

PagesJaunes Group
Stock company with a capital of 55.757.922 euros
Head office: 7, avenue de la Cristallerie – 92317 Sèvres Cedex
R.C.S. Nanterre 552 028 425

**UPDATE OF THE DOCUMENT DE REFERENCE
OF THE PAGESJAUNES GROUPE**

AUTORITÉ
DES MARCHÉS FINANCIERS

AMF

This update of the *document de référence* of the PagesJaunes Group was filed with the *Autorité des marchés financiers* on 7 November 2006, in accordance with Article 212-13 4° of the General Regulations of the AMF. It supplements the 2005 *document de référence* of the PagesJaunes Group registered by the AMF on 23 March 2006 under number R. 06-024. In particular, it may be used for the needs of Article 231-28 of the General Regulations of the *Autorité des marchés financiers*, as support for the information note as a response presented by PagesJaunes Group within the framework of the Standing Tender Offer initiated by Médiannuaire of which PagesJaunes Group is the object.

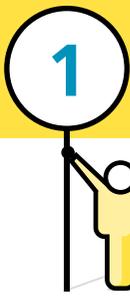
Unofficial translation, for information purposes only, of the French language *Actualisation du document de référence 2005* of PagesJaunes Group filed with the *Autorités des marchés financiers* on 7 November 2006.

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Update of the 2005 document de référence

This document (the «**Update**») is an update of the *document de référence* of the PagesJaunes Group registered by the *Autorité des marchés financiers* on 23 March 2006 as number R. 06-024 (the «**document de référence**»). This update is performed in application of Article 231-28-4° of the General Regulations of the *Autorité des marchés financiers*, in accordance with the plan in Appendix I of European Regulation no. 809/2004 of 29 April 2004.



Those responsible for the update

In this Update, the expressions “**PagesJaunes Group**” or the “**Company**” designate the PagesJaunes Group holding company, the expressions “**PagesJaunes S.A.**” or “**PagesJaunes**” designate the PagesJaunes SA company. The expression “**Group**” designates the group of companies made up of the Company and all of its subsidiaries and the expression

“**Consolidated Group**” designates the group of companies made up of the Company and all of its subsidiaries, with the exclusion of PagesJaunes Outre-Mer which is not consolidated. The terms that are not defined in this document and which begin with a capital letter shall have the meaning that the *Document de référence* gives them.

1.1 Person responsible for the document

Responsibility for this document is ensured by Mr. Michel Datchary, CEO, PagesJaunes Group.

«To the best of my knowledge, and after having taken all reasonable measures for this purpose, the information in this *document de référence* is accurate and contains no omissions which could change its scope.

I 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 2005 *document de référence*, filed with the Autorité des marchés financiers on 23 March 2006

under number R. 06-024, 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.»

Mr. Michel Datchary

CEO
PagesJaunes Group

1.2 Official auditors

1.2.1 STATUTORY AUDITORS

Deloitte & Associés

represented by Eric 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 Jeremy 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.



1.2.2 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 Gidoïn, 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.



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2.1 Update of chapter 4 of the document de référence – Risk factors

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

The transfer of France Télécom's holding in the Company to Médiannuaire, which occurred on 11 October 2006 substantially reduced the risks relating to relations with the France Télécom Group.

4.4 Legal risks Lawsuits and arbitration

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. The Versailles Court of Appeal in a ruling dated 14 September 2006 which completely dismissed the advertising agency FAC and sentenced it for unfair practices regarding PagesJaunes.



On 24 January 2006 PagesJaunes was informed of a claim filed with the Competition Commission on 10 January 2006 by the Le Numéro company relating to practices implemented by France Télécom and PagesJaunes in the area of telephone enquiry services. In a ruling dated 21 June 2006, the Competition Commission which closed the claim of the Le Numéro company and dismissed all of its claims against PagesJaunes.

On 27 July 2006, the Le Numéro company sued PagesJaunes in the Nanterre Business Court putting forth that certain advertisements marketed by PagesJaunes in the directories do not benefit from any copyright and therefore can be used by the Le Numéro company. PagesJaunes, although it has arguments on its side, cannot exclude the possibility at this stage of a possible conviction.

The Directorate-General of Competition, Consumption and the Repression of Fraud (DGCCRF) is currently conducting an inquiry on PagesJaunes' relations with advertising agencies. Although at the stage PagesJaunes does not have any information that would allow it to know the exact purpose of this inquiry and to appreciate the consequences that may stem from it, PagesJaunes cannot exclude that this inquiry may result in prejudicial consequence for it.

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 2006. On 30 June 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.

As far as the company is aware, 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.

4.5 Market risks

EXCHANGE RATE RISKS

The Board of Directors of the Company, at the meeting on 12 October 2006, decided to put forth to the Ordinary General Meeting of shareholders convened for 20 November 2006 to proceed with an exceptional distribution of an amount of 9 euros per Company share (*i.e.* a total distribution of about 2.5 billion euros), which will be taken from the reserve item on the Company's balance sheet (the "**Exceptional Distribution**").

The Exceptional Distribution would be financed by (i) PagesJaunes Group's available cash on the date of Distribution and by (ii) a senior debt for an amount of 1.95 billion euros contracted by PagesJaunes Group with a bank pool in relation to a credit agreement dating 24 October 2006 (see paragraph 2.13 of this Update). Via this credit agreement, the Company has also secured a revolving line of credit for a maximum amount of

400 million euros to cover its cash needs. It is stipulated that this bank debt is solely at a variable rate.

PagesJaunes Group would therefore be exposed to variations in the interest rate. The Group is planning to manage this risk using interest rate hedging techniques for at least 60% of the amount of the debt over a period of at least 3 years.

In this hypothesis of hedging and based on the current total debt of the Company, PagesJaunes Group feels that a 1% increase in the interest rate should not result in a drop in the annual results before taxes of more than 7.8 million euros.

LIQUIDITY RISK

The documentation pertaining to bank financing destined to contribute to the financing of the Exceptional distribution includes certain premature payment and default clauses. These clauses are in particular tied to compliance with operating financial covenants such as the minimum level of hedging for consolidated net interest expense by an aggregate close to the consolidated gross operating margin (GOM) and maximum leverage, measured by the relationship between consolidated net debt and an aggregate close to consolidated GOM.

In relation to the credit agreement dated 24 October 2006, the Group must comply with the following ratios:

- the ratio of consolidated net debt over an aggregate close to consolidated GOM must not exceed 5.25 each quarter from 30 June 2007 to 30 June 2008, 4.85 from 30 September 2008 to 30 June 2009, 4.40 from 30 September 2009 to 30 June 2010, 4.25 on 30 September 2010, 4.00 from 31 December 2010 to 30 September 2011 and 3.75 afterwards



(GOM and consolidate net debt such as defined in the contract concluded with the financial institutions);

- the ratio of an aggregate close to consolidated GOM compared to consolidated net interest expense must be greater than or equal to

3.25 each quarter from 30 June 2007 to 30 June 2009, 3.50 from 30 September 2009 to 30 June 2010, 3.75 from 30 September 2010 to 30 June 2011 and 4.00 afterwards (GOM and consolidate net debt such as defined in the contract concluded with the financial institutions).

EQUITY PRICE RISK

The Company informed Rothschild & Cie Banque of the cancellation of its liquidity agreement effective 17 November 2006. Consequently, the service provider managing the liquidity agreement will proceed with

transferring the PagesJaunes Group shares held on this date at the latest. Starting from that date, the Company will therefore no longer be exposed to an equity price risk.

2.2 Update of chapter 5 of the document de référence – Information concerning the issuer

5.1 History and changes in the Company

5.1.5 MAJOR EVENTS IN THE DEVELOPMENT OF BUSINESS

Following a competitive process of call to tenders implemented in the month of June 2006, France Télécom concluded on 11 October 2006 with the Médiannuaire company and its sole partner, the Médiannuaire Holding company, company controlled at the highest level by an investment fund consortium comprised of about 80% of funds managed in the end by KKR Europe II Limited and KKR Millennium Limited, and, for about 20%, of some funds managed by the “Principal Investment Area” division of the Goldman Sachs group, an agreement entitled Sale and Purchase Agreement (the “**Purchase Agreement**”) in which France Télécom has agreed to transfer 150,546,830 shares of PagesJaunes Group to Médiannuaire representing approximately 54% of the Company’s capital and voting rights (the “**Controlling Interest**”).

The transfer of the Controlling Interest took place on 11 October 2006 (hereinafter referred to as the “**Date of Transfer of Controlling Interest**”) within the framework of an over the counter transfer of controlling interest

that was performed in compliance with the measures of Article 516-2 and following of the General Regulations of the AMF, for payment by Médiannuaire to France Télécom of a total price of 3,312,030,260 euros, *i.e.* 22.0 euros per transferred share.

In terms of the Purchase Agreement, Médiannuaire has contracted to pay to France Télécom miscellaneous additional prices as, long as certain events take place following the realisation of the transfer of the Controlling Interest.

Recognising the success of PagesJaunes Group since it has been on the stock exchange, **Médiannuaire** suggests that we continue with the strategy of PagesJaunes Group with its management team while capitalising on the expertise and know-how of its employees.



2.3 Update of chapter 6 of the document de référence – Overview of the businesses

6.4 Relations with the France Télécom Group

On 11 October 2006, France Télécom and the Company signed a transition agreement of which the purpose is to determine the fate of the contracts that exist on the date the transition agreement is signed between the entities of the France Télécom Group and the entities of the Group.

In terms of the transition agreement, the agreements described in paragraphs 6.4.1 (Agreement for making available directory data for publication of directories), 6.4.2 (Advertising representation agreement), 6.4.3 (Agreement on manufacturing and distributing l'Annuaire and PagesJaunes 3611 alphabetical search), 6.4.4 (Operating licence agreement for l'Annuaire), 6.4.5 (Agreement for making the directory data of France Télécom available for direct marketing or marketing research), as well as in paragraph 6.4.6 (Agreement for making the directory data of France Télécom available for qualifying directory information) of the *document de référence* remain in application with no change.

As a clarification of paragraphs 6.4.2 and 6.4.3 of the *document de référence*, the operating license agreement for the universal printed phone book concluded on 20 January 2006 between France Télécom and PagesJaunes replaced, on this date and just for the printed alphabetical phone book (the Phone Book), the advertising representation agreement dated 15 November 2002 described in paragraph 6.4.2 and the agreement dated 26 June 2000 regarding the production and distribution of the alphabetical search versions of the Phone Book and the PagesJaunes 36 11 described in paragraph 6.4.3 of the *document de référence*.

Consequently, the agreements of 15 November 2002 and 26 June 2000 were modified on 20 January 2006 with a view to limiting their scope only with regards to the alphabetical search version of PagesJaunes 36 11.

