December 2005	31 December 2004
Gross customer receivables	489,027	451,259
Provisions for depreciation <sup>(1)</sup>	(16,271)	(20,466)
<b>Net Customer Receivables</b>	<b>472,756</b>	<b>430,793</b>

(1) See note 24 – Variations in provisions for depreciation of assets.

## Note 22 – Other current assets

Other current assets are broken down as follows:

(In thousands of euros)	31 December 2005	31 December 2004
VAT to be received	17,897	13,690
Sundry accrued charges to be received	217	300
Subscribed capital not called-up <sup>(1)</sup>	7,485	17,566
Other current assets <sup>(2)</sup>	14,165	12,794
<b>TOTAL</b>	<b>39,764</b>	<b>44,350</b>

(1) Subscribed capital not called-up is the balance of the increase in 2003 capital of QDQ Media which Atlas Services Belgium (ex-Wanadoo International) has agreed to make paid-up at the request of the company's Board of Directors.

(2) Mainly concerns the advances and down-payments made to suppliers in the amount of 7.2 million euros.

## Note 23 – Costs paid in advance

Other costs paid in advance are broken down as follows:

(In thousands of euros)	31 December 2005	31 December 2004
Costs paid in advance <sup>(1)</sup>	55,639	39,844
<b>TOTAL</b>	<b>55,639</b>	<b>39,844</b>

(1) Costs paid in advance mainly comprise the costs of the sale of advertisements invoiced for directories yet to be published and directories on-line, spread over a posting period, which is generally 12 months.



## Note 24 – Variations in provision for depreciation of assets

(In thousands of euros)	Balance at start of period	Allocations/ net recoveries	Other movements etc. <sup>(1)</sup>	Balance at end of period
<b>2004</b>				
Equity interests	1,813	-	-	1,813
Client receivables	6,568	(4,892)	18,790	20,466
Other assets	1,264	(634)	-	630
<b>2005</b>				
Equity interests	1,813	889	-	2,702
Client receivables	20,466	(5,316)	1,121	16,271
Other assets	630	(572)	52	110

(1) Effect of variation in scope.

## Note 25 – Shareholder equity

### 25.1 Share capital

On 31 December 2005, the share capital of the company, PagesJaunes Group, a sum of 55.8 million euros, was divided into 278,789,610 ordinary

shares with a nominal unit value of 0.20 euros. It is completely paid-up. PagesJaunes Group is held to the tune of 54.0% by France Télécom.

#### EVOLUTION OF THE NUMBER OF SHARES DURING THE FISCAL YEAR

<b>Number of shares at start of fiscal year, nominal value of 300 euros on 01/01/2004</b>	<b>182,700</b>
Division of the nominal value by 1,500	273,867,300
Increase in capital reserved for employees <sup>(1)</sup>	4,739,610
<b>Number of shares at end of fiscal year, nominal value of 0.20 euros on 31/12/2004</b>	<b>278,789,610</b>
<b>Number of shares at end of fiscal year, nominal value of 0.20 euros on 31/12/2005</b>	<b>278,789,610</b>

(1) Increase of capital reserved for staff for 53 million euros.

### 25.2 – Reserves

The various elements making up the consolidated reserves, which comprise the results of the fiscal year, are as follows:

(In millions of euros)	31 December 2005	31 December 2004
Capital reserves of PagesJaunes Groupe SA	43,676	44,545
- of which, legal reserve	5,576	5,481
- of which, special reserve for long-term gains	-	39 064
- of which, other reserves	38,100	-
Other reserves and consolidated results	(20,254)	5,303
<b>TOTAL RESERVES</b>	<b>23,422</b>	<b>49,848</b>

**25.3 – Own shares**

On 31 December 2005, 100,000 PagesJaunes shares were automatically held within the scope of the liquidity contract implemented by PagesJaunes Group in November 2005.

**25.4 – Dividend**

The amount of the 2005 distributions increased to 259,274 million euros, i.e. 0.93 euros per share on the basis of the number of shares existing on 31 December 2005 and 2004.

**Note 26 – Personnel benefits, provisions and other current liabilities**

They break down as follows:

(In millions of euros)	31 December 2005	31 December 2004
Benefits after employment	20,626	18,065
Other long-term benefits	4,824	3,997
<b>Personnel benefits – not current</b>	<b>25,450</b>	<b>22,062</b>
Other provisions for risks and expenses	576	112
Provisions for social – fiscal litigation	7,300	8,217
<b>Provisions – not current</b>	<b>7,876</b>	<b>8,329</b>

(In millions of euros)	31 December 2005	31 December 2004
Personnel <sup>(1)</sup>	64,795	59,453
Social organisations	23,095	22,568
<b>Total personnel benefits - current</b>	<b>87,890</b>	<b>82,021</b>
VAT to be paid	88,870	80,572
Miscellaneous accrued charges	7,125	6,585
Other current liabilities	5,160	4,104
<b>Other current liabilities</b>	<b>101,155</b>	<b>91,261</b>

(1) Mainly consisting of employee participation and personal costs.

The evolution of provisions is as follows:

(In millions of euros)	1 January 2005	Charge for the year	Carry forward for the year (provision not used)	Carry forward for the year (provision used)	Variations in scope, reclassifications and others	31 December 2005
Provisions for social – fiscal litigation	8,217	-	-	(36)	(881)	7,300
Other provisions for risks and expenses	348	497	-	(586)	826	1,085
<b>TOTAL PROVISIONS</b>	<b>8,565</b>	<b>497</b>	<b>0</b>	<b>(622)</b>	<b>(55)</b>	<b>8,385</b>
- Of which, not current	8,329	74	-	(432)	(95)	7,876
- Of which, current	236	423	-	(190)	40	509



TABLE OF PENSION AGREEMENTS AND OTHER PERSONNEL BENEFITS

(In millions of euros)	Benefits after employment	Other long-term benefits	Total 31 December 2005	Total 31 December 2004
Variation in value of agreements				
<b>- Total value of agreements at start of period</b>	<b>28,912</b>	<b>4,014</b>	<b>32,926</b>	<b>23,255</b>
- Cost of services provided	2,051	294	2,345	1,378
- Cost of current value accounting	1,384	189	1,573	1,239
- Contributions paid by employees				
- Modification of the system				
- Reductions/liquidations	(94)		(94)	
- (Gains) or actuarial deficits	3,930	520	4,450	7,728
- Benefits paid	(1,233)	(193)	(1,426)	(674)
- Acquisitions	36		36	
- Disposals/transfers of business	(18)		(18)	
- Variation in scope				
- Others (conversion rate adjustment)				
<b>- Total value of agreements at end of period (A)</b>	<b>34,968</b>	<b>4,824</b>	<b>39,792</b>	<b>32,926</b>
- Agreements at end of period accruing to systems fully or partially financed	33,122		33,122	31,882
- Agreements at end of period accruing to systems not financed	1,846	4,824	6,670	1,044
Variation in hedge assets				
<b>- Fair value of hedge assets at start of period</b>	<b>1,920</b>		<b>1,920</b>	<b>1,566</b>
- Income on hedge assets	50		50	66
- Gains/Losses on hedge assets	(100)		(100)	
- Contributions paid by the Employer	800		800	800
- Contributions paid by employees				
- Reductions/liquidations				
- Benefits paid by the funds	(1,058)		(1,058)	(512)
- Variation in scope				
- Others (conversion rate adjustment)				
<b>- Fair value of hedge assets at end of period (B)</b>	<b>1,612</b>		<b>1,612</b>	<b>1,920</b>
Financial reserves				
- System situation (A) – (B)	33,356	4,824	38,180	30,982
- Unrecognised actuarial gains or (deficits)	(12,730)		(12,730)	(9,037)
- Cost of unrecognised creditable services				
- Adjustment linked to asset ceiling				
<b>- Provision/(asset) at end of period</b>	<b>20,626</b>	<b>4,824</b>	<b>25,450</b>	<b>22,062</b>
- Of which provision (asset): Short-term	53	281	334	
- Of which provision (asset): Long-term	20,573	4,543	25,116	22,062



(In millions of euros)	Benefits after employment	Other long-term benefits	Total 31 December 2005	Total 31 December 2004
Pension expense				
- Cost of services provided	1,958	294	2,252	583
- Cost of current value accounting	1,384	189	1,573	1,239
- Expected return from system assets	(50)		(50)	(66)
- Amortisation of actuarial (gains) or deficits	329	519	848	3,292
- Amortisation of cost of creditable services				
- Effect of reductions/liquidations	(119)		(119)	
- Disposals/ transfers of business	(18)		(18)	
- Adjustment linked to asset ceiling				
<b>Total pension expense</b>	<b>3,484</b>	<b>1,002</b>	<b>4,486</b>	<b>5,048</b>
Evolution of the provision (asset)				
<b>- Provision/(asset) at start of period</b>	<b>18,047</b>	<b>4,015</b>	<b>22,062</b>	<b>17,176</b>
- Pension expense	3,484	1,002	4,486	5,048
- Contributions paid by the employer	(800)		(800)	
- Benefits paid directly by the employer	(141)	(193)	(334)	(162)
- Variation in scope				
- Others (goodwill)	36		36	
<b>- Provision/(asset) at end of period</b>	<b>20,626</b>	<b>4,824</b>	<b>25,450</b>	<b>22,062</b>
Hypotheses				
- Interest rate (%)	4.5%	4.5%	4.5%	
- Expected long-term inflation rate (%)	2.0%	2.0%	2.0%	
- Expected long-term salary progression rate (%)	3.5%	3.5%	3.5%	
- Rate of revaluation of pensions expected in the long-term (%)				
- Development rate of medical costs (%)				
- Expected income on system assets (%)	4.5%			
- Expected development of compulsory systems (%)				
- Probable residual maturity	20.1	20.1	20.1	
<b>- Recorded amount payable for the period</b>	<b>3,484</b>	<b>1,002</b>	<b>4,486</b>	<b>5,048</b>



## Note 27 – Stock-options

### 27.1 – Description of plans

PagesJaunes Group set up a plan for share subscription options on 28 June 2005. In addition, some staff have options which were given to them when PagesJaunes was a subsidiary of the Wanadoo Group or when these staff were employees of Wanadoo and of Orange SA, subsidiaries of the France Télécom Group.

#### PagesJaunes Group

This plan, totalling 3,796,800 options, all with a strike price of 19.30 euros, has a lifespan of 10 years. Acquisition of options is completed after 3 years. There are no performance conditions.

#### Orange SA

“France” stock-option plans: These plans (2001, 2002 and 2003), totalling 45,983,363 options in the France Télécom Group, have a lifespan of 10 years and the acquisition of options is completed after 3 years for the majority of plans. Some options also have individually defined acquisition periods.

#### Wanadoo SA

The Wanadoo stock-option plans for French employees (2000, 2001, 2002 and 2003), totalling 30,630,000 options in the France Télécom Group, have a lifespan of 10 years and the acquisition is completed after 3 years (or 5 years for the 2000 plan). In addition, for the 2000 and

2001 plans, the exercise of options is subject to performance conditions linked to the performance of underlying shares and the achievement of operational results. All shareholdings in the plans may be altered (it was temporarily possible to liquidate them for cash between 9 March 2004 and 1 September 2004).

Whatever the plans (PagesJaunes Group, Wanadoo or Orange), a period of non-transferability (sale restriction) of 4 years for shares is required by the tax system and is applied to French beneficiaries.

### 27.2 – Description of evaluation models

PagesJaunes Group has evaluated the fair value of assets or services received during the period based on the fair value of assigned stockholder equity instruments. PagesJaunes Group assigned options on shares in 2005. No other stockholder equity instrument was assigned in 2005.

The fair values of options of the PagesJaunes Group plan were calculated with a binomial model that reflected the anticipated exercise behaviour of the allottees using an “exercise ceiling” hypothesis expressed in multiples of the strike price, and which represents the value of the share for which it is expected that all the options will be exercised.

The ceiling used for the calculation of the fair values above is 2.0. For the hypotheses used, refer to Note 27.5. The expected volatility has been established on the basis of the historical volatility of the PagesJaunes Group shares over the longest period available before the calculation date, i.e. since its initial public offering, in July 2004.

No other stockholder equity instrument has been assigned in 2004.

## 27.3 – Development of stock-option plans over the fiscal year

	Number of options 2005	Strike price weighted average 2005	Number of options 2004	Strike price weighted average 2004
<b>Options in circulation at start of period</b>	<b>4,316,609</b>	<b>€20.56</b>	<b>4,660,560</b>	<b>€20.90</b>
Orange stock-option plan	186,900	€9.15		
Wanadoo stock-option plan	4,129,709	€21.07		
Options assigned			-	-
Orange stock-option plan			-	-
Wanadoo stock-option plan			-	-
PagesJaunes Group stock-option plan	3,796,800	€19.30	-	-
Additional options				
Orange stock-option plan				
Wanadoo stock-option plan	12,484	€22.62		
PagesJaunes Group stock-option plan				
Options exercised			(309,624)	€15.37
Orange stock-option plan	(5,000)	€10.00	-	-
Wanadoo stock-option plan	(868,128)	€14.93	(309,624)	€15.37
PagesJaunes Group stock-option plan				
Options cancelled, made null and void			(65,907)	€19.73
Orange stock-option plan				
Wanadoo stock-option plan	(110,084)	€22.79	(65,907)	€19.73
PagesJaunes Group stock-options plan	(39,800)	€19.30		
Migration outside PJ Group*			(250,781)	€24.89
Orange stock-option plan			-	-
Wanadoo stock-option plan	(128,737)	€20.42	(250,781)	€24.89
PagesJaunes Group stock-options plan	(9,000)	€19.30		
Migration within PJ Group**			282,361	€12.76
Orange stock-option plan	136,300	€9.00	186,900	€9.15
Wanadoo stock-option plan			95 461	€19,82
PagesJaunes Group stock-option plan				
<b>Options in circulation at end of period</b>	<b>7,101,444</b>	<b>€20.30</b>	<b>4,316,609</b>	<b>€20.56</b>
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 Group stock-option plan	3,748,000	€19.30	-	-

\* Represents options held by beneficiaries who have transferred to another company of the France Télécom Group in 2005.

\*\* Represents options held by beneficiaries who have transferred within the PagesJaunes Group in 2005 but who were in another company belonging to the France Télécom Group when their options were assigned

## 27.4 – Details of options in circulation at the end of the fiscal year

	Number of options not exercised at end of fiscal year	Weighted average term still to run until start of exercise period (months)	Strike price weighted average	Number of options that can be exercised at end of period
<b>2004</b>				
Orange stock-option plan	186,900	2	€9.15	137,500
Wanadoo stock-option plan	4,129,709	8	€21.07	1,188,556
<b>TOTAL</b>	<b>4,316,609</b>	<b>7</b>	<b>€20.56</b>	<b>1,326,056</b>
<b>2005</b>				
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 Group stock-option plan	3,748,000	30	€19.30	-
<b>TOTAL</b>	<b>7,101,444</b>	<b>17</b>	<b>€20.30</b>	<b>2,565,572</b>

## 27.5 – Fair value of options assigned during the fiscal year

Options assigned during the period	Fair value weighted average
PagesJaunes Group stock-option plan	€1.68
<b>TOTAL</b>	<b>€1.68</b>

Principal hypotheses	Plan PJ
Evaluation model*	
Market value of underlying on assignment date	€19.00
Strike price	€19.30
Expected volatility	15.00%
Lifespan of option (contractual or expected)	10,00
Starting rate (annual)	2.00%
Dividend rate expected	5.00%
<b>Risk-free rate of return</b>	<b>2.75%</b>

\* Note: All the fair values above have been calculated with a binomial model which reflects the anticipated exercise behaviour of the allottees using an "exercise ceiling" hypothesis expressed in multiples of the exercise price, and which represents the value of the share for which it is expected that all the options will be exercised. The ceiling used for the calculation of the fair values above is 2.0.

## 27.6 – Impact of the stock-option plans on the income statement

(In millions of euros)	31 December 2005	31 December 2004
Exercise expenses		
Orange stock-option plan	440	65
Wanadoo stock-option plan	4,267	9,910
PagesJaunes Group stock-option plan	1,011	-
<b>TOTAL</b>	<b>5,718</b>	<b>9,975</b>

The 2005 exercise expenses correspond to the options for share subscriptions.

## Note 28 – Gross financial debt, liquid assets

(In millions of euros)	31 December 2005	31 December 2004
Short-term investments >3 months and <1 year	16,482	265
Liquid and semi-liquid assets <sup>(1)</sup>	549,827	644,077
<b>Active cash flow</b>	<b>566,309</b>	<b>644,342</b>
Bank overdrafts	7,806	9,786
Other financial debts	5,507	4,816
<b>Gross financial debt</b>	<b>13,313</b>	<b>14,602</b>
- Of which, share of less than one year	13,296	14,570
- Of which, share of more than one year	17	32
<b>Net cash (debt)</b>	<b>552,996</b>	<b>629,740</b>

(1) Essentially made up of current accounts and investments of less than 3 months with France Télécom.

The evolution of financial debts is analysed as follows:

(In millions of euros)	31 December 2005	31 December 2004
<b>Balance at start of fiscal year</b>	<b>14,602</b>	<b>15,386</b>
- Variations in scope	368	89,705
- Net increase (decrease)	(1,657)	(90,507)
<b>BALANCE AT END OF FISCAL YEAR</b>	<b>13,313</b>	<b>14,602</b>

## Note 29 – Unearned income

(In millions of euros)	31 December 2005	31 December 2004
Unearned income	591,656	535,370
<b>TOTAL</b>	<b>591,656</b>	<b>535,370</b>

The unearned income mainly consists of revenue from the sale of advertising invoiced for directories to be published and on-line directories spread over a display period, which is generally 12 months.

## Note 30 – Transactions with related parties

### Note 30.1 – Remuneration of members of the Executive Committee and the Board of Directors

(In millions of euros)	31 December 2005	31 December 2004
Short-term benefits <sup>(1)</sup>	2,851	3,226
<i>of which, employer contributions</i>	778	955
Benefits after employment <sup>(2)</sup>	34	43
Other long-term benefits <sup>(3)</sup>	-	-
End of contract payments <sup>(4)</sup>	705	-
Benefits on shareholder equity <sup>(5)</sup>	830	1,717
<b>TOTAL</b>	<b>4,420</b>	<b>4,986</b>

(1) Salaries, remunerations, profit-sharing and bonuses paid and Social Security contributions, paid holidays, director's fees and recorded non-monetary benefits.

(2) Pensions, retirements, other benefits, life insurance, medical insurance, etc.

(3) Length of service holidays, sabbatical leave, long-term indemnities, CFC, deferred remuneration, profit-sharing and bonuses (if payable 12 months or more after the end of the fiscal year).

(4) Severance pay.

(5) Stock-options and other payments in shares.



## Note 30.2 – Transactions with related parties

The transactions and the balances with related companies, summarised below, are quoted within the scope of routine operation:

RECEIVABLES FOR RELATED COMPANIES		
Related company (In millions of euros)	31 December 2005	31 December 2004
France Télécom SA	15,821	15,710
Atlas Services Belgium (ex-Wanadoo international)	7,485	17,613
Other companies in the France Télécom Group	1,591	1,875
<b>TOTAL</b>	<b>24,897</b>	<b>35,198</b>

To these receivables are added the current accounts and investments with France Télécom which stood at 637.6 million euros on 1 January 2005 and 537.6 million on 31 December 2005.

Also added is the loan granted to France Télécom for a total sum of 64.2 million euros relating to the investment of liquidities from the assignment of a receivable linked to the exceptional drawdown on the 2005 distribution.

DEBTS TO RELATED COMPANIES		
Related company (In millions of euros)	31 December 2005	31 December 2004
France Télécom SA	35,973	30,280
Other companies in the France Télécom Group	1,297	2,197
<b>TOTAL</b>	<b>37,270</b>	<b>32,477</b>

SIGNIFICANT TRANSACTIONS WITH RELATED COMPANIES		
Transactions (In millions of euros)	31 December 2005	31 December 2004
Téléétel	3,915	6,028
Editorial costs	47,276	48,264
Audiotel	1,248	1,395
Directory access	5,504	2,664
Provision of personnel	(5,948)	(7,631)
Pages Blanches royalties	(61,323)	(58,622)
Property and rental expenses	(12,022)	(10,085)
Databases	(3,957)	(7,640)
Management fees	(5,618)	(5,464)
Brand royalties	(579)	(1,066)
Telephony – hosting	(6,070)	(5,438)
Other operational services	(7,141)	(6,353)
<b>TOTAL</b>	<b>(44,715)</b>	<b>(43,948)</b>

The principal agreements entered into with the France Télécom Group relate to:

- the provision of directory data for publishing the directories;
- canvassing for and collecting advertising for insertion in the Directory and the 3611 in alphabetical order, as well as the technical design, execution and layout of this advertising;
- the performance for France Télécom of the necessary tasks for the manufacture, distribution and promotion of the Directory and the 3611 in alphabetical order;
- brand royalties and management fees;
- the loan granted to France Télécom of a total sum of 64.2 million euros.

To these transactions are added the revenues generated by the cash and cash equivalents invested with France Télécom, i.e. 15.4 million euros, as well as the PagesJaunes contribution to the mutualised employee participation in the France Télécom Group.

### Note 31 – Contractual obligations and commitments and contingent liabilities

The summary of the significant data relating to the commitments and contingent liabilities are shown as follows:

Conditional agreements (In millions of euros)	2005				2004
	Total	Payments due per period			Total
		Less than one year	From one to five years	More than five years	
Financial lease contracts	37,448	15,556	21,760	132	44,389
Agreements for purchase of assets and services	120,165	51,410	68,755	-	64,224
<b>TOTAL</b>	<b>157,613</b>	<b>66,966</b>	<b>90,515</b>	<b>132</b>	<b>108,613</b>

Conditional agreements (In millions of euros)	2005				2004
	Total	Payments due per period			Total
		Less than one year	From one to five years	More than five years	
Guarantees and deposits	1,013	1,009	4	-	853

#### Rental contracts

PagesJaunes SA has rented land, buildings, vehicles and equipment. These contracts will finish on various dates during the next ten years. The Management expect that these contracts will be renewed or replaced on termination by other contracts within the scope of normal operating conditions. The rental expenses recorded in the income statement as financial leases stood at 15.1 million euros in 2005. Of these 15.1 million euros, 10.1 million were invoiced by France Télécom. The share of France Télécom in future agreements stands at 10.7 million in 2006 and 15.7 million for 2007 to 2011.

#### Agreements for purchase of assets and services

##### Production of directories

Within the scope of its business, PagesJaunes SA makes agreements with paper suppliers on the basis of contracts, generally annual, with firm agreements on volume. Additionally, PagesJaunes SA also makes agreements with printers on the basis of tri-annual or bi-annual contracts and with distributors on the basis of annual contracts for the production and distribution of the PagesJaunes and the Directory. These latter agreements are only the subject of provisional order volumes without a minimum contractual value. All these agreements are estimated to be worth 111.1 million euros, 48.6 million euros of which for less than a year. These amounts may vary depending on the real volume for each year.

QDQ Media also has agreements with paper suppliers, which are similar for firm volumes, and with printers. These agreements stand at 8.7 million euros, of which, 2.8 million euros in December 2006 and 5.8 million euros from 2007 to 2008.

#### Deconsolidating procedures and *ad hoc* bodies

The Group has not carried out deconsolidating procedures during the periods shown.

It does not have contractual obligations vis-à-vis *ad hoc* bodies.

#### Individual rights to training

As an individual right to training, for people who are not civil servants and who have contracts of indeterminate length within the French bodies of the PagesJaunes Group, the volume of hours of the available but unused share of the rights was 111,637 hours on 31 December 2005. 309 hours are the subject of a request from the employees.

### Note 32 – Litigation

During the normal course of their business, the companies of the Group may be involved in a certain number of legal, arbitration and administrative proceedings. The expenses that may result from these proceedings are only provided for when they are probable and when the amount can be quantified, i.e. estimated within a reasonable range. The sum of the accepted provisions is based on the estimation of the risk, case by case, and largely depends on factors other than the stage the proceedings have reached, it being specified that the incidence of events during the proceedings may, however, cause this risk to be reassessed.

Except for the proceedings described below, neither PagesJaunes Group, nor any of its subsidiaries, is a party to any lawsuit or arbitration proceeding of any kind where the PagesJaunes management believes that the result could reasonably have a significant negative impact on its results, business or consolidated financial position.

- (i) The Prodis company, which operates a website at the address [www.pagesjaunes.com](http://www.pagesjaunes.com) and is the owner of the domain names [pagesjaunes.com](http://pagesjaunes.com) and [pagejaunes.net](http://pagejaunes.net), sued France Télécom on 26 September 2000 and PagesJaunes on 20 April 2001 mainly seeking to get the PagesJaunes trademarks cancelled. In the lawsuits, Prodis claims that filing the name "PagesJaunes" as a trademark is fraudulent because it is nothing more than the translation of the phrase "Yellow Pages" which has described the same concept of a business directory in the United States since 1886 and the plaintiff therefore claims that this is a generic term used indiscriminately in various countries. In a ruling dated 14 May 2003, the Paris Court of Grand Instance confirmed the validity of the "PagesJaunes" trademarks. The Prodis company filed an appeal against this ruling by repeating the same claims which also involve cancelling the trademarks "PagesBlanches," "l'Annuaire" and "l'Annuaire des Pages Blanches". In a ruling issued on 30 March 2005, the Paris Court of Appeal stated that: "these trademarks have acquired through long and intensive use which has given them a strongly distinctive character" that PagesJaunes and France Télécom had justified "by many official notifications entered into argument, that it had reacted against all illicit use of their trademarks by regularly defending the rights associated with them", and that "the contradictory nature of the argumentation by the Prodis company (...) is enough to establish its bad faith in initiating and conducting this case", The Paris Court of Appeal therefore confirmed the ruling handed down on 14 May 2003 by the Paris Court of Grand Instance, declared the new claims by Prodis inadmissible and denied all the claims made by Prodis and ordered it to pay PagesJaunes and France Télécom 20,000 euros each in damages and interest for bringing a nuisance lawsuit and 10,000 euros based on article 700 of the French New Code of Civil Procedure. Since Prodis did not lodge an appeal, the ruling of the Paris Court of Appeal became final. As Prodis did not appeal the Paris Appeal Court ruling stands.
- (ii) PagesJaunes implemented a plan at the beginning of 2002 to make changes in its marketing which particularly included changing 930 employment contracts for sales staff. This change is intended to bring these contracts into line with a new competitive environment. About one hundred employees refused to sign the new contract offered to them and were dismissed during the second quarter of 2002. As of this date, almost all of the dismissed employees have sued PagesJaunes contesting the validity of the grounds for dismissal. The Supreme Court of Appeal has confirmed this marketing development plan via two judgements rendered on 11 January 2006. The Supreme Court of Appeal adjudicated that a layoff resulting from restructuring implemented in order to avoid upcoming economic difficulties pertaining to technological developments was justified. However, cases including pleas based on reasons that have not been ruled on by the above judgements as well as cases with administrative jurisdictions are still open.
- (iii) PagesJaunes was subjected to a tax audit in the years 2001 and 2002 for the 1998 and 1999 fiscal years. The only corrections which are still in dispute represent a risk of about 6.6 million euros (including interest).

The Company believes it has powerful arguments to counter these corrections in dispute and has therefore not made any provisions to cover these corrections as of 31 December 2005. To make its case, the Company has initiated a dispute procedure by filing a preliminary claim with the tax administration in July 2004.

- (iv) On 26 June 2002 PagesJaunes was sued by an advertising agency (FAC) in the Nanterre Business Court. This advertising agency claims that PagesJaunes has engaged in unfair practices, such as stealing customers, disparagement and door-to-door selling. It is therefore asking for 1 million euros in damages and interest. This case was argued on 14 September 2004 and the ruling was issued on 21 December 2004. Our opponents did not win their case. This advertising agency FAC appealed this ruling and PagesJaunes Group, although it has arguments on its side, cannot exclude the possibility at this stage that the dispute will continue with a possible sentence following appeal.
- (v) PagesJaunes sued an advertising agency (LSM) on 10 June 2003 in the Cannes Business Court. PagesJaunes, supported by numerous statements by customers, is suing this agency for unfair competitive practices aimed at causing confusion between LSM and PagesJaunes in the minds of customers contacted by LSM to insert advertisements in the PagesJaunes directory. The Cannes Business court, in a ruling dated 19 February 2004, denied PagesJaunes' claims. PagesJaunes has appealed this ruling, which if it is confirmed in appeal, could encourage the development of this kind of competitive practices by other advertising agencies, and create difficulties for PagesJaunes when it is prospecting for new customers. Although it believes it has a solid case in this affair, PagesJaunes cannot exclude the possibility that this ruling will be confirmed in appeal.
- (vi) On 4 October 2004, the Company was informed of a claim filed with the Competition Commission on 11 May 1998 by the Minister of the Economy relating to practices implemented by the former Office des Annonces (now PagesJaunes) in the advertising insertion market in telephone directories in mainland France and on Réunion. The Competition Commission dismissed the case on 20 December 2005.
- (vii) On 24 January 2006 the Company was informed of a claim filed with the Competition Commission by the Le Numéro company relating to practices implemented by France Télécom and PagesJaunes in the area of telephone enquiry services. Although it believes that it has items in its favour, the Company cannot totally exclude a sentence.