The following contracts are impacted by the transition agreement:

6.4.7 CASH MANAGEMENT AGREEMENTS

The cash management agreement between France Télécom and the Group, through which the Group invested its surplus cash and carried out short-term loans with France Télécom, the loan agreement for an amount of 64 million euros by the Company benefiting France Télécom signed on 30 June 2005 and the cash management agreement in which PagesJaunes invested an amount of 430 million euros with France Télécom dated 12 December 2005, were cancelled on 11 October 2006. Within the framework of these cancellations, France Télécom reimbursed the Group 568.5 million euros on

11 October 2006, which can be broken down between the reimbursement of the balance of the current account of PagesJaunes for 94.8 million euros, reimbursement of the funds that were invested in terms of the cash management agreement on 12 December 2005, including accrued interest at a buydown rate of 3.10%, for an amount of 432.0 million euros, and the reimbursement to PagesJaunes Group of the loan that was set up on 30 June 2005 for a net amount of 41.7 million euros, with the deduction of the deducted interest that still remained.

6.4.8 LEASES AND SUBLEASING AGREEMENTS

The great majority of the Company's premises were sub-let by the France Télécom Group by leases or subleasing agreements. Since 11 October 2006, these agreements have been maintained. For the premises in which the Group is the sole occupant (with no other entity in the France Télécom Group sharing

these premises), the Group is planning to become a direct lessee of these premises as long as the financial conditions remain unchanged. The France Télécom Group has contracted to accept any agreement that would take place in these terms between the Group and the owner of the building involved.

6.4.10 ASSISTANCE AGREEMENTS

The assistance agreement between the France Télécom Group and the Group was cancelled on 11 October 2006 in application of the transition agreement. In order to uphold some of these services for a temporary period posterior to 11 October 2006, PagesJaunes Group and France Télécom have

signed assistance agreements for period of about six months in the following areas: tax assistance, "Purchasing" assistance and the making available of a consolidation tool.



6.4.11 NON-COMPETITION AGREEMENT

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). This agreement was extended by the cooperation agreement until 31 December 2010.

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” of the 2005 *document de référence*). This agreement was extended by the cooperation agreement (described in paragraph 6.4.13) until 31 December 2010.

6.4.12 FRANCE TÉLÉCOM GROUP HOLDING IN THE COMPANY’S SHARE CAPITAL

To the best of the Company’s knowledge, the France Télécom Group no longer holds any shares or voting rights in the Company.

6.4.13 FATE OF THE CONTRACTUAL RELATIONS BETWEEN THE FRANCE TÉLÉCOM GROUP AND THE GROUP

All of the agreements pertaining to purchases that the Group benefited from because it belonged to the France Télécom Group will be cancelled within a period of 3 to 12 months starting on 11 October 2006 which

will allow the Group to renegotiate new master contracts with all of the equivalent service suppliers.

6.4.14 OTHER MEASURES IN THE TRANSITION AGREEMENT

In terms of the transition agreement, the detaching and making available of public personnel within the Company and the Group shall take place in the conditions set forth in Article 2.10 of the Update.

The transition agreement also provides for the temporary maintaining between France Télécom and the Company of the following contractual relations:

- France Télécom shall keep until 11 April 2007 the status of supplier of IT and telecommunications services for the Group under current conditions;

by this date, a master contract will be negotiated for a period of 3 to 5 years aiming to continue these services under commercial, technical and financial conditions that are comparable to those that are commonly practised with third parties; and

- France Télécom contracts to inform the Company fifteen months before any decision of which the purpose would be to put an end to the Minitel service.

6.4.15 COMMERCIAL COOPERATION AGREEMENT

A commercial cooperation agreement will be signed between France Télécom and PagesJaunes Group. The main measures will be as follows:

- visibility for the directory services of PagesJaunes on the fixed portal orange.fr and the mobile portal Orange World is extended for a period of two years starting on 11 October 2006. As compensation for listing the directory services of PagesJaunes provided for in this cooperation

agreement, PagesJaunes Group has contracted to provide visibility and an equivalent access to Orange on its pagesjaunes.fr portal; The principles that have been retained for operating the advertising space that is available on these portals are as follows:

- the advertising space available on the search pages of the service involved are operated by the site hosting this service, and



Update of the document de référence

Update of chapter 7 of the document de référence – Organisation chart

- the advertising space available on the results pages is operated: for the footers and headers, by the site hosting this service and, for other advertising, by the site that supplies the results.

Audiences shall be counted:

- by the site hosting this service, for the search pages, and
- by the supplying site, for the results pages.

The respective receivables in terms of these visibility services shall be compensated. In the event a residual receivable would exist to the benefit

of one of the parties, this shall be settled by the supply of an additional service;

- access to the QDQ Media directory services on the Orange fixed internet portal in Spain is extended until October 2008;
- the agreements signed with Mappy, especially pertaining to the supply of maps, itineraries and city photos on the orange.fr and Orange World portals, are extended under the same terms and conditions until 31 December 2008.

6.9 Insurance and risk coverage

In application of the transition agreement, the Company no longer benefits as of 11 October 2006 from coverage of the insurance programme set up for the France Télécom Group in terms of liability of corporate officers. New insurance has been set up as of 11 October 2006. As for the other insurances that it benefiting from within the framework of the France

Télécom group programme, these have been extended for a maximum period of three months starting on 11 October 2006, during which PagesJaunes Group shall set up an insurance system that is to replace those that it currently benefits from within the framework of the France Télécom Group programme.

2.4 Update of chapter 7 of the document de référence – Organisation chart

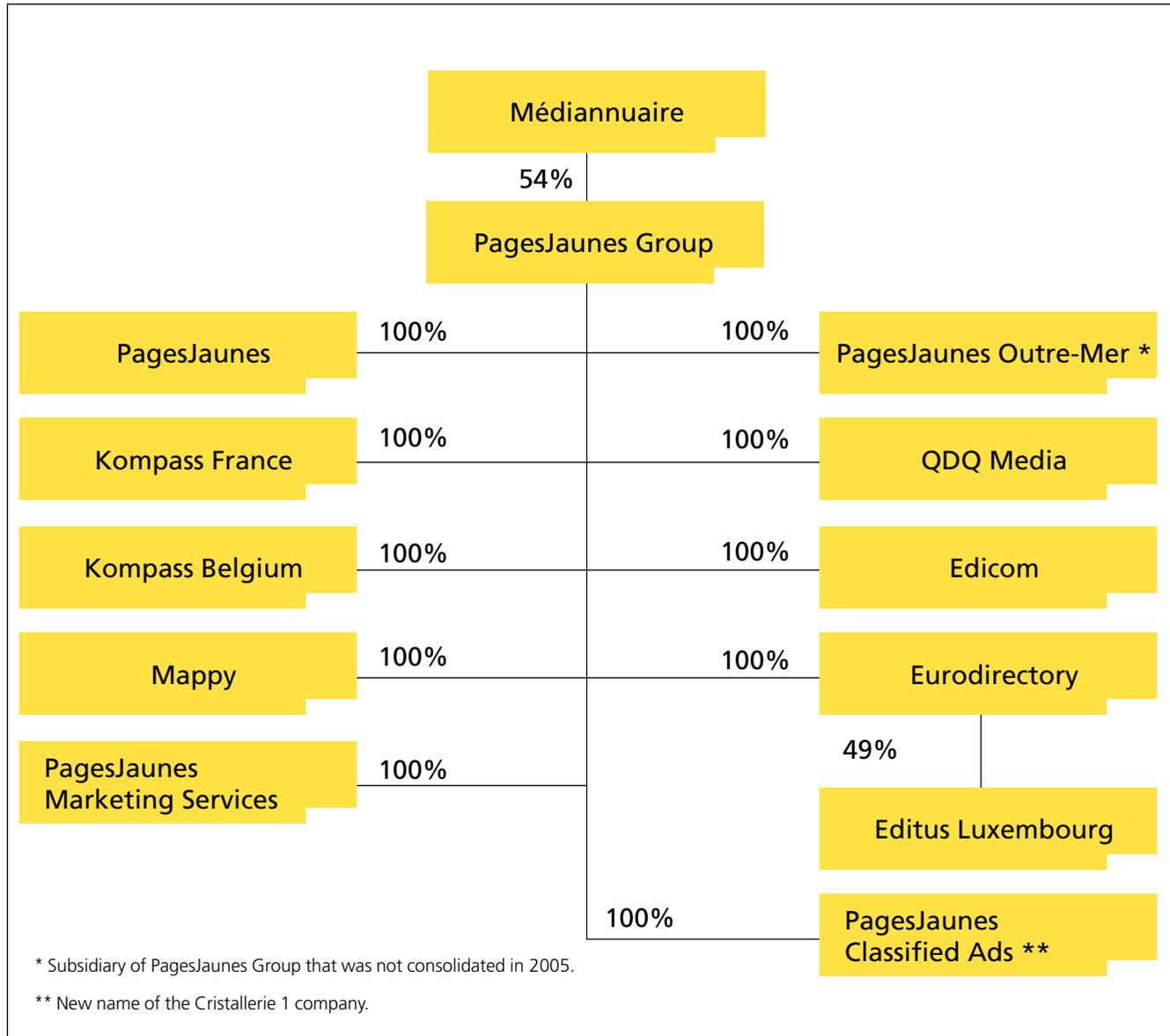
7.2 List of subsidiaries

On 31 March 2006, Wanadoo Data and its subsidiary e-sama merged in order to constitute the company PagesJaunes Marketing Services which now groups together all of Group's direct marketing know-how in France.

PagesJaunes Liban was sold on 26 June 2006 to a management affiliate. The sales price was 56,755 US dollars, taking into account the payment by PagesJaunes Liban to PagesJaunes Group of a receivable for an amount of 193,245 US dollars.



The following is an organisational chart of the Group on 6 November 2006:





2.5 Update of chapter 9 of the document de référence – Review of the financial situation and results: group's management report

9.3 Comments on the results for the period ending 30 June 2006

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
PAGESJAUNES GROUP			
Revenues	512.4	481.7	6.4%
External purchases	(146.3)	(145.8)	0.4%
Other operating income	6.2	23.4	-73.5%
Other operating expenses	(11.7)	(13.6)	-13.8%
Salaries and charges	(151.4)	(142.2)	6.5%
Gross operating Margin	209.2	203.5	2.8%
as % of revenues	40.8%	42.2%	
Employee profit-sharing	(5.8)	(14.5)	-59.8%
Share-based payment	(2.1)	(4.2)	-49.1%
Depreciation, amortization and impairment	(6.2)	(4.8)	28.1%
Capital gains (losses) on asset disposals	(0.3)	(0.1)	na
Restructuring expenses	(0.1)	0.0	na
Operating income	194.7	180.0	8.2%
as % of revenues	38.0%	37.4%	
Financial income	8.6	7.1	21.8%
Financial expenses	(0.9)	(3.0)	-70.2%
Corporate tax	(70.9)	(64.0)	10.8%
NET INCOME	131.5	120.1	9.5%
of which attributable to the shareholders of PagesJaunes Group	131.5	120.1	9.5%

The consolidated revenues of the Group amounted to €512.4 million as at 30 June 2006. They rose 6.4% compared to the first half of 2005. This rise is due to a broader range of products in both printed directories and online services. It is also due to an increase in the average revenue per advertiser and the recruitment of new advertisers in France and Spain, as well as an increase in rates. A final reason is the launch of the telephone directory enquiry services (118008) in France.