In addition, like other companies in this sector, the Group is frequently sued in the courts as part of cases brought based on errors in the publication of the directories and other formats. In general, the financial risk represented by each of these cases is relatively small. However, a multiplication in the number of them could pose a significant risk for the Group. The number of these cases has consistently gone down since 2001 and is stable in 2005. On 31 January 2006, there were 28 of these cases, for a total amount of damages and interest of 1.8 million euros. When dealing with these cases, the Group tries to negotiate an out of court settlement, which leads to a significant drop in the final overall cost of these cases. However no assurances can be given that these cases will not have a significant negative impact on the Group's financial position.

To the knowledge of the Company, there is no other litigation, arbitration or exceptional fact liable to have, or have had in the recent past, a significant impact on the financial situation, the results, the business and the assets of the Company and the Group.

### Note 33 – Events after closure

PagesJaunes implemented a plan at the beginning of 2002 to make changes in its marketing which particularly included changing 930 employment contracts for sales staff. This change is intended to bring these contracts into line with a new competitive environment. About one hundred employees refused to sign the new contract offered to them and were dismissed during the second quarter of 2002. As of this date, almost all of the dismissed employees have sued PagesJaunes contesting the validity of the grounds for dismissal. The Supreme Court of Appeal has confirmed this marketing development plan via two judgements rendered on 11 January 2006. The Supreme Court of Appeal adjudicated that a layoff resulting from restructuration implemented in order to avoid upcoming economic difficulties pertaining to technological developments was justified. However, cases including pleas based on reasons that have not been ruled on by the above judgements as well as cases with administrative jurisdictions are still open.

### Note 34 – Scope of consolidation

#### Scope at 31/12/2005

##### COMPANIES CONSOLIDATED BY GLOBAL INTEGRATION

Company	Country	2005	
		Interest	Control
PagesJaunes Group (ex-PagesJaunes)	France	100%	100%
PagesJaunes SA	France	100%	100%
Kompass France	France	100%	100%
Wanadoo Data	France	100%	100%
Mappy (ex-Wanadoo Maps)	France	100%	100%
QDQ Media	Spain	100%	100%
e-sama (of which Phesa and S2G)	France	100%	100%
Kompass Belgium	Belgium	100%	100%
Eurodirectory	Luxembourg	100%	100%
Edicom (ex-Telecontact Maroc)	Morocco	100%	100%

##### COMPANIES CONSOLIDATED BY PROPORTIONAL INTEGRATION

Company	Country	Interest	Control
Editus Luxembourg	Luxembourg	49%	49%

France Télécom was designated, by the order of 3 March 2005, as the editor of the universal directory for a period of two years. As France Télécom must remain the editor, the assignment of the brand "L'Annuaire" to PagesJaunes SA, subsidiary of PagesJaunes Group, as anticipated in the agreements of May/June 2004, cannot yet be implemented. The accepted solution consists of setting up a contract for the operational concession for the universal directory printed for the profit of PagesJaunes together with a contract for the assignment of the brand, "L'Annuaire" for a total sum of 12 million euros. These contracts were signed on 20 January and are effective from 1 January 2006. Taking into consideration the setting up of the device described above, the contracts for the realisation and control of directories edited by France Télécom (L'Annuaire and the alphabetic 3611) have been reviewed so as to adapt their scope to just the alphabetic 3611.

On 24 January 2006 the Company was informed of a claim filed with the Competition Commission by the Le Numéro company relating to practices implemented by France Télécom and PagesJaunes in the area of telephone enquiry services.

## Scope at 31/12/2004

### COMPANIES CONSOLIDATED BY GLOBAL INTEGRATION

2004			
Company	Country	Interest	Control
PagesJaunes Group (ex-PagesJaunes)	France	100%	100%
PagesJaunes SA	France	100%	100%
Kompass France	France	100%	100%
Wanadoo Data	France	100%	100%
Mappy (ex-Wanadoo Maps)	France	100%	100%
QDQ Media	Spain	100%	100%

### COMPANIES CONSOLIDATED BY EQUITY METHOD

Company	Country	Interest	Control
Eurodirectory	Luxembourg	50%	50%

## Note 35 – Transition to IFRS 2004

### Impact of the first-time adoption of the IFRS

This note details on the one hand the accepted principles for the establishment of the preliminary IFRS opening balance sheet on 1 January 2004, and on the other hand the variances with the French accounting principles previously applied as well as their effects on the opening balance sheets on 1 January 2004 and 31 December 2004 and on the preliminary results for the 2004 fiscal year.

#### 35.1 Basis of preparation of the transition note

The 2004 financial information on the transition to IFRS is drawn up in compliance with the arrangements of the standard, IFRS 1 “First-time adoption of IFRS” and the IFRS/IAS standards applicable on 31 December 2005, as published by the IASB on 31 December 2005 and as adopted by the European Commission on the same date.

However, some standards and interpretations have been the subject of earlier application in relation to the proposed adoption date. These are described in Note 3 – “Accounting principles and estimation changes” in paragraph 3.1.1.

Certain accounting positions are not covered by specific arrangements in the international accounting standards and their interpretations. In particular, this involves the accounting process associated with:

- offers reserved for employees;
- individual rights to training.

These accounting processes are described in Note 3 – “Accounting principles and estimation changes”, in paragraph 3.1.2.

The accounting standards provide for options in assessment and accounting of assets and liabilities, both within the scope of the IFRS standard 1 relating to the first-time application of the international accounting reference and in the standards themselves. These options are described in Note 3 – “Accounting principles and estimation changes” in paragraph 3.1.3.

#### 35.2 Impact on shareholder equity and the net 2004 result

### FRENCH STANDARDS – IFRS STANDARDS TRANSITION

	Shareholder equity at opening	Shareholder equity – end of period	Of which, net result 2004
<b>French standards</b>	<b>332,358</b>	<b>383,375</b>	<b>233,418</b>
Recognition of revenue	(140)		140
Goodwill amortisation		4,168	4,168
Payment in shares			(24,124)
<b>IFRS standards</b>	<b>332,218</b>	<b>387,543</b>	<b>213,602</b>

## 35.3 Impact on the 2004 result

(amounts in thousands of euros, except data relating to shares)	Transition of income statement French standards: IFRS standards			Detail of the variance by standard				
	French standards publication 2004	IFRS	Variances	IAS 18/ SIC 31	IFRS 3	IFRS 2	IAS 1 (reclassifications)	Other
	2004	2004		2.6.1	2.6.2	2.6.3	2.6.5	
Net revenue	973,122	967,160	(5,962)	(5,962)				0
External purchases	(323,544)	(317,582)	5,962	5,962				0
Other operational income and expenses	32,055	26,896	(5,159)				(5,313)	154
Staff costs:								
- Salaries and expenses	(265,649)	(268,992)	(3,343)				(3,343)	0
<b>Gross operational margin</b>	<b>415,984</b>	<b>407,482</b>	<b>(8,502)</b>	<b>0</b>			<b>(8,656)</b>	<b>154</b>
- Employee participation		(29,926)	(29,926)				(29,926)	0
- Payment in shares		(25,274)	(25,274)			(24,124)	(1,150)	0
Amortisation allowance	(10,066)	(10,066)	0					
Loss of value of goodwill		0	0					
Loss of value of fixed assets		0	0					
Result, assignment of assets		(363)	(363)				(363)	0
Restructuring costs		0	0					
Result of equity method bodies		774	774				774	0
<b>Operating income</b>	<b>405,918</b>	<b>342,627</b>	<b>(63,291)</b>			<b>(24,124)</b>	<b>(39,321)</b>	<b>154</b>
Investment income	20,434	20,784	350				350	0
Financial expenses	(444)	(444)	0					
Gain (loss) in exchange	(53)	(51)	2				2	0
<b>Financial result</b>	<b>19,937</b>	<b>20,289</b>	<b>352</b>				<b>352</b>	<b>0</b>
Result of equity method bodies	774		(774)				(774)	0
Other non-operating incomes (expenses), net	(9,817)		9,817				9,817	0
Employee participation	(29,926)		29,926				29,926	0
Amortisation of goodwill	(4,168)		4,168		4,168			0
Corporation tax	(149,300)	(149,314)	(14)					(14)
<b>Net result</b>	<b>233,418</b>	<b>213,602</b>	<b>(19,816)</b>		<b>4,168</b>	<b>(24,124)</b>	<b>0</b>	<b>140</b>
<b>Result per share (in euros)</b>								
Group share net result								
- Basic	0.84	0.77	(0.07)					
- Diluted	0.83	0.76	(0.07)					



### 35.4 Impact on the opening balance sheet on 1 January 2004

TRANSITION, OPENING BALANCE SHEET ON 1 JANUARY 2004 – ASSETS					
Balance sheet, French standards	Reclassifications		IFRS Restatements	IFRS	Balance sheet, IFRS standards
Net goodwill	1,198			1,198	Net goodwill
Net intangible assets	558	3,049		3,607	Other net intangible assets
Tangible assets	18,370	(3,049)		15,321	Net tangible assets
Equity method securities	2,504			2,504	Equity method securities
Net holdings	388	(388)		0	Assets available for sale
Other net long-term assets	1,352	388		1,740	Other non-current financial assets
Net long-term deferred tax	6,508	18,034		24,542	Tax deferred, assets
Total of fixed assets	30,878	18,034	0	48,912	Total of non-current assets
Net stock	7,112		(276)	6,836	Net stock
Client receivables, net of provision	371,791			371,791	Net client receivables
Net short-term deferred tax	18,034	(18,034)		0	
Other pre-paid receivables and expenses	102,745	(102,745)			
		20,695		20,695	Other current assets
		26,979		26,979	Current tax
		54,214	132	54,346	Pre-paid expenses
Investment securities	11,600	857		12,457	Other current financial assets
Liquid assets	581,935	0		581,935	Liquid assets
<b>TOTAL CIRCULATING ASSETS</b>	<b>1,093,217</b>	<b>(18,034)</b>	<b>(144)</b>	<b>1,075,039</b>	<b>TOTAL CURRENT ASSETS</b>
<b>TOTAL ASSETS</b>	<b>1,124,095</b>	<b>(0)</b>	<b>(144)</b>	<b>1,123,951</b>	<b>TOTAL ASSETS</b>

## TRANSITION, OPENING BALANCE SHEET ON 1 JANUARY 2004 – LIABILITIES

Balance sheet, French standards	Reclassifications		IFRS Restatements	IFRS	Balance sheet, FRS standards
Share capital	54,810			54,810	Share capital
Premiums linked to capital	42,249			42,249	Issue premium
Reserves	235,299	4	(144)	235,159	Reserves
Conversion reserves	0			0	Conversion reserves
<b>SHAREHOLDER EQUITIES</b>	<b>332,358</b>	<b>4</b>	<b>(144)</b>	<b>332,218</b>	<b>SHAREHOLDER EQUITIES</b>
Compulsory loans	0			0	Compulsory or exchangeable loans
Other medium and long-term financial debts	0			0	Long-term financial debts and derivatives
Other long-term debts	24,805	(24,805)			
		17,176		17,176	Employee benefits – not current
		7,690		7,690	Provisions – not current
				0	Other liabilities – not current
				0	Deferred tax, liabilities
<b>TOTAL LONG-TERM DEBTS</b>	<b>24,805</b>	<b>61</b>		<b>24,866</b>	<b>TOTAL LONG-TERM DEBTS</b>
Share at least a year of long and medium-term debts LMT	3,822	(10)		3,812	Share for at least a year of long- and medium-term debts LMT
Bank overdrafts and other short-term loans	11,559			11,559	Bank overdrafts and other short-term loans
		15		15	Interest receivable not yet due
		4,145		4,145	Provisions – current
Supplier debts	107,312	(61)		107,251	Supplier debts
		78,673		78,673	Employee benefits – current
Expenses to be paid and other short-term provisions	177,247	(177,247)			
		80,112		80,112	Other current liabilities
		15,966		15,966	Tax debts for companies
Other debts	1,654	(1,654)			
Unearned income	465,338	(4)		465,334	Unearned income
<b>TOTAL SHORT-TERM DEBTS</b>	<b>766,932</b>	<b>(65)</b>		<b>766,867</b>	<b>TOTAL OF CURRENT LIABILITIES</b>
<b>TOTAL LIABILITIES</b>	<b>1,124,095</b>	<b>0</b>	<b>(144)</b>	<b>1,123,951</b>	<b>TOTAL LIABILITIES</b>



## 35.5 Impact on the closing balance sheet on 31 December 2004

TRANSITION, CLOSING BALANCE SHEET ON 31 DECEMBER 2004 – ASSETS					
Balance sheet, French standards	Reclassifications		IFRS Restatements	IFRS	Balance sheet, IFRS standards
Net goodwill	73,307		4,168	77,475	Net goodwill
Net intangible assets	2,092	6,327		8,419	Other net intangible assets
Tangible assets	23,143	(6,327)		16,816	Net tangible assets
Equity securities	15,493			15,493	Equity securities
Net holdings	2,263	(2,263)		0	Assets available for sale
Other net long-term assets	1,521	2,263		3,784	Other non-current financial assets
Net long-termed deferred tax	9,016	17,128		26,144	Tax deferred, assets
<b>TOTAL, FIXED ASSETS</b>	<b>126,835</b>	<b>17,128</b>	<b>4,168</b>	<b>148,131</b>	<b>TOTAL, NON-CURRENT ASSETS</b>
Net stock	12,373			12,373	Net stock
Client receivables, net of provision	430,793			430,793	Net client receivables
Net short-term deferred tax	17,128	(17,128)		0	
Other pre-paid receivables and expenses	84,924	(84,924)			
		44,350		44,350	Other current assets
		133		133	Current tax
		39,844		39,844	Pre-paid expenses
Investment securities	264	597		861	Other current financial assets
Liquid assets	644,077			644,077	Liquid assets
<b>TOTAL CIRCULATING ASSETS</b>	<b>1,189,559</b>	<b>(17,128)</b>	<b>0</b>	<b>1,172,431</b>	<b>TOTAL CURRENT ASSETS</b>
<b>TOTAL ASSETS</b>	<b>1,316,394</b>	<b>0</b>	<b>4,168</b>	<b>1,320,562</b>	<b>TOTAL ASSETS</b>

## TRANSITION, CLOSING BALANCE SHEET ON 31 DECEMBER 2004 – LIABILITIES

Balance sheet, French standards	Reclassifications		IFRS Restatements	IFRS	Balance sheet, IFRS standards
Share capital	55,758			55,758	Share capital
Premiums linked to capital	52,610		15,725	68,335	Issue premium
Reserves	41,589		8,259	49,848	Reserves
Net result – Group share	233,418		(19,816)	213,602	Net result – Group share (idem)
Conversion reserves	0			0	Conversion reserves
<b>SHAREHOLDER EQUITIES</b>	<b>383,375</b>	<b>0</b>	<b>4,168</b>	<b>387,543</b>	<b>SHAREHOLDER EQUITIES</b>
Compulsory loans	0			0	Compulsory or exchangeable loans
Other medium and long-term financial debts	32			32	Long-term financial debts and derivatives
Other long-term debts	30,391	(30,391)			
		22,062		22,062	Employee benefits – not current
		8,329		8,329	Provisions – not current
				0	Other liabilities – not current
		0		0	Deferred tax, liabilities
<b>TOTAL LONG-TERM DEBTS</b>	<b>30,423</b>	<b>0</b>	<b>0</b>	<b>30,423</b>	<b>TOTAL LONG-TERM DEBTS</b>
Share for at least a year of long and medium-term debts LMT	3,822			3,822	Share for at least a year of long- and medium-term debts LMT
Bank overdrafts and other short-term loans	10,730			10,730	Bank overdrafts and other short-term loans
		18		18	Interest receivable not yet due
		236		236	Provisions – current
Supplier debts	107,026			107,026	Supplier debts
		82,021		82,021	Employee benefits – current
Expenses to be paid and other short-term provisions	241,543	(241,543)			
		91,261		91,261	Other current liabilities
		72,112		72,112	Tax debts for companies
Other debts	4,104	(4,104)			
Unearned income	535,371	(1)		535,370	Unearned income
<b>TOTAL SHORT-TERM DEBTS</b>	<b>902,596</b>	<b>0</b>		<b>902,596</b>	<b>TOTAL OF CURRENT LIABILITIES</b>
<b>TOTAL LIABILITIES</b>	<b>1,316,394</b>	<b>0</b>	<b>4,168</b>	<b>1,320,562</b>	<b>TOTAL LIABILITIES</b>

## 35.6 Description of principal IFRS restatements

### 35.6.1 Revenue

The 2004 IFRS consolidated income statement shows a revenue reduced by 6 million euros in comparison with the revenue published in accordance with French standards because of the changes in presentation of some expenses deducted from the revenue:

- negative impact of 2 million euros by reclassification as reduction in revenue for advertising exchanges;

- negative impact of 4 million euros by reclassification as reduction in revenue for the fees for control of Europages.

These elements were accounted for as expenses according to the French standards, there is thus no effect either on the gross operating margin or on the consolidated net result.



### 35.6.2 Amortisation and depreciation of goodwill

In accordance with the option provided by IFRS Standard 1, the Group has chosen not to reprocess the business combinations that existed before 1 January 2004.

In compliance with IFRS 3, "Business combinations", the goodwill is no longer amortised as from 1 January 2004. This has a positive impact on the income statement of 4 million euros (6 million euros on a like for like basis because of the acquisition of QDQ Media).

### 35.6.3 Stock-options and offers reserved for employees

#### Stock-options

In accordance with French accounting principles, no remuneration expenses are evidenced during the assignment of stock-options.

The application of the standard, IFRS 2 ("Share-based payment") results in accounting as expenses stock options or options to buy shares assigned by France Télécom to its employees, amongst whom are employees of PagesJaunes Group. In the 2004 IFRS income statement, the expenses relating to options represent 10 million euros, the consideration for this amount has been accounted for under shareholder equities, the plans being settled in shares.

#### Offers reserved for employees

Following the opening of PagesJaunes Group capital in July 2004, the Company proceeded with an increase in capital reserved for employees of the France Télécom group. As a result, 4.7 million shares have been subscribed by the staff.

Moreover, following the assignment by the Government of 10.85% of the share capital of France Télécom S.A. on 7 September 2004, in compliance with the law of 6 August 1986 relating to methods of privatisation, the Government made an offer of shares reserved for employees and previous employees of the France Télécom and PagesJaunes Group groups. The subscription period was open from 1 to 13 December 2004. At the end of this period, 28.7 million shares were subscribed by the staff, of which 2.3 million shares were subscribed by PagesJaunes Group employees. The settlement-delivery of stocks took place on 20 January 2005.

In IFRS, for these two operations, the Group has valued the benefit accorded to employees and previous employees at the fair value on the date of assignment of rights, taking into consideration the period when these cannot be transferred. In the 2004 IFRS income statement, the impact of the offers is an additional expense of 11 million euros for the France Télécom offer and 3 million euros for the PagesJaunes Group offer.

The total impact of the stock-options and offers reserved for employees is thus 24 million euros, the total amount carried by the income statement ("payment in shares" account) is 25 million euros, an expense of 1 million euros having already been accounted for in French standards.

### 35.6.4 Principal reclassifications of the balance sheet

The cash accounts have been reclassified in order to make their presentation comply with IFRS rules. Apart from the reclassifications described above, the main reclassifications on 1 January 2004 are as follows:

- the net balance of the item "Software" classed as tangible fixed assets in the French standards balance sheet has been reclassified as intangible fixed assets for 3 million euros (6 million euros – end of period);
- the balance of the item, "Other prepaid receivables and expenses", has mainly been reassigned as 4 items which are respectively:
  - as "Other current assets" for 21 million euros (44 million euros – end of period),
  - as "Current tax" for 27 million euros (0 – end of period),
  - as "Prepaid expenses" for 54 million euros (40 million euros – end of period),
  - as "Other current financial assets" for 1 million euros (1 million euros – end of period);
- the balance of the item, "Other long-term debts" has mainly been reassigned as 2 items which are respectively:
  - as "Non-current employee benefits" for 17 million euros (22 million euros – end of period),
  - as "Provisions – non-current" for 8 million euros (8 million euros – end of period);
- the balance of the item, "Expenses to be paid and other short-term provisions" has mainly been reassigned as 4 items which are respectively:
  - as "Provisions – current" for 4 million euros (0 – end of period),
  - as "Employee benefits – current" for 79 million euros (82 million euros – end of period),
  - as "Other current liabilities" for 80 million euros (91 million euros – end of period),
  - as "Tax debts on companies" for 16 million euros (72 million euros – end of period);
- the deferred tax on assets and liabilities are show in IFRS on a specific line and classified as non-current, also the balance of the item labelled in French standards as "Net short-term deferred tax" for assets and liabilities is reclassified as "Deferred tax, assets and liabilities".

### 35.6.5 Principal reclassifications in the income statement

Independent of the IFRS restatements detailed above (recognition of revenues, amortisation and depreciation of goodwill, share-based payment), the aggregates of the income statement have been reclassified to make their presentation comply with IFRS regulations. The main reclassifications on 31 December 2004 concerned the operating income, i.e.:

- the presentation of employee participation as personnel costs;
- the breakdown of the negative balance of 10 million euros for "Other non-operating Income and expenses" in French standards mainly as:
  - other operating income and expenses for (5) million euros including particularly the cost of the initial public offering of the Company,
  - salaries and expenses for (4) million euros,
  - payments in shares for (1) million euros.

## 35.7 Effects on the cash flow tables on 31 December 2004

Fiscal year closed on 31 December 2004			
(Amounts in thousands of euros)	French standards	IFRS	Restatements/ reclassifications
Net consolidated result, share of the Group	233,418	213,602	(19,816)
Amortisations of tangible assets	14,233	10,065	(4,168)
Gains or capital losses on assignment of assets	411	411	0
Changes in provisions	(4,081)	(4,081)	0
Non-distributed results of equity method companies	512	512	0
Tax expenses for the financial year	(1,579)	149,314	150,893
Interest income and expenses		(20,391)	(20,391)
Minority interest	0	0	0
Exchange differential	0	51	51
Other non-monetary elements	0	00	0
Payments in shares		24,124	24,124
Reduction (increase) of stocks	(4,810)	(5,086)	(276)
Reduction (increase) of client receivables	(36,325)	(36,325)	0
Reduction (increase) of other receivables	18,006	18,138	132
Increase (reduction) of supplier debts	(10,810)	(10,810)	0
Increase (reduction) of other debts	153,259	70,229	(83,030)
Dividends and interest income received		20,784	20,784
Interest disbursed and net derivatives rate effect		(444)	(444)
Tax paid		(67,859)	(67,859)
<b>Net cash flow generated by the business</b>	<b>362,234</b>	<b>362,234</b>	<b>0</b>
Acquisitions of tangible and intangible fixed assets net of the change of suppliers of fixed assets	(8,376)	(8,376)	0
Income from assignment of tangible and intangible assets	215	215	0
Acquisitions of equity and subsidiary interests, net of the cash and cash equivalents acquired	(21,981)	(21,981)	0
Investments in MEEs	(13,500)	(13,500)	0
Income from assignment of equity and subsidiary interests, net of cash and cash equivalents assigned	0	0	0
Reductions (increases) of securities and other long-term assets	11,509	11,509	0
<b>Net cash flow assigned to investment operations</b>	<b>(32,133)</b>	<b>(32,133)</b>	<b>0</b>
Increase (reduction) of long-term loans	(89,326)	(89,326)	0
Increase (reduction) of bank overdrafts and short-term loans	(1,167)	(1,167)	0
Increase in capital	58,492	58,492	0
Dividends paid	(235,958)	(235,958)	0
<b>Net cash flow linked to financing operations</b>	<b>(267,959)</b>	<b>(267,959)</b>	<b>0</b>
Net variations of liquid and semi-liquid assets	62,142	62,142	0
Effect of changes in exchange rates on liquid assets	0	0	0
Liquid and semi-liquid assets at opening	581,935	581,935	0
<b>Liquid and semi-liquid assets – end of period</b>	<b>644,077</b>	<b>644,077</b>	<b>0</b>

The application of the IFRS standards has no effect either on the change or the balance of liquid assets.

## 20.2 Financial statements of the Company, PagesJaunes Group

BILAN					
(in euros)	Gross	Amortisations and provisions	On 31 December 2005 net	On 31 December 2004	Change
<b>ASSETS</b>					
Shareholdings	4,186,249,545	17,702,152	4,168,547	4,151,597,393	16,950,000
Receivables attached to shareholdings	15,308,663		15,308,663	18,093,982	(2,785,319)
FT loan	64,208,008		64,208,008	0	64,208,008
Own shares	2,207,686	59,886	2,147,800	0	2,147,800
<b>Total fixed assets</b>	<b>4,267,973,902</b>	<b>17,762,038</b>	<b>4,250,211,864</b>	<b>44,169,691,375</b>	<b>80,520,489</b>
Client receivables	1,464,467	153,970	1,310,497	2,429,715	(1,119,217)
Debtor suppliers	205,572		205,572	0	205,572
Capital and fiscal receivables	1,720,728		1,720,728	78,058,486	(76,337,758)
Receivables on subsidiaries (fiscal integration)	156,161,208		156,161,208		156,161,208
Various receivables	6,401,204		6,401,204	2	6,401,202
Invested securities	16,481,662		16,481,662	0	16,481,662
Liquid assets			0	0	0
Pre-paid expenses	58,332		58,332	0	58,332
<b>Total circulating assets</b>	<b>182,493,173</b>	<b>153,970</b>	<b>182,339,203</b>	<b>80,488,203</b>	<b>101,851,000</b>
<b>Asset conversion rate adjustment</b>			<b>0</b>	<b>130,619</b>	<b>(130,619)</b>
<b>TOTAL ASSETS</b>	<b>4,450,467,075</b>	<b>17,916,008</b>	<b>4,432,551,067</b>	<b>4,250,310,197</b>	<b>182,240,870</b>
<b>LIABILITIES</b>					
Capital			55,757,922	55,757,922	0
Issue price			52,609,671	52,609,671	0
Legal reserve			5,575,792	5,481,000	94,792
Other reserves			38,100,075	0	38,100,075
Long-term gain reserve			0	39,064,179	(39,064,179)
Loss carried forward			3,689,152,909	0	3,689,152,909
Annual balance			242,142,849	3,948,522,039	(3,706,379,190)
<b>Shareholder equity</b>			<b>4,083,339,218</b>	<b>4,101,434,811</b>	<b>(18,095,593)</b>
Provisions for risks			0	130,620	(130,620)
Provisions for expenses			807,000	734,427	72,573
<b>Provision for risks and expenses</b>			<b>807,000</b>	<b>865,047</b>	<b>(58,047)</b>
Current bank lending			2,133,631		2,133,631
Various loans and financial debts			185,650,798	139,764,577	45,886,221
Supplier debts and attached accounts			1,556,100	2,266,799	(710,699)
Debts various			115,350	0	115,350
Fiscal and capital debts			5,121,806	1,368,866	3,752,940
Fiscal debts (IS)			151,426,759	4,610,097	146,816,662
Unearned income			2,400,405	0	2,400,405
<b>Operating debts</b>			<b>348,404,849</b>	<b>148,010,339</b>	<b>200,394,510</b>
<b>TOTAL LIABILITIES</b>			<b>4,432,551,067</b>	<b>4,250,310,197</b>	<b>182,240,870</b>

INCOME STATEMENT			
(in euros)	On 31 December 2005	On 31 December 2004	Change
Provision of services	9,827,408	4,970,649	4,856,759
Related products	109,003	79,647	29,356
Reversal of provisions and expenses transfers	290,096	0	290,096
Other incomes	2,144	5,600	(3,456)
<b>Operating income</b>	<b>10,228,651</b>	<b>5,055,896</b>	<b>5,172,755</b>
Purchases and provision of services	13,186	10,000	3,186
Purchase of sub-contracting		(10,128)	10,128
Non-stocked purchases, materials and supplies	5,616	705	4,911
External services	612,551	23,326	589,225
Other external services	10,474,602	3,977,228	6,497,374
Taxes and assimilated payments	192,411	(23,647)	216,059
Salaries	3,968,997	2,074,602	1,894,395
Social expenses	1,586,841	1,125,463	461,377
Other expenses	113,027	5,145	107,882
Allowances for provisions on circulating assets	434,281	0	434,281
Allowances for provisions on risks and expenses	34,531	102,298	(67,767)
<b>Operating costs</b>	<b>17,436,042</b>	<b>7,284,991</b>	<b>10,151,051</b>
<b>Operating income</b>	<b>(7,207,391)</b>	<b>(2,229,095)</b>	<b>(4,978,296)</b>
Holdings income	248,324,882	2,635,569	245,689,313
Investment income on invested securities and receivables from fixed assets	603,494	73,713	529,782
Reversal of provisions	702,861	47,568	655,293
<b>Investment income</b>	<b>249,631,237</b>	<b>2,756,850</b>	<b>246,874,388</b>
Negative exchange difference	113,586	0	113,586
Debtor interest	5,921,248	38,124	5,883,124
Allowances for provisions	994,900	46,770	948,130
<b>Financial expenses</b>	<b>7,029,733</b>	<b>84,894</b>	<b>6,944,839</b>
<b>Financial results</b>	<b>242,601,504</b>	<b>2,671,956</b>	<b>239,929,548</b>
<b>Current results</b>	<b>235,394,113</b>	<b>442,861</b>	<b>234,951,252</b>
Exceptional income on management operations		391,286	(391,286)
Exceptional income on capital operations	39,427	3,959,321,134	(3,959,281,707)
<b>Exceptional income</b>	<b>39,427</b>	<b>3,959,712,420</b>	<b>(3,959,672,993)</b>
Exceptional expenses on management operations	(98,581)	0	(98,581)
Others		7,023,145	(7,023,145)
<b>Exceptional expenses</b>	<b>(98,581)</b>	<b>7,023,145</b>	<b>(7,121,726)</b>
<b>Exceptional results</b>	<b>138,008</b>	<b>3,952,689,275</b>	<b>(3,952,551,267)</b>
Employee participation		0	0
Tax on benefits	(6,610,728)	4,610,097	(11,220,825)
<b>Net result</b>	<b>242,142,849</b>	<b>3,948,522,039</b>	<b>(3,706,379,190)</b>



CASH FLOW TABLE	
(in thousands of euros)	On 31/12/2005
<b>Operations</b>	
<b>Net result</b>	<b>242,143</b>
Non-monetary elements with no effect on cash	
- Amortisations and provisions for tangible fixed assets	
- Gains or capital losses of assignment of elements of the assets	
- Changes in provisions	473
<b>Self-financing capacity</b>	<b>242,616</b>
- Reduction (increase) of client receivables	889
- Reduction (increase) of other receivables	(156,541)
- Increase (reduction) of supplier debts	(595)
- Increase (reduction) of other debts	228,665
<b>Change in need for working capital</b>	<b>72,418</b>
<b>Cash flow from the operation</b>	<b>315,034</b>
<b>Investment operations</b>	
- Acquisitions of tangible and intangible fixed assets	
- Increase (reduction) of debts on suppliers of fixed assets	
- Acquisitions of holdings	(14,481)
- Acquisitions of own shares	(2,208)
- Income from assignment of holdings net of assigned cash or cash equivalent	
- Income from assignment of tangible and intangible assets	
- Reduction (increase) of VMPS and other long-term assets	(16,482)
<b>Cash flow assigned to investments</b>	<b>(33,171)</b>
<b>Financing transactions</b>	
- Issue of long-term loans	(64,208)
- Repayment of long-term loans	
- Dividends paid to shareholders	(259,274)
- Increase in capital and shareholder equity	
- Increase (reduction) of bank overdrafts and short-term loans	
- Contribution of minority shareholders	
- Others	
<b>Cash flow from financing transactions</b>	<b>(323,482)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(41,619)</b>

## SITUATION OF REALISABLE AND AVAILABLE ASSETS AND PAYABLE LIABILITIES

Items (in thousands of euros)	Net 31/12/2005
<b>REALISABLE AND AVAILABLE ASSETS</b>	
Subscribed capital, not called	
Receivables attached to holdings	
Loans	21,402
Other long-term investments	
Advances and down payments on orders (from business suppliers)	
Client receivables and attached accounts	1,446
Other receivables <sup>(1)</sup>	157,838
Current account	6,401
VMP	16,482
<b>TOTAL</b>	<b>203,569</b>
<b>PAYABLE LIABILITIES</b>	
Compulsory convertible loans	
Other compulsory loans	
Loans and debts with credit establishments	2,134
Various loans and financial debts	
Advances and down payments received on orders in progress	
Supplier debts and attached accounts	21
Fiscal and social debts	5,121
Debts on capital assets and attached accounts	
Other debts <sup>(2)</sup>	151,542
Current account	185,651
<b>TOTAL</b>	<b>344,469</b>

(1) Of which c/c subsidiaries following integration.