The gross operating margin amounted to €209.2 million as at 30 June 2006. It rose 2.8% compared to the first half of 2005. The rate of gross operating margin as a proportion of consolidated revenues consequently declined from 42.2% in the first half of 2005 to 40.8% in the first half of 2006.

Two major developments had a significant impact on the gross operating margin in the first half of 2006:

- the launch of the telephone directory enquiry service, which was reflected in a major investment in advertising throughout the first half of 2006

and the costs of implementing external call centres, although the service did not open fully until 3 April 2006;

- the overhaul of the advertising representation, production and distribution agreements for *l'Annuaire* (White Pages) between France Télécom and PagesJaunes, which resulted in the discontinuation of the fee paid to France Télécom, which amounted to €25.8 million in the first half of 2005. At the same time, France Télécom decided to entrust to PagesJaunes the operating concession for the printed universal directory, as a result of which the costs of producing and distributing *l'Annuaire* were no longer recharged to France Télécom. These costs amounted to €18.2 million in the first half of 2005. The discontinuation of these financial flows with France Télécom in the first half of 2006 did not affect the PagesJaunes 3611 service, which continues to be covered by the previous agreements (see paragraphs "6.4.2 Advertising representation agreement"; "6.4.3 Agreement relating to the production and distribution of *l'Annuaire* and the PagesJaunes 3611 alphabetical

search service"; "6.4.4 Operating concession agreement for l'Annuaire" in the 2005 document de référence of PagesJaunes Group).

Furthermore, good control of all expenses, in particular publishing costs for printed directories, in a context of rising paper prices and delivery costs, and the reduction in losses at QDQ Media, had a favourable effect on the results in the first half of 2006.

Taking into account these various effects, external purchases (as defined in Section "2.1.2 External purchases in the PagesJaunes in France segment") increased by 0.4% in the first half of 2006 compared to the first half of 2005.

Salaries and charges, which include in particular personnel expenses relating to the sales force, increased by 6.5% between the two periods. Revenues rose 6.4% at the same time.

Operating income amounted to €194.7 million, a rise of 8.2% compared to the first half of 2005. This rise, which was greater than that of the gross operating margin, is explained in particular by the significant reduction in the employee profit-sharing expense, which fell from €14.5 million to

€5.8 million due to the implementation of a pooled legal profit-sharing agreement covering the companies of the PagesJaunes Group, instead of the France Télécom pooled profit-sharing agreement which was in force up to the end of 2005.

Consolidated net income amounted to €131.5 million in the first half of 2006, compared to €120.1 million in the first half of 2005, a rise of 9.5%.

It should be noted that for reasons of cost optimisation the publication dates of the printed directories (which determine the recognition of revenue and related costs) may vary from one half year to the next, since each printed directory appears only once each year. However, there is no publication timing difference between the first half of 2005 and the first half of 2006.

Information is provided below on the revenues, the operating result and certain intermediate management balances for each of the two segments of the consolidated Group, the PagesJaunes in France segment and the International & Subsidiaries segment.

9.3.1 ANALYSIS OF REVENUES AND OPERATING INCOME OF THE PAGESJAUNES IN FRANCE SEGMENT

The following table shows the revenues and operating income of the PagesJaunes in France segment for the periods ending 30 June 2005 and 30 June 2006:

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
PAGESJAUNES IN FRANCE			
Revenues	464.4	437.9	6.1%
External purchases	(126.3)	(127.1)	-0.6%
Other operating income	4.3	22.1	-80.4%
Other operating expenses	(10.4)	(11.4)	-8.2%
Salaries and charges	(123.7)	(117.5)	5.3%
Gross operating margin	208.3	204.0	2.1%
<i>as % of revenues</i>	<i>44.9%</i>	<i>46.6%</i>	
Employee profit-sharing	(5.8)	(14.3)	-59.3%
Share-based payment	(1.7)	(3.7)	-54.3%
Depreciation, amortization and impairment	(4.2)	(2.9)	44.3%
Capital gains (losses) on asset disposals	(0.3)	(0.0)	na
Operating income	196.3	183.0	7.2%
<i>as % of revenues</i>	<i>42.3%</i>	<i>41.8%</i>	

The PagesJaunes in France segment comprises the activities related to the publication and distribution of directories and the sale of advertising space in printed and online directories. It also includes the creation and hosting of websites and other activities (mainly the 118008 telephone

directory enquiry services, the publication of the PagesPro directories, the sale of online access to databases, the reverse directory QuiDonc and the advertising representation for Europages).



9.3.1.1 Revenues of the PagesJaunes in France segment

The table below shows the breakdown of the consolidated revenues of the PagesJaunes in France segment by product line for the periods ending 30 June 2005 and 30 June 2006 and the trend in the percentage of these lines between these two periods:

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
PAGESJAUNES IN FRANCE			
Printed directories	296.4	285.9	3.7%
PagesJaunes	234.5	231.8	1.2%
L'Annuaire	61.9	54.2	14.3%
Online services	153.2	140.7	8.9%
Internet	132.8	110.5	20.2%
Minitel	20.4	30.2	-32.4%
Other businesses	14.8	11.2	32.4%
Directory enquiries	5.2	0.0	-
Others	9.6	11.2	-14.0%
REVENUES	464.4	437.9	6.1%

The revenues of the PagesJaunes in France segment totalled €464.4 million as at 30 June 2006. They rose 6.1% compared to the first half of 2005. This trend was due to growth in revenues from printed directories, buoyed by the success of the new *L'Annuaire* (White Pages) offering, and online services, with the sustained development of Internet activities. It was also due to the launch of a telephone directory enquiry service.

The increase in revenues from printed directories and Internet businesses results mainly from the increase in the number of advertisers on the printed and online media, and from an increase in the average revenue per advertiser.

With regard to the online services, the increase in revenues from Internet businesses (particularly pagesjaunes.fr) was more than twice as large as the decrease in revenues from the Minitel service.

The revenues from the 118008 business were not significant in the first half of 2006, since the telephone directory enquiries market did not fully open until 3 April 2006.

Printed directories

Revenues from printed directories, resulting mainly from the sale of advertising space in the PagesJaunes directory and in *L'Annuaire* (White Pages), amounted to €296.4 million as at 30 June 2006. They rose 3.7% compared to the first half of 2005.

Between these two periods, the revenues from the PagesJaunes directory rose 1.2% to €234.5 million, while those of *L'Annuaire* rose 14.3% to €61.9 million. This strong rise in *L'Annuaire* is explained by the repositioning of the 2006 edition, thanks to a new editorial and advertising offering combining a new format, a switch to four-colour printing, increased distribution and a new geographic breakdown in the major population centres (Paris, Île-de-France, Rhône and Bouches-du-Rhône).

The current enriching of subscriber lists with unbundled and mobile numbers should increase the usage value of *L'Annuaire*, and lead to an increase in print runs and distribution from 2007, which should also result in an increase in publishing costs in 2007.

Online services

Revenues from online services amounted to €153.2 million in the first half of 2006. They rose 8.9% compared to the first half of 2005. These revenues came principally from the sale of advertising products on online services (pagesjaunes.fr and PagesJaunes 3611) and from the creation and hosting of websites.

The strong growth in revenues from Internet services, which rose 20.2% to €132.8 million as at 30 June 2006, is explained on the one hand by an increase of 8.3% in the number of advertisers on pagesjaunes.fr (355,900 advertisers as at 30 June 2006 against 328,700 advertisers as at 30 June 2005) and on the other hand by growth in average revenue per advertiser.

This growth in average revenue per advertiser results from the combined effects of improved monetisation of the audience, a strengthening of the existing offerings and the launch of new advertising products.

The launch of new online content in the first half of 2006 allowed a significant increase in the audience for pagesjaunes.fr, with a 33% increase in the number of visits between June 2005 (48 million) and June 2006 (64 million). The new homepage of pagesjaunes.fr includes "Ville en Direct", strengthening the value of pagesjaunes.fr as a local resource. Furthermore, the inclusion of weather forecasts, real-time traffic information and webcams, as well as the partnerships entered into with Allociné (information on cinema programmes, bookings), FNAC (information on shows) and IGN (aerial photographs) are having a major impact on the audience growth of pagesjaunes.fr

The value of this audience growth is being enhanced through changes of rates and advertising products. The full rollout of the free call service enables users to call advertisers free of charge (as at 30 June 2006 almost 50,000 "module pagesjaunes.fr" advertisers were equipped with this service). The "En savoir +" product range (as at 30 June 2006, almost 24,000 advertisers had signed up) has been enhanced with new options: product catalogue, 360°, Clip +, Audio Flash, English version. Finally, the advertising offering has been expanded, with the opening of new spaces to provide a more effective response to the demands of advertisers.

All these innovations in content and advertising products help to secure customer loyalty, raise revenues and increase the number of new customers.

The revenues of PagesJaunes 3611 (Minitel) amounted to €20.4 million in the first half of 2006. They decreased by 32.4% compared to the first half of 2005, reflecting the natural decline in the audience of the Minitel service, with 9.8 million consultations in June 2006 against 13.7 million in June 2005.

Other businesses

The revenues of the telephone directory enquiry services (118008) amounted to €5.2 million in the first half of 2006.

It should be reminded that the telephone directory enquiries market was opened in two stages, with the new 118 XYZ numbers appearing on 2 November 2005 and the short numbers only being withdrawn on 3 April 2006. Only 10-15% of traffic had migrated from the old numbers to the new numbers by that date. Consequently, the revenues from

the telephone directory enquiry service in the first half of 2006 actually comprise only one quarter of activity.

The remainder of the revenues from the other businesses in the PagesJaunes in France segment amounted to €9.6 million in the first half of 2006. They decreased by 14.0% compared to the first half of 2005. These other businesses, which only represented 2.0% of the revenues of the segment in the first half of 2006, essentially related to the PagesPro offerings on printed and Internet media, the sale of online access to databases to French and foreign operators, consultations of the QuiDonc reverse directory via the Internet, Minitel and Audiotel media and the advertising representation for Europages on printed and Internet media.

The trend in revenues from PagesPro on the Internet and the sale of online access to databases remains favourable. On the other hand, the revenues from the QuiDonc reverse directory are declining due to a decrease in the audience of QuiDonc on Minitel, which has not been offset by the growth in the audience of this service on the Internet.

9.3.1.2 External purchases in the PagesJaunes in France segment

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
PAGESJAUNES IN FRANCE			
External purchases	(126.3)	(127.1)	-0.6%
As % of revenues	27.2%	29.0%	

External purchases in the PagesJaunes in France segment amounted to €126.3 million as at 30 June 2006, a decrease of 0.6% compared to the first half of 2005, while the revenues of the segment rose 6.1% over the same period. External purchases represented 27.2% of revenues in the first half of 2006, against 29.0% in the first half of 2005.

The external purchases essentially include publishing costs (purchase of paper, printing and distribution of printed directories), communication expenses (purchase of space and creation expenses), IT development expenses, expenses for the hosting and distribution of online directories as well as the cost of purchasing, creating and updating databases, call centre expenses and expenses for the creation of advertisements.

In 2006, the advertising representation and production agreements for *l'Annuaire* between France Télécom and PagesJaunes have been reviewed. It has been decided to limit the scope to the PagesJaunes 3611 alphabetical search directory.

The slight decrease in external purchases therefore reflects two major developments:

- the decrease in the fee paid to France Télécom due to the amendment of the advertising representation agreement which excludes *l'Annuaire* (this fee represented an amount of €25.8 million in the first half of 2005) and the effect of the decrease of the Minitel revenues on PagesJaunes 3611, on which it is based;
- the launch of the telephone directory enquiry service, which was reflected in a major advertising investment throughout the first half of 2006 and the costs of establishing external call centres.

The costs of paper, printing and distribution amounted to €37.9 million¹ in the first half of 2006, against €40.6 million in the first half of 2005. The costs of the paper itself decreased, amounting to €15.6 million in the first half of 2006 against €16.9 million in the first half of 2005. This confirms the continued control of costs of paper purchases, storage and printing of directories, in spite of a rising trend in paper prices and delivery costs.

1. After deduction of €0.5 million of proceeds of paper sales accounted for in Other Operating Income.



9.3.1.3 Other operating income in the PagesJaunes in France segment

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
PAGESJAUNES IN FRANCE			
Other operating income	4.3	22.1	-80.4%

The other operating income of the PagesJaunes in France segment amounted to €4.3 million in the first half of 2006, a decrease of 80.4% compared to the first half of 2005. This trend is explained mainly by the discontinuation of recharging to France Télécom of the costs of producing and distributing *l'Annuaire*, after the awarding of the operating concession contract for

the printed universal directory to PagesJaunes from 1 January 2006. This income amounted to €18.3 million in the first half of 2005. The other operating income in the first half of 2006 mainly comprised the recharging to France Télécom of the costs of the PagesJaunes 3611 alphabetical search service and other non-recurring income.

9.3.1.4 Other operating expenses in the PagesJaunes in France segment

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
PAGESJAUNES IN FRANCE			
Other operating expenses	(10.4)	(11.4)	-8.2%
As % of revenues	2.2%	2.6%	

Other operating expenses in the PagesJaunes in France segment amounted to €10.4 million as at 30 June 2006, a decrease of 8.2% compared to 30 June 2005. The other operating expenses represented 2.2% of revenues in the first half of 2006 against 2.6% in the first half of 2005. These other operating expenses comprise taxes and levies and certain provisions for risks and charges, as well as expenses associated with the assistance agreement in the legal, fiscal, accounting, financial and

strategic areas concluded with the France Télécom Group for an amount of €2.9 million in the first half of 2006. The favourable trend compared to the first half of 2005 is explained mainly by the decrease in bad debts, with a net reversal of €0.2 million in the first half of 2006 compared to net charge of €0.4 million in the first half of 2005, and by the discontinuation of the fee for the France Télécom trademark since 1 January 2006; this fee represented an expense of €0.3 million in the first half of 2005.

9.3.1.5 Salaries and charges in the PagesJaunes in France segment

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
PAGESJAUNES IN FRANCE			
Salaries and charges	(123.7)	(117.5)	5.3%
As % of revenues	26.6%	26.8%	

The salaries and charges in the PagesJaunes in France segment amounted to €123.7 million as at 30 June 2006, a rise of 5.3% compared to the first half of 2005. Revenues rose 6.1% over the same period.

Salaries and charges represented 26.6% of revenues as at 30 June 2006, compared to 26.8% in the first half of 2005. This heading comprises wages and salaries, both fixed and variable, including profit-related bonuses, social charges, payroll taxes, provisions for paid leave, post-employment benefits and various benefits paid to employees in the sales force and support functions. The remuneration of the sales force and its immediate supervisory personnel represented 14.4% of revenues in the first half of 2006, compared to 14.0% in the first half of 2005. This remuneration of the sales force, which is to a large extent variable, depends principally on the commercial results for the periods in question. The fact that the increase in the cost of the sales force was greater than that of revenues is principally due to the strengthening of the sales forces in order to accelerate the recruitment of new customers.

9.3.1.6 Gross operating margin in the PagesJaunes in France segment

The gross operating margin of the PagesJaunes in France segment amounted to €208.3 million as at 30 June 2006. It rose 2.1% compared to the first half of 2005. The rate of the gross operating margin in this segment declined from 46.6% in the first half of 2005 to 44.9% in the first half of 2006, a decrease of 1.7 points between the two periods. This is mainly due to the investment made in the first half of 2006 for the launch of the telephone directory enquiry services, which only contributed to revenues for one quarter of activity.



9.3.1.7 Employee profit-sharing and share-based payment in the PagesJaunes in France segment

The employee profit-sharing in the PagesJaunes in France segment amounted to €5.8 million in the first half of 2006, a decrease of 59.3% compared to the first half of 2005. This decrease was linked to the termination at the end of 2005 of the France Télécom Group pooled profit-sharing agreement. A new agreement, specifically for the French companies of the PagesJaunes Group, was negotiated in the first half of 2006. This new agreement will allow a significant increase in the amount distributed to the employees of the PagesJaunes Group.

The expense for share-based payment in the segment amounted to €1.7 million in the first half of 2006, a decrease of 54.3% compared to the first half of 2005. This decrease is mainly due to the gradual ending of amortization of France Télécom stock option plans.

The allocation of bonus shares on 30 May 2006 (see section 4) is reflected in a charge of €0.4 million in the first half of 2006.

9.3.1.8 Depreciation and amortization in the PagesJaunes in France segment

The depreciation and amortization charges amounted to €4.2 million in the first half of 2006. They rose 44.3% compared to the first half of 2005. This increase was mainly due to the amortization of the operating concession for *l'Annuaire*, over four years, which represents a charge of €1.4 million in the first half.

9.3.1.9 Operating income of the PagesJaunes in France segment

The operating income of the PagesJaunes in France segment increased by 7.2% between the two periods and amounted to €196.3 million as at 30 June 2006. The rate of the margin on the operating income in this segment rose from 41.8% in the first half of 2005 to 42.3% in the first half of 2006, an increase of 0.5 points between the two periods.

9.3.2 ANALYSIS OF REVENUES AND OPERATING INCOME IN THE INTERNATIONAL & SUBSIDIARIES SEGMENT

The table below shows the trend in revenues and operating income in the International & Subsidiaries segment for the periods ending 30 June 2005 and 30 June 2006:

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
INTERNATIONAL & SUBSIDIARIES			
Revenues	51.4	45.3	13.4%
External purchases	(23.4)	(20.2)	16.1%
Other operating income and expenses	0.6	(1.0)	na
Salaries and charges	(27.7)	(24.7)	12.2%
Gross operating margin	0.9	(0.5)	na
<i>As % of revenues</i>	1.7%	-1.2%	
Employee profit-sharing	(0.0)	(0.2)	-95.0%
Share-based payment	(0.4)	(0.4)	-2.1%
Depreciation, amortization and impairment	(1.9)	(1.9)	2.7%
Capital gains (losses) on asset disposals	0.0	0.0	na
Restructuring costs	(0.1)	0.0	na
Operating income	(1.6)	(3.1)	47.7%
<i>As % of revenues</i>	-3.1%	-6.8%	



9.3.2.1 Revenues of the International & Subsidiaries segment

The breakdown of the consolidated revenues of the International & Subsidiaries segment by product line for the periods ending 30 June 2005 and 30 June 2006 and the trend in the percentages of these lines between these two periods is as follows:

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
INTERNATIONAL & SUBSIDIARIES			
B to C directories	23.4	19.7	18.4%
Kompass	15.9	14.2	12.2%
Direct Marketing and Geographic Services	12.2	11.4	6.3%
REVENUES	51.4	45.3	13.4%

The revenues of the International & Subsidiaries segment amounted to €51.4 million as at 30 June 2006. They rose 13.4% compared to the first half of 2005 and 8.9% on a constant consolidation basis.

B to C directories

The revenues from the B to C directories businesses amounted to €23.4 million as at 30 June 2006. They rose 18.4% compared to the first half of 2005 and 11.7% on a constant consolidation basis, taking into account the addition of Edicom to the consolidated group on 1 July 2005. The revenues from the B to C directories business results from the sale of advertising space in printed and online directories and their publication and distribution, carried out by the companies QDQ Media in Spain, Editus in Luxembourg and Edicom in Morocco.

The revenues of QDQ Media amounted to €21.1 million as at 30 June 2006. They rose 10.5% compared to the first half of 2005. The revenue growth of QDQ Media was buoyant in online services (QDQ.com), with a rise of 45.5% to €3.9 million, while the growth of revenues from printed directories amounted to 4.2%. The proportion of sales generated by online businesses represented 18.6% of revenues in the first half of 2006, against 14.1% in the first half of 2005. The number of advertisers on QDQ.com rose 40%, from 31,500 as at 30 June 2005 to 44,200 as at 30 June 2006.

The revenues from other B to C directories amounted to €2.3 million in the first half of 2006. The revenues from Editus were not significant in the first half, since the printed directory is usually published in September.

Kompass

Revenues from the Kompass businesses amounted to €15.9 million as at 30 June 2006. They rose by 12.2% compared to the first half of 2005. The revenues from the Kompass businesses result from the marketing of the Kompass information system through the sale of advertising space and data on printed media, CD-Rom, Minitel and the Internet (Kompass.com, the global online directory of the Kompass agents). The sale of media is complemented by direct marketing services. Kompass revenues are generated in France, Spain, Belgium and Luxembourg.

Direct Marketing and Geographic Services

Revenues from Direct Marketing and Geographic Services amounted to €12.2 million as at 30 June 2006. They rose 6.3% compared to the first half of 2005 and 0.3% on a constant consolidation basis, taking into account the addition of e-sama to the consolidated group on 1 February 2005. These revenues result from the marketing of qualified databases of individuals and businesses for prospection campaigns and data processing services, as well as customer relationship management (CRM) services. This marketing is carried out by PagesJaunes Marketing Services, which was created by the merger of Wanadoo Data and e-sama on 31 March 2006. The revenues from this business in the first half of 2006, during which the merger was conducted, fell by approximately 5%. These revenues also come from the geographic and online city photograph services provided by Mappy. The revenues from this business increased by more than 30% in the first half of 2006.