(2) IS linked to fiscal integration.

TABLE OF SUBSIDIARIES AND HOLDINGS 2005

Subsidiaries and holdings (in millions of euros)	Capital	Shareholder equity before allocation of results (including capital)	Quota of capital held in %	Book value of stocks held		Loans and advances agreed by the Company, not yet repaid	Amount of sureties or guarantees given by the Company	Revenue before tax for last fiscal year, closure	Results of last fiscal year, closure	Dividends cashed by the Company during fiscal year	Observations
				Gross	Net						
<b>Detailed information on subsidiaries and holdings</b>											
<b>1/ Subsidiaries: + 50% held by the Company</b>											
PJ LIBAN Centre Pasteur 40 – rue Pasteur Beirut	376	245	100.00%	3,013	312	0		1,039	(60)		
PJ Outremer 5, avenue de la Cristallerie 92317 Sèvres Cedex, France	75	653	100.00%	76	76			22,731	448	350	Preliminary data, not audited
WANADOO DATA 157-159, rue de Rome 75017 Paris	7,275	10,956	100.00%	7,275	7,275			12,563	1,036		
KOMPASS France 66 quai Maréchal Joffre 92400 Courbevoie France	1,000	1,348	100.00%	47,085	32,085			27,198	354	2,133	
EURODIRECTORY SA 12-14, bld Grande-Duchesse Charlotte L.1330 Luxembourg	1,625	1,799	100.00%	14,707	14,707			0	2,042	2,133	Parent company of Editus Luxembourg held at 49% Preliminary data, not audited
KOMPASS BELGIUM Molière 256 1180 Bruxelles Belgium	2,206	307	100.00%	1,799	1,799	309		4,054	(167)		
QDQ MEDIA Jualian Camarillo, 6A 28037 Madrid Spain	30,550	20,732	100.00%	91,719	91,719	15,000		41,839	(7,703)		
CRISTALLERIE 1 17 avenue de la Cristallerie 92317 Sèvres Cedex, France	38	38	100.00%	38	38			0	(4)		Preliminary data, not audited
PAGESJAUNES SA 7 avenue de la Cristallerie 92317 Sèvres Cedex, France	4,005,038	4,306,595	100.00%	4,005,038			959,060	286,250	245,643		
MAPPY 47 rue de Charonne 75011 Paris, France	212	2,406	100.00%	10,048	10,048			7,888	586	199	
EDICOM 1 rue Chajarat Addour, Quartier Palmier 21000 Casablanca	27	1,102	100.00%	5,450	5,450			2,936	50		
<b>2/ Holdings (between 10 and 50%)</b>											

# PagesJaunes Group: Annual Accounts as of 31 December 2005 Appendix

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## 1 Description of Business

The PagesJaunes Group is a holding company that owns subsidiaries which have offered a diversified range of products and services to the general public and businesses for over 60 years, with directories in France and foreign countries as its core business. The accounts presented here are for the 12-month period from 1 January 2005 to 31 December 2005.

## 2 Accounting rules and methods

Accounting conventions were applied with respect for the principle of prudence and in accordance with the basic hypotheses: operating continuity, consistency of accounting methods from one year to the next, independent fiscal years, adherence to the general rules governing the establishment and presentation of annual accounts.

The PagesJaunes Group's annual accounts were established in accordance with applicable legislation and with the practices generally followed in France, and in compliance with the CRC Ruling of 29 April 1999 regarding the rewriting of the General Accounting Plan.

The principal methods are described below. Figures are stated in thousands of euros (k€).

### 2.1 – Principles used for income and charges

Income and charges are booked according to the General Accounting Plan.

### 2.2 – Holdings, other fixed securities

Holdings are booked at their historical acquisition cost by PagesJaunes Group which includes, if applicable, costs directly chargeable to the operation.

A provision for depreciation is made if this value is higher than the use value, assessed by the management of PagesJaunes Group, based on various criteria such as the market value, and development and profitability forecasts, and shareholder equity, taking into account the specific nature of each holding.

### 2.3 – Customer receivables

Provisions are made based on an assessment of the risk of non-collection of its receivables. Provisions are based on an individual or statistical assessment of this risk of non-collection.

### 2.4 – Liquid assets and investment securities

Liquid assets on 31 December 2005 are made up of liquid assets immediately available and by short-term investments, maturing in three months or less from the acquisition date. Investment securities may be provisioned, depending on how the fiscal year ends.

### 2.5 – Provisions for risks and charges

In France, the law states that compensation is paid to employees when they retire, based on their seniority and their salary at retirement age. The actuarial cost of this commitment is taken into account each year during the active lifetime of the employees. The effect of variations in assumptions is taken into account in the results over the average remaining active lifetime of the employees. The procedures for determining this provision are carried out based on an actuarial evaluation, and taking various parameters into account:

- the INSEE (French Statistics Institute) table for 2000-2002 (male and female tables);
- employee revenue rates, which vary based on seniority with the Company, age, and socio-professional category;
- the retirement age used, which is 62;
- the salary increase tables, which are defined based on age and socio-professional category;
- the actualisation rate, set at 4.5% for 2005 and at 4.0% for the end-of-period commitment.

The remaining risk provisions are the best possible estimates of the risks incurred by PagesJaunes Group.

### 2.6 – Non-operating results

The non-operating result is mainly made up of income generated by dividends.

### 2.7 – Profit tax

Under the terms of the tax integration agreement signed between PagesJaunes Group and its subsidiaries, members of the tax Group, the tax savings are taken into account by the parent company as income for the fiscal year.

The tax group, headed by PagesJaunes Group, consisted of six companies as of 31 December 2005.

### 3 Additional Information on the balance sheet and income statement

#### 3.1 – Receivables from holdings

The variation in receivables from holdings is analysed as follows:

(in thousands of euros)	% interest	Fiscal year ending 31 December 2005			Fiscal year ending 31 December 2004
		Gross value	Provision	Net book value	Net book value
<b>Holdings</b>					
PagesJaunes Outre-Mer	100%	76	0	0	76
PagesJaunes Liban	100%	3,014	(2,702)	312	312
Eurodirectory	100%	14,707	0	14,707	14,707
Kompass France	100%	47,085	(15,000)	32,085	25,585
Kompass Belgium	100%	1,799	0	1,799	1,799
Wanadoo Data	100%	7,275	0	7,275	2,275
QDQ Media	100%	91,719	0	91,719	91,719
Mappy	100%	10,048	0	10,048	10,048
Cristallerie 1	100%	38	0	38	38
PagesJaunes SA	100%	4,005,038	0	4,005,038	4,005,038
Edicom	100%	5,450	0	5,450	-
<b>TOTAL</b>		<b>4,186,249</b>	<b>(17,702)</b>	<b>4,168,547</b>	<b>4,151,597</b>
<b>Receivables</b>					
Kompass France		0	0	0	2,792
QDQ Media		15,000	0	15,000	15,000
Kompass Belgium		309	0	309	302
<b>TOTAL</b>		<b>15,309</b>	<b>0</b>	<b>15,309</b>	<b>18,094</b>

The movements in the fiscal year are as follows:

- acquisition of Edicom SA for €5,450,000;
- inclusion of Wanadoo Data's debt in capital for €5,000,000, which brings the PagesJaunes Group's holding in Wanadoo Data to €7,275,000 as of 31 December 2005;
- inclusion of Kompass France's debt in capital for €2,821,000, and increase in Kompass France's capital of €3,679,000, which brings the PagesJaunes Group's holding in Kompass France to €47,085,000 as of 31 December 2005;

- inclusion of PagesJaunes Liban's debt in capital for €889,000, which brings the PagesJaunes Group's holding in PagesJaunes Liban to €3,014,000 as of 31 December 2005.

The PagesJaunes Group's non-operating fixed assets, with a total amount of €4,250,212,000 as of 31 December 2005 (€4,169,691,000 as of 31 December 2004) also include 100,000 self-owned shares with a cost of €2,207,000. These self-owned shares were provisioned for €60,000 as of 31 December 2005, based on the average stock price for the month of December 2005.

### 3.2 – Self-owned shares

In November 2005, the PagesJaunes Group established a liquidity contract in the amount of €17,000,000. Under this contract, during the fiscal year, the PageJaunes Group purchased 281,600 self-owned shares and sold 181,600 self-owned shares. Consequently, as of 31 December 2005, the PagesJaunes Group owned 100,000 self-owned shares booked as non-operating fixed assets, or 0.04% of its capital.

### 3.3 – Loan

In June 2005, the PagesJaunes Group gave France Télécom a loan of the amount of €64,208,000. This loan will be repaid in three equal payments on 15 April 2006, 2007 and 2008 and will bear interest at a fixed rate of 2.65%.

### 3.4 – Customer Receivables and Provisions for Depreciation of Receivables

(in thousands of euros)	Fiscal year ending 31 December	
	2005	2004
Gross customer receivables	1,464	2,429
Provisions for depreciation	(154)	-
<b>NET CUSTOMER RECEIVABLES</b>	<b>1,310</b>	<b>2,429</b>

These receivables are primarily from the management fees billed by the PagesJaunes Group to its subsidiaries. A 100% provision was reported as

of 31 December 2005 for the PagesJaunes Liban receivables, given that company's financial situation.

### 3.5 – Receivables over and under one year

All receivables are for under one year.

### 3.6 – Liquid assets, investment securities and current accounts

Liquid assets include cash invested with PagesJaunes SA for 3 months or less.

(in thousands of euros)	Fiscal year ending 31 December	
	2005	2004
Investment securities	16,482	0
Current accounts for Wanadoo Data + PagesJaunes OM	6,401	0
Current tax integration accounts	156,161	0
<b>Liquid assets, investment securities and current accounts</b>	<b>179,044</b>	<b>0</b>
Current accounts with PagesJaunes SA	185,651	139,464
Other non-operating debts	2,133	0
<b>Gross non-operating debt</b>	<b>187,784</b>	<b>139,764</b>
Under one year	187,784	139,764
Over one year	0	0
<b>NET LIQUID ASSETS/(DEBT)<sup>(1)</sup></b>	<b>(8,740)</b>	<b>(139,764)</b>

(1) Including current tax integration accounts.

The current debt accounts with other subsidiaries, with a balance of €156,161,000 as of 31 December 2005, consist only of billing these subsidiaries for the share of the 2005 company tax that each of them

owes according to the tax integration agreements signed at the end of 2004. The PagesJaunes Group reported a total corresponding tax debt of €152,783,000 as of 31 December 2005.

### 3.7 – Share Capital and changes in shareholder equity

The PagesJaunes Group's share capital as of 31 December 2005 was €55,757,922, composed of 278,789,610 shares with a book value of 0.20 euros.

Date	Category	Number of shares	Unit value	Capital in thousands of euros
01/01/05	Capital at the beginning of the fiscal year	278,789,610	0.20	55,758
31/12/05	Capital at the end of the fiscal year	278,789,610	0.20	55,758

#### Share subscription options

On 28 June 2005, the PagesJaunes Group's Board of Directors gave certain of its employees and certain employees of the companies related to it under Article L. 225-180 of the Commercial Code a total of 3,796,800 PagesJaunes share subscription options, representing 1.36% of the

Company's capital, and giving the right to subscribe the same number of shares at the price of 19.3 euros per share. As of 31 December 2005, 3,757,000 options remained in circulation. No option had been exercised as of that date, since these options cannot be exercised until 28 June 2008.

#### Changes in shareholder equity

(in thousands of euros)

Shareholder equity as of 1 January 2005	4,101,435
Dividend paid	(259,274)
Tax due on the reorganisation of the special reserve for long-term gains	(964)
Result for the fiscal year	242,143
<b>SHAREHOLDER EQUITY AS OF 31 DECEMBER 05</b>	<b>4,083,340</b>

### 3.8 – Provisions for risks and charges

(in thousands of euros)	1 January 2005	Charge for the year	Carry-forward for the year (provision used)	31 December 2005
Retirement and similar commitments	735	80	(8)	807
Provisions for risks and change	131	-	(131)	-
<b>Other provisions</b>	-	-	-	-
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES</b>	<b>866</b>	<b>80</b>	<b>(139)</b>	<b>807</b>
- Long-term	735	22	(8)	749
- Short-term	131	58	(131)	58

The net impact of the charges incurred breaks down as follows:

(in thousands of euros)	Charge for the year	Carry-forward
Operating result	34	(8)
Non-operating result	46	(131)

Provisions for charges include rights acquired for retirement compensation (French acronym: "IFC") and the cveployment medal.



The total level of commitments as of 31 December 2005 is analysed as follows:

(in thousands of euros)	Pages Jaunes Group IFC	Pages Jaunes Group Medals
<b>Financial coverage at the end of 2005</b>	-	-
Actuarial end-of-year calculation accruing to wholly or partially supported regimes (A)	-	-
Actuarial end-of-year calculation accruing to non-supported regimes (A)	805	52
Fair value of hedge assets at end of year (B)	-	-
<b>Net situation of the regime (A) – (B)</b>	<b>805</b>	<b>52</b>
Unrecognised elements		-
Unrecognised gains/(losses)	(50)	-
Cost of past unrecognised services	-	-
Adjustment for asset capping	-	-
<b>End-of-year provision/(asset)</b>	<b>755</b>	<b>52</b>

### 3.9 – Non-operating debt

Non-operating debt consists of current accounts with the subsidiaries as detailed in the following table:

(in thousands of euros)	Fiscal year ending 31 December	
	2005	2004
<b>Subsidiaries</b>		
PagesJaunes SA	185,651	134,391
PagesJaunes Outre-Mer	-	3,754
Wanadoo Data	-	1,619
<b>TOTAL</b>	<b>185,651</b>	<b>139,763</b>

### 3.10 – Debt maturity statement

(in thousands of euros)	Gross amount	One year or more
Current bank loans	2,134	2,134
Current account with PagesJaunes SA	185,651	185,651
Debts with suppliers and similar accounts	1,556	1,556
Tax and employment contribution debts	5,122	5,122
Profit tax (net for advances paid)	151,426	151,426
Other	115	115
<b>TOTAL</b>	<b>346,004</b>	<b>346,004</b>

### 3.11 – Charges payable included in the balance sheet

(in thousands of euros)	Gross
Debts with suppliers and similar accounts, invoices not yet received	1,535
Tax and employment contribution debts, VAT, taxes, wages, and employment contributions payable	2,124
Profit tax	152,783
<b>TOTAL</b>	<b>156,442</b>

### 3.12 – Income payable included in the balance sheet

As of 31 December 2005, there was deferred income on the France Telecom in the amount of €2 400,000.

### 3.13 – Revenue breakdown

(in thousands of euros)	2005	2004
Management fees	7,879	3,841
Staff rebilling	1,948	1,215
Other rebilling	109	
Other management income	-	0
<b>TOTAL</b>	<b>9,936</b>	<b>5,056</b>

### 3.14 – Non-operating results

The non-operating results include primarily dividends received from subsidiaries in the amount of €248,325,000 in 2005 (€2,636,000 in 2004).

In addition, by applying the provisions of Article 95 of the Finance Law, PagesJaunes Group had a debt with the Public Treasury representing payment of the exceptional draw of 25% of the net amount of income distributed.

This debt, in the amount of €64,208,000 and repayable in three equal annual payments in 2006, 2007, and 2008, was sold in its entirety to a banking institution. PagesJaunes Group reported a non-operating charge of €2,855,000 corresponding to the non-operating charge incurred.

### 3.15 – Exceptional results

(in thousands of euros)	2005	2004
Income from sale of self-owned stocks	40	
Income from expenses related to the IPO	138	
Lateness penalties and other charges	(12)	
Other charges	(28)	
Tax relief		391
Expenses related to the IPO		(7,023)
Exceptional income from capital operations		3,959,321
<b>TOTAL</b>	<b>138</b>	<b>3,952,689</b>

### 3.16 – Profit tax breakdown

The profit tax breakdown between ordinary results and exceptional results is as follows:

(in thousands of euros)	Result before taxes	Tax	Net
Ordinary results	235,394	(817)	234,577
Exceptional results and participation	138	(48)	90
Tax reconciliation	-	3,233	3,233
Tax integration gain		4,243	4,243
<b>BOOK RESULTS AS OF 31/12/05</b>	<b>235,532</b>	<b>6,611</b>	<b>242,143</b>



## 4 Other

### 4.1 – Taxes

#### Latent and deferred tax situation

Reduction of future tax debt (in thousands of euros)	Gross
Interest on sale of debt	2,334
Provision for retirement compensation	755
Other	488
<b>TOTAL</b>	<b>3,577</b>

Charges reported in 2005 and during preceding years but reintegrated into the taxable results as of 31 December 2005 amount to €3,577,000, which is a tax reduction of €1,249,000 using the corporate tax rate in effect on that date.

### 4.2 – Off-balance-sheet commitments

#### Individual training rights – DIF

For the year 2006, any employee with at least one year's seniority on 31 December 2005 has 20 hours of DIF as of 31 December 2005, which may be used starting on 1 January 2006. This represents a commitment for 2006 of 867 hours.

#### Commitment to Pay up QDQ SAU Capital

When QDQ Media SAU was acquired from Wanadoo International SA (WI), WI transferred to PagesJaunes Group the obligation to pay up the capital.

### 4.4 – Employees

Average employees 2005 2004	2005	2004
Managers	22.5	15
Line managers and technicians	4.5	2
Employees	0	0
<b>TOTAL</b>	<b>27</b>	<b>17</b>

### 4.5 – Associated companies

The main balance sheet and result statement entries concern:

#### France Télécom

- Management fees and trademark fees for €6,197,000.
- PagesJaunes Group also holds a loan to France Télécom in the amount of €159,000.
- France Telecom loan for €64,208,000 (see § 3.3).

However, the parties agreed that when the Company made appeals for capital not yet paid up, the seller (WI) would pay the necessary funds to PagesJaunes Group, to enable it to meet its commitment to pay up the capital to the Company.

As of 31 December 2005, this commitment amounted to €7,485,000.

**On that date, there was no other significant off-balance-sheet commitment according to current accounting standards.**

### 4.3 – Directors' attendance fees and payments to the advisor allocated for the Board of Directors

Directors' attendance fees and payments to the Advisor allocated for the Board of Directors for 2005 amount to €113,000. Payments were also allocated to the members of the management boards, but no information is supplied concerning them because it would clearly identify the situation of one of the members of the management boards.

### Other companies of the PagesJaunes Group

(in thousands of euros)	Income		Charges	Receivables	Current accounts		Debts
	Management fees and trademark fees	Staff rebilling			Debtor, tax integration portion	Creditor	
PagesJaunes SA	7,258	1,121	689		155,194	185,651	
Wanadoo Data	87			19	6,620		
Kompass	184	144		216			
Kompass Belgium	18			18			
Mappy	16			7	231		
e-sama	11			14			
Edicom	16			4			
PagesJaunes OM	28	181		250	517		
PagesJaunes Liban							
Eurodirectory	13						
QDQ	188	503		695			
<b>TOTAL</b>	<b>7,819</b>	<b>1,949</b>	<b>689</b>	<b>1223</b>	<b>162,562</b>	<b>185,651</b>	

#### 4.6 – Tax Integration

Through an option dated 3 December 2004, PagesJaunes Group was placed under the tax regime for groups of companies described in Articles 223 A and following of the General Tax Code, for a renewable five-year period. This option makes PagesJaunes Group responsible solely for the corporation tax on the total results for the Group that contains it and the companies whose capital it owns at least 95% and who have agreed to be members of this Group. The tax-integrated subsidiaries are PagesJaunes, Wanadoo Data, Kompass France, Mappy, Cristallerie 1 and PagesJaunes Outre-Mer. A tax integration gain of €4,243,000 was thus reported in 2005.

#### 4.7 – Consolidation

PagesJaunes Group is consolidated by full integration into the accounts of France Telecom.

#### 4.8 – Events after the fiscal year ended

There are no significant events to mention since the year ended.

## 20.3 Report of the Board of Directors to the General Shareholders' Meeting

Ladies and Gentlemen,

We have called you to a mixed General Shareholders' Meeting, according to the provisions of the Law and the bylaws of our Company, to report to you on the Company's activity during the fiscal year that opened on 1 January 2005 and closed on 31 December 2005, and to submit the consolidated annual accounts of that year for your approval.

We have also called you to this meeting so that you may rule on:

- how the year-end results will be assigned;
- the amount of attendance fees to be allocated for the fiscal year 2006;

- a new buyback programme for Company securities;
- changes to the bylaws so that directors can participate in Board of Directors meetings via telecommunication and so that the bylaws reflect the new rules regarding a quorum at General Shareholders' Meetings;
- and a project for renewing certain financial duties delegated to the Board of Directors.

The required convocations have been duly sent to you, and all of the documents and papers required under currently applicable regulations have been made available to you within the legal deadlines.

### I – COMPANY BUSINESS/RESULTS/PRESENTATION OF ANNUAL ACCOUNTS

Fiscal year 2005 was marked by the acquisition of Edicom SA. In accordance with the Group's intentions announced when it was introduced on the stock exchange, PagesJaunes Group acquired Edicom from France Télécom in July 2005 for €5,450,000. Edicom is Morocco's leading directory publisher and had revenues of 2.9 million euros in 2005.

PagesJaunes Group also increased its capital investment in three companies that it already wholly owned as of 31 December 2004:

- inclusion of Wanadoo Data's debt in capital for €5,000,000, which brings the PagesJaunes Group's holding in Wanadoo Data to €7,275,000 as of 31 December 2005;
- inclusion of Kompass France's debt in capital for €2,821,000 and a €3,679,000 increase in Kompass France's capital, which brings the PagesJaunes Group's holding in Kompass France to €47,085,000 as of 31 December 2005;
- inclusion of PagesJaunes Liban's debt in capital for €889,000, which brings the PagesJaunes Group's holding in PagesJaunes Liban to €3,014,000 as of 31 December 2005.

During fiscal year 2005, the PagesJaunes Group signed a liquidity contract in the amount of €17,000,000 with Banque Rothschild. Under this agreement, as of 31 December 2005, the Company owns 100,000 of its own shares, or 0.04% of its capital.

Through an option dated 3 December 2004, PagesJaunes Group was placed under the tax regime for groups of companies described in Articles 223 A and following of the General Tax Code, for a renewable five-year period. This option makes PagesJaunes Group responsible solely for the corporation tax on the total results for the Group that contains it and the companies whose capital it owns at least 95% and who have agreed to be members of this Group. The tax-integrated subsidiaries are PagesJaunes, Wanadoo Data, Kompass France, Mappy, Cristallerie 1 and PagesJaunes Outre-Mer. A tax integration gain of €4,243,000 was thus reported in 2005.

By applying the provisions of Article 95 of the Finance Law, PagesJaunes Group had a debt with the Public Treasury representing payment of the exceptional draw of 25% of the net amount of income distributed. This debt, in the amount of €64,208,000 and repayable in three equal annual payments in 2006, 2007, and 2008, was sold in its entirety to a banking institution. PagesJaunes Group reported a non-operating charge of €2,855,000 corresponding to the non-operating charge incurred.

The PagesJaunes Group gave France Télécom a loan in the amount of €64,208,000. This loan will be repaid in three equal payments on 15 April 2006, 2007 and 2008 and will bear interest at the rate of 2.65%.

During fiscal year 2005, the average staff of PagesJaunes Group was 27 people (31 people at the end of 2005 vs. 15 people at the end of 2004), sufficient for it to fully execute its holding function for a listed group.

#### Analysis of operating results

##### Operating income

Revenues for 2005 amounted to €9,827,000 (€4,971,000 in 2004), including €7,879,000 (€3,841,000 in 2004) of management fees invoiced to the subsidiaries, with the remainder consisting of rebilling for staff from the PagesJaunes Group who worked for international subsidiaries or dedicated part of their time to PagesJaunes SA (€1,948,000 in 2005 and €1,215,000 in 2004).

##### Operating expenses

The salary base amounted to €3,969,000, with €1,587,000 in company benefit expenses, compared to €2,075,000 and €1,125,000 respectively in 2004. Other operating expenses include primarily €6,197,000 in assistance fees paid to France Télécom (€2,571,000 in 2004) and €2,434,000 in financial reporting, strategic, and legal fees (€842,000 in 2004).

PagesJaunes SA also billed PagesJaunes Group for rent in the amount of €452,000 (€0,000 in 2004).

The operating result for PagesJaunes Group for fiscal year 2005 is a deficit of €7,207,000, compared to an operating deficit of €2,229,000 in 2004.

### Analysis of non-operating results

The non-operating income of €249,631,000 (€2,757,000 in 2004) is primarily from dividends received from subsidiaries, amounting to €248,325,000 (€2,636,000 in 2004). Non-operating expenses of €7,030,000 (€85,000 in 2004) include the actualisation expense incurred when the debt for payment of the exceptional draw paid in 2005 on dividends distributed was titled to the government, in the amount of €2,855,000, plus interest paid on current creditor accounts in the amount of €3,005,000.

The net non-operating result is therefore €242,602,000 in 2005, compared to €2,672,000 in 2004.

### Liquid assets and cash management situation

As of 31 December 2005, the PagesJaunes Group had a credit cash management position of €8,741,000 (€139,764,000 as of 31 December 2004), which breaks down as follows:

(in thousands of euros)	2005	2004
Current account, Wanadoo Data	6,125	(1,619)
Current account, PagesJaunes Outre-Mer	276	(3,754)
Current accounts with other subsidiaries	156,161	(134,391)
Investment securities	(16,482)	-
Current account, PagesJaunes SA	(185,651)	-
Creditor bank accounts	(2,133)	-
<b>TOTAL</b>	<b>(8,741)</b>	<b>(139,764)</b>

## II – RESULT ALLOCATION PLAN

We propose allocating the fiscal year's profit of 242,142,849 euros as follows:

- 1.02 euros per share, including the previous carry-forward of 3,689,152,909 euros;
- the remainder of the available amount will be entered under "carry forward."

The dividend will be paid as of 2 May 2006.

The total amount of the dividend will therefore reach a maximum of 284,365,402 euros, with the stipulation that the shares held by the Company on the date when the dividend is paid will not be entitled to it.

### Analysis of exceptional results

The exceptional result of €138,000 (€3,952,689,000 in 2004, corresponding to the transfer gain when the PagesJaunes business was sold to PagesJaunes SA) is primarily from IPO-related profit in the amount of €138,000.

### Analysis of corporate tax

The PagesJaunes Group reported net tax income of €6,611,000 in 2005 (tax expense of €4,610,000 in 2004), consisting of a tax integration gain of €4,243,000 from a 2004 tax regularisation of €3,233,000 and a corporate tax expense for fiscal year 2005 of €865,000.

The net result for the PagesJaunes Group amounted to €242,143,000 as of 31 December 2005 vs. €3,948,522,000 as of 31 December 2004.



The dividends for the preceding three fiscal years were as follows:

Year	Number of shares	Dividends per share <sup>(1)</sup>	Tax credit <sup>(2)</sup>
2002	182,700	0.91	Tax credit applied to 0.038 of the dividend
2003	182,700	0.86	No tax credit
2004	278,789,610	0.93	No tax credit <sup>(3)</sup>

(1) The amount of the dividend includes the division of the nominal value decided by the General Shareholders' Meeting on 27 May 2004, with the nominal value of each share taken from 300 euros to 0.20 euros.

(2) The tax credit was kept at the single rate of 50% to meet current needs (only for fiscal years 2002 and 2003).

(3) 100% of the dividend is eligible for the 50% allowance mentioned in item 2 of section 3 of Article 158 of the General Tax Code (only for fiscal year 2004).

Attached to this report, in accordance with the provisions of Article 148 of the Decree of 23 March 1967, is a table showing our company's results for the past five completed fiscal years.

We ask that you approve the annual accounts and the consolidated accounts for the PagesJaunes Group for the fiscal year ending 31 December 2005 and thereby discharge the Directors and Auditors to execute their mandates.

### III – HIGHLIGHTS OF THE FISCAL YEAR

#### Sale by France Télécom of 8% of PagesJaunes Group's capital for the amount of 440.5 million euros

On 10 February 2005, as part of an accelerated investment with institutional investors, France Télécom finalised the sale of 22,303,169 PagesJaunes Group shares that it owned directly, representing 8% of PagesJaunes Group's capital as of 10 February 2005.

#### Acquisition of the relational marketing company e-sama

On 24 February 2005, the PagesJaunes Group announced the acquisition, through its subsidiary Wanadoo Data, of 100% of the company e-sama, which specialises in hosting data bases and providing customer relationship management (CRM) services. e-sama had 2004 revenues of 8.4 million euros, at a growth rate of 22%; the Company is profitable with a gross operating margin of 20%. Combining e-sama with Wanadoo Data significantly reinforces the PagesJaunes Group's direct marketing division, with cumulative revenues of 20 million euros for the full year in 2005.

#### Operating concession contract for the universal printed directory in favour of PagesJaunes accompanied by a contract ceding the trademark "L'Annuaire"

France Télécom was designated by a decision on 3 March 2005 as the publisher of the universal directory for a period of two years. France Télécom should remain the publisher, so the transfer of the trademark l'Annuaire to PagesJaunes SA, subsidiary of the PagesJaunes Group, as stipulated in the agreements of May/June 2004, cannot be implemented. The solution used was to draw up an operating concession contract for the universal printed directory in favour of PagesJaunes, accompanied by a contract ceding the trademark "L'Annuaire."

These contracts were signed on 20 January 2006 and took effect as of 1 January 2006. Given the implementation of the measures described above, the contracts governing the publishing and rights to the directories published by France Télécom (l'Annuaire and the alphabetical 3611) were revised to adapt their scope to include the alphabetical 3611.

#### Confirmation by the Paris Appeals Court of the validity of the "PagesJaunes" trademarks

As part of the lawsuit brought against PagesJaunes and France Télécom by Prodis in 2000, primarily regarding the nullity of the PagesJaunes trademark, the Paris Appeals Court, in a decision on 30 March 2005, confirmed the judgment that was handed down on 14 May 2003 by the Paris Superior Court regarding the validity of the "PagesJaunes" trademarks.

#### Acquisition of Edicom

In accordance with the Group's intentions announced when it was introduced on the stock market, PagesJaunes Group finalised the acquisition of Edicom from France Télécom. Edicom is Morocco's leading directory publisher, with 2004 revenues of 4.0 million euros. Edicom has been consolidated since 1 July 2005.

#### Withdrawal by the PagesJaunes Group from the France Télécom Group's mutual participation agreement

The PagesJaunes Group withdrew from the France Télécom Group's mutual participation agreement. While preserving the level of participation paid to the PagesJaunes Group's employees, this decision should lead to a reduction in the total amount of participation supported by the PagesJaunes Group, starting in fiscal year 2006. Under the new participation agreement, internal within the PagesJaunes Group and implemented starting in fiscal 2006, the impact of the new participation calculation should generate an improved consolidated operating result for the PagesJaunes Group.

### Launching of the 118 008 PagesJaunes directory enquiry service

On 2 November 2005 in France, the PagesJaunes Group launched a directory enquiry service as part of the deregulation of the French directory enquiries market. This service will make it possible to find the information for an individual or company anywhere in France, and also to take advantage

of innovative offers from all fixed and mobile operators. This new activity is based on a mixed business model that combines revenues from user customers (access to the service is paid for the caller) and revenues from publicity insertions sold to advertisers.

## IV – SHARE CAPITAL – DISTRIBUTION

In accordance with the provisions of Article L. 233-13 of the Commercial Code, and allowing for the information received by applying Articles L. 233-7 and L. 233-12 of the Commercial Code, we remind you that France Télécom owns more than half of the share capital and voting rights (54% as of 31 December 2005).

On 10 February 2005 during fiscal year 2005, as part of an accelerated investment with institutional investors, France Télécom finalised the transfer

of 22,303,169 PagesJaunes Group shares that it owned directly, representing 8% of the PagesJaunes Group's capital as of 10 February 2005.

The following table details the distribution of the PagesJaunes Group's capital as of 31 December 2005:

	Number of shares	% of capital	% of voting rights
France Télécom	150,546,830	54.0%	54.0%
Public	123,202,224	44.2%	44.2%
Employees (through the PagesJaunes Shares FCPE mutual fund)	4,940,556	1.8%	1.8%
Self-owned	100,000	0.0%	-
<b>TOTAL</b>	<b>278,789,610</b>	<b>100.0%</b>	<b>100.0%</b>

## V – AGREEMENTS UNDER ARTICLE L 225-38 OF THE COMMERCIAL CODE

During the fiscal year ending 31 December 2005, the Company signed an agreement that may fall within the scope of Article L. 225-38 of the Commercial Code, i.e.:

- a loan contract to France Télécom for the reassignment of a tax debt that the PagesJaunes Group had with the government. This contract was authorised in advance by the Board of Directors of the PagesJaunes Group on 28 June 2005;

- a contract for transfer and acquisition of shares in Edicom, signed with Atlas Services Belgium. This contract was authorised in advance by the Board of Directors of PagesJaunes Group on 23 February 2005.

## VI – SITUATION OF CORPORATE OFFICERS AND DIRECTORS

The table listing the mandates and duties performed by the corporate officers of the PagesJaunes Group as of 31 December 2005 is included in Chapter 14 of this document.

### Former corporate officers of the PagesJaunes Group who exercised a mandate during fiscal year 2005

None.

## VII – TOTAL COMPENSATION AND BENEFITS OF ANY KIND PAID BY THE PAGESJAUNES GROUP DURING THE FISCAL YEAR TO CORPORATE OFFICERS OF THE PAGESJAUNES GROUP

In accordance with applicable legal provisions, this report must include the total compensation and benefits of any kind paid by the PagesJaunes Group, in the form shares of stock, debt securities, or securities giving access to capital or conferring the right to assignment of debt securities, during the past fiscal year, to each of its corporate officers for that same year.

It must also list the aforementioned items received from companies controlled by the PagesJaunes Group and from the Company that controls the PagesJaunes Group.

The total amount of compensation and benefits of any kind paid to each corporate officer is as follows:

CORPORATE OFFICERS OF THE PAGESJAUNES GROUP												
Compensation and benefits paid by the PagesJaunes Group (gross amounts, in euros, before employer contributions)												
	Fixed		Variable		Profit sharing, participation and bonuses		Exceptional		In-kind benefits		Attendance fees	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Michel DATCHARY CEO	300,000	200,000	56,740	146,177	10,702	9,470			10,458	3,900	3,324 <sup>(1)</sup>	4,573 <sup>(1)</sup>
François de CARBONNEL											24,000	12,900
Élie COHEN											25,000	12,900
Jean-Hervé LORENZI											25,000	6,300
Rémy SAUTTER											24,000	12,900
Marcel ROULET											15,000 <sup>(2)</sup>	15,000 <sup>(2)</sup>

(1) Compensation for the Chairman of the Board of PagesJaunes for fiscal year 2004.

(2) Compensation to the advisor.

The Chairman of the Company's Board of Directors receives no compensation from the Company.

In 2005, the CEO was eligible for a variable portion whose annual amount could vary from 0 to 66% of the base salary, depending on the following performance criteria: 50% increase in revenues, 30% growth of the EBITDA, and 20% increase in net profit.

The amount of compensation paid to members of the Board of Directors for attendance fees in fiscal year 2005 was 98,000 euros.

According to the rules for distribution of attendance fees established by the Board of Directors, the Directors received:

- a fixed amount of 10,000 euros per year;
- a variable portion pro-rated depending on presence at Board of Directors meetings, with a base of 10,000 euros;
- a fixed amount of 5,000 euros for participation on a Committee.

The Group's salaried directors receive no compensation for their mandates, including their participation on the Board of Directors' committees. Only the expenses related to their participation on the Board of Directors and on committees may be reimbursed to them.

## VIII – AMOUNT OF COMPENSATION AND BENEFITS OF ANY KIND RECEIVED BY THE CORPORATE OFFICERS OF THE PAGESJAUNES GROUP DURING THE FISCAL YEAR FROM COMPANIES CONTROLLED BY THE PAGESJAUNES GROUP

CORPORATE OFFICERS OF THE PAGESJAUNES GROUP												
Compensation and benefits paid (gross amounts, in euros, before employer contributions)												
	Fixed		Variable		Profit sharing, participation and bonuses		Exceptional		In-kind benefits		Attendance fees	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Jean-Claude MARCEAU*	66,995		40,654		13,389		2,000		-		-	

\* Mr. Jean-Claude Marceau was elected as a Director by the General Shareholders' Meeting of 12 April 2005.

## IX – AMOUNT OF COMPENSATION AND BENEFITS OF ANY KIND RECEIVED BY THE CORPORATE OFFICERS OF THE PAGESJAUNES GROUP DURING FISCAL YEAR 2005 FROM THE COMPANY CONTROLLING THE PAGESJAUNES GROUP

CORPORATE OFFICERS OF THE PAGESJAUNES GROUP												
Compensation and benefits paid (gross amounts, in euros, before employer contributions)												
	Fixed		Variable		Profit sharing, participation and bonuses		Exceptional		In-kind benefits		Attendance fees	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Michel COMBES	312,604	300,000	176,485	166,243	15,705	11,143	-	-	33,278	3,887	-	-
Olivier BARBEROT	314,634	300,029	165,747	173,754	15,856	8,535	-	-	3,077	4,529	-	-
Patricia LANGRAND	212,603	142,499	107,075	47,631	12,015	5,750	-	-	162	-	-	-
Stéphane PALLEZ	305,150	204,196	165,747	29,902	9,158	-	-	-	486	283	-	-
Marcel ROULET	-	-	-	-	-	-	-	-	-	-	40,000	38,000

## X – COMMITMENTS OF ANY KIND THAT ARE OR MAY BE DUE BECAUSE OF OR SUBSEQUENT TO THE ASSUMPTION OR CESSATION OF DUTIES

In accordance with applicable legal provisions, this report must include all commitments of any kind undertaken by the Company in favour of its corporate officers with regard to compensation, allowances, or benefits that are or may be due because of or subsequent to the assumption or cessation of their duties.

The Company did not establish specific supplemental retirement plans for its corporate officers.

Michel Datchary's employment contract includes a non-competition obligation limited to a 12-month period and applying to all French territory.

This non-competition obligation, if it is applied, will be compensated by a payment equal to 50% of the average monthly gross salary received over the last 12 months. It is limited to 25% of the average monthly gross salary received over the last 12 months if Michel Datchary departs by his own choosing.

Michel Datchary's employment contract includes clauses stipulating conventional and contractual severance benefits which may not exceed 21 months.

The Company did not incur any of the commitments described in the first paragraph above during the fiscal year.

## XI – OPTIONS FOR SUBSCRIPTION OR PURCHASE OF SHARES

On 28 June 2005, the Board of Directors of the PagesJaunes Group offered certain of its employees and corporate officers a total of 3,796,800 options for subscription of PagesJaunes Group shares, representing 1.36% of the Company's capital and conferring the right to subscribe the same number of shares at the price of 19.30 euros per share.

### Wanadoo subscription plan

The following table shows the four Wanadoo share subscription plan options available to certain corporate officers of the Company and adopted in accordance with Articles L. 225-177 and following of the Commercial Code at the Wanadoo Extraordinary General Shareholders' Meeting on 22 June 2000. Note that these Wanadoo share subscription options were converted into France Télécom share subscription options when France Télécom and Wanadoo merged on 1 September 2004.

France Télécom share subscription options offered during fiscal year 2005 to the corporate officers of the PagesJaunes Group and options taken by those officers	Number of options assigned or taken	Exercise price in euros	1st possible exercise date	Plan expiration dates
Options awarded in 2005	N/A	N/A	N/A	N/A
Options taken in 2005	M. Datchary 38,888 M. Datchary 23,333 J.C. Marceau 3,305 J.C. Marceau 2,732	15.38 13.84 15.43 13.84	April 2004 June 2005 April 2004 June 2005	April 2011 June 2012 April 2011 June 2012
France Télécom share subscription options during fiscal year 2005 to the top ten employee recipients of the PagesJaunes Group who are not corporate officers	N/A	N/A	N/A	N/A
France Télécom share subscription options exercised in 2005 by the ten employees who are not corporate officers of the PagesJaunes Group and who took the greatest number of options	24,555 81,702	15.38 13.84	April 2004 June 2005	April 2011 June 2012

### PagesJaunes Group subscription plan

The table below shows the PagesJaunes share subscription plan options available to certain corporate officers of the Company and adopted in accordance with Articles L. 225-177 and following of the Commercial

Code at the Mixed General Shareholder's Meeting of PagesJaunes on 12 April 2005.

PagesJaunes Group share subscription options offered during fiscal year 2005 to the corporate officers of the PagesJaunes Group and options taken by those officers	Number of options assigned or taken	Exercise price in euros	1st possible exercise date	Plan expiration dates
Options awarded in 2005	M. Datchary 72,000 J.C. Marceau 3,000	19.30 19.30	June 2008 June 2008	June 2015 June 2015
Options taken in 2005	N/A	N/A	N/A	N/A
PagesJaunes Group share subscription options during fiscal year 2005 to the top ten employee recipients of the PagesJaunes Group who are not corporate officers	336,000	19.30	June 2008	June 2015
PagesJaunes Group share subscription options exercised in 2005 by the ten employees who are not corporate officers of the PagesJaunes Group and who took the greatest number of options	N/A	N/A	N/A	N/A

## XII – FREE ALLOCATION OF SHARES

The company did not allocate any free shares to employees or corporate officers during the fiscal year.

## XIII – OPERATIONS EXECUTED BY PAGESJAUNES GROUP ON ITS OWN SECURITIES DURING THE FISCAL YEAR AND NEW COMPANY SHARE BUYBACK PROGRAMME

On 14 November 2005, the Company awarded a liquidity contract to Rothschild & Cie Bank, for the duration of one year with tacit renewal, in accordance with the Professional Ethics Chart established by the French Association of Investment Companies and approved by the Financial Market Authority in its decision of 22 March 2005. To implement this contract, 17 million euros were assigned to the liquidity account.

For the liquidity contract awarded by PagesJaunes to Rothschild & Cie Bank, the following resources were in the liquidity account as of 30 December 2005:

- 100 000 shares;
- €14,877,738.00.

The operations executed under the above-mentioned liquidity contract during the fiscal year are described in the special Board of Directors report on self-owned stock purchasing operations.

We propose the termination, effective immediately, of the authorisation to purchase Company shares that was given in the ninth resolution at the Mixed General Shareholders' Meeting on 12 April 2005, and then authorising the Company to buy its own shares, in accordance with Articles L. 225-209 and following of the Commercial Code, with a limit of 10% of the amount of share capital existing on the date of this meeting, subject to the following conditions:

- the maximum purchase price may not exceed 30 euros per share, with the stipulation that, in case of operations involving capital, such as incorporation of reserves, allocation of free shares, and/or division or regrouping of shares, this price may be adjusted as a consequence;
- therefore, the maximum amount of funds intended for the buyback programme is 836,368,830 euros, calculated based on the share capital as of 7 February 2006, and this maximum amount can be adjusted to reflect the amount of capital on the date of the General Shareholders' Meeting;
- this authorisation is valid for eighteen months;
- the acquisitions made by the Company by virtue of this authorisation may not under any circumstances cause it to own, directly or indirectly, more than 10% of the shares composing the share capital;
- these shares can be acquired or transferred, including during periods of public offers that are transacted in case, under the conditions and limits governing volumes and prices that are stated in the texts in effect on

the date of the operation in question, by any method, including on the market or by mutual agreement, by acquisition or transfer of blocks, through the use of derivative financial instruments negotiated on a controlled market or by mutual agreement, subject to the conditions stipulated by the market authorities and at the times considered appropriate by the Board of Directors or the person acting on behalf of the Board of Directors.

These share purchases may result in any allocation permitted by law, and the goals of this share buyback programme are:

- to implement and honour the obligations related to the share option programmes or other allocations of shares to employees of the Company or of associated companies and, in particular, to allocate shares to employees of the PagesJaunes Group as part of (i) company profit sharing, (ii) any share purchase or free share allocation plan benefiting employees under the conditions required by law, specifically by Articles L. 443-1 and following of the Labour Code, or (iii) any share purchase option or free share allocation plan benefiting all or certain employees and corporate officers, and to execute all coverage operations related to these transactions, subject to the conditions stipulated by the market authorities and at the times considered appropriate by the Board of Directors or the person acting on behalf of the Board of Directors;
- to reduce the Company's capital by applying the eleventh resolution from the General Shareholders' Meeting of 19 April 2006, subject to its being adopted;
- to ensure the liquidity of PagesJaunes Group stock through an investment services provider under a liquidity contract in accordance with the ethics chart recognised by the financial market authority;
- to conserve shares for later exchange or use as payment for possible external growth operations;
- to implement and honour obligations related to debt securities that can be converted into owned securities, and in particular to reposition shares when the rights attached to securities are exercised, giving immediate or deferred access to the shares by any means, and to perform all coverage operations for PagesJaunes Group obligations related to these securities, subject to the conditions stipulated by the market authorities and at the times considered appropriate by the Board of Directors or the person acting on behalf of the Board of Directors.



## XIV – ATTENDANCE FEES AND ADVISOR COMPENSATION

We propose that you set the amount of attendance fees allocated to members of the Board of Directors at 250,000 euros for the fiscal year in progress and subsequent years, until a new decision is made at a General Shareholders' Meeting.

We also propose that you set the advisor compensation at a fixed annual amount of 10,000 euros and at 2,500 euros per Board of Directors meeting and 1,000 euros per meeting of a Board of Directors Committee of which he is a member, for the current fiscal year and subsequent years, until a new decision is made at a General Shareholders' Meeting.

## XV – SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE YEAR

### Claim with the Competition Commission

On 24 January 2006, the Company was informed of a claim filed with the Competition Commission on 10 January 2006 by the Company Le Numéro

relating to practices that were to be implemented by PagesJaunes in the field of directory enquiry services.

## XVI – EXTRAORDINARY RESOLUTIONS

We propose that you modify Article 16 of the Company Statutes to allow directors to participate in Board meetings via telecommunications. Consequently, paragraph 6 of Article 16 would be modified to:

“Subject to statutory and regulatory provisions, Board meetings may take place by means of videoconferencing or any other means of telecommunication, and directors who are taking part in the Board meeting via videoconferencing, or any means of telecommunication which allows them to be identified and which guarantees their effective participation, will be deemed to be present for the purposes of calculating of the quorum and the majority”.

The rest of the Article remains unchanged.

We also propose that you modify Articles 31 and 32 of the Company Statutes in order to modify the rules of quorum so that they comply with Articles L. 225-96 and L. 225-98 of the Commercial Code, as modified by Law no. 2005-842 of 26 July 2005. Consequently, Articles 31 and 32 are modified as follows:

### “Article 31 – Ordinary General Meeting

The Ordinary General Meeting is called to take all decisions other than those which modify the Statutes. It is held at least once a year to approve the accounts for the previous year, within six months of the Company year end except in the case of a legally prescribed prolongation.

When it is first convened, its deliberations are only valid if those shareholders present, either via a representative or having voted remotely, own at least one fifth of the voting shares. When convened for the second time, a quorum is not required. It may make rulings with the majority of votes of those shareholders present, either via a representative or having voted remotely.

For the purposes of calculating the quorum and the majority, those shareholders participating in the meeting via videoconferencing, or other means of telecommunication which allows them to be identified, and whose nature and conditions of application are determined by the laws and regulations currently in force, are deemed to be present.

### Article 32 – Extraordinary General Meeting

The Extraordinary General Meeting alone is authorised to modify the Statutes in all their provisions. However, it may not increase the shareholders' commitments, subject to operations resulting from the merging of shares which takes place regularly.

Subject to the statutory provisions which apply to increases in capital realised by incorporation of reserves, profits or issue premiums, its deliberations are only valid if those shareholders present, either via a representative or having voted remotely, own at least one quarter (when convened for the first time) or one fifth (when convened for the second time) of the voting shares. If this latter quorum is not achieved, the second meeting may be postponed to a later date which is not more than two months from the date on which it was originally convened, and the quorum of one fifth is again required.

Subject to the same statutory provisions, it may make rulings with a two thirds majority of the votes of those shareholders present, either via a representative or having voted remotely.

For the purposes of calculating the quorum and the majority, those shareholders participating in the meeting via videoconferencing, or other means of telecommunication which allows them to be identified, and whose nature and conditions of application are determined by the laws and regulations currently in force, are deemed to be present.”

Your Board of Directors also requests that you withdraw, with immediate effect on the day of your Meeting, the authority granted by the Mixed General Assembly of 12 April 2005 through its 21st resolution, which gave your Board of Directors the power to reduce the capital by cancelling ordinary shares, and to authorise the Board of Directors, within the framework of the 9 resolution, to reduce the capital by cancelling ordinary PagesJaunes Group shares as part of the share repurchase programmes adopted by the Company. To comply with the law, shares may only be cancelled up to a limit of 10% of the Company's capital in any twenty-four month period.'

In accordance with Articles L. 225-197-1 and following of the Commercial Code, we request that you authorise the Board of Directors to proceed with allocations of free ordinary Company shares, either existing or yet to be issued.

The beneficiaries will be employees or social representatives of the Company or of companies or groups which are connected in the sense of Article L. 225-197-2 of the Commercial Code, or certain categories of these.

The total number of ordinary shares allocated freely under the terms of this resolution may not represent more than 0.5% of your company's capital.

If the Board of Directors exercises the powers which your Meeting grants to it by voting for the resolutions which have been proposed, it will draw up a supplementary report, where required, on the use of these powers, under the conditions provided for by the law and regulations currently in force.

In addition, when shares have been issued by virtue of these powers, the Statutory Auditors will draw up a report to the Board of Directors, under the conditions provided for by the law and regulations currently in force.

The table presenting the financial powers granted by the General Meeting to the Board of Directors is included in the Company's *document de référence* in Section 21.1.1.

## I Rapport social

The number of employees in the Company stood at 31 on 31 December 2005. All information relating to PagesJaunes Group's workforce can be found in Chapter 17 of the PagesJaunes Group's 2005 *document de référence*.

In 2005, a corporate organisation structure was implemented for finance, legal matters, strategy, human resources and communication. The teams have been put together progressively throughout the year. A first core was formed by transfer from PagesJaunes SA, and was completed by movements within the France Télécom group, and also by external recruitment.

Also, a profit-sharing agreement for PagesJaunes Group co-workers was signed in 2005.

Finally, after authorisation from the General Meeting on 12 April 2005, PagesJaunes Group instituted a stock option allocation plan. These stock options have been allocated to approximately 800 co-workers from the Group's various subsidiaries (Plan approved at the Board Meeting of 28 June 2005).

## II Research and development

The Group has a characteristic, strong culture of innovation which does not necessitate high levels of investment in basic research and development. However, to keep abreast of technological developments, the Group has increased its investment in this area in 2005.

## III Environmental impact of company activity

In the context of its business activities, the Group is subject to a certain number of environmental, health and safety regulations. It is committed to limiting environmental impact as much as possible. The environmental impact of the activities undertaken directly by the Group falls into two

categories: on the one hand, the risks connected with the production and circulation of a large quantity of paper and on the other, the risks connected with "office" activities, to which comparable companies are also exposed.

In order to limit the impact connected with the production and circulation of printed directories, the Group has introduced procedures aiming to reduce the quantity of paper the activity uses and to promote recycling of used paper.

### Less paper consumed

To limit the quantity of paper necessary, without limiting the distribution of its products, the Group has implemented the following measures:

- optimisation of targeting, by evaluating more precisely the number of directories to be supplied, in order to adapt the number of directories delivered more closely to the needs of the users;
- optimisation of the layout and format of the directories, allowing the consumption and waste of paper to be limited during production of the directories.

In this way, the level of paper consumed in the publication of the PagesJaunes directory and the Annuaire has been falling for several years. It amounted to approximately 66,732 tonnes for the year 2005, 67,141 tonnes for the year 2004 and 69,900 tonnes for the year 2003.

### More efficient recycling of the directories

At the same time, the Group has been making efforts to achieve wider and more efficient recycling of the directories produced.

On one hand, a proportion of the paper pulp used is made up of recycled paper, and on the other, a proportion of the paper purchased is recovered during the manufacturing and printing processes and is then recycled. Furthermore, a variety of recovery and/or recycling measures have been introduced. The Group has also adopted the so-called "drop off/collection" system, which makes the directory distributors in the densest urban areas responsible for collecting old directories when they deliver the new ones. Finally, surplus directories are recovered/recycled in the same way as out-of-date directories. All directories collected in this way are recycled by specialist waste management companies. Now, more than 25% of the paper purchased can be recycled in this way.

### Environmental impact connected with "office" activities

The Group's companies have introduced a number of environmental protection measures, particularly by reducing the resources consumed and by recycling materials used.

Within PagesJaunes, for example, an operation to collect used batteries, printer cartridges and photocopiers has been put in place. In Sèvres, 1,216 printer cartridges, 50 kilos of fluorescent tubes and 50 kilos of used batteries were collected.

In Saint-Laurent de Médoc, 287 kilos of magnetic tapes and disks were recycled and 560 litres of chemical photographic products were removed and treated.

Overall, although the Company has adopted a proactive policy for identification and management of environmental, health and safety issues, it cannot guarantee that a loss linked to the environment, or to the application of environmental regulations, will not be incurred.



## IV Prospects for development

This chapter contains indications of the Group's objectives. The reader is reminded that these prospective statements depend on circumstances or events which may occur in the future. These statements are not historical facts and should not be interpreted as a guarantee that the events or information expressed will actually occur or that the objectives will be achieved. By their nature, these objectives may not be achieved, and the forecasts on which they are based could turn out to be erroneous. The reader is invited to take into consideration the risk factors described in Chapter 4 "Risk factor" in the Company's *document de référence*.