9.3.2.2 External purchases in the International & Subsidiaries segment

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
INTERNATIONAL & SUBSIDIARIES			
External purchases	(23.4)	(20.2)	16.1%
As % of revenues	45.5%	44.5%	

The external purchases in the International & Subsidiaries segment amounted to €23.4 million in the first half of 2006, an increase of 16.1% compared to the first half of 2005. External purchases represented 45.5% of revenues in the first half of 2006 against 44.5% in the first half of 2005.

In the first half of 2006, these figures include the costs of the merger of Wanadoo Data and e-sama, amounting to €0.4 million, and the cost of €1.1 million for the development of the new online classified ads business, which is expected to contribute to consolidated revenues from 2007. Revenues grew 13.4% over the same period.



9.3.2.3 Other operating income and expenses in the International & Subsidiaries segment

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
INTERNATIONAL & SUBSIDIARIES			
Other operating income and expenses	0.6	(1.0)	na
As % of revenues	1.1%	-2.2%	

The other operating income and expenses in the International & Subsidiaries segment amounted to net income of €0.6 million in the first half of 2006. This was an improvement of €1.6 million compared to the first half of 2005.

The other operating income and expenses comprised management income other than sales revenues, increases in stocks and work in progress, costs

of taxes and levies (excluding corporate and payroll tax), bad debts and certain provisions for risks and charges.

This trend was due to an improvement in the management of customer risk at QDQ Media, following the actions taken as part of the recovery plan for this subsidiary, which was reflected in a decrease in depreciation charges in respect of trade receivables on new editions and a recovery of bad debts for a total amount of €0.4 million in the first half of 2006.

9.3.2.4 Salaries and charges in the International & Subsidiaries segment

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
INTERNATIONAL & SUBSIDIARIES			
Salaries and charges	(27.7)	(24.7)	12.2%
As % of revenues	53.9%	54.5%	

Salaries and charges in the International & Subsidiaries segment amounted to €27.7 million as at 30 June 2006, an increase of 12.2% compared to the first half of 2005. Revenues rose 13.4% over the same period.

Salaries and charges represented 53.9% of revenues in the first half of 2006 against 54.5% in the first half of 2005.

9.3.2.5 Gross operating margin of the International & Subsidiaries segment

The gross operating margin of the International & Subsidiaries segment amounted to €0.9 million as at 30 June 2006 compared to a loss of €0.5 million in the first half of 2005.

The continuation of the recovery plan at QDQ Media resulted in an improvement in its gross operating margin, with a reduction in the loss from €2.8 million in the first half of 2005 to €0.7 million in the first half of 2006.

This improvement in the gross operating margin of QDQ Media was partly absorbed by the costs of the merger of Wanadoo Data and e-sama and the costs of developing the new online classified ads business.

9.3.2.6 Employee profit-sharing and share-based payment in the International & Subsidiaries segment

The employee profit-sharing and share-based payment expense in the International & Subsidiaries segment amounted to €0.4 million as at 30 June 2006, compared to €0.6 million in the first half of 2005.

9.3.2.7 Amortization and depreciation in the International & Subsidiaries segment

The amortization and depreciation charges amounted to €1.9 million in the first half of 2006. They remained stable compared to the first half of 2005.

9.3.2.8 Operating income in the International & Subsidiaries segment

The operating income of the International & Subsidiaries activity as at 30 June 2006 was a loss of €1.6 million in the first half of 2006, compared to a loss of €3.1 million in the first half of 2005.



9.3.3 ANALYSIS OF THE CONSOLIDATED NET INCOME

The table below shows the consolidated net income of the consolidated Group generated by all businesses during the periods ending on 30 June 2005 and 30 June 2006:

(In millions of euros)	Periods ending 30 June		
	2006	2005	Change 2006/2005
CONSOLIDATED NET INCOME PAGESJAUNES GROUP			
Operating income	194.7	180.0	8.2%
Financial income	8.6	7.1	21.8%
Financial expenses	(0.9)	(3.0)	-70.2%
Corporate tax	(70.9)	(64.0)	10.8%
Net income	131.5	120.1	9.5%
of which attributable to the shareholders of PagesJaunes Group	131.5	120.1	9.5%

9.3.3.1 Financial income

Financial income amounted to €8.6 million as at 30 June 2006. It increased by €1.5 million, a rise of 21.8% compared to the first half of 2005. This was mainly due to the increase in interest rates in 2006 and an increase in the average cash position, and to the increase in dividends paid by PagesJaunes Outre-Mer, an unconsolidated subsidiary, which amounted to €0.6 million in the first half of 2006, compared to €0.4 million in the first half of 2005.

The financial income mainly comprises income from cash of PagesJaunes SA deposited with France Télécom (see paragraph "6.4.7 Treasury agreement" of the 2005 *document de référence* of PagesJaunes Group).

9.3.3.2 Financial expenses

Financial expenses amounted to €0.9 million in the first half of 2006 against €3.0 million in the first half of 2005. The charge of €3.0 million in the first half of 2005 related mainly to the charge recorded on the assignment of the receivable in respect of the exceptional levy on the dividends paid in the first half of 2005. The financial expenses in the first half of 2006 correspond mainly to the discounting charges in relation to the provisions for retirement benefits.

9.3.3.3 Corporate tax

In the first half of 2006, the consolidated Group recorded a corporate tax charge of €70.9 million, a rise of 10.8% compared to the first half of 2005. This is consistent with the trend in the pre-tax result.

In 2005, the Company adopted the tax consolidation regime provided for in Article s 223A of the French General Tax Code. The aim is to establish a group with an integrated tax system including the Company and all its French subsidiaries. This option took effect on 1 January 2005 for a period of five years.

Since 9 February 2006, PagesJaunes Group and its subsidiary PagesJaunes SA have been the subject of a tax audit covering the years 2002, 2003 and 2004. The audit is currently ongoing.

9.3.3.4 Net income

Net income amounted to €131.5 million in the first half of 2006, a rise of 9.5% compared to the first half of 2005.



9.4 Comments on the revenue at 30 September 2006

The consolidated revenues of PagesJaunes Group amounted to €821.9 million as at 30 September 2006, a rise of 6.1% compared to 30 September 2005. In the third quarter, the consolidated revenue growth amounted to 5.7%

PAGESJAUNES IN FRANCE SEGMENT: ORGANIC GROWTH OF 6.1% IN THE FIRST NINE MONTHS OF 2006

The revenues of the PagesJaunes in France segment advanced 6.1% to €743.2 million as at 30 September 2006. In the third quarter of 2006, the growth in revenues of the PagesJaunes in France segment was 6.3%.

Printed directories: growth of 3.2% in the first nine months of 2006

Revenues from printed directories advanced 3.2% to €480.9 million as at 30 September 2006 the 206% in the third quarter of 2006.

Revenues from *l'Annuaire* (White Pages) advanced 12.0% to €94.5 million as at 30 September 2006. As expected, this growth in revenues from *l'Annuaire* weighed on the growth in revenues from the PagesJaunes directory (Yellow Pages), which increased by 1.3% to €386.4 million as at 30 September 2006.

Online services: growth of 10.3% in the first nine months of 2006

Revenues from online services advanced 10.3% to €235.4 million as at 30 September 2006 and 13.2% in the third quarter of 2006.

The decline of the Minitel service, where revenues fell 32.9% to €30.2 million as at 30 September 2006, was equivalent to less than half of the increase in Internet revenues (pagesjaunes.fr and websites), which grew 21.9% to €205.2 million.

The number of online advertisers on pagesjaunes.fr totalled 350,927 as at 30 September 2006, as rise of 7.5% in one year.

Pagesjaunes.fr set a new audience record in 2006. The number of visits rose from 50.0 million in September 2005 to 65.8 million in September 2006³, a rise of 32%. With a reach rate of 41.2% in September 2006, pagesjaunes.fr has consolidated its fifth position in the ranking of the most visited Internet sites in France⁴ and remains the preferred site among executives.

After the launch of the aerial photographs service across the whole of France in the second quarter, in September 2006 PagesJaunes launched an experimental 3D (three-dimensional) search service on pagesjaunes.fr for the cities of Paris and Rennes.

Telephone directory enquiry services: revenues of almost €10 million in the first nine months of 2006, including €4.6 million in the third quarter

The telephone directory enquiries market has not seen a return of the volumes that existed prior to liberalisation. PagesJaunes is maintaining its long-term strategy, on the basis that quality and innovation will compensate for a lower level of advertising investment.

INTERNATIONAL & SUBSIDIARIES SEGMENT: GROWTH OF 7.2% IN THE FIRST NINE MONTHS OF 2006

The revenues of the International & Subsidiaries segment amounted to €84.1 million as at 30 September 2006, a rise of 7.2% on a constant consolidation¹ and publication² basis for printed directories. The growth in revenues in the International & Subsidiaries segment was 4.6% in the third quarter of 2006.

The revenues from B to C directories (QDQ Media, Editus Luxembourg and Edicom) advanced 8.5% to €42.4 million as at 30 September 2006. The revenues of QDQ Media amounted to €32.5 million as at 30 September 2006, a rise of 8.4% on a constant publication basis for printed directories. This rise was mainly due to the strong growth in the Internet activities of QDQ Media, driven by the continued development

of QDQ.com. With 9,300 websites produced for its advertisers as at 30 September 2006, QDQ Media has become one of the leading operators in the Spanish market. QDQ Media also won the prize for the best printed directory in 2006 from the EADP (European Association of Directory Publishers).

Revenues from the Kompass businesses increased 10.9% to €23.5 million. Revenues from direct marketing and geographic services remained stable at €18.2 million. The slowdown in the direct marketing activities of PagesJaunes Marketing Services, in the context of the merger in the first half of 2006, was offset by the buoyant growth of Mappy in geographic services.



Update of the document de référence

Update of chapter 9 of the document de référence – Review of the financial situation and results: group's management report

TABLE 1: CONSOLIDATED IFRS REVENUE OF PAGESJAUNES GROUP IN THE FIRST QUARTER OF 2006 ON A CONSTANT PRINTED DIRECTORY PUBLICATION BASIS ¹

	Third quarter			September 30, 2006		
	2005	2006	Change	2005	2006	Change
(In millions of euros)						
PagesJaunes in France	262.4	278.8	6.3%	700.2	743.2	6.1%
Printed directories	179.9	184.5	2.6%	465.9	480.9	3.2%
of which PagesJaunes	149.7	151.9	1.5%	381.5	386.4	1.3%
of which L'Annuaire	30.2	32.7	8.0%	84.4	94.5	12.0%
Online services	72.6	82.2	13.2	213.3	235.4	10.3%
of which Internet	57.9	72.5	25.2%	168.4	205.2	21.9%
of which Minitel	14.7	9.7	-34.0%	44.9	30.2	-32.9%
Directory enquiry services	0.0	4.6	na	0.0	9.8	na
other revenues	9.8	7.5	-23.7%	21.0	17.1	-18.5%
International & Subsidiaries	31.4	32.7	4.2%	76.7	84.1	9.6%
<i>On a constant consolidation and publication basis</i>	<i>31.3</i>	<i>32.7</i>	<i>4.6%</i>	<i>78.5</i>	<i>84.1</i>	<i>7.2%</i>
BtoC directories	18.3	19.1	4.2%	38.0	42.4	11.6%
<i>On a constant consolidation and publication basis</i>	<i>18.2</i>	<i>19.1</i>	<i>4.9%</i>	<i>39.1</i>	<i>42.4</i>	<i>8.5%</i>
Of which QDQ Media	11.0	11.4	3.5%	30.1	32.5	7.9%
<i>On a constant publication basis</i>	<i>10.9</i>	<i>11.4</i>	<i>4.7%</i>	<i>30.0</i>	<i>32.5</i>	<i>8.4%</i>
Kompass businesses	7.0	7.6	8.4%	21.2	23.5	10.9%
<i>On a constant consolidation basis</i>	<i>7.0</i>	<i>7.6</i>	<i>8.4%</i>	<i>21.2</i>	<i>23.5</i>	<i>10.9%</i>
Direct marketing and geographic services	6.0	6.0	-0.9%	17.5	18.2	3.9%
<i>On a constant consolidation basis</i>	<i>6.0</i>	<i>6.0</i>	<i>-0.9%</i>	<i>18.2</i>	<i>18.2</i>	<i>-0.1%</i>
Inter-segment	(1.1)	(2.0)		(2.7)	(5.4)	
CONSOLIDATED REVENUES	292.6	309.5	5.7%	774.3	821.9	6.1%
<i>On a constant consolidation and publication basis</i>	<i>292.5</i>	<i>309.5</i>	<i>5.8%</i>	<i>776.0</i>	<i>821.9</i>	<i>5.9%</i>

TREND 2: TREND IN THE NUMBER OF CONSULTATIONS OF ONLINE DIRECTORIES ²

(In millions)	June 2005	Sept. 2005	Dec. 2005	March 2006	June 2006	Sept. 2006
PagesJaunes 3611	14	13	11	11	10	9
Pagesjaunes.fr	48	50	49	62	64	66
TOTAL	61	63	59	73	74	75



TREND 3: TREND IN THE NUMBER OF INTERNET ADVERTISERS OF PAGESJAUNES

(In thousands)	June 2005	Sept. 2005	Dec. 2005	March 2006	June 2006	Sept. 2006
Pagesjaunes.fr	328.7	326.4	339.6	348.2	355.9	350.9
QDQ.com	31.5	36.1	41.0	42.3	44.2	43.9
TOTAL	360.2	362.5	380.6	390.4	400.1	394.8

1. Constant consolidation basis: the companies e-sama and Edicom were acquired in February and July 2005 respectively and are consolidated for nine months in 2005.
2. Constant publication basis: the publication schedule of the printed directories of QDQ Media as at 30 September 2006 is not identical to that of the same period in 2005. For the purposes of calculating the data on a constant publication basis, the 2006 publication schedule has been applied to 2005.
3. Source: Cybermétrie – Médiamétrie / eStat for the number of visits to pagesjaunes.fr and the number of requests made at the server interrogation centres of PagesJaunes 3611.
4. Reach rate: number of Internet users visiting the site at least once in the month in question as a proportion of the actual number of active Internet users during this period – Source: Nielsen//Netratings “Home & Work” – domain ranking – September 2006.

2.6 Update of chapter 10 of the document de référence – Cash flow and capital

The table below shows the movements in the cash position of the consolidated Group in the first half of 2005 and in the first half of 2006:

(In millions of euros)	Periods ending		
	June 30 2006	December 31 2005	June 30 2005
CONSOLIDATED NET CASH POSITION			
Short-term investments (> 3 months and < 1 year)	17.6	16.5	2.1
Cash and cash equivalents	474.5	549.8	489.6
Total active cash position	492.1	566.3	491.7
Bank overdrafts	9.0	7.8	8.8
Other financial debt	4.9	5.5	50.1
Gross financial debt	13.9	13.3	59.0
Due in less than one year	13.9	13.3	59.0
Due in more than one year	-	-	-
NET CASH POSITION	478.2	553.0	432.8

The net cash position of the consolidated Group amounted to €478.2 million as at 30 June 2006, against €553.0 million as at 31 December 2005 and €432.8 million as at 30 June 2005.

It does not include the medium-term loan granted to France Télécom, which amounted to €64.2 million as at 30 June 2005 and 31 December 2005 and €42.8 million as at 30 June 2006.

Since 1999, the PagesJaunes Group has deposited almost all of its available cash with France Télécom under annually renegotiated agreements.

The table below shows the consolidated cash flows for the periods ending 30 June 2005, 31 December 2005 and 30 June 2006:



Update of the document de référence

Update of chapter 10 of the document de référence – Cash flow and capital

Consolidated cash flow statement (historical data)	Period ending		
	June 30 2006	December 31 2005	June 30 2005
(In millions of euros)			
Net cash from operations	198.7	263.5	135.4
Net cash used in investing activities	(0.9)	(105.0)	(79.9)
Net cash used in financing activities	(273.1)	(252.7)	(209.9)
Net increase (decrease) in cash and cash equivalents	(75.3)	(94.3)	(154.4)
Effect of changes in exchange rates on cash	0.0	0.0	0.0
Cash and cash equivalents – beginning of period	549.8	644.1	644.1
Cash and cash equivalents – end of period	474.5	549.8	489.6

The cash position as at 30 June 2006 amounted to €474.5 million against €489.6 million as at 30 June 2005 and €549.8 million as at 31 December 2005.

- The net cash from operations increased by €63.3 million to €198.7 million, a rise of 46.8%, between 30 June 2005 and 30 June 2006. This increase was mainly due to: an increase in the cash flow of €12.8 million, including an improvement of €5.7 million in the gross operating margin;
- a deterioration of €6.3 million in the working capital requirement;
- a larger disbursement of corporate tax in the first half of 2005 than in the first half of 2006, in view of a favourable timing difference in the disbursement of the 2004 tax, creating a positive change in the cash flow of €53.3 million in the first half of 2006;
- various other favourable factors between the two periods, amounting to €3.5 million, including net interest income and dividends received.

The net cash used in investing activities decreased by €79.0 million between the first half of 2005 and the first half of 2006. This decrease is made up as follows:

- a negative impact of €14.1 million allocated to investing activities, mainly attributable to the payment of €11.0 million under the operating concession agreement for the printed directory established with France Télécom and the acquisition of "l'Annuaire" trademark for €1.0 million, as well as the price supplement paid in respect of the acquisition of e-sama in an amount of €1.9 million;

- a positive impact of €85.6 million on the flows to and from France Télécom. In the first half of 2005, the flow was negative due to the granting of a three-year loan of €64.2 million; in the first half of 2006, the flow was positive due to the repayment of the first third of this loan by France Télécom, in an amount of €21.4 million. The balance of the loan amounted to €42.8 million as at 30 June 2006;
- various factors, in particular the decrease in the purchase of investment securities between the two periods, in an amount of €7.5 million.

The net cash used in financing activities increased by €63.2 million between the first half of 2005 and the first half of 2006. This increase is due to:

- the increase in the dividend paid, amounting to €24.7 million, between the first half of 2005 and the first half of 2006;
- the absence of recourse to short-term borrowing from France Télécom in the first half of 2006, whereas a treasury advance of €42.8 million had been provided in the first half of 2005;
- various other favourable factors between the two periods, amounting to €4.3 million, including in particular the paying up of the balance of the share capital of QDQ Media.



2.7 Update of chapter 13 of the document de référence – Profit estimates or forecasts

13.1 Forecasts

13.1.1 FINANCIAL TARGETS FOR 2006

The Group's financial targets for 2006, presented by the company in February 2006, were reviewed at the end of the first half-year and at the end of the third quarter of 2006 and are now as follows:

- Due to the sagging of call volumes in the directory enquiries market and a lower than anticipated market share of the 118 008, the consolidated revenue growth of PagesJaunes Group in full-year 2006 is expected to be between 6% and 6.5%;
- the growth in the consolidated gross operating margin of PagesJaunes Group is expected to be between 5% and 6% in 2006, excluding the costs associated with the sale process of France Télécom's holding in the

capital of PagesJaunes Group, but including the costs associated with the planned development of an online classified ads business in France;

- PagesJaunes Group is reiterating its target of breakeven in the gross operating margin of QDQ Media in the second half.

PagesJaunes Group envisages the distribution of its entire consolidated net attributable income in respect of the 2006 financial year. It should be noted that the dividend distribution target in no way constitutes a commitment on the part of PagesJaunes Group. Future dividends will depend on the Group's results, its financial situation and any other factor which the Board of Directors and the shareholders of PagesJaunes Group deem relevant.

13.1.2 MEDIUM-TERM OUTLOOK

The Group draws your attention to the following medium-term outlook, especially for 2007 and 2008:

Printed directories

The current enrichment of lists of unbundled and mobile telephone subscribers should strengthen the utility value of *l'Annuaire* for those that consult it, but this is accompanied by an increase in the number of copies published and in its distribution starting in 2007, which should manifest itself through an increase in publishing costs for the PagesJaunes segment in France, in a context moreover of increasing structural costs in the price of paper and distributing costs.

Directory inquiries service

The level of advertising investment in the various inquiry service operators should likely remain high in 2007 and postpone by one year, to 2008, the operational break-even point for this activity.

On-line classified ads

The costs for launching the on-line classified ads service in France, which should make for a growth relay in the medium-term, should partially neutralise the improvement in the gross operating margin of the International & Subsidiaries segment in 2007.

13.1.3 UNDERLYING ASSUMPTIONS FOR 2006 TARGETS AND FOR MEDIUM-TERM FORECASTS

The assumptions described in the *document de référence* of PagesJaunes Group remain correct on the date of this Update under the reserve of the following information:



Printed directories

After several years of decline and with a low point reached in 2004, publishing costs (paper, printing, distribution of printed directories) that were up in 2006 should continue at a rate that exceeds PagesJaunes in France revenue growth in 2007.

Directory inquiries service

After a drop that the Group estimates to be about 35% to 40% in the week that followed the liberalisation on 3 April 2006, call volume in the directory inquiry services should increase slowly, and should become stable over 2006 at a level that is 25% to 30% lower than what it was in 2005. In the medium-term, the group is expecting market stability in terms of

volume and growth in value connected to the introduction of value added services. The group is hypothesising continued competitive pressure in 2007 with four major actors (Le Numéro, Telegate, France Télécom and PagesJaunes).

On-line classified ads

Within a subsidiary created for this purpose, sheltered in the International & Subsidiaries segment, the Group has set up a dedicated team and has committed costs that bear down on the gross operating margin for 2006. The on-line classified ads offer should be marketed starting in the first half of 2007. Sales efforts should accompany the launching of this offer geared towards professionals. So, the cost base should only be partially covered by revenue generated in 2007.

13.2 Official auditors' report on the forecast

The auditors returned the following report on the forecast of the consolidated gross operating margin for fiscal 2006:

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 2.7 of its Updated *document de référence* dated 24 October 2006. 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 updating the *document de référence*.