### Financial objectives

The Group's ambition for 2006 is to:

- pursue continued growth;
- maintain a high level of operating profitability, especially through:
  - the relaunch of the *Annuaire* in France thanks to a new editorial and advertising offer,
  - the extension of *pagesjaunes.fr* services by pursuing a growth strategy which is based on the development of functionalities, the enrichment of its contents and the optimisation of providing contacts,
  - the development of directory enquiry services (118 008) in France.

## V Progress of the principal subsidiaries' business

### Segment 1: PagesJaunes in France

The consolidated revenue for the PagesJaunes in France segment is 956 million euros in 2005 compared with 904 million euros in 2004 (on historical data and data on a comparable basis), representing an increase of 5.8%. The progression in PagesJaunes' activities has been obtained by the 12.0% growth in revenue for "on-line services" and by the 3.1% increase for the "printed directories".

The gross operating margin of PagesJaunes in France stands at 458 million euros in 2005, up 10.5% compared with 2004. PagesJaunes in France's gross operating margin rate represents nearly 48% of the segment revenue.

### Segment 2: International operations and subsidiaries

The consolidated revenue for the International operations and subsidiaries segment has reached 109 million euros in 2005, and has grown by 42.4% compared with 2004 on historical data and by 9.4% on a comparable basis. This level of growth, on a comparable basis, has resulted principally from the increase in revenue for the subsidiary QDQ Media.

#### QDQ Media

QDQ Media's revenue stands at 41.8 million euros in 2005 on company data, up by more than 14.4% on the 2004 figure. This evolution results principally from the growth in revenues from the internet business QDQ.com, which has practically doubled between the two periods, and from the average growth in revenue per advertiser which is up 6.6% on 2004.

#### Kompass France

Kompass France's revenue stands at 27.2 million euros in 2005 on company data, up 9.4% on the 2004 figure. This growth has resulted principally from the increased client base.

#### Wanadoo Data

Wanadoo Data's revenue stands at 12.6 million euros in 2005 on company data, up 8.3% on the 2004 figure.

#### Mappy

Mappy realised revenue of 7.9 million euros in 2005 on company data, up nearly 43% on the 2004 figure.

The consolidated gross operating margin for the International Operations and Subsidiaries segment is positive at 5.5 million euros in 2005, compared with a loss of 2.2 million euros in 2004 on a like for like basis. This growth has resulted principally from QDQ Media showing a profit once more.

We now present in detail the annual accounts and consolidated accounts, which we submit for your approval. The rules on presentation and the methods of evaluation used for drawing up these documents conform to the current regulations.

In their general report and in their special report, your Auditors record the accomplishment of their mission.

Your Board invites you to adopt the resolutions which it submits to your vote.

Drawn up in Sèvres,  
The Board of Directors

## FINANCIAL RESULTS FOR THE PAST FIVE FISCAL YEARS (ARTICLES 133-135-148 OF THE DECREE OF 23 MARCH 1967)

NATURE OF THE INFORMATION (in thousands of euros)	Fiscal year 2001	Fiscal year 2002	Fiscal year 2003	Fiscal year 2004	Fiscal year 2005
<b>1 – FINANCIAL SITUATION AT THE END OF THE FISCAL YEAR</b>					
a) Share capital	54,810,000	54,810,000	54,810,000	55,757,922	55,757,922
b) Number of existing ordinary shares	182,700	182,700	182,700	278,789,610	278,789,610
<b>2 – GLOBAL RESULT OF OPERATIONS CARRIED OUT</b>					
a) Revenue before tax	751,720	805,645	847,610	4,971	9,827
b) Profit before tax, participation, amortisation and provisions	273,833	366,345	336,064	3,953,234	236,001
c) Tax on profits	100,120	120,601	107,156	0	(6,611)
d) Employee participation for the fiscal year	21 207	24 440	26 778	0	0
e) Profit after tax, amortisation and provisions	167,286	206,106	167,924	3,948,522	242,143
f) Amount of profit distributed in n + 1	151,641	248,107	235,957	259,274	284,365*
<b>3 – RESULTS FOR OPERATIONS REDUCED TO A SINGLE SHARE</b>					
a) Profit after tax and participation but before amortisation, provisions	835	1,211	1,106	14.18	0.87
b) Profit after tax, participation, amortisation and provisions	916	1,128	919	14.16	0.87
c) Dividend paid out per share	830	1,358	1,291	0.93	1.02
<b>4 – PERSONNEL</b>					
a) Average staff employed during the fiscal year	2,802	2,935	2,970	17	27
b) Wage bill	127,848	139,382	141,457	2,074	3,969
c) Amount of sums paid out as social benefits	51,337	56,845	57,113	1,125	1,587

\* Proposal submitted to the General Meeting of 19 April 2006.

## 20.4 Special Report of the Board of Directors to the Combined ordinary and extraordinary Shareholders' Meeting of the PagesJaunes Group on 19 April 2006

The aim of this report is (i) to inform the PagesJaunes Group's General Shareholders' Meeting, in accordance with Article L. 225-209, paragraph 2, of the French Commercial Code, of the completion of buybacks of its own shares under the buyback programme approved by the General Shareholders' Meeting of 12 April 2005 (ninth resolution), and (ii) to present the new buyback programme on which the PagesJaunes Group's

General Shareholders' Meeting of 19 April 2006 will be asked to vote (eighth resolution).

This document has been prepared in accordance with Articles 241-1 et seq. of the General Regulations of the *Autorité des marchés financiers* (AMF).

### 1. REPORT ON THE BUYBACK PROGRAMME APPROVED ON 12 APRIL 2005 (2005 BUYBACK PROGRAMME)

At the Combined ordinary and extraordinary Shareholders' Meeting of 12 April 2005, PagesJaunes Group's shareholders authorised the Company, in the ninth resolution adopted by this meeting, to purchase its own shares up to a limit of 10% of the Company's total share capital (the "2005 Buyback Programme").

#### 1.1. Summary of the principal characteristics of the 2005 Buyback Programme

The principal characteristics of the 2005 Buyback Programme are as follows:

- the maximum purchase price may not exceed €30 per share; consequently, the maximum amount of funds intended for the buyback programme is €836,368,830, which is calculated on the basis of the share capital at 23 February 2005; this maximum amount may be adjusted to reflect the total capital as of the date of the General Shareholders' Meeting;
- this authorisation is valid for a period of 18 months, i.e. until 12 October 2006;
- the purchase or transfer of these shares may be carried out by any means, under the conditions and within the limits provided by the laws in force as of the date of the planned transactions, including during a public offering as long as it is exclusively for cash.

These purchases of shares may be carried out for the purpose of any allocation permitted by law, with the objectives of the 2005 Buyback Programme being as follows:

- to allocate shares to PagesJaunes Group's employees and particularly within the framework of: (i) employee profit sharing, (ii) any stock purchase plan or bonus issue of shares to employees under the terms set out by law, and particularly by articles L. 443-1 et seq. of the French Labour Code, or (iii) any stock option plan offered to employees and company officers, or some of them, and to carry out any hedging operations relating to these operations, under the terms set out by the market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors;

- to reduce the Company's share capital in accordance with resolution 21 adopted by the General Shareholders' Meeting of 12 April 2005;
- to stimulate the secondary market or the liquidity of the PagesJaunes Group's share by an investment services provider through a liquidity contract that complies with the ethics charter approved by the AMF;
- to retain shares to be subsequently offered for exchange or as payment in connection with any future external growth operations;
- to distribute shares when rights attached to securities giving access to shares by any means, immediately or in the future, are exercised, and to carry out any hedging operations in proportion to PagesJaunes Group's obligations related to these securities, under the terms set out by the market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors;
- to execute any market operation which may be recognised by the law or the AMF in the future.

#### 1.2. Operations carried out under the 2005 Buyback Programme

On 12 April 2005, the date of the General Shareholders' Meeting that approved the 2005 Buyback Programme, the Company did not hold, either directly or indirectly, any Company shares.

Between 12 April 2005 and 14 November 2005, date on which a liquidity contract was made (see below), the Company did not purchase or sell any Company shares.

The PagesJaunes Group's Board of Directors launched the 2005 Buyback Programme through a decision taken on 22 September 2005. A liquidity contract was made with Rothschild et Cie Banque on 14 November 2005 for a term of one year renewable by tacit agreement. This liquidity contract complies with the ethics charter established by the *Association Française des Entreprises d'Investissement* approved by the AMF.

The operations carried out under the 2005 Buyback Programme during the period between 14 November 2005 and 30 January 2006 can be summarised as follows:

#### Up-to-date table at 30 January 2006

Number of shares comprising the PagesJaunes Group's capital at 12 April 2005	278,789,610
Capital in own shares held directly or indirectly at 12 April 2005	0
Number of shares purchased between 12 April 2005 and 30 January 2006	603,579
Gross average weighted price of shares purchased (euros)	21.43
Number of shares sold between 12 April 2005 and 30 January 2006	423,579
Number of shares transferred between 12 April 2005 and 30 January 2006	0
Number of shares cancelled during the last 24 months	0
Capital in own shares held directly or indirectly at 30 January 2006	180 000
Book value of portfolio at 30 January 2006 (euros)	3,845,593
Market value of portfolio at 30 January 2006 (euros)	3,762,000

### 1.3. Summary declaration tables

In accordance with the provisions of article L.241-2 of the AMF's general regulations, the following tables show a breakdown of total gross cash flows and open positions at 30 January 2006, as well as the operations carried out in cash under the 2005 Buyback Programme (at 30 January 2006).

All shares purchased and sold by PagesJaunes Group between 12 April 2005 and 30 January 2006 were purchased and sold under the liquidity contract made with Rothschild et Cie Banque on 14 November 2005.

#### 1.3.1. Breakdown of total gross cash flows and open positions at 30 January 2006

	Total gross cash flows		Open positions as of today			
	Purchases	Sales/Transfers	Open positions for purchase		Open positions for sale	
			Purchase options purchased	Forward purchases	Purchase options sold	Forward sales
Number of shares	603,579	423,579				
Average maximum maturity	-	-	NA	NA	NA	NA
Average transaction price	21.43	21.68	NA	NA	NA	NA
Average strike price	-	-	NA	NA	NA	NA
Amounts	12,933,935	9,182,855	NA	NA	NA	NA

#### 1.3.2. Operations carried out in cash at 30 January 2006

The breakdown of operations carried out is shown in the notes to this report.

## 2. BUYBACK PROGRAMME SUBMITTED TO THE GENERAL SHAREHOLDERS' MEETING OF 19 APRIL 2006 (2006 BUYBACK PROGRAMME)

### 2.1. Overview of the 2006 Buyback Programme

PagesJaunes Group's Board of Directors would like the Company to continue to have a share buyback programme.

To this end, a proposal will be made to the General Shareholders' Meeting of 19 April 2006 to end, effective immediately, the authorisation granted to the Board of Directors by the Mixed Shareholders' Meeting of 12 April 2005

and, in accordance with the provisions of article L. 225-209 et seq. of the Commercial Code, to approve a programme to buy back the company's own shares, up to a maximum of 10% of the Company's capital as it exists on the day of the meeting (the "2006 Buyback Programme").



## 2.2. Date of PagesJaunes Group's General Shareholders' Meeting that must approve the 2006 Buyback Programme

The 2006 Buyback Programme will be submitted to PagesJaunes Group's General Shareholders' Meeting on 19 April 2006 for approval.

## 2.3. Number of shares held directly or indirectly by the Company

At 30 January 2006, the Company directly holds 180,000 of its own shares, which represent 0.065% of the Company's capital. As of this date, the Company held no shares indirectly.

## 2.4. Distribution by objective of the shares held

All the shares held were purchased and are retained under the liquidity contract made with Rothschild et Cie Banque on 14 November 2005.

## 2.5. Objectives of the 2006 Buyback Programme

These purchases of shares may take place for the purpose of any allocation permitted by law, and the objectives of the 2006 Buyback Programme would be:

- to establish and honour obligations related to the stock option plans or other allocations of shares to employees of the Company or affiliates and, in particular, to allocate shares to PagesJaunes Group's employees within the framework of (i) employee profit sharing, (ii) any stock purchase plan or bonus issue of shares to employees under the terms set out by law, and particularly by articles L. 443-1 et seq. of the French Labour Code, or (iii) any stock option plan or bonus issue of shares to employees and company officers, or some of them, and to carry out any hedging operations relating to these operations, under the terms set out by the market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors;
- to reduce the Company's share capital, subject to the adoption by the General Shareholders' Meeting of 19 April 2006 of the draft resolution submitted to it aimed at authorizing the Company to reduce its capital;
- to ensure the liquidity of the PagesJaunes Group's share by an investment services provider through a liquidity contract that complies with the ethics charter approved by the AMF;
- to retain shares to be subsequently offered for exchange or as payment in connection with any future external growth operations;
- to establish and honour obligations related to debt securities which are convertible to certificates of ownership and, in particular, to distribute shares when rights attached to securities giving access to shares by any means, now or in the future, are exercised, and to carry out any hedging operations in proportion to PagesJaunes Group's obligations related to these securities, under the terms set out by the market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors.

## 2.6. Maximum portion of capital covered by the 2006 Buyback Programme and maximum number of shares that can be purchased under the 2006 Buyback Programme

The maximum portion which PagesJaunes Group could purchase under the 2006 Buyback Programme is 10% of the Company's total capital on the day of the meeting of 19 April 2006.

The maximum number of shares that can be purchased under the 2006 Buyback Programme is 27,778,961 shares, on the basis of the share capital at 30 January 2006.

## 2.7. Maximum purchase price

The maximum purchase price would be 30 euros per share, with the stipulation that, in the case of capital transactions, such as those involving capitalisation of reserves and the allocation of free shares and/or the division or consolidation of shares, this price would be adjusted accordingly.

The maximum amount of the funds to be used for the buyback program would therefore total 836,368,830 euros, based on a maximum purchase price of 30 euros per share and the share capital at 30 January 2006.

## 2.8. Characteristics of the shares covered by the 2006 Buyback Programme

The PagesJaunes Group shares covered by the 2006 Buyback Programme are ordinary shares.

## 2.9. Term of the 2006 Buyback Programme

The 2006 Buyback Programme would be authorised for a period of 18 months following the approval date, i.e. until 19 October 2007.

## 2.10. Other terms and conditions of the 2006 Buyback Programme

The purchase or transfer of these shares could be carried out, including during a public offering provided that it is paid exclusively in cash, under the terms and limits – such as those related to volumes and prices – set out in the laws in force as of the date of the planned operations, by any means, either on the market or by private contract, including by the purchase or sale of blocks of shares or by the use of derivative instruments traded on a regulated or over-the-counter market, under the terms set out by the market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors.

The number of shares purchased by the Company for the purpose of retaining them and offering them subsequently as payment or exchange within the framework of a merger, spin-off or capital contribution could not exceed 5% of its capital.

Moreover, in accordance with the provisions of article L. 241-2 of the AMF's general regulations, any significant change in any information presented in this report will be made known to the public as quickly as possible under the terms set out in article 212-13 of the AMF's general regulations.

Consequently, a draft resolution aimed at granting the Board of Directors full powers to implement the 2006 Buyback Programme under the terms described above will be submitted to the General Shareholders' Meeting of 19 April 2006 for approval.

## NOTES: LIST OF OPERATIONS CARRIED OUT IN CASH AT 30 JANUARY 2006

Date of transaction	Name of intermediary	Purchase, sale, transfer	Number of shares	Incl. number of shares purchased/sold under a liquidity contract	Price of transaction (euros)	Amount of transaction (euros)
15 Nov. 2005	Rothschild et Cie Banque	Purchase	5,000	5,000	21.33	(106,650.00)
16 Nov. 2005	Rothschild et Cie Banque	Purchase	10,000	10,000	21.31	(213,100.00)
17 Nov. 2005	Rothschild et Cie Banque	Purchase	3,000	3,000	21.25	(63,750.00)
18 Nov. 2005	Rothschild et Cie Banque	Purchase	10,000	10,000	21.19	(211,900.00)
21 Nov. 2005	Rothschild et Cie Banque	Purchase	9,800	9,800	21.19	(207,662.00)
22 Nov. 2005	Rothschild et Cie Banque	Purchase	5,700	5,700	21.15	(120,555.00)
23 Nov. 2005	Rothschild et Cie Banque	Purchase	2,250	2,250	21.15	(47,587.50)
24 Nov. 2005	Rothschild et Cie Banque	Purchase	34,250	34,250	21.08	(721,990.00)
25 Nov. 2005	Rothschild et Cie Banque	Purchase	15,000	15,000	20.95	(314,250.00)
28 Nov. 2005	Rothschild et Cie Banque	Purchase	35,000	35,000	20.74	(725,900.00)
29 Nov. 2005	Rothschild et Cie Banque	Purchase	15,000	15,000	20.56	(308,400.00)
02 Dec. 2005	Rothschild et Cie Banque	Sale	10,000	10,000	21.20	212,000.00
06 Dec. 2005	Rothschild et Cie Banque	Purchase	10,000	10,000	20.95	(209,500.00)
08 Dec. 2005	Rothschild et Cie Banque	Purchase	2,510	2,510	21.04	(52,810.40)
12 Dec. 2005	Rothschild et Cie Banque	Purchase	17,077	17,077	20.92	(357,250.84)
13 Dec. 2005	Rothschild et Cie Banque	Purchase	4,013	4,013	20.86	(83,711.18)
15 Dec. 2005	Rothschild et Cie Banque	Sale	67,600	67,600	21.19	1,432,444.00
15 Dec. 2005	Rothschild et Cie Banque	Sale	100,000	100,000	21.18	2,118,000.00
19 Dec. 2005	Rothschild et Cie Banque	Purchase	4,000	4,000	21.72	(86,880.00)
20 Dec. 2005	Rothschild et Cie Banque	Sale	4,000	4,000	21.79	87,160.00
23 Dec. 2005	Rothschild et Cie Banque	Purchase	15,000	15,000	22.36	(335,400.00)
27 Dec. 2005	Rothschild et Cie Banque	Purchase	9,200	9,200	22.15	(203,780.00)
29 Dec. 2005	Rothschild et Cie Banque	Purchase	29,800	29,800	22.07	(657,686.00)
30 Dec. 2005	Rothschild et Cie Banque	Purchase	45,000	45,000	21.98	(989,100.00)
03 Jan. 2006	Rothschild et Cie Banque	Purchase	2,500	2,500	21.74	(54,350.00)
04 Jan. 2006	Rothschild et Cie Banque	Sale	7,500	7,500	22.29	167,175.00
05 Jan. 2006	Rothschild et Cie Banque	Sale	13,232	13,232	22.36	295,867.52
05 Jan. 2006	Rothschild et Cie Banque	Sale	17,000	17,000	22.34	379,780.00
05 Jan. 2006	Rothschild et Cie Banque	Purchase	15,232	15,232	22.04	(335,713.28)
06 Jan. 2006	Rothschild et Cie Banque	Purchase	5,000	5,000	21.83	(109,150.00)
09 Jan. 2006	Rothschild et Cie Banque	Purchase	2,000	2,000	21.70	(43,400.00)
10 Jan. 2006	Rothschild et Cie Banque	Sale	7,000	7,000	22.29	156,030.00
10 Jan. 2006	Rothschild et Cie Banque	Purchase	30,000	30,000	21.94	(658,200.00)
11 Jan. 2006	Rothschild et Cie Banque	Purchase	4,206	4,206	21.99	(92,489.94)
13 Jan. 2006	Rothschild et Cie Banque	Purchase	22,794	22,794	21.68	(494,173.92)
17 Jan. 2006	Rothschild et Cie Banque	Purchase	2,250	2,250	21.70	(48,825.00)
18 Jan. 2006	Rothschild et Cie Banque	Purchase	60,592	60,592	21.28	(1,289,397.76)
19 Jan. 2006	Rothschild et Cie Banque	Sale	22,842	22,842	21.97	501,838.74
19 Jan. 2006	Rothschild et Cie Banque	Sale	40,000	40,000	21.97	878,800.00
23 Jan. 2006	Rothschild et Cie Banque	Purchase	1,000	1,000	21.51	(21,510.00)
25 Jan. 2006	Rothschild et Cie Banque	Sale	8,700	8,700	21.97	191,139.00
25 Jan. 2006	Rothschild et Cie Banque	Purchase	500	500	21.51	(10,755.00)
26 Jan. 2006	Rothschild et Cie Banque	Sale	88,222	88,222	21.98	1,939,119.56
26 Jan. 2006	Rothschild et Cie Banque	Sale	35,565	35,565	21.97	781,363.05
27 Jan. 2006	Rothschild et Cie Banque	Sale	1,918	1,918	21.97	42,138.46
27 Jan. 2006	Rothschild et Cie Banque	Purchase	130,905	130,905	21.50	(2,814,457.50)
30 Jan. 2006	Rothschild et Cie Banque	Purchase	45,000	45,000	20.97	(943,650.00)

## 20.5 Verification of the annual historical financial information

### PagesJaunes Group, SA

Fiscal year ended 31 December 2005

### GENERAL AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Dear Shareholders,

Pursuant to the mission entrusted to us by your General Shareholders' Meeting, we present to you our report for the fiscal year ended 31 December 2005, on:

- the audit of the annual financial statements of the PagesJaunes Group, as they are attached to this report;
- the basis for our assessments;
- the specific verifications and the information required by law.

The annual financial statements were drawn up by the Board of Directors. Based on our audit, it is our task to express an opinion concerning these financial statements.

#### I. Opinion on the annual financial statements

We performed our audit according to professional standards applicable in France. These standards require the implementation of procedures to obtain reasonable assurance that the annual financial statements do not contain any significant misstatements. An audit consists in examining, on a test basis, the evidence supporting the data contained in the financial statements. It also consists in assessing the accounting principles applied, the significant estimates made in the preparation of the financial statements, and their overall presentation. We believe that our audits provide a reasonable basis for the opinion expressed below.

We certify that the annual financial statements, in accordance with French accounting rules and principles, are true and in good order and fairly reflect the results of operations during the preceding fiscal year, as well as the Company's financial position and assets at the end of said year.

#### II. Basis for the assessments

In accordance with the provisions of article L. 823-9 of the French Commercial Code relating to the basis for our assessments, we draw your attention to the following points:

- your Company's management has made estimates and assumptions affecting the amounts shown in its financial statements and accompanying notes. The results achieved may turn out to be different from these estimates based on different assumptions or situations. As part of our audit of the annual financial statements, we have considered that the accounts subject to significant accounting estimates and for which our assessments are justifiable include equity interests;
- in accordance with French professional standards applicable to accounting estimates, we have, among other things, concerning the aforementioned assets: assessed the data and assumptions on which the estimates are based, including in particular the cash flow forecasts made by the Company's operations departments; reviewed the calculations made by the Company and the sensitivity of the principal values in use; compared the accounting estimates of prior fiscal years with the corresponding actual amounts, and reviewed the procedure used by Management to approve these estimates;
- the assessments thus made are an integral part of our audit of the annual financial statements, taken as a whole, and have therefore helped us form the opinion expressed by us in the first part of this report.

#### III. Specific verifications and information

We also performed the specific verifications required by law, according to professional standards applicable in France.

We have no comments regarding the accuracy of the information provided in the Board of Directors' management report and documents sent to shareholders concerning the financial position and annual financial statements, or the consistency of this information with the annual financial statements.

In accordance with the law, we have ensured that the various information relating to the acquisition of holdings and control and the identity of the holders of the capital and voting rights has been reported to you in the management report.

Neuilly-sur-Seine and Paris – La Défense, 2 March 2006

The Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG AUDIT	
Eric Gins	Jean-Paul Picard	Christian Chiarasini	Jérémy Thurbin



## PagesJaunes Group, SA

Fiscal year ended 31 December 2005

# AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Dear Shareholders,

Pursuant to the mission entrusted to us by your General Shareholders' Meeting, we have audited the PagesJaunes Group's consolidated financial statements for the fiscal year ended 31 December 2005, as they are attached to this report.

The consolidated financial statements were drawn up by the Board of Directors. Based on our audit, it is our task to express an opinion concerning these financial statements. These financial statements were prepared for the first time in accordance with the IFRS standards as adopted in the European Union. For comparison purposes, they include fiscal year 2004 data restated according to the same rules.

## I. Opinion on the consolidated financial statements

We performed our audit according to professional standards applicable in France. These standards require the implementation of procedures to obtain reasonable assurance that the consolidated financial statements do not contain any significant misstatements. An audit consists in examining, on a test basis, the evidence supporting the data contained in the financial statements. It also consists in assessing the accounting principles applied, the significant estimates made in the preparation of the financial statements, and their overall presentation. We believe that our audits provide a reasonable basis for the opinion expressed below.

We certify that the consolidated financial statements, in accordance with the IFRS standards as adopted in the European Union, are true and in good order and fairly reflect the assets, financial position and results of the group made up of the companies and entities included in the scope of consolidation.

Without calling into question the opinion expressed above, we draw your attention to the following:

- note 3.1.2., which describes, with respect to the first application of the IFRS standards as adopted in the European Union, the accounting positions used by your company, pursuant to paragraphs 10 and 12 of IAS 8 ("Accounting methods, changes in accounting estimates and errors") for those areas not covered by specific provisions of the IFRS standards as adopted in the European Union.

## II. Basis of the assessments

In accordance with the provisions of article L. 823-9 of the French Commercial Code relating to the basis for our assessments, we draw your attention to the following points:

As indicated in note 2 of the notes to the consolidated financial statements, your Company's management has made estimates and assumptions affecting the amounts shown in its financial statements and accompanying notes. This note also indicates that the results achieved may turn out to be different from these estimates based on different assumptions or situations. As part of our audit of the consolidated financial statements at 31 December 2005, we have considered that the accounts subject to significant accounting estimates and for which our assessments are justifiable include goodwill, intangible assets, deferred tax assets and provisions for risks.

In accordance with French professional standards applicable to accounting estimates, we have, among other things, taken the following steps:

- concerning the aforementioned assets: we assessed the data and assumptions on which the estimates are based, including in particular the cash flow forecasts made by the Company's operations departments; reviewed the calculations made by the Company and the sensitivity of the principal values in use and assessed the principles and methods used to determine the fair values; compared the accounting estimates of prior fiscal years with the corresponding actual amounts, and reviewed the procedure used by Management to approve these estimates;
- concerning the provisions for risks: we assessed the basis on which these provisions were created, reviewed the information regarding the risks contained in the notes to the consolidated financial statements, and reviewed the procedure used by Management to approve these estimates.

We have ensured that, with respect to the first application of the IFRS standards as adopted in the European Union, note 3.1.2. of the financial statements provides appropriate information on the accounting positions used by your company for those areas not covered by specific provisions of the IFRS standards as adopted in the European Union.

The assessments thus made are an integral part of our audit of the consolidated financial statements, taken as a whole, and have therefore helped us form the opinion expressed by us in the first part of this report.

## III. Specific verification

We also verified the information provided in the Group's management report. We have no comments regarding the accuracy of this information or its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris – La Défense, 2 March 2006

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## 20.6 Dividend distribution policy

The PagesJaunes Group's Board of Directors, meeting on 7 February 2006, decided to make a proposal to the General Shareholders' Meeting set for 19 April 2006 to pay a dividend of 1.02 euros per share.

Over the last five fiscal years, the Company distributed the following dividends:

Year (in euros per share)	2004	2003	2002	2001	2000	1999
Amount distributed	0.93	1,291.50	1,358	830	768	1,500
Number of shares adjusted to take into account the split of the face value of the shares	0.93	0.86	0.91	0.55	0.51	1.00

The Company's distribution policy over the last few years has been to distribute all or a major part of its distributable profits to its shareholders, while retaining an adequate cash flow to finance the Company's development.

The Company's goal is to distribute to its shareholders all the profits from the Group's operating activities for the fiscal year in question. However this goal does not represent any kind of binding commitment on the

Company, and future dividends will depend on the Group's results, its financial position and any other factor which the Board of Directors deems pertinent.

Dividends which are still unclaimed five years after they have been made available for payment are considered expired and must be paid to the government at the end of this period.

## 20.7 Legal and arbitration proceedings

In the normal course of business, the Company is involved in a certain number of legal, arbitration and administrative proceedings.

Charges which may result from these proceedings are not provided for unless the proceedings are likely to occur and the amount thereof can be either quantified or estimated within a reasonable range. In the latter case, the amount set aside corresponds to the lowest amount of the estimate in the range. The provision amount is based on an assessment of the risk level on a case-by-case basis and depends in large measure on factors other than how far the proceedings have progressed, with the stipulation that the occurrence of events during the proceedings can cause this risk to be reassessed.

Except for the proceedings described in note 32 "Lawsuits" of the notes to the consolidated financial statements, neither the Company nor any

of its subsidiaries is a party to any lawsuit or arbitration proceeding of any kind (and the Company is not aware of any proceeding of this kind being considered by the government authorities or third parties) in which the Company's management believes that the likely outcome could reasonably have a significant negative impact on its results, business or consolidated financial position.

There is no other government, legal or arbitration proceeding, including any proceeding of which the Company is aware, which is pending or with which it is threatened, that is likely to have or has had within the last 12 months a significant impact on the financial position or profitability of the Company and/or Group.

## 20.8 Significant changes in the commercial or financial situation

The significant events occurring between the closing date and 7 February 2006, date on which the accounts were closed by the Board of Directors, are described in note 33 of the notes to the consolidated financial statements.

## 20.9 Auditor's fees

### TOTAL AUDITORS' FEES OWED BY THE GROUP IN 2005

(in thousands of euros)	Ernst & Young	As % of fees	Deloitte & Associés	As % of fees
Audit, auditing of the accounts, certification and inspection of individual and consolidated financial statements	712	94%	793	100%
Other associated tasks and other auditing tasks	44	6%		0%
<b>Subtotal</b>	<b>756</b>	<b>100%</b>	<b>793</b>	<b>100%</b>
Other services Legal, fiscal, social Information technologies Internal audit Other	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>756</b>	<b>100%</b>	<b>793</b>	<b>100%</b>

### TOTAL PAYMENTS MADE BY THE GROUP TO AUDIT FIRMS IN 2004

(in thousands of euros)	Ernst & Young	As % of fees	Deloitte & Associés	As % of fees
Audit, auditing of the accounts, certification and inspection of individual and consolidated financial statements	284	53%	355	60%
Other associated tasks and other auditing tasks	252	47%	240	40%
<b>Subtotal</b>	<b>536</b>		<b>595</b>	<b>100%</b>
Other services Legal, fiscal, social Information technologies Internal audit Other	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>536</b>	<b>100%</b>	<b>595</b>	<b>100%</b>



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## 21.1 Share capital

### Rights and Obligations Attached to Shares (Article 10 of the By-Laws)

Each share gives its holder rights to a portion of the profits, ownership of the Company's assets and the liquidating dividend, in equal proportion to the amount of capital it represents. In addition, each share entitles its holder to vote and be represented in the General Shareholders' Meetings in accordance with the legal and statutory terms and conditions. Ownership of a share implies, as a matter of right, full adherence to the by-laws and the decisions of the General Shareholders' Meeting.

Shareholders are liable for losses only up to the amount of their contribution. A shareholder's heirs, creditors, successors or representatives may not request that the Company's assets, securities or shares be placed under seal, divided or put up for public auction, or interfere in the Company's management. To exercise their rights, they must rely on the list of Company assets and the decisions of the General Shareholders' Meeting.

Whenever multiple shares must be owned in order to exercise a particular right, shareholders who do not own the required number must take it upon themselves to form a group or, where appropriate, to buy or sell the necessary shares.

### 21.1.1 SHARE CAPITAL

As of the date of registration of this *document de référence*, the Company's share capital is 55,757,922 euros, divided into 278,789,610 fully paid-up shares with a face value of 0.20 euros per share, all in the same class.

#### Authorised Unissued Share Capital

The Mixed General Shareholders' Meeting of 12 April 2005 granted the Board of Directors the following powers, under the terms shown in the following table and for a period of 26 months (except as regards the authorisation to reduce capital by cancelling ordinary shares, which is valid for 18 months):



Shares concerned	Length of authorisation and expiration	Maximum amount of debt securities	Maximum nominal amount of capital increase
<b>Debt securities and equivalents</b>	26 months 11 June 2007	€20 million	–
<b>Capital increase by capitalising reserves, earnings or premiums</b>	26 months 11 June 2007	–	€20 million
<b>Issue without preferential subscription rights (capital increase using all types of securities)</b>	26 months 11 June 2007	Debt securities: €20 million	€20 million
<b>Issue with preferential subscription rights (capital increase using all types of securities)</b>	26 months 11 June 2007	Debt securities: €20 million	€20 million
<b>Issue of ordinary shares and securities giving access to ordinary shares in case of an exchange offer initiated by the Company</b>	26 months 11 June 2007	Debt securities: €20 million	€20 million
<b>Issue of ordinary shares and securities giving access to ordinary shares to pay back contributions in kind made to the Company</b>	26 months 11 June 2007	Debt securities: 10% of capital, or €5,575,792	10% of capital, or €5,575,792
<b>Issue of ordinary shares following the issue by a Company subsidiary or a company controlling the Company of securities giving access to ordinary Company shares</b>	26 months 11 June 2007		€20 million
<b>Capital increase reserved for members of company and/or employee savings plan(s)</b>	26 months 11 June 2007	–	€2,230,000, or approximately 4% of share capital

As of the date of this *document de référence*, PagesJaunes Group's Board of Directors has not exercised these powers.

***Issue of ordinary shares and securities giving access to ordinary shares of the Company or one of its subsidiaries, with preferential subscription rights of the shareholders (10<sup>th</sup> resolution adopted by the General Shareholders' Meeting of 12 April 2005)***

The Mixed General Shareholders' Meeting of 12 April 2005 delegated to the Board of Directors, for a period of 26 months, its authority to decide on the issue, with or without preferential subscription rights of the shareholders, (i) of ordinary Company shares, (ii) of securities giving access by any means, immediately or in the future, to ordinary shares existing or to be issued by the Company, and (iii) of securities giving access by any means, immediately or in the future, to ordinary shares existing or to be issued by a company in which the Company directly or indirectly owns more than one-half of the capital (the "Subsidiary"), which can be subscribed for either in cash or by offsetting against debts due.

The maximum nominal amount of any immediate or subsequent increase in the Company's capital resulting from all issues carried out by virtue of this authorisation is set at 20 million euros, with the stipulation that this maximum amount is defined without regard to the face value of the ordinary Company shares which may be issued to reflect adjustments made in order to protect the holders of rights attached to securities giving access to ordinary shares.

The securities giving access to ordinary shares of the Company or a Subsidiary thus issued may consist of debt securities or be combined with the issue of such securities, or allow the issue thereof as intermediate securities. They may, in particular, take the form of subordinated or unsubordinated securities, with or without a fixed term, and be issued in euros, foreign currencies or any other monetary units established by reference to several foreign currencies. The nominal amount of the debt

securities thus issued may not exceed 20 million euros or the equivalent value thereof on the date of the decision to issue them, with the stipulation (i) that this amount does not include the redemption premium(s) above par, if applicable, (ii) that this amount is common to all debt securities whose issue is provided in the 11<sup>th</sup>, 14<sup>th</sup> and 15<sup>th</sup> resolutions adopted by this meeting, (iii) that, nevertheless, this amount is independent of and separate from the amount of the securities giving a right to the allocation of debt securities. The term of the loans (giving access to ordinary shares of the Company or a Subsidiary), other than those represented by equity securities, may not exceed 50 years. The loans (giving access to ordinary shares of the Company or a Subsidiary) may include fixed- and/or variable-rate interest or capitalisation of interest, and may be repaid, with or without a premium, or amortised, and the securities may be redeemed on the stock market or offered for purchase or exchange by the Company.

Shareholders have, in proportion to the amount of their shares, a preferential subscription right to the ordinary shares and securities issued by virtue of this resolution. The Board of Directors may establish, in favour of shareholders, a right to subscribe on a reducible basis for the ordinary shares or securities issued, which will be exercised in proportion to their subscription rights and within the limit of their applications.

If the subscriptions on a non-reducible basis and, where applicable, on a reducible basis have not taken up the entire issue, the Board of Directors may use, in the order it so determines, any or all of the following options: (i) to limit the issue to the amount of the subscriptions received, provided that this amount is at least three-fourths of the approved issue; (ii) to allocate at its discretion any or all of the unsubscribed shares, or (iii) to offer to the public, by means of a public offering, any or all of the unsubscribed shares on the French and/or international market and/or abroad.

***Issue of ordinary shares and securities giving access to ordinary shares of the Company or one of its subsidiaries, without preferential subscription rights of the shareholders (11<sup>th</sup> resolution adopted by the General Shareholders' Meeting of 12 April 2005)***

The Mixed General Shareholders' Meeting of 12 April 2005 delegated to the Board of Directors, for a period of 26 months, its authority to decide on the issue (i) of ordinary Company shares, (ii) of securities giving access by any means, immediately or in the future, to ordinary shares existing or to be issued by the Company, and (iii) of securities giving access by any means, immediately or in the future, to ordinary shares existing or to be issued by a company in which the Company directly or indirectly owns more than one-half of the capital (the "Subsidiary"), which can be subscribed for either in cash or by offsetting against debts due.

This expressly excludes the issue of preferred shares or securities giving immediate and/or future access to preferred shares.

The maximum nominal amount of any immediate or subsequent increase in the Company's capital resulting from all issues carried out by virtue of this authorisation is set at 20 million euros, with the stipulation that this maximum amount is defined without regard to the face value of the ordinary Company shares which may be issued to reflect adjustments made in order to protect the holders of rights attached to securities giving access to ordinary shares.

The securities giving access to ordinary shares of the Company or a Subsidiary thus issued may consist of debt securities or be combined with the issue of such securities, or allow the issue thereof as intermediate securities. The provisions relating to securities of the same type which may be issued based on the previous resolution shall apply to the issue of such securities, during their existence and for their conversion to ordinary shares, their repayment or their amortisation. The nominal amount of the debt securities thus issued may not exceed 20 million euros or the equivalent value thereof on the date of the decision to issue them, with the stipulation (i) that this amount does not include the redemption premium(s) above par, if applicable, (ii) that this amount is common to all debt securities whose issue is authorised by this General Shareholders' Meeting, (iii) that, nevertheless, this amount is independent of and separate from the amount of the securities giving a right to the allocation of debt securities which may be issued by virtue of the 18th resolution adopted by this same meeting and from the amount of the securities whose issue could be decided or authorised by the Board of Directors pursuant to article L. 228-40 of the French Commercial Code.

The Board of Directors may establish in favour of shareholders a priority subscription right, on a non-reducible or reducible basis, to the ordinary shares or securities, for which it will set, pursuant to legal requirements, the terms and conditions under which this right may be exercised, but without creating any negotiable rights. Shares not subscribed for by virtue of this right will be offered to the public in France and/or abroad and/or on the international market.

If the subscriptions, including if any those of shareholders, have not taken up the entire issue, the Board of Directors may limit the amount of the operation subject to the conditions set out by law.

Under this resolution, the shareholders authorised the Board of Directors, by virtue of the 13th resolution adopted by the General Shareholders' Meeting of 12 April 2005, for a period of 26 months from the date of said meeting, in the event of an issue, without preferential subscription rights of shareholders, of ordinary shares or securities giving access to ordinary shares, to set the issue price according to the following terms and conditions:

- a) the issue price of ordinary shares will be least equal to the closing price of the PagesJaunes Group share on the Eurolist market of Euronext Paris during the last trading session prior to the day it is set, possibly reduced by a maximum discount of 10%;
- b) the issue price of securities will be such that the amount received immediately by the Company, plus, if applicable, the amount likely to be received later by the Company for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount indicated in paragraph a) above.

By virtue of the 13th resolution voted on by the General Shareholders' Meeting of 12 April 2005, shareholders authorised the Board of Directors, for a period of 26 months from the date of said meeting, to decide, for each of the issues approved pursuant to the 10th and 11th resolutions of this same meeting described above, to increase the number of shares to be issued, under the terms of article L. 225-135-1 of the French Commercial Code and subject to adherence to the maximum amount set out in the resolution under which the issue is approved.

***Issue of ordinary shares and securities giving access to ordinary shares in case of an exchange offer made by the Company (14<sup>th</sup> resolution adopted by the General Shareholders' Meeting of 12 April 2005)***

The General Shareholders' Meeting of 12 April 2005 resolved to delegate to the Board of Directors, for a period of 26 months from the date of said meeting, its authority to decide, by virtue of and under the conditions set out in the 11<sup>th</sup> resolution voted on by this same meeting described above, on the issue of ordinary shares of the Company or securities giving access by any means, immediately and/or in the future, to ordinary shares existing or to be issued by the Company, in payment for shares tendered under a public exchange offer made in France or abroad, in accordance with local regulations, by the Company on shares of another company admitted to trading on one of the regulated markets covered by article L. 225-148 of the French Commercial Code, and to decide, as needed, to cancel, in favour of the holders of these shares, shareholders' preferential subscription right to these ordinary shares and securities.

The maximum nominal amount of any immediate or subsequent increase in capital resulting from all issues carried out by virtue of this authorisation is set at 20 million euros

***Issue of ordinary shares and securities giving access to ordinary shares in payment of contributions in kind made to the Company and consisting of shares of stock or securities giving access to capital (15<sup>th</sup> resolution adopted by the General Shareholders' Meeting of 12 April 2005)***

The General Shareholders' Meeting of 12 April 2005 resolved to delegate powers to the Board of Directors, for a period of 26 months from the date of said meeting, for the purpose of issuing, based on the report of the Capital Contributions Auditor(s) referred to in paragraphs 1 and 2 of article L. 225-147 of the French Commercial Code, ordinary shares of the Company or securities giving access by any means, immediately and/or in future, to ordinary shares existing or to be issued by the Company, in payment of contributions in kind made to the Company and consisting of shares of stock or securities giving access to capital, when the provisions of article L. 225-148 of the French Commercial Code are not applicable, and to resolve, as needed, to cancel, in favour of the holders of the shares of stock or securities giving access to capital included in the contributions in kind, shareholders' preferential subscription right to the ordinary shares and securities thus issued.



The maximum nominal amount of any immediate or subsequent increase in capital resulting from all issues carried out by virtue of this authorisation is set at 10% of the Company's capital (as it exists on the date of said meeting) i.e. 5,575,792 euros.

***Issue of Ordinary Shares as a Result of the Issue by a Company Subsidiary or a Company Controlling the Subsidiary of Securities Giving Access to Ordinary Shares of the Company (16<sup>th</sup> resolution adopted by the General Shareholders' Meeting of 12 April 2005)***

The General Shareholders' Meeting of 12 April 2005 resolved, for the purpose of a possible issue, on one or more occasions, in France, on foreign markets and/or on the international market, by one or more companies in which the Company directly or indirectly owns more than one-half of the share capital (the "Subsidiary") or by one of the companies which directly or indirectly own more than one-half of the share capital (the "Controlling Company"), with the Company's consent, of all securities giving access by any means, immediately or in the future, to ordinary shares of the Company, to delegate to the Board of Directors, by virtue of the 11<sup>th</sup> resolution described above, the authority to decide on the issue of the ordinary shares of the Company to which the aforementioned securities issued by a Subsidiary or Controlling Company could give a right.

This decision means that the Company shareholders would waive their preferential subscription rights to the ordinary shares of the Company to which the aforementioned securities issued by the Subsidiaries or Controlling Companies could give a right, in favour of the holders of securities which may be issued by the Subsidiaries or Controlling Companies.

The maximum nominal amount of the increase in the Company's capital resulting from all issues carried out by virtue of this authorisation is set at 20 million euros, with this amount being charged against the maximum amount set by the 11<sup>th</sup> resolution, with the stipulation that this maximum amount is set without regard to the face value of the ordinary Company shares which may be issued to reflect adjustments made in order to protect the holders of rights attached to securities giving access to ordinary shares.

Under all circumstances, the amount paid at the time of the issue or which may be later paid to PagesJaunes Group must, pursuant to the stipulations of the 11<sup>th</sup> resolution, for each ordinary share issued as a result of the issue of these securities, be at least equal to the minimum amount stipulated by the laws and regulations in effect at the time this delegation is used, after adjustment, if necessary, of this amount to reflect the difference in the entitlement date.

This delegation is given for a period of 26 months starting on 12 April 2005.

***Increase in the Company's Capital by Capitalising Reserves, Profits or Premiums (19<sup>th</sup> resolution adopted by the General Shareholders' Meeting of 12 April 2005)***

The General Shareholders' Meeting of 12 April 2005 resolved to delegate to the Board of Directors, for a period of 26 months starting on the date of said meeting, its authority to decide to increase the share capital, on one or more occasions at the times and under the terms and conditions determined by it, by capitalising reserves, profits or premiums, followed by the creation and bonus issue of shares or an increase in the face value of existing ordinary shares, or by a combination of these methods.

The maximum nominal amount of any immediate or subsequent capital increase resulting from all issues carried out by virtue of this authorisation is set at 20 million euros, with the stipulation that this maximum amount is set (i) without regard to the face value of the ordinary Company shares which may be issued to reflect adjustments made in order to protect the holders of rights attached to securities giving access to ordinary shares and

(ii) independently and separately from the maximum amounts of capital increases resulting from the issues of ordinary share or securities authorised by the resolutions described above.

***Increase in the Company's Share Capital Reserved for Members of the PagesJaunes Group Savings Plan (20<sup>th</sup> resolution adopted by the General Shareholders' Meeting of 12 April 2005)***

The General Shareholders' Meeting of 12 April 2005 resolved to delegate to the Board of Directors, for a period of 26 months starting on the date of said meeting, its authority to decide, on its own initiative, to increase the share capital, on one or more occasions at the times and under the terms and conditions determined by it, by issuing ordinary shares or securities giving access to ordinary shares existing or to be issued by the Company only to employees and former employees who are members of the PagesJaunes Group company savings plan, or by the bonus issue of ordinary shares or securities giving access to ordinary shares existing or to be issued by the Company, particularly by capitalising reserves, profits or premiums, up to the legal and regulatory limits.

The maximum nominal amount of any immediate or subsequent increase in the Company's capital resulting from all issues carried out by virtue of this authorisation is set at 2,230,000 euros (representing approximately 4% of the Company's share capital), with the stipulation that this maximum amount is set (i) without regard to the face value of the ordinary Company shares which may be issued to reflect adjustments made in order to protect the holders of rights attached to securities giving access to ordinary shares and (ii) independently and separately from the maximum amounts of capital increases resulting from the issues of ordinary share or securities authorised by the resolutions described above.

### Other Securities Giving Access to Capital

As of the date of registration of this *document de référence*, there are no other securities giving access to the Company's capital.

## 21.1.2 SHARES NOT REPRESENTATIVE OF THE CAPITAL

As of the date of registration of this *document de référence*, there are no shares not representative of the capital.

## 21.1.3 PURCHASE BY THE COMPANY OF ITS OWN SHARES

The General Shareholders' Meeting of 12 April 2005, pursuant to articles L. 225-209 et seq. of the French Commercial Code and regulation No. 98-02 issued by the French Exchange Commission, as amended, authorised the Board of Directors to purchase, by any means, on or off the market, shares of the Company, up to a maximum of 10% of the Company's share capital existing on the date of the General Shareholders' Meeting and thereafter, throughout the term of validity of this authorisation, up to a maximum limit of 10% of the share capital actually existing, under the following conditions:

- the maximum purchase price may not exceed 30 euros per share, with the stipulation that in case of capital transactions, particularly involving capitalisation of reserves and bonus issues of shares, and/or stock splits or consolidation of shares, this price will be adjusted accordingly, and that if shares thus acquired were used to allot shares free of charge pursuant to articles 443-1 et seq. of the French Labour Code, the sale price, or the monetary equivalent of the shares allotted, would then be determined according to the specifically applicable legal provisions;
- this authorisation is valid for a period of 18 months; purchases made by the Company pursuant to this authorisation may under no circumstances result in it holding, directly or indirectly, more than 10% of the shares comprising the share capital;
- the purchase or transfer of these shares may be carried out, including during a public offering provided that it is paid exclusively in cash, under the terms and limits – such as those related to volumes and prices – set out in the laws in force as of the date of the planned operations, by any means, either on the market or by private contract, including by the purchase or sale of blocks of shares or by the use of derivative instruments or bonds or securities giving access to shares of the Company, or by setting up option strategies, under the terms set out by the market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors.

On 14 November 2005, the Company authorised Rothschild & Cie Banque, for a term of one year renewable by tacit agreement, to execute a liquidity contract in accordance with the ethics charter established by the *Association Française des Entreprises d'Investissement* and approved by the AMF through a decision taken on 22 March 2005. To give effect to this contract, 17 million euros were allocated to the liquidity account.

Under the liquidity contract awarded by the Company to Rothschild & Cie Banque, as of 31 December 2005, the liquidity account contained the following resources:

- 100,000 securities;
- €14,877,738.00.

The Board of Directors has decided to propose that the shareholders cancel, effective immediately on the date of the Meeting, this authority delegated by the meeting of 12 April 2005, and to then delegate new authority to the Board of Directors under the terms described below ((a detailed description of which is shown in the operation memorandum submitted for approval to the AMF).

The draft resolution which will be submitted to the shareholders at the Mixed General Shareholders' Meeting of 19 April 2006 regarding the new share buyback programme is worded as follows:

*Authorisation to be given to the Board of Directors to purchase, retain or transfer PagesJaunes Group shares)*

The General Shareholders' Meeting, ruling under the conditions of quorum and majority required for ordinary General Shareholders' Meetings, having heard the Board of Directors' report:

- cancels, effectively immediately, the unused portion of the authorisation granted by the Mixed General Shareholders' Meeting of 12 April 2005 in its 9<sup>th</sup> resolution to purchase shares of the Company;
- authorises the Company, pursuant to articles L. 225-209 et seq. of the French Commercial Code, to purchase its own shares, up to the limit of 10% of the amount of share capital existing on the date of this meeting, under the following conditions:
  - the maximum purchase price may not exceed 30 euros per share, with the stipulation that in case of capital transactions, particularly involving capitalisation of reserves and bonus issues of shares, and/or stock splits or consolidation of shares, this price will be adjusted accordingly.

The maximum amount of the funds to be used for the buyback programme would therefore total 836,368,830 euros, as calculated based on the share capital on 7 February 2006, and this maximum amount may be adjusted to take into account the amount of capital on the date of the General Shareholders' Meeting:

- this authorisation is valid for a period of 18 months;
- the purchases made by the Company pursuant to this authorisation may under no circumstances result in it holding, directly or indirectly, more than 10% of the shares comprising the share capital;
- the purchase or transfer of these shares may be carried out, including during a public offering provided that it is paid entirely in cash, under the terms and limits – such as those related to volumes and prices – set out in the laws in force as of the date of the planned operations, by any means, either on the market or by private contract, including by the purchase or sale of blocks of shares or by the use of derivative instruments traded on a regulated or over-the-counter market, under the terms set out by the market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors.



## Additional information

*Incorporation certificate and by-laws*

These purchases of shares may take place for the purpose of any allocation permitted by law, and the objectives of this buyback programme would be:

- to establish and honour obligations related to the stock option plans or other allocations of shares to employees of the Company or affiliates and, in particular, to allocate shares to PagesJaunes Group's employees within the framework of (i) employee profit sharing, (ii) any stock purchase plan or bonus issue of shares to employees under the terms set out by law, and particularly by articles L. 443-1 et seq. of the French Labour Code, or (iii) any stock option plan or bonus issue of shares to employees and company officers, or some of them, and to carry out any hedging operations relating to these operations, under the terms set out by the market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors;
- to reduce the Company's share capital, pursuant to the 11<sup>th</sup> resolution of this General Shareholders' Meeting, provided it is adopted;
- to ensure the liquidity of the PagesJaunes Group's share by an investment services provider through a liquidity contract that complies with the ethics charter approved by the AMF;
- to retain shares to be subsequently offered for exchange or as payment in connection with any future external growth operations;
- to establish and honour obligations related to debt securities which are convertible to certificates of ownership and, in particular, to distribute shares when rights attached to securities giving access to shares by any means, now or in the future, are exercised, and to carry out any hedging operations in proportion to PagesJaunes Group's obligations related to these securities, under the terms set out by the market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors.

The number of shares purchased by the Company for the purpose of retaining them and offering them subsequently as payment or exchange within the framework of a merger, spin-off or capital contribution may not exceed 5% of its capital.

The Board of Directors will inform the General Shareholders' Meeting each year of the operations carried out under this resolution, in accordance with article L. 225-209 of the French Commercial Code.

The General Shareholders' Meeting grants the Board of Directors full powers, with the authority to delegate them, to place all stock exchange orders, make all agreements, draw up all documents, particularly for information purposes, proceed with the allocation and, if applicable, reallocation, under the terms set out by law, of the shares purchased for the various objectives pursued, complete all formalities and make all declarations to all authorities and, in general, do all that is necessary.

### Debt securities

The General Shareholders' Meeting of 12 April 2005 delegated to the Board of Directors its authority to decide on the issue, on one or more occasions, in France, abroad and/or on the international market, of all securities giving a right to the allocation, immediately or in the future, of debt securities such as bonds, similar securities, subordinated securities, with or without a fixed term, or any other securities conferring, in the same issue, the same debt right over the Company.

The face value of all the securities issued as indicated above may not exceed 20 million euros, or the equivalent of this amount in foreign currencies or any monetary units established by reference to several foreign currencies, with the stipulation that this maximum face value will apply to

all debt securities to which the securities would give a right to allocation immediately or in the future, but that this same amount does not include redemption premium(s) above par, if applicable.

This delegation is given for a period of 26 months.

### Option plans

The Combined Ordinary and Extraordinary Shareholders' Meeting of 12 April 2005 authorised the Board of Directors, pursuant to articles L. 225-177 et seq. of the French Commercial Code, to grant, on one or more occasions, options to subscribe for or purchase Company shares under the following conditions:

The recipients must be employees or officers (as provided by article L. 225-185 [of the French Commercial Code]) of the Company or of companies or groups of companies affiliated with it as provided by article L. 225-180 of the French Commercial Code. The options may be granted by the Board of Directors to any or all of these persons.

This authorisation is granted for a period of 38 months. Each option will give a right to subscribe for or purchase one new or existing ordinary share, as the case may be.

The total number of options which may be granted under this resolution may not give a right to subscribe for or purchase a number of ordinary shares representing, on the date of allocation, more than 2% of the Company's share capital as of the date of this meeting.

The shares which may be obtained by exercising the stock purchase options granted under this resolution must be acquired by the Company, either under the terms of article L. 225-208 of the French Commercial Code or, if applicable, under the share buyback programme covered by the 9th resolution submitted to this meeting pursuant to article L. 225-209 of the French Commercial Code or any share buyback programme which may be applicable thereafter.

The strike price of the options granted under this resolution will be set by the Board of Directors according to the following terms and conditions:

- the strike price of the options to subscribe for or purchase ordinary shares may not be lower than the average quoted price of the PagesJaunes Group share on the Euronext Eurolist market during the 20 trading sessions preceding the date on which the options are granted, and no option may be granted less than 20 trading sessions after a coupon giving the right to a dividend or a capital increase is detached from the shares;
- in addition, the strike price of the stock purchase options may not be lower than 80% of the average purchase price of the ordinary shares held by the Company under the terms of article L. 225-208 of the French Commercial Code or, if applicable, under the share buyback programme authorised by the 9th resolution submitted to this meeting pursuant to article L. 225-209 of the French Commercial Code or any share buyback programme which may be applicable thereafter.
- The options must be exercised within 10 years of the date on which they are granted by the Board of Directors.

Pursuant to this authorisation, at its meeting of 28 June 2005 the Board of Directors decided to set up a PagesJaunes Group stock option plan for the entire PagesJaunes Group except QDQ Media, and a specific PagesJaunes Group stock option plan for QDQ Media, giving a right to subscribe for 3,830,400 new shares, i.e. approximately 1.35% of the capital as of the date of this document.



The subscription price was set at 19.30 euros per share, which is equal to the average quoted price for the 20 trading sessions preceding 28 June 2005.

### Bonus issue of shares

A proposal will be made to shareholders at the General Shareholders' Meeting of 19 April 2006 to authorise the Company's Board of Directors to proceed, on one or more occasions and under the terms determined by it, with bonus issues of ordinary shares existing or to be issued by the Company under the terms defined below.

The recipients will be employees and/or officers (as provided by article L. 225-197-1 of the French Commercial Code) of the Company and/or of companies or groups of companies affiliated with it as provided by article L. 225-197-2 of the French Commercial Code, or certain categories of same.

This authorisation is granted for a period of 38 months from the date of this General Shareholders' Meeting.

The total number of ordinary shares allotted free of charge under this resolution may not represent more than 0.5% of the Company's capital as of the date of this meeting.

The Board of Directors will, at the time of each decision to issue shares, determine the purchase period, at the end of which the allocation of ordinary shares will become definitive. This period may not be less than two years from the date of the decision to issue shares.

The Board of Directors will, at the time of each decision to issue shares, determine the mandatory holding period, which begins on the date of the definitive allocation of the ordinary shares. This period may not be less than two years.

The existing shares which may be allotted under this resolution must be acquired by the Company either under the terms of article L. 225-208 of the French Commercial Code or, if applicable, under the share buyback programme authorised by the 5<sup>th</sup> resolution submitted to this same meeting pursuant to article L. 225-209 of the French Commercial Code or any share buyback programme which may be applicable thereafter.

This authorisation will entail, in favour of those to whom existing or yet unissued ordinary shares are allotted, a waiver by shareholders of (i) their preferential subscription right to the ordinary shares that will be issued during the time of the definitive allocation of the shares, (ii) any right to the ordinary shares issued free of charge by virtue of this authorisation, and (iii) any right to the reserves and premiums against which, if applicable, the issue of the new shares will be charged.