Neuilly-sur-Seine and Paris La Défense, 24 October 2006

The Auditors

DELOITTE & ASSOCIÉS

ERNST & YOUNG Audit



2.8 Update of chapter 14 of the document de référence – Administration and management bodies

14.1 Members of the Board of Directors

Subsequent to the acquisition of the Controlling Interest by Médiannuaire, the membership of the Board of Directors was modified in order to reflect the new configuration of its shareholding.

During the meeting of the Company's Board of Directors which was held on 12 October 2006, resignation was acknowledged pertaining to the function of directors of Mrs Stéphane Pallez and Patricia Langrand, from France Télécom, and Messrs. Olivier Barberot, Michel Combes, Jean-Hervé Lorenzi and Antonio Anguita. As replacement for the resigning directors, the following were co-opted: Médiannuaire, Messrs Jacques Garaïalde, Mattia Caprioli, Reinhard Gorenflos, Johannes Huth, Hugues Lepic and Michel Datchary. Mr Jacques Garaïalde was appointed Chairman of the Board of Directors.

The General Shareholders' Meeting of the Company scheduled for 20 November 2006 will be called upon to decide on the nomination of Mr. Jean-Christophe Germani as director, and to ratify all of these cooptations.

The members of the Board of Directors are, on the date of this Update:

- Mattia Caprioli,
- François de Carbonnel,
- Élie Cohen,
- Michel Datchary,
- Abeille Deniau,
- Médiannuaire represented by Ahmet Faralyali,
- Jacques Garaïalde,
- Reinhart Gorenflos,
- Johannes Huth,
- Hugues Lepic,
- Jean-Claude Marceau, and
- Rémy Sautter.

The new members of the Board of Directors of PagesJaunes Group are, on the date of this Update:

Name	Age	Position	Number of securities that the officer holds or bears	Term	Other positions and primary functions exercised in all other companies over the last 5 years
Mattia CAPRIOLI	32 years	Director Member of the Compensation and Appointment Committee Member of the Audit Committee	0	General Shareholders' Meeting in 2009	Employee of KKR Director of AVR Director of Selenia Director of Médiannuaire Holding Terms which are no longer exercised: None
Michel DATCHARY	54 years	Director CEO	2,000	General Shareholders' Meeting in 2009	CEO and Director of PagesJaunes Director of Kompass France Director of PagesJaunes Marketing Services Chairman of the Board of Directors and Director of QDQ Media (Spain) Terms which are no longer exercised: None
MEDIANNUAIRE, represented by Ahmet FARALYALI		Director	150,546,830	General Shareholders' Meeting in 2011	None



Update of the document de référence

Update of chapter 14 of the document de référence – Administration and management bodies

Name	Age	Position	Number of securities that the officer holds or bears	Term	Other positions and primary functions exercised in all other companies over the last 5 years
Jacques GARAIALDE	50 years	Director	0	General Shareholders' Meeting in 2009	Partner of KKR In charge of the "Technology Industry" team of KKR in Europe Director of Legrand Director of Nexans CEO and Director of Médiannuaire Holding Terms which are no longer exercised: None
Reinhard GORENFLOS	45 years	Director	0	General Shareholders' Meeting in 2009	Partner of KKR Chairman of the Board of Directors of AVR BV (Netherlands) Chairman of the Board of Directors of Demag Cranes AG (Germany) Director of DEMAG S.à.r.l (Luxembourg) Director of DSD GmbH (Germany) Director of ATU GmbH Selenia FL (Italy) Terms which are no longer exercised: None
Johannes HUTH	46 years	Director	0	General Shareholders' Meeting in 2009	Employee of KKR Terms which are no longer exercised: None
Hugues LEPIC	41 years	Director Member of the Compensation and Appointment Committee	0	General Shareholders' Meeting in 2011	Co-Manager of the Private Equity Europe Department within the "Principal Investment Area" division and partner of Goldman Sachs & Co Member of the Investment Committee of Goldman Sachs PIA Director of Prysmian Srl Director of Eutelsat Communications Director of Médiannuaire Holding Terms which are no longer exercised: None

INDEPENDENT DIRECTORS

The Board of Directors has 3 independent members, François de Carbonnel, Élie Cohen and 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 NEW DIRECTORS:

Mattia Caprioli joined KKR in 2001 and has been actively involved in the investments in AVR, Legrand, Selenia, PagesJaunes and Toys 'R' Us. Currently, he is on the board of directors of AVR and Selenia. Prior to joining KKR, Mr. Caprioli was with Goldman Sachs International in London where he was involved in a broad range of mergers, acquisitions and financings

across a variety of industries. He holds an Mr.Sc., Summa Cum Laude, from L. Bocconi University, Milan, Italy.

Ahmet Faralyali (Age 31, London) has been with KKR since 2005 and has been involved in the investment in AVR and PagesJaunes. Prior to joining KKR, he was with Lehman Brothers, most recently in its Strategic

Planning department, where he was involved in acquisitions of Lincoln Capital and Neuberger Berman. Prior to that, he worked as an associate in Lehman Brothers Private Equity Group. He started at Lehman Brothers as an analyst in its Investment Banking Division, where he was involved in a broad range of cross-border mergers, acquisitions and financings in the telecommunication sector. He holds a B.S. from the University of California and an Mr.B.A. from Stanford Graduate School of Business.

Jacques Garaïalde (London) has been with KKR for three years and during that time has been directly involved with the investment in Legrand as well as several other companies. He heads the technology industry team in Europe. Currently, he is on the board of directors of Legrand. Prior to joining KKR, Mr. Garaïalde was a Managing Director and Partner at The Carlyle Group, in charge of the Europe Venture Partners fund. From 1982 to 2000, he worked at The Boston Consulting Group (BCG) on strategic and operational assignments for European corporations. At BCG, he served as Managing Partner in charge of Belgium (1992-1995), then in charge of France and Belgium (1995-2000). From 1979 to 1981, he was an analyst at Esso France. He holds an Mr.Sc. from Ecole Polytechnique, Paris and an Mr.B.A from INSEAD, Fontainebleau, France.

Reinhard Gorenflos. Born 1961 in Bangkok, is a Partner with Kohlberg Kravis Roberts (KKR). He started his career as a management consultant with LEK (1989 – 1991), held various management positions within the Thyssen Group (1991 – 1996); was Managing Director in the OTTO Group (1996 – 1998) and was Chief Financial Officer of ARAL AG, the leading German gas station operator. Mr. Gorenflos joined KKR in 2001 and

is Chairman of the Board for AVR BV (Rotterdam) and Demag Cranes AG (Düsseldorf), as well as Board Member of Demag Holding S.à.r.l (Luxembourg), DSD GmbH (Cologne), ATU GmbH (Weiden) and Selenia FL (Torino). Mr. Gorenflos holds a degree in Economics from Freiburg University (Germany) and an Mr.P.A from Harvard University's Kennedy School of Government.

Johannes Huth. BSc. with highest honours, London School of Economics; MBA., University of Chicago. Prior to joining KKR in May 1999, Johannes Huth was a Member of the Management Committee of Investcorp and jointly responsible for Investcorp's operations in Europe. While at Investcorp, he was responsible for developing several of Investcorp's corporate investments in Europe. From 1986 to 1991 he worked at Salomon Brothers, where he was a Vice President in the Mergers and Acquisitions departments in London and New York. Transactions at KKR in which Mr Huth has participated include Demag Holdings, Wincor Nixdorf, Wassall/Zumtobel, MTU Aero Engines and DSD.

Hughes Lepic. Hughes is co-head of European Private Equity in the Principal Investment Area. He joined the firm in 1990 in the Mergers & Acquisitions Department in New York and moved to London in 1992. He joined the Principal Investment Area in 1996. Hughes became a managing director in 1998 and a partner in 2000. He joined the Investment Committee in 2003. Hughes serves on the boards of Prysman Srl, Neuf Telecom SA and Eutelsat Communications. Hughes earned an MBA from the Wharton School of the University of Pennsylvania in 1990 and an MS from Ecole Polytechnique in 1987.

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.

Messrs Garaïalde, Caprioli and Lepic, directors of the Company, are also directors of Médiannuaire Holding, parent company of Médiannuaire, main shareholder of the Company. To the company's best knowledge, there are no conflicts of interest pertaining to the exercise of these company positions.



2.9 Update of chapter 16 of the document de référence – Functions of the administrative and management bodies

16.3 Committees created by the Board of Directors

The Board of Directors, at its meeting on 12 October 2006, nominated new members of committees as replacements for the resigning directors.

16.3.1 AUDIT COMMITTEE

Membership of the Audit Committee

The membership of the Audit Committee on the registration date of this Update is as follows:

- Mr. Rémy Sautter, Chairman,
- Mr. Mattia Caprioli, and
- Mr. Élie Cohen.

16.3.2 COMPENSATION AND APPOINTMENTS COMMITTEE

Membership of the Compensation and Appointments Committee

The membership of the Compensation and Appointment Committee on the registration date of this Update is as follows:

- Mr. François de Carbonnel, Chairman,
- Mr. Mattia Caprioli, and
- Mr. Hugues Lépici.



2.10 Update of chapter 17 of the document de référence – Employees

17.1 Number of employees and distribution by activity

PUBLIC EMPLOYEES THAT WERE DETACHED OR MADE AVAILABLE WITHIN THE GROUP

Since legal system that made it possible to detach or make available public personnel with the Company and the Group cannot be maintained after France Télécom transferred its holding in PagesJaunes Group, the Company and France Télécom have signed within the framework of a transition agreement described in section 2.3, in their common interests to implement the following systems, and this in strict compliance with all applicable regulatory and legal measures:

- a) from an overall standpoint, the public employees were reintegrated into France Télécom effective 11 October 2006;
- b) in order to ensure continuity for the activities exercised by the reintegrated public employees, PagesJaunes and France Télécom signed on 11 October 2006 an agreement “Skills Loan” to PagesJaunes from France Télécom concerning the said activities for a maximum period of 6 months, and can be renewed if agreed to by the parties; and
- c) from an individual standpoint, and based on volunteers, the public employees could request that they be made available for personal reasons within the Group for a period limited to ten (10) years.