A proposal will be made to the General Shareholders' Meeting to give the Board of Directors full powers, within the limits defined above, to:

- establish the terms and, if applicable, the criteria for allotting the ordinary shares;
- establish, in accordance with the statutory terms and limits, the dates on which the bonus issues will take place;
- determine the entitlement date, which may even be retroactive, of the newly-issued ordinary shares;
- determine the identity of the recipients, the number of ordinary shares allotted to each of them, the terms under which the ordinary shares will be allotted and, in particular, the purchase period and the holding period for the ordinary shares thus allotted free of charge;
- decide on one or more increases in the Company's capital resulting from the bonus issues of ordinary shares not yet issued by the Company;
- determine the conditions under which the number of ordinary shares allotted will be adjusted;
- and, more generally, with the option of subdelegation under the conditions prescribed by law, enter into all agreements, draw up all documents, complete all formalities and make all declarations required by all bodies, and do all that may be otherwise necessary.

The Board of Directors will inform the General Shareholders' Meeting each year of the shares allotted under this resolution, in accordance with article L. 225-197-4 of the French Commercial Code.

### Convertible or exchangeable securities or securities with warrants

As of the date of registration of this *document de référence*, there are no convertible or exchangeable securities or securities with warrants.

### Information concerning the conditions governing any right to purchase and/or any obligation attached to partly paid subscribed capital

The information concerning the authorisations to issue shares granted by the General Shareholders' Meeting of 12 April 2005 to the Board of Directors is described in Section 21.1.1.

### Information concerning the capital of any Group member covered by an option or a conditional or unconditional agreement

As of the date of registration of this *document de référence*, no member of the Group benefits from this type of option or agreement.

## 21.1.4 BACKGROUND INFORMATION CONCERNING CAPITAL AND VOTING RIGHTS

The information concerning the distribution of the Company's capital is presented in Chapter 18 "Major Shareholders" of this document.

### Change in capital over the last five years

Date	Operation	Number of shares issued	Face value of the capital increase	Issue premium per share	Total amount of the issue premium	Subsequent amounts of capital	Number of shares	Face value
Combined Ordinary and Extraordinary Shareholders' Meeting of 10 March 1999	Change over to the euro Capital increase by drawing on the "other reserves" account	-	F 3,140,868.78	-	-	€3,654,000	12,180	€300
Extraordinary Shareholders' Meeting of 23 June 2000	Capital increase following an asset transfer from France Telecom	170,520	€51,156,000.00	€547.77	€42,249,363	€54,810,000	182,700	€300
Combined Ordinary and Extraordinary Shareholders' Meeting of 27 May 2004	Split of the face value	274,050,000	-	-	-	€54,810,000	274,050,000	€0.20
IPO July 2004	Capital increase reserved for France Telecom group employees	4,739,610	€947,922	€11.10	€52,609,671	€55,757,922	278,789,610	€0.20

### Comments on significant changes in the distribution of the Company's capital over the last three years

The shares comprising PagesJaunes Group's capital were admitted for trading on the *Premier marché* of Euronext Paris on 8 July 2004. The PagesJaunes Group's initial public offering (presented in the operation memorandum which received approval No. 04-614 from the *AMF* on 21 June 2004) was carried out through:

- the sale of existing shares by Wanadoo (the "Distribution") as part of an offer to the public in France in the form of an open-price offering intended mainly for private individuals;
- a global distribution intended for institutional investors;
- an offering of new shares, resulting from capital increases reserved for employees, carried out at the same time as the Distribution.

The number of shares sold as part of the Distribution was 101,200,000, after the full exercise of the over-allotment option by the banks in charge of the Distribution. In addition, the number of new shares subscribed as part of the capital increases reserved for employees was 4,739,610.

### Pledges

#### *Pledges of Company shares*

As of the date of registration of this *document de référence*, none of the Company's shares have been pledged.

#### *Pledges of Company assets*

As of the date of registration of this *document de référence*, none of the Company's significant assets have been pledged.

### Trading in the Company's shares

Month	Lowest price in euros	Highest price in euros	Latest price in euros	Number of shares traded	Capital in millions of euros
March 2005	18.36	19.62	18.94	120,178,75	228.25
April 2005	18.37	19.96	18.53	16,557,529	320.82
May 2005	18.53	19.90	19.64	18,499,000	358.66
June 2005	18.80	19.65	19.31	7,821,998	150.48
July 2005	18.93	20.19	20.19	7,062,971	138.33
August 2005	19.78	21.17	21.04	6,964,624	142.47
September 2005	20.72	23.10	22.70	9,749,154	214.44
October 2005	20.36	22.80	21.50	8,245,261	177.63
November 2005	20.50	21.70	20.66	7,490,368	157.44
December 2005	20.52	22.65	21.99	11,258,262	239.68
January 2006	20.81	22.45	20.95	10,408,286	225.73

## 21.2 Memoranda of association and by-laws

### 21.2.1 CORPORATE PURPOSE

In accordance with article 3 of its By-laws, the Company's corporate purpose, in France and abroad, is:

to acquire and hold shares, interests or other securities of French or foreign legal entities, define the policies to be implemented by its subsidiaries, and provide all services to the companies in which it holds shares;

to acquire by any means, without exception or reservation, to hold by any means and in any capacity, to manage and, if necessary, to transfer by any means, without exception or reservation, all or part of any majority or minority interests that may be directly or indirectly related to the Company's corporate purpose and to any similar or ancillary purpose.

Moreover, the Company's corporate purpose, in France and abroad, directly or indirectly, is:

- to publish, on its own behalf or on behalf of third parties, all directories published by any current or future processes and means, to offer information services by any current or future processes and means, and to carry on the business of advertising in all forms, through all means and for any purpose;
- to give advice on, research, design, develop, update and maintain all services related to all information distribution systems on an open or closed network, whether interconnected via computer or telephone, wire-based, via satellite, cable or other methods, and any other activity related to such services and, in particular, activities related to Internet or Intranet sites;
- to collect, acquire, enhance, manage, process, market or host data or files of any type;
- to carry out all activities directly or indirectly related to such services, or which are a prerequisite or accessory to or a condition or extension of such services, or which are likely to encourage or develop them;
- and, in general, to conduct all industrial, commercial, financial, civil, real estate or non-real estate transactions which may be directly or indirectly related to any of the aforementioned corporate purposes or to any similar or related corporate purposes.

#### **Provisions of the Memoranda of Association, By-laws or internal regulations concerning members of the administrative and management bodies**

The Company is administered by a Board of Directors made up of three to 18 members (subject to statutory exceptions in case of a merger). The Board of Directors currently consists of eight directors and one censeur (non-voting member).

Directors are elected by the shareholders at General Shareholders' Meetings. Each director must own at least one Company share. According to the Company's By-laws, each director is elected for a term of five years. Directors may be re-elected without limitation.

The Board of Directors chooses a Chairman from among its members. The Chairman is elected for the entire term of his appointment as director and may be re-elected. At its meeting of 23 September 2004, the Board of Directors appointed Mr. Michel Combes as Chairman of the Board of Directors.

The Board of Directors meets when the Chairman gives notice of meeting, by any means, including verbally in an emergency, and at any time he deems fit, at the company's main offices or at any other place indicated in the notice of meeting.

When the Board of Directors has not met for more than two months, at least one-third of the members of the Board of Directors may ask the Chairman at any time to call a meeting related to a specific agenda. The CEO may also ask the Chairman at any time to call a Board meeting related to a specific agenda.

The Board is validly in session only if at least one-half of its members are present.

Decisions are taken if approved by the majority of the members present or represented. In case of a tied vote, the Chairman of the meeting casts the deciding vote.

Subject to the applicable laws and regulations, the Board of Directors meetings may be held by videoconference or any other telecommunication media, and any Directors participating in the Board of Directors meeting by videoconference or other telecommunication media are deemed to be in attendance for calculation of the quorum and majority. A proposal will be made to the shareholders at the General Shareholders' Meeting of 19 April 2006 to amend article 16 of the By-laws in order to allow directors to participate in Board of Directors meetings by telecommunication media, so that this article complies with the new provisions of article L. 225-37 of the French Commercial Code, as amended by law 2005-842 of 26 July 2005.

The Board of Directors determines the policies related to the Company's business activity and sees to it that they are implemented. Subject to the powers expressly granted to General Shareholders' Meetings, and within the limits of the corporate purpose, the Board handles all questions involving the proper operation of the Company and, through its discussions, deals with all matters concerning it.

The Board of Directors carries out any controls and verifications that it deems appropriate.

The Chairman or CEO of the Company must give each director all the documents and information needed to carry out their tasks.

The Company's By-laws also state that the Ordinary General Shareholders' Meeting may appoint one or more censeurs selected from among the shareholders or outside of them, based on their standing or experience.

Censeurs are responsible for giving advice, making suggestions and expressing opinions to the Company's self-governing bodies, and helping the Board of Directors determine the policies related to the Company's business activity. They may also be members of the Company's committees.

*Censeurs* have access to the same information as directors. They may be invited to Board of Directors' meetings, but their absence does not affect the validity of the proceedings. They have the right to speak in an advisory capacity but not the right to vote on decisions.



*Censeurs* are appointed for a term of three years, which expires at the end of the Ordinary General Shareholders' Meeting called to approve the previous fiscal year's accounts and held during the year in which the appointment of the censeur(s) comes to an end. *Censeurs* may be re-elected indefinitely. They may be dismissed at any time by a decision of the Ordinary General Shareholders' Meeting.

In case of a *censeur's* death, resignation or termination of duties for any other reason, the Board of Directors may appoint a successor at any time, and such interim appointment must be confirmed by the next meeting.

The General Shareholders' Meeting of 27 May 2004 appointed Mr. Marcel Roulet as the Board of Directors' *censeur*.

*Censeurs* may receive compensation which is determined by the Ordinary General Shareholders' Meeting. The compensation proposed for Mr. Marcel Roulet is described in Section 15.1 "Total Compensation and Benefits in Kind".

### Internal regulations

The Board of Directors' internal regulations, in line with the guidelines set out by the Bouton Report, were drawn up by the Board of Directors on 23 September 2004. The internal regulations establish the guiding principles of the Board of Directors' operation and the rights and duties of the directors.

The main provisions of the Board of Directors' internal regulations are summarised below.

### Preparation and organisation of the Board of Directors' work

#### Strategic policies

Pursuant to article 17 of the By-laws, the Board of Directors determines the policies related to the Company's business activity and sees to it that they are implemented.

It is therefore involved in all decisions pertaining to the Company's key strategic, economic, corporate, financial and technological policies and is responsible for their implementation.

The medium-term policies related to the Group's business activity are defined each year through a strategic plan which is drafted and presented by the CEO and approved by the Board of Directors. This draft includes, among other things, projected changes in the Group's key operating and financial indicators. The CEO presents an annual budget proposal based on these policies.

The CEO is responsible for implementing the objectives of the strategic plan.

The following decisions must be approved in advance by the Board of Directors:

- any transfer of all or part of the Company's assets to a company already created or to be created;
- any investment or divestment of an amount over 5 million euros per operation, when the operation involves external growth or a sale;
- any investment or divestment related to an external growth operation or sale which is not in line with the Company's strategic policies;

- any commitment of a non-recurring nature in an amount over 5 million euros which is not included in the Company's budget.

The CEO informs the Board of any problem or, more generally, any matter which may affect the implementation of an objective of the strategic plan.

#### Board Committees

In order to prepare its work, the Board of Directors has created an Audit Committee and a Compensation and Appointments Committee.

Each committee's rules of procedure and area of competence are determined by the committees' Charters and approved by the Board of Directors.

### Directors' duties and responsibilities

#### Directors' duty to maintain confidentiality

Directors are required to maintain strict confidentiality with respect to the content of discussions and deliberations by the Board and its committees, as well as any information presented to them.

#### Directors' duty to act independently

In the performance of the tasks assigned to them, all directors must make their decisions independently of any interest other than that of the Company.

Each director is required to inform the Chairman of any situation concerning him which could create a conflict of interest with the Company or one of the Group's companies. If necessary, the Chairman may seek the opinion of the Compensation and Appointments Committee.

Once this step has been taken, it is the responsibility of the director in question to act accordingly based on the applicable laws.

#### Directors' duties with regard to Company shares

Each director must hold at least one Company share. Directors put in their own names the shares of the Company which they own when they assume their positions, as well as any shares they acquire during their term of office.

Directors are prohibited from:

- carrying out any operation involving shares of the Group's listed companies, as long as they have inside information;
- carrying out, directly or indirectly, short sales of these shares.

The first ban applies, in particular, during the period of preparation and presentation of the Group's annual and half-yearly results, as well as quarterly information.

It also applies during specific periods when projects or operations that justify such a ban are being planned.

The Professional Ethics Charter, which stipulates the rules concerning privileged information, applies to the directors.

#### Directors' duty to act with diligence

By accepting the position to which he is appointed, each director agrees to assume the position completely and, in particular, to:

- devote whatever time is needed to consider the matters dealt with by the Board and, if applicable, the Committee on which he sits;

- ask for any additional information he may consider necessary;
- ensure that these regulations are applied;
- freely form his own opinion prior to making any decision with only the Company's best interests in mind;
- actively participate in all Board meetings, unless unable to do so;
- make any recommendations for the purpose of improving the working conditions of the Board and its committees.

The Board ensures the continuous improvement of the information provided to shareholders. Each director, particularly through his contribution to the work of the Board committees, must do his part toward achieving this objective.

Each director agrees to offer his resignation to the Board when he believes, in good faith, that he is no longer able to assume his position completely.

### Professional Ethics Charter

At its meeting of 23 September 2004, the Board of Directors adopted a Professional Ethics Charter (available on PagesJaunes Group's website at <http://www.pagesjaunesgroupe.com>).

This Charter sets out the Group's values and presents the principles underlying its dealings with its customers, shareholders, employees, suppliers and competitors, as well as actions related to the environment and the countries in which the Group operates.

It also describes certain principles of personal conduct to which each of the Group's employees, directors and managers must adhere and which encourage honest and ethical conduct on their part, as well as accurate, complete and timely reporting of published information.

The Professional Ethics Charter describes the principles and rules applicable to trading ethics and the need to comply with them scrupulously. It imposes certain preventive measures, including in particular the existence of blackout periods for trading in the Company's shares for "permanent insiders", such as members of the Board of Directors and other managers.

The Professional Ethics Charter applies to each of the Group's Board members, managers and employees.

### Chairman of the Board of Directors and Senior Management

The Chairman of the Board of Directors, who must be an individual, is appointed by the Board of Directors from its membership. In addition, the Board of Directors has the option of deciding to separate or combine the functions of Chairman of the Board and CEO. If the decision is made to separate these functions, the CEO is appointed by the Board of Directors.

At its meeting of 23 September 2004, the Board of Directors decided to separate these functions and appointed Mr. Michel Combes as Chairman of the Board of Directors and Mr. Michel Datchary as CEO.

The CEO, subject to the powers which the law expressly grants to General Shareholders' Meetings and the Board of Directors, and within the limits of the corporate purpose, has the broadest powers to act on behalf of the Company under all circumstances, with the stipulation that:

- (i) the CEO must present a draft strategic plan each year to the Board of Directors which defines the medium-term policies related to the Group's business activity and includes, among other things, projected changes in the Group's key operating and financial indicators and an annual budget proposal;
- (ii) the following decisions must be approved in advance by the Board of Directors:
  - any transfer of all or part of the Company's assets to a company already created or to be created;
  - any investment or divestment of an amount over 5 million euros per operation, when the operation involves external growth or a sale;
  - any investment or divestment related to an external growth operation or sale which is not in line with the Company's strategic policies;
  - any commitment of a non-recurring nature in an amount over 5 million euros which is not included in the Company's budget.

**Michel Datchary** has been the CEO of PagesJaunes Group since 23 September 2004. Prior to that, he served as Chairman of PagesJaunes's Management Board from 1996. Michel Datchary began his career at the Havas Group in 1977 before joining the ODA Group. There he held the positions of Product Manager in 1979, Deputy Marketing Director in 1981, Managing Director of a subsidiary in 1985, and Deputy Managing Director and member of ODA's Management Board in 1992. From 2000 to 2004, he was Director of Wanadoo's Directory Division. Michel Datchary is a graduate of the *Institut de promotion commerciale* of the Pau Chamber of Commerce (1977).

### Deputy Managing Directors

Upon the recommendation of the CEO, the Board of Directors may appoint one or more individuals to assist the Chairman, with the title of Deputy Managing Director. The maximum number of Deputy Managing Directors is five. Together with the CEO, the Board of Directors determines the scope and term of the powers vested in the Deputy Managing Directors.

### Rights, preferential rights and restrictions attached to each class of existing shares

At the shareholder's discretion, fully paid up shares may be in nominative or bearer form. They must be nominative until they are fully paid up. They are registered in the Company's records or with an authorised financial intermediary under the terms and conditions prescribed by law.

For the purpose of identifying bearer shares, pursuant to the laws and regulations in effect and subject to the applicable legal or regulatory sanctions, the Company may ask any body or intermediary, including any central depository of financial instruments, for any information required by law or the regulations needed to identify the owners of Company shares giving immediate or future voting rights at its General Shareholders' Meetings, and in particular the number of shares held by each of them, and if applicable, any restrictions which may apply to the shares.

The financial intermediary registered on behalf of an owner who is not a legal resident of France must, pursuant to article L. 228-1 of the French Commercial Code, reveal the identity of the owners of these shares at the Company's request, which may be made at any time.



If the Company believes that certain holders of nominative or bearer shares whose identities have been made known to it hold said shares on behalf of third-party shareholders, it has the right to ask these holders to reveal the identities of the owners of said shares under the terms set out above.

If the person to whom a request is made in accordance with the above provisions does not provide the requested information within the legal and regulatory time periods, or provides incomplete or incorrect information related to its capacity or to the owners of the shares, the shares or securities giving immediate or future access to the share capital and for which this person is the registered account holder will have no voting rights attached at any General Shareholders' Meeting held up to the time that the identification matter is settled, and payment of the corresponding dividend will be deferred until that date.

In addition, if the person registered as the holder knowingly disregards the above provisions, the court in the jurisdiction where the Company's head office is located may, at the request of the Company or one or more

shareholders holding at least 5% of the share capital, order the full or partial loss, for a total period not exceeding five years, of the voting rights attached to the shares for which the information was requested and, possibly for the same period, of the associated dividends.

The Company may ask any legal entity owning its shares and holding a stake of more than 1/40<sup>th</sup> of the share capital or voting rights to inform it of the identity of the persons holding, directly or indirectly, more than one-third of the legal entity's share capital or voting rights exercised at the entity's General Shareholders' Meetings.

### Shares needed to change shareholders' rights

As of the date of registration of this *document de référence*, there is no clause in the By-laws related to changes in shareholders' rights which establishes stricter provisions than the law.

## 21.2.2 GENERAL SHAREHOLDERS' MEETINGS (ARTICLE 11 AND ARTICLES 26 TO 32 OF THE BY-LAWS)

### Access, Participation and Voting at General Shareholders' Meetings

General Shareholders' Meetings are composed of all shareholders whose shares have been fully paid up and registered in their name by no later than 3 p.m. (Paris time) on the day prior to the General Shareholders' Meeting, subject to the following conditions:

- in order to attend, vote by mail or be represented at General Shareholders' Meetings, owners of bearer shares or shares registered in an account not held by the Company must file a certificate prepared by the financial intermediary holding their account indicating the non-transferability of the shares up to the date of the General Shareholders' Meeting at the place indicated in the meeting notice by no later than 3 p.m. (Paris time) on the day prior to the General Shareholders' Meeting;
- in order to attend, vote by mail or be represented at General Shareholders' Meetings, owners of shares registered in an account held by the Company must have their shares registered in their account held by the Company by no later than 3 p.m. (Paris time) on the day prior to the General Shareholders' Meeting;

Access to General Shareholders' Meetings is open to members upon proof of their capacity and identity. The Board of Directors may, if it deems appropriate, issue individual and personal admission cards to shareholders and require such cards to be presented.

Owners of Company shares who are not legal residents of France may be registered and represented at the General Shareholders' Meeting by any intermediary registered on their behalf who holds a general proxy to administer their shares, provided that the intermediary has declared his capacity prior to opening his account with the Company or with the financial intermediary holding the account in accordance with the applicable laws and regulations.

The Company has the right to ask the intermediary registered on behalf of shareholders who are not legal residents of France and who holds a general proxy to provide the list of shareholders he represents and whose rights will be exercised at the General Shareholders' Meeting.

Each member of the General Shareholders' Meeting has the same number of votes as the number of shares he owns or represents, subject to any loss of voting rights.

In addition, any shareholder may, subject to legal and regulatory requirements, vote by mail or give a proxy to his spouse or to another shareholder in order to be represented and vote at a General Shareholders' Meeting.

Votes may be cast by mail in accordance with the terms and conditions prescribed by the applicable laws and regulations. The Company must receive the voting form by no later than 3 p.m. (Paris time) on the day prior to the date of the General Shareholders' Meeting.

Proxy and vote-by-mail forms, as well as the certificates attesting to the non-transferability of shares, may be prepared in electronic form, duly signed in accordance with the conditions prescribed by the applicable laws and regulations.

Shares are indivisible from the Company's point of view. Joint owners of shares must be represented at the Company by only one owner, who will be considered the sole owner or sole representative. In case of disagreement, the sole representative may be appointed by a court at the request of first joint owner to take action. Unless an agreement to the contrary has been properly notified to the Company, the right to vote at Ordinary General Shareholders' Meetings belongs to the beneficial owner while the right to vote at Extraordinary General Shareholders' Meetings belongs to the bare owner.

General Shareholders' Meetings may be held by videoconference or by any other telecommunication media, including in particular via Internet, which allow the identification of shareholders in accordance with the conditions set out in the laws and regulations in force.

### Ordinary General Shareholders' Meetings

An Ordinary General Shareholders' Meeting is one which is called to make all decisions that do not amend the By-laws. It meets at least once a year within six months of the end of the fiscal year, unless this period is extended by a court judgment, to approve the financial statements of the previous fiscal year.

French law 2005-842 of 26 July 2005 for confidence and modernisation of the economy (*Loi pour la confiance et la modernisation de l'économie*) amended the rules related to quorum at General Shareholders' Meetings. A proposal will be made to the General Shareholders' Meeting of 19 April 2006 to amend article 31 of the By-laws to stipulate that Ordinary General Shareholders' Meetings are only validly in session, upon the first notice of meeting, if the shareholders who are present, represented or have voted by mail own at least one-fifth of the shares with voting rights. Upon the second notice of meeting, no quorum is required. Decisions are made based on a majority of votes held by the shareholders who are present, represented or have voted by mail.

For the purpose of calculating the quorum and majority, shareholders are deemed to be present if they participate in the Ordinary General Shareholders' Meeting by videoconference or by other telecommunication media which allow them to be identified and whose nature and rules of application are determined by the laws and regulations in force.

### Extraordinary General Shareholders' Meetings

Only an Extraordinary General Shareholders' Meeting is authorised to amend any provision of the By-laws. However, it cannot increase shareholders' commitments except through properly executed operations involving a consolidation of shares.

A proposal will also be made to the General Shareholders' Meeting of 19 April 2006 to amend article 32 of the By-laws to stipulate, subject to the laws applicable to capital increases through the capitalisation of reserves, profits or share premiums, that Extraordinary General Shareholders' Meetings are only validly in session if the shareholders who are present, represented or have voted by mail own, upon the first notice of meeting, at least one-fourth and, upon the second notice of meeting, at least one-fifth of the shares with voting rights. If the latter quorum cannot be reached, the second meeting may be postponed for up to two months after the original date and the one-fifth quorum is again required.

Subject to the same conditions, decisions are made based on a two-thirds majority of votes held by the shareholders who are present, represented or have voted by mail.

For the purpose of calculating the quorum and majority, shareholders are deemed to be present if they participate in the Extraordinary General Shareholders' Meeting by videoconference or other telecommunication media which allow them to be identified and whose nature and rules of application are determined by the laws and regulations in force.

### Methods and Time Limits for Calling Meetings (article 28 of the By-Laws)

General Shareholders' Meetings are called by the Board of Directors under the conditions set out by law.

Failing that, they may also be called by the Auditors or any other person authorised for this purpose.

In accordance with article 130 of the decree of 23 March 1967, a notice informing the shareholders of the next General Shareholders' Meeting is published in the *Bulletin des annonces légales obligatoires* (French bulletin of mandatory legal announcements or *BALO*) at least 30 days prior to the meeting.

The notice of meeting is issued at least 15 full days prior to the scheduled date of the General Shareholders' Meeting. This period is reduced to six full days for General Shareholders' Meetings held after the second notice of meeting and for postponed meetings.

Notices of meetings are issued through a notice published in a newspaper authorised to publish legal announcements in the French department where the Company's head office is located and in the *BALO* pursuant to article 124 paragraph 1 of the aforementioned decree of 23 March 1967. In addition, shareholders holding nominative shares at least one month prior to the date of the notice are called to the General Shareholders' Meeting by a letter sent by ordinary mail. Provided they pay the Company for mailing costs, they may ask to be informed by registered mail.

Meetings are held on the day and at the time and place indicated in the notice of meeting.

The notice of meeting must include, among other things, the meeting agenda.

### General Shareholders' Meetings Officers (article 30 of the By-laws)

General Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a director appointed for this purpose by the Board. Failing that, the General Shareholders' Meeting elects a Chairman itself.

The functions of voting inspectors are performed by the two members of the General Shareholders' Meeting who have the largest number of votes and who accept such functions.

The officers of the General Shareholders' Meeting appoint the secretary, who does not need to be a shareholder.

### Agenda

The agenda of General Shareholders' Meetings is determined by the party calling the meeting.

One or more shareholders representing the percentage of the share capital required by the applicable regulations and acting in accordance with the legal conditions and time limits may ask that draft resolutions be added to the agenda.

A request to have a draft resolution added to the agenda must be made by registered letter with return receipt within 10 days of publication of the notice of meeting in the *BALO*. The requesting parties must provide proof that they hold or represent the required percentage of the share capital by registering the owners of the shares in the Company's records prior to sending the request.

The General Shareholders' Meeting may not consider a matter which has not been added to the agenda. However, it may at any time dismiss and replace one or more members of the Supervisory Board and, under certain conditions, dismiss and replace one or more members of the Management Board.

The agenda may not be changed if a second notice of meeting has been issued or in case of postponement.



### Conditions for exercising voting rights

At all General Shareholders' Meetings, each shareholder has the same number of votes as the number of shares he owns or represents, with no limitations other than those arising from the laws in force or from the

By-laws, subject to a court judgment in certain cases. There is no clause in the By-laws providing for double or multiple voting rights for the Company's shareholders or limiting their voting rights.

## 21.2.3 SALE AND TRANSFER OF SHARES (ARTICLE 9 OF THE BY-LAWS)

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Shares are fully negotiable, as provided by the laws and regulations in force. They must be registered and are transferred according to the terms and conditions set out in the applicable laws and regulations.

## 21.2.4 EXCEEDING THE THRESHOLDS ESTABLISHED BY THE BY-LAWS (ARTICLE 9 OF THE BY-LAWS)

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In addition to the legal requirement to inform the Company and the AMF when the thresholds related to 5%, 10%, 15%, 20%, 25%, 33%, 50%, 66%, 90% and 95% of the Company's share capital or voting rights are exceeded, any individual or legal entity, acting alone or in concert, who comes to own or ceases to own, directly or indirectly, pursuant to articles L. 233-7 et seq. of the French Commercial Code, a number of shares, voting rights or securities giving future access to the Company's capital, corresponding to 1% of the Company's capital or voting rights or a multiple of this percentage, must, within five trading days of registration of the securities allowing him to reach or exceed this threshold, notify the Company by registered letter with return receipt of the total number of shares, voting rights or securities giving access to the share capital which he holds directly or indirectly, alone or in concert.

This notification must be repeated, subject to the above conditions, each time the holding reaches, exceeds or falls below a new 1% threshold, for whatever reason, including levels above the 5% threshold.

In the event of non-compliance with the above provisions, and at the request of one or more shareholders holding at least 1% of the share capital at a General Shareholders' Meeting, the shareholder(s) in question, without prejudice to any suspension of voting rights ordered by a court under the conditions and limits set by law, will be deprived of all voting rights related to the securities exceeding the thresholds for which notification is required.

## 21.2.5 CLAUSE CONCERNING CHANGE IN CAPITAL

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As of the date of registration of this *document de référence*, there is no clause in the By-laws related to change in capital which establishes stricter provisions than the law.

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## Major contracts



To date, the Company has signed no major contracts, other than those made in the normal course of business, which impose a significant obligation or commitment on the Group as a whole.

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## Information provided by third parties, expert declarations and declarations of interest



None.

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## Documents available to the public



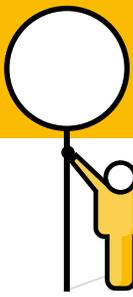
Documents concerning the Company which must be made available to the public (By-laws, reports, letters and other documents, the Company's historical financial information and consolidated information for each of the two fiscal years preceding the date of this *document de référence*) are available for consultation at the head office, preferably by appointment.

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## Information concerning equity interests



The Company has no interests in companies other than those mentioned in Section 7.2 "List of Subsidiaries" which could have a significant impact on the assessment of its assets, financial position and results.



## Additional information

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# Report of the Chairman of the Board of Directors on the conditions for preparing and organising the Board of Directors' work and on the internal control procedures

In accordance with the provisions of article L. 225-37 of the French Commercial Code, the Chairman of your Board of Directors will describe, in this report, the conditions for preparing and organising the Board's work, as well as the internal control procedures put in place by your Company.

The Chairman has assigned this report, along with the preparatory work and necessary procedures, to the Group's finance department. The Auditors have been informed of said work and procedures.

This report describes the conditions for preparing and organising the work of PagesJaunes Group's Board of Directors in fiscal year 2005.

This report also describes the internal control procedures at PagesJaunes Group.

For accounting and financial matters, PagesJaunes Group has set up an internal control organisation for its main businesses, which uses an internationally recognised methodology based on the COSO standards (cf. introduction of section 2 of this report).

To guarantee the quality and reliability of the financial information presented, the Group makes a continuous effort to improve its internal control.

## 1. PREPARATION AND ORGANISATION OF THE BOARD OF DIRECTORS' WORK

PagesJaunes Group adheres to the principles of corporate governance of listed companies, as set out in the Medef/AFEP report of October 2003, including in particular:

- the responsibility and integrity of managers and directors;
- the independence of the Board of Directors;
- transparency and disclosure of information;
- respect for the rights of shareholders.

PagesJaunes Group has made a commitment to implement the recommendations made in these reports, particularly by establishing the internal regulations adopted by the Board of Directors at its meeting of 23 September 2004, which stipulate the guiding principles of its operation and the terms under which it performs its functions.

### 1.1 Preparation and organisation of the Board of Directors' work

The Board of Directors is involved in all decisions relating to the Company's key strategic, economic, social, financial and technological policies and sees to it that they are implemented by General Management.

PagesJaunes Group's corporate governance policy states that the CEO must receive permission from the Board to engage in any investment or divestment operations in amounts over 5 million euros per operation, in the case of external growth or sales operations. In addition, any investment in an amount over 5 million euros which is not in line with the Company's strategic policy must be approved in advance by the Board of Directors.

On 23 September 2004, PagesJaunes Group's Board of Directors decided to separate the functions of Chairman of the Board of Directors and CEO. Mr. Michel Combes is Chairman of PagesJaunes Group's Board of Directors and Mr. Michel Datchary holds the position of PagesJaunes Group's Chief Executive Officer.

The members of PagesJaunes Group's Board of Directors are:

- Michel Combes;
- Olivier Barberot, Executive Officer of France Telecom;
- François de Carbonnel, Senior Advisor of Citigroup Global and Investment Bank;
- Élie Cohen, Director of Research at CNRS, Vice-President of the Public Sector High Council and member of the Prime Minister's Economic Analysis Council;
- Patricia Langrand, Executive Officer of France Telecom;
- Jean-Hervé Lorenzi, Advisor to the Management Board of La Compagnie Financière Edmond de Rothschild Banque;
- Jean-Claude Marceau, Manager of PagesJaunes's advertising agencies department;
- Stéphane Pallez, Executive Officer of France Telecom;
- Rémy Sautter, Chairman of the Supervisory Board of RTL.

During fiscal year 2005, Mr. Philippe Leroux and Mr. Jean-Claude Marceau were appointed as directors.



Mr. Jean-Claude Marceau, Manager of PagesJaunes's advertising agencies department, was appointed as director by the General Shareholders' Meeting of 12 April 2005.

On 6 October 2005, Mr. Philippe Leroux, Director of PagesJaunes's Bordeaux office, was elected by the employees of PagesJaunes Group and its French subsidiaries as director representing the employees.

In a decision handed down on 9 January 2006, the Court of First Instance of Boulogne annulled the election of Mr. Philippe Leroux as director representing the employees vis-à-vis PagesJaunes Group's Board of Directors.

PagesJaunes Group applies certain criteria to the selection of its directors, including in particular availability, experience and expertise in the areas related to the Group's businesses and the challenges of its business environment.

During fiscal year 2005, the Board of Directors met nine times. On average, eight out of 10 directors participated in each Board of Directors' meeting during this fiscal year. The average length of a Board of Directors' meeting is two hours and 30 minutes.

The main activities of the Board of Directors are as follows:

- review of the accounts and results: the Board reviewed and approved the individual and consolidated annual and half-yearly financial statements and the management reports. It reviewed the revenue and key quarterly results. It drew up the reports and resolutions submitted to the General Shareholders' Meeting. It reviewed the 2005 budget. The Board of Directors also reviewed the transition to IFRS standards for the fiscal year ended 31 December 2004;
- review and approval of strategic operations: the Board deliberated on actual or planned acquisitions, including in particular Télécontact in Morocco. The Board also viewed a presentation of the Group's strategic policies and discussed them; it also voted on the launch of 118 008, the Group's operator information service;
- corporate governance: the Board reviewed the report prepared by the Chairman in accordance with article 117 of the financial security act concerning the conditions for preparing and organising the Board's work and the internal control procedures. It studied and introduced a stock option plan in favour of some of the Group's employees.

## 1.2 Tasks and operation of the Board Committees

Two Committees have been set up by the Board of Directors.

The Board of Directors decided to create an Audit Committee chaired by Rémy Sautter and a Compensation and Appointments Committee chaired by François de Carbonnel.

The Audit Committee's role is to assist the Board of Directors in carrying out its duties and responsibilities in the financial area.

Part of the Compensation and Appointments Committee's responsibility is to assist the Board of Directors in appointing and compensating officers.

### 1.2.1 Audit Committee

The Audit Committee has at least two members, appointed by the Board of Directors upon the recommendation of its Chairman. In addition, under the terms of the Audit Committee's operating charter, the committee appoints its Chairman itself.

The members of the Audit Committee on the date of this report are as follows:

- Mr. Remy Sautter, Chairman;
- Mr. Elie Cohen;
- Mrs. Stéphane Pallez.

The tasks of the Audit Committee, on behalf of the Board of Directors, are as follows:

- to review the half-yearly and annual individual and consolidated financial statements, as well as the management reports and activity and earnings statements;
- to ensure compliance with the accounting standards used to draw up the individual and consolidated financial statements;
- to ensure that the internal procedures for collecting and checking the information are properly applied;
- to control the quality and accuracy of information given to shareholders;
- to review the procedure for selecting the Company's Auditors, particularly as regards their selection and payment terms in order to make observations;
- to study each year the respective assignment plans of the Auditors and internal auditors, review the internal audit reports for the previous fiscal year and define the audit schedule for the current year;
- to review the accounting treatments related to specific operations;
- to review each year the Chairman of the Board's report on the Group's exposure to risks, particularly as regards financial matters and lawsuits, and the significant off-balance sheet commitments.

The tasks undertaken on behalf of the Board of Directors do not limit the powers of the Board of Directors, which cannot escape liability by citing the tasks or opinions of these committees.

The Audit Committee meets as often as it deems necessary and considers all questions falling under the scope of its responsibility. It can ask the Company to disclose any document or information needed to complete its mission and to perform any internal or external audit on any matter which it believes relates to its mission. When reviewing the drafts of the annual and half-yearly financial statements, it can question the Auditors without the presence of the Company managers. Any accounting or audit irregularities are brought to its attention.

The Audit Committee met eight times in 2005. It questioned the Company's managers, the heads of the Group's Finance Department and the Auditors in order to review, together with them, their respective assignment plans and follow-up action taken on said plans.



Some of the matters reviewed by the Audit Committee during fiscal year 2005 were:

- annual financial statements at 31 December 2004;
- transition to the IFRS standards;
- half-yearly financial statements at 30 June 2005;
- revenue and key results for the first and third quarters of 2005;
- the 2005 internal audit schedule and an update on the progress of the projects launched to implement the US Sarbanes-Oxley Act (given that it is part of the France Telecom Group, which is listed on the New York Stock Exchange) and law 2003-706 of 1 August 2003 on Financial Security;

### 1.2.2 Compensation and Appointments Committee

This committee has at least three members, appointed by the Board of Directors upon the recommendation of its Chairman. The committee appoints its Chairman itself.

The members of the Compensation and Appointments Committee on the date of this report are as follows:

- Mr. François de Carbonnel, Chairman;
- Mr. Olivier Barberot;
- Mr. Jean Hervé Lorenzi;
- Mr. Marcel Roulet.

It is responsible for submitting proposals to the Board of Directors concerning the appointment of Board members, the Chairman of the Board of Directors, the CEO and the members of the Board committees. It is also kept informed by the Chairman of the Board of Directors of

appointments of other Group managers. In addition, the Committee recommends to the Board the amount of directors' fees to be submitted to the General Shareholders' Meeting, as well as how this amount should be divided among the members of the Board of Directors.

The Committee also recommends to the Board the compensation paid to officers and may, at the request of the Chairman of the Board of Directors, express an opinion on the rules for determining the compensation of the Company's managers.

The Compensation and Appointments Committee met five times in 2005.

The Committee reviewed the definition of the objectives and the methods used to calculate the variable portion of the CEO's compensation.

It also proposed the framework for a stock option plan, which was approved by the Board of Directors, and recommended the rejection, proposed by PagesJaunes Group, of the France Telecom Group's joint participation agreement.

### 1.3 Limitations on the powers of the CEO

Pursuant to the provisions of article L. 225-51-1 of the French Commercial Code, which allow the Board of Directors to choose between General Management of the Company assumed, under its responsibility, either by the Chairman of the Board of Directors or by another individual appointed by the Board of Directors whose title is CEO, PagesJaunes Group's Board of Directors decided on 23 September 2004 to separate the functions of Chairman of the Board and CEO. It elected from among its members Mr. Michel Combes as Chairman of the Board of Directors and Mr. Michel Datchary as Chief Executive Officer of PagesJaunes Group.

## 2. INTERNAL CONTROL PROCEDURES IMPLEMENTED AT PAGESJAUNES GROUP

For the organisation of its internal control and management of its risks, PagesJaunes Group has set up a number of internal processes, described below, and also draws on the resources and expertise of the France Telecom Group in this area, which rely on the COSO standards (Committee of Sponsoring Organizations of the Treadway Commission).

According to the COSO standards, internal control is a process implemented by a company's Management and employees aimed at providing reasonable assurance with regard to the achievement of objectives coming under the following categories:

- completion and optimisation of operations;
- reliability of financial information;
- compliance with the laws and regulations in force.

The aim of this process, which covers all PagesJaunes Group's activities, is to reasonably ensure that risks are managed and that the objectives set are achieved.

### 2.1 The control environment

PagesJaunes Group has created a set of rules of organisation, policies, procedures and evaluation and control processes and bodies, developed for the entire France Telecom group, which contribute to the effectiveness of internal control.

#### 2.1.1 Values, governance, mobilisation of skills

##### 2.1.1.1 The Group's values and basis for action and conduct

At its meeting of 27 May 2004, PagesJaunes Group's Supervisory Board adopted a Group Professional Ethics Charter (available on its website at [www.pagesjaunesgroupe.com](http://www.pagesjaunesgroupe.com)). This charter sets out the Group's values and presents the principles underlying its dealings with its customers, shareholders, employees, suppliers and competitors, as well as actions related to the environment and the countries in which the Group operates. It also describes certain principles of personal conduct to which each employee, director and manager must adhere.



The principles and rules related to trading ethics are contained in a specific document which forms an integral part of the Charter. The aim of this document is to make the employees and directors of the Group's companies aware of the existing principles and rules and the need to comply with them scrupulously, as well as certain preventive measures (including in particular the existence of blackout periods for trading in the Group's shares for "permanent insiders").

Moreover, pursuant to the provisions of article 222-14 of the *AMF*'s new General Regulations (which implement article L. 621-18-2 of the French Monetary and Financial Code), PagesJaunes Group has informed its directors of its obligation to report to the *AMF* and to publish in a press release, within five days of the transaction, all acquisitions, sales, subscriptions for or exchanges of its financial instruments, as well as transactions completed on these instruments using futures instruments, carried out by the members of the Board of Directors and by those persons, under the terms to be defined by a decree in Council of State, having close personal ties with them.

### **Group governance**

#### ***The Executive Committee***

A PagesJaunes Group Executive Committee, which comes under the authority of the CEO, has been created and is made up of the Executive Directors in charge of the Group's divisions and functions. The Executive Committee defines the Group's strategic policies that contribute to the development of its operational and commercial activities. The Group's Executive Committee decides on and coordinates the implementation of these strategic policies. It monitors the achievement of the objectives which reflect its operational decisions as well as those related to the allocation of financial resources.

#### ***The Strategy Committee***

The Strategy Committee is made up of PagesJaunes Group's CEO and Chief Financial Officer, the Directors of PagesJaunes SA's three business units (printed directory, on-line and voice service and other services) and PagesJaunes Group's Strategy Director, who chairs the committee. Strategy Committee meetings are also attended by those with an interest in the topic on the agenda, as necessary. The Strategy Committee meets approximately once a month. The role of the Strategy Committee is to analyse and review the strategic plans and structuring projects of PagesJaunes Group and its subsidiaries, and to coordinate and structure the Group's strategic thinking.

### **2.1.2 The Internal Audit function**

In terms of internal auditing, PagesJaunes Group relies on France Telecom's Audit and Risk Control Department, which was created in 1996 and has about 150 qualified auditors who work as a shared service for all the Group's entities out of offices located mainly in France, Great Britain, Poland and the USA.

France Telecom Group's internal auditors adhere to the standards of the Institute of Internal Auditors (IIA) and are subject to its Code of Ethics and professional certification. France Telecom's Internal Audit department received ISO 9001 V.2000 certification in October 2004.

The Internal Audit department helps the Group maintain appropriate control procedures by evaluating their effectiveness and efficiency and encouraging their continuous improvement. Based on the results of risk evaluation, the Internal Audit department assesses the applicability and effectiveness of the internal control procedures by measuring, in particular, the quality of the control environment at the Group, how well the internal governance bodies function, the reliability and integrity of the financial and operating information, the effectiveness and efficiency of operations, the protection of assets and compliance with laws, regulations and contracts.

Fiscal year 2005 saw the appointment of a Director of Internal Audit at PagesJaunes Group. The role of this individual, who relies on France Telecom's internal audit department operationally, is to carry out the tasks defined in the audit programme by the Audit Committee. These include:

- Sarbanes-Oxley tests conducted as PagesJaunes SA's work progresses;
- internal control reviews at PagesJaunes Group's subsidiaries;
- topic-specific assignments at PagesJaunes SA.

### **2.1.3 Risk management**

In early 2005, PagesJaunes Group introduced a risk management process and appointed its Director of Legal Affairs as risk manager. This led to the establishment of the Risk Map, with the help of France Telecom's Audit and Risk Control Department, and to the organisation of the risk management process, which includes a Group segment-based approach (PagesJaunes Group, PagesJaunes SA, QDQ Media and other subsidiaries) and a business category approach, on the one hand, and the allocation of risks to risk owners, on the other.

This risk management process was presented to the Audit Committee.

The full Risk Map and the identification of the related owners and action plans for major risks were completed as planned in June 2005.

A complete review of the risks was carried out at the end of 2005, which made it possible to:

- measure the progress of the planned actions;
- update the risks identified in June 2005 (changes, elimination);
- include new risks identified, if any.

The risk manager, with the help of a steering committee made up of Executive Directors from PagesJaunes Group and PagesJaunes, is responsible for overseeing this process.

The steering committee also stresses the implementation of an information security policy within PagesJaunes Group, which ensures the consistency of these two programmes.

## **2.2 Internal control procedures related to the preparation and processing of accounting and financial information**

The reliability of published accounting and financial information is assured by a group of bodies, rules, procedures and controls, a skills management policy and efforts aimed at continuous improvement of procedures.

Internal control of accounting and financial information is underpinned by the following:

- the Financial Information Committee;
- the Group's accounting and management organisation;
- unified accounting and management reporting;
- the accounting guidelines and methods applied throughout the Group;
- planning of year-end closing operations at the Group level;
- the programme for continuous improvement of the internal financial control processes.



### The Financial Information Committee

Financial information and its control are organised in a manner that is consistent with PagesJaunes Group's managerial and management organisation. To improve the quality and reliability of financial information, the Group has set up a system of financial information oversight and control, which is based for the most part on the work of the Financial Information Committee.

The role of this committee is to ensure the integrity, accuracy, adherence to applicable laws and regulations and recognised practices, consistency and quality of PagesJaunes Group's financial information.

This review, which occurs prior to the release of financial information, pertains in particular to regular press releases containing financial information, periodic presentations to analysts, management reports and the *document de référence*.

The Committee carries out its work in accordance with the procedures related to the preparation and approval of financial information defined for the entire Group. It is chaired by the Group's Chief Financial Officer and includes in particular directors with expertise in the fields of accounting, law, communications, investor relations and management control. Created in July 2004, this Committee met four times in 2005.

### The Accounting and Management Function

Under the authority of the Group's Chief Financial Officer, the Finance Directors, Management Control departments and Accounting departments of the Group's subsidiaries assume the essential tasks of ensuring the consistency of PagesJaunes Group's financial information.

For example:

- they are responsible for producing PagesJaunes Group's financial statements by the deadlines required by the financial markets and in accordance with legal requirements;
- they oversee the budget and forecasting process and produce the monthly management reports in the most timely manner, while ensuring the consistency of the information;
- they produce the documents needed for the financial reporting of the results and the executive summary for PagesJaunes Group's management;
- they design and implement PagesJaunes Group's accounting and management methods, procedures and guidelines;
- they identify and make the necessary changes to PagesJaunes Group's accounting and management information systems.

### Unified accounting and management reporting

PagesJaunes follows the Group's management and planning cycle, which includes four basic components:

- the forecast for at least the next three years;
- the budget process;
- monthly reporting;
- business reviews.

Each year, a forecast is prepared by PagesJaunes Group for the next three years or longer. This forecast is prepared based on PagesJaunes Group's strategic choices in light of changes in the market, the business sector and the competitive environment.

The budget process is broken down for PagesJaunes and its subsidiaries. The main stages in the budget process are as follows:

- in the fall, updating of the budget for the current year (year-end forecast) and each entity's preparation of a budget for the first and second halves of the following year;
- in the spring, updating of the original forecast for the first half of the current year (end of half-year forecast) which is compared to the original forecast. The budget for the second half of the year is also updated on the same date.

The budget and the revised forecasts are updated each month to serve as a benchmark for reporting. The forecasts and revised forecasts provide an opportunity for early analysis of the treatment of certain year-end closing operations.

The monthly reports are a key component of the control and financial information process. They are the most important tracking, control and oversight tool used by PagesJaunes Group's Management. They consist of several documents prepared by the Management Control and Accounting departments and sent to PagesJaunes Group's Management.

The monthly reports contain figures, comments on changes and performance measurement indicators.

PagesJaunes Group's Management Control and Accounting departments use the same consolidation tool as the France Telecom Group to produce the report showing actual and budget figures (Magnitude).

The quarterly business reviews are a key element of PagesJaunes Group's oversight and control process. Their main purpose is to ensure that the actions taken are in line with the Group's priorities and objectives.

### Accounting guidelines and methods applied throughout the Group

For the preparation of the forecasted and actual consolidated financial statements, the Group has chosen the standardisation principle, which ensures:

- the consistency of the accounting guidelines, accounting methods and consolidation rules;
- standardisation of the reporting formats;
- use of an automated consolidation tool throughout the Group (Magnitude).

The Group has a single set of guidelines, which ensures standardisation of the various sections of the Magnitude consolidated reports, including those for off-balance sheet commitments. All the Group's consolidated entities have adopted these guidelines.

PagesJaunes Group draws up its consolidated financial statements according to the IFRS standards (European regulation 1606/2002 of 19 July 2002).

The consolidation documents are prepared according to local accounting principles and include restatements for consistency to ensure adherence to the Group's and the IFRS standards.

Explanatory memos issued by France Telecom's Group Finance Office describing the process and schedule for closing each period are distributed within the Group. PagesJaunes SA and the other PagesJaunes Group subsidiaries adapt these processes and schedules to their own organisation.



In accordance with Regulation 1606/2002 and IFRS standard 1 – adoption of IFRS standards as accounting guidelines – PagesJaunes Group's consolidated financial statements for the fiscal year ended 31 December 2005 have been drawn up based on international accounting standards with a comparison to fiscal year 2004 prepared according to the same standards.

#### **Planning of year-end closing operations at the Group level**

To keep the year-end closing time as short as possible, PagesJaunes Group follows a programme which was set up to formalise and plan the closing procedures. This programme is based on:

- the budget monitoring procedures;
- the completion of pre-closing procedures;
- more formalised closing procedures;
- early treatment of complex accounting operations and estimates.

The planning of the coordination activities among the Group's various divisions and departments, the improved quality of the forecasts and better control of the financial processes and the ability to get an early start on and speed up the year-end closing process have contributed greatly to the progress made by the Group in closing its accounts.

As part of their statutory mandate, the Auditors are called upon on a quarterly basis to carry out certain pre-defined procedures: at the end of the first half-year period and after the pre-closing, in the form of a limited review at the Group level, and, for the year-end closing, through a review of the pre-closing procedures followed by an audit of the accounts at 31 December. They therefore provide an external evaluation benchmark which complements the internal evaluation process.

#### **The programme for continuous improvement of the internal financial control processes**

Since 2003, PagesJaunes Group has participated, as part of the whole France Telecom Group, in the programme aimed at increasing the effectiveness of internal control with regard to the production of financial and accounting information. This programme should allow the France Telecom Group to satisfy the provisions of article 404 of the US Sarbanes-Oxley Act in the time required, to which France Telecom is subject because of its listing on the New York Stock Exchange (article 404 stipulates, in particular, that the Chairman must certify the effectiveness of the internal control procedures and that the Auditor must issue a report on this certification).

This programme offers the chance to routinely and consistently perform a documented review of all internal financial control procedures and to give each process manager the means to ensure the continuous improvement of their effectiveness. For each process that has a significant impact on the Group's financial information, this means verifying the quality and effectiveness of the internal control procedures based on a methodology used throughout the Group.

At the France Telecom Group level, this large scale programme is managed by a Steering Committee chaired by the Executive Directors in charge of the Group Finance and General Secretariat department and by a Project Team which defines, directs and coordinates the work and ensures that the project runs smoothly. This programme is carried out in conjunction with the Auditors.

**PagesJaunes Groupe, S.A.**

Fiscal year ended 31 Decembre 2005

**Auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code, on the report of the Chairman of PagesJaunes Group's Board of Directors concerning the internal control procedures implemented to prepare and process the accounting and financial information**

Dear Shareholders,

In our capacity as Auditors of the PagesJaunes Group Company, and in accordance with the provisions of article L. 225-235 of the French Commercial Code, we present to you our report on the report prepared by your Company's Chairman pursuant to article L. 225-37 of the French Commercial Code for the fiscal year ended 31 December 2005.

It is the Chairman's responsibility to give an account, in his report, of the conditions for preparing and organising the Board of Directors' work and of the internal control procedures implemented at the Company.

It is our task to inform you of any comments we may have regarding the information provided in the Chairman's report concerning the internal control procedures implemented to prepare and process the accounting and financial information.

We have conducted our work according to professional standards applicable in France. These standards require us to follow certain procedures to assess the accuracy of the information provided in the Chairman's report concerning the internal control procedures implemented to prepare and process the accounting and financial information. These procedures consisted in:

- acquiring knowledge of the objectives and general organisation of internal control, as well as the internal control procedures implemented to prepare and process the accounting and financial information presented in the Chairman's report;
- acquiring knowledge of the work underlying the information provided in the report.

Based on this work, we have no comments on the information contained in the Chairman of the Board's report, which was prepared in accordance with the provisions of the last paragraph of article L. 225-37 of the French Commercial Code, regarding the Company's internal control procedures implemented to prepare and process the accounting and financial information.

Neuilly-sur-Seine and Paris-La Défense, 2 March 2006.

The Auditors

DELOITTE & ASSOCIÉS  
Eric Gins Jean-Paul Picard

ERNST & YOUNG Audit  
Christian Chiarasini Jeremy Thurbin



**PagesJaunes Group, S.A.**

Extraordinary General Shareholders' Meeting of 19 April 2006

**Special Auditors' report concerning the bonus issue of existing or yet unissued shares to employees and/or officers**

Dear Shareholders,

In our capacity as your Company's Auditors and pursuant to the mission described in article L. 225-197-1 of the French Commercial Code, we have prepared this report on the proposed bonus issue of existing or yet unissued shares to employees and/or officers of PagesJaunes Group and/or of companies or groups affiliated with it under the terms of article L. 225-197-2 of the French Commercial Code or certain categories of same.

Your Board of Directors has proposed that you authorise it to allot existing or yet unissued shares free of charge. It is responsible for preparing a report concerning this operation which it wishes to have the power to carry out. It is our task to inform you, where applicable, of our comments regarding the information provided to you about the planned operation.

In the absence of professional standards applicable to this type of operation, which is the result of a legislative provision of 30 December 2004, we have followed the procedures that we deemed necessary. These procedures consisted in ensuring, in particular, that the terms and conditions considered and provided in the Board of Directors' report are in line with the statutory provisions.

We have no comments regarding the information provided in the Board of Directors' report concerning the planned bonus issue of shares.

Neuilly-sur-Seine and Paris-La Défense, 2 March 2006.

The Auditors

DELOITTE & ASSOCIÉS  
Eric Gins Jean-Paul Picard

ERNST & YOUNG Audit  
Christian Chiarasini Jeremy Thurbin

**PagesJaunes Group, S.A.**

Extraordinary General Shareholders' Meeting of 19 April 2006

**Auditors' report on the capital reduction through the cancellation of purchased shares**

Dear Shareholders,

In our capacity as Auditors of PagesJaunes Group and pursuant to the mission described in article L. 225-209 paragraph 7 of the French Commercial Code concerning capital reductions through the cancellation of purchased shares, we have prepared this report to give you our assessment of the causes and conditions of the planned capital reduction.

We have conducted our work according to professional standards applicable in France. These standards require us to follow certain procedures to determine whether the causes and conditions of the planned capital reduction are proper.

This operation involves the purchase by your company, up to a limit of 10% of its capital, of its own shares, under the terms set out in article L. 225-209 of the French Commercial Code. This purchase authorisation is submitted to your General Shareholders' Meeting for approval and would be granted for a period of eighteen (18) months.

Your Board has requested that you authorise it, for a period of eighteen (18) months, by virtue of the exercise of the authorisation by which your company may purchase its own shares, to cancel, up to a limit of 10% of its capital and by twenty-four (24)-month periods, the shares thus purchased.

We have no comments regarding the causes and conditions of the planned capital reduction, and note that this operation may only be carried out if your meeting first approves the operation by which your company may purchase its own shares.

Neuilly-sur-Seine and Paris-La Défense, 2 March 2006.

The Auditors

DELOITTE & ASSOCIÉS  
Eric Gins Jean-Paul Picard

ERNST & YOUNG Audit  
Christian Chiarasini Jeremy Thurbin



## Glossary

*Advertising agency:* individual or legal entity which assumes responsibility for marketing advertising space with content published by a third party, the rights and obligations of which are defined in an advertising representation contract.

*Azur Number:* a telecommunications number, the cost of which is shared between the service provider and the caller.

*Company:* the PagesJaunes Group Company.

*Consolidated Group:* consolidated Group means the group of companies made up of the Company and all its subsidiaries, with the exception of PagesJaunes Outre-Mer and PagesJaunes Liban.

*Consolidated Group revenue:* Group revenue including the revenue of PagesJaunes and all its subsidiaries, except the revenue of PagesJaunes Outre-Mer, Kompass Belgium and PagesJaunes Liban, which are not consolidated.

*Directory:* a directory is a compilation of lists of businesses and/or individuals, who subscribe to a fixed or mobile operator, for publication in an alphabetical list or under business headings in printed or electronic format.

*External Group revenue:* Group revenue with third parties outside the France Telecom Group.

*Group:* Group means the group of companies made up of the Company and all its subsidiaries.

*France Telecom Group:* the France Telecom Company and all its subsidiaries.

*I-mode:* data exchange protocol developed by the Japanese telephony operator NTT DoCoMo enabling use of the Internet from mobile terminals.

*Internet hit rate:* number of Internet users who visited a particular site at least once during a given period out of the total number of active Internet users during that period.

*Intranet:* local network using the same protocols and technologies as the Internet, except that it connects computers privately, i.e. without being open to all Internet users. Examples: company Intranet, community Intranet, etc.

*PagesJaunes or PagesJaunes SA:* the PagesJaunes SA Company.

*Publisher:* an individual or legal entity which assumes responsibility for the content it distributes.

*WAP (wireless application protocol):* data exchange protocol developed by various manufacturers of mobile telephones enabling Internet use from mobile terminals.

*Web call-back:* feature that allows telephone contact to be made with the advertiser, at the customer's request, by means of an icon placed on the advertiser's website.