17.2 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

INFORMATION ON STOCK OPTIONS									
	Plan Wanadoo July 2000*	Plan Wanadoo April 2001*	Plan Wanadoo November 2001*	Plan Wanadoo June 2002*	Plan Wanadoo November 2003*	Plan Orange February 2001	Plan Orange May 2002	Plan Orange May 2003	Plan PagesJaunes Group June 2005
Date of Gen. Shareholders' Meeting	22 June 2000	22 June 2000	22 June 2000	22 June 2000	22 June 2000	29 December 2000	29 December 2000	29 December 2000	12 April 2005
Date of Board of Dir. Meeting	18 July 2000	2 April 2001	26 November 2001	4 June 2002	26 November 2003	12 February 2001	15 May 2002	13 May 2003	28 June 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 JC Marceau 2,341	-	-		M. Datchary 23,413	-	-	-	M. Datchary 72,000 JC Marceau 3,00
Including the number available for subscription to top ten employee recipients of PagesJaunes group who are not company officers	46,600	157,106	0	116,660	70,000	0	0	0	336,000
Starting date for exercising the options	18 July 2005	2 April 2004	26 November 2004	4 June 2004	26 November 2006	4 May 2001	1 October 2002	13 May 2004	28 June 2008
Expiration date	18 July 2010	2 April 2011	26 November 2011	4 June 2012	26 November 2013	12 February 2011	15 May 2012	13 May 2013	28 June 2015
Subscription price	48.70 euros	15.38 euros	15.38 euros	13.84 euros	16.60 euros	10.00 euros	6.35 euros	7.43 euros	19.30 euros
Number of shares subscribed to on 30 June 2006	0	910,154	20,627	286,523	0	5,000	0	0	6,000
Number of shares cancelled on June 2006	94,512	139,782	10,887	125,234	73,559	0	0	0	62,200
Additional shares according to purchase ratio (Wanadoo/France Télécom) merger	2,808	2,467	109	4,277	2,823	0	0	0	0
Transfer of shares from PJ Group employees joining France Télécom Group on 30 June 2006	97,143	129,140	5,072	106,210	51,892	0	0	0	27,000
Transfer of shares from France Télécom Group employees joining the PJ Group on 30 June 2006	13,609	39,329	0	40,441	21,775	235,000	51,080	42,120	0
Remaining shares	679,740	534,693	20,288	1,012,877	734,046	230,000	51,080	42,120	3,701,600

* 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) Weighted exercise prices correspond to adjusted exercise price following the France Télécom capital increase on 26 September 2005.



PREMATURE EXERCISE OF STOCK OPTIONS

PagesJaunes Group Plan

In accordance with the rules of the PagesJaunes Group subscription plan, the change in the control of PagesJaunes Group has an impact on the methods for exercising the options and on the methods for transferring shares resulting from the exercise of options.

The plan rules allow the beneficiaries to prematurely exercise up to 50% of the options that were given to them, which is approximately 1.85 million options, within a period of 3 months starting from the date the notice of control change was sent, i.e. until 12 January 2007, and to transfer as they see fit the shares resulting from this exercise.

The payment of the exceptional dividend by withdrawing from the free reserves of the Company will give rise to an adjustment in the exercise price as well as in the number of options granted, in accordance with Article L.225-181 of the French Commercial Code.

In the hypothesis were all of the options that could be exercised prematurely in this way were to be exercised, PagesJaunes Group's shareholders' equity would increase by 35.7 million euros, of which 0.37 million euros in share capital and 35.3 million euros in issue premiums.

In addition, the realised capital gains will be assimilated from a tax perspective as wages and salaries. Because of this, they will be subject

to social contributions and income tax for the beneficiary, and employer contributions for the company. The amount of this expense will depend on the number of options that are prematurely exercised in this way and the average transfer price for the corresponding shares; by way of example, based on the stock price on 23 October 2006, i.e. 23.52 euros per share, and premature exercise of 1.85 million options, the expense incurred by PagesJaunes Group would be about 3.3 million euros.

Wanadoo and Orange Plans

The transfer has an impact on the methods for exercising options granted in November 2003 within the framework of the Wanadoo plan taken over by France Télécom whose beneficiaries are members of personnel of the Company or of one of its subsidiaries. Since the transfer took place less than 3 years after the granting, the beneficiaries could prematurely exercise up to 50% of the options that were given to them within a period of one month starting from the notice. The balance remains acquired by the beneficiary. The premature exercise of these options does not impact the Company's shareholder equity.

Concerning the other option plans, the transfer has no impact on the Wanadoo plans from April 2001, November 2001 and June 2002, nor on the Orange plans from February 2001, May 2002 and May 2003.

17.3 Employee profit sharing

PROFIT-SHARING AGREEMENT

The French companies in the Group cancelled at the end of 2005 membership in the profit-sharing agreement in effect at the France Télécom Group. A mutual profit-sharing agreement grouping together all of the French companies in the Group was signed on 26 June 2006. This

agreement, which will take effect starting with 2006 for the profit-sharing that will be paid in 2007, calls for mutualisation in the special profit-sharing reserves for all of the French entities in the Group. This will be calculated using a derogatory formula.

FREE ALLOCATION OF SHARES PLAN

The Extraordinary Shareholders' Meeting of 19 April 2006 authorised the Board of Directors to implement to the benefit of certain officers and employees of the Group a free allocation of shares plan, in the sense of Article sL. 225-197-1 to L. 225-197-5 of the French Commercial Code, so as in particular to associate them with the development of the Company. This authorisation was granted for a period of 38 months and the total number of shares allocated free of charge via this resolution cannot

represent more than 0.5% of the Company's capital on the date of this Shareholders' Meeting, i.e. 1,393,948 shares. The Board of Directors set forth the conditions for a first share allocation plan on 30 May 2006.

The principle for the free allocation of shares plan is as follows: each individual initially received the right to receive shares free of charge. The latter will be definitively acquired after an acquisition period of 2 years, with the condition that the beneficiary is still an employee or officer of



Update of the document de référence

Update of chapter 18 of the document de référence – Major shareholders

the Group and that the performance conditions have been met. The performance conditions hold to the realisation of criteria in the growth of consolidated revenue and in the growth of the Company's consolidated gross margin.

This plan gave rise to the allocation of an initial 602,361 shares to 591 employees of the Group on 30 May 2006, which is approximately 43% of the envelope authorised by the Shareholders' Meeting of 19 April 2006.

EXCEPTIONAL PREMIUM

The Board of Directors decided to pay an exceptional premium to the employees of the Group that actively participated in the competitive process of transferring their holdings in PagesJaunes Group by France Télécom. The total envelope for this premium that was paid to 44 employees of PagesJaunes Group is 679,000 euros, of which 300,000

euros for Michel Datchary. The payment of this latter premium will occur over two payments, 100,000 euros payable 2 months after the transfer has taken effect and 200,000 euros payable 12 months after the transfer has taken effect, with the condition of presence on that date.

2.11 Update of chapter 18 of the document de référence – Major shareholders

18.1 Distribution of Company share capital

The distribution of capital in PagesJaunes Group changed over the course of the last 3 fiscal years as follows:

Shareholding	Situation on 20 October 2006			Situation on 31 December 2005			Situation on 31 December 2004		
	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	0	0	0	150,546,830	54.0	54.0	172,849,998	62.0	62.0
Médiannuaire	150,546,830	54.0	54.0	0	0	0	0	0	0
Employees (FCPE PagesJaunes Shares)	6,009,554	2.2	2.2	4,940,556	1.8	1.8	4,739,610	1.7	1.7
Public	121,828,226	43.7	43.7	123,202,224	44.2	44.2	101,200,002	36.3	36.3
Treasury shares	405,000	0.1	0.1	100,000	0	0	0	0	0
TOTAL	278,789,610	100.0	100.0	278,789,610	100.0	100.0	278,789,610	100.0	100.0

DISTRIBUTION OF SHARES HELD BY THE PUBLIC

The Company had requested a study to identify the institutional shareholders in September 2006, based on a TPI (Identifiable Bearer Shares) order placed with Euroclear on 18 August 2006. The Company's floating capital was comprised on that date of 121,702,880 shares of which

approximately 87,034,400 shares were held by institutional investors (*i.e.* 71.5% of the Company's float), about 25,964,000 shares held by individual shareholders (*i.e.* 21.3% of the Company's float) and 8,704,510 shares held by unidentified shareholders (7.2% of the Company's float).



EXCEEDING THE THRESHOLDS

- On 26 October 2006, UBS Investment Bank declared that it held 2,531,918 shares of the Company (0.91% of the capital and voting rights).
- On 18 October 2006, Médiannuaire declared to the Company and to the AMF that it had exceeded the legal thresholds of 5%, 10%, 15%, 25%, 1/3 and 50% of the Company's capital and voting rights, and that it held 150,546,830 shares of the Company (54% of the capital and voting rights).
- On 13 October 2006, France Télécom declared to the Company and to the AMF that it had fallen below the legal thresholds of 5%, 10%, 15%, 25%, 1/3 and 50% of the Company's capital and voting rights, and that it no longer had any shares in the Company.
- On 13 October 2006, Arnhold and S. Bleichroeder Advisers declared to the Company that it held 2,337,793 shares of the Company (0.84% of the capital and voting rights).
- On 16 August 2006, Cheyne Capital Management declared to the Company that it held 2,799,284 shares of the Company (1% of the capital and voting rights).
- On 2 August 2006, Artisan Funds declared that it held 2,711,563 shares of the Company (0.97% of the capital and voting rights).

18.3 Persons exercising or who could exercise control over the Company

Apart from Médiannuaire, Médiannuaire Holding and the controlling consortium Médiannuaire Holding, 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 Update.

2.12 Update of chapter 19 of the document de référence – Transactions with related parties

No transactions with related parties subsist on the date of this Update, since France Télécom has not been related to the Company since 11 October 2006.



2.13 Update of chapter 20 of the document de référence – Financial information concerning the assets, financial situation and results of the issuer

20.6 Dividend distribution policy

EXCEPTIONAL DISTRIBUTION OF RESERVES

The PagesJaunes Group's Board of Directors, meeting on 12 October 2006, decided to make a proposal to the General Shareholders' Meeting set for 20 November 2006 to proceed with an Exceptional Distribution of 9 euros per share, *i.e.* a total distribution for an amount of about 2.5 billion euros.

This Exceptional Distribution would be withdrawn from the "Other reserves" item, after allocation to this item of the amounts that are booked to the "Balance carried forward" item on the Company's books. It would be partially financed by the use of the Company's available cash and the balance by a loan via a bank pool.

BANK FINANCING

On 24 October 2006, PagesJaunes Group concluded, with a syndicate of banks comprised of seven international banks, bank financing a total maximum amount of 2.35 billion euros, which includes on the one hand a medium-term senior loan of 1.95 billion euros, and on the other hand a revolving line of credit for 400 million euros. The sole purpose of the senior debt to finance the Exceptional Distribution to its shareholders. The revolving line of credit should allow for financing of cash flow (needs in terms of working capital, investment or refinancing) for the Group within the framework of its operational activities and is useable in particular through drawing, issuing or letters of credit or the setting up of bilateral lines. The medium-term Senior loan has a maturity of 7 years, with a variable interest rate based on the Euribor reference rate and a maximum margin of 185 basis points (with the reserve of adjustments downwards according to the level of the total net debt ratio in terms of an aggregate close to GOM), and is reimbursable in its entirety at term. The revolving line of credit has a maturity of 7 years, with a variable interest rate based on the Euribor or Libor reference rate (in the event a currency other than the euro is used) with a maximum margin of 185 basis points (with the reserve of adjustments downwards according to the level of the total net debt ratio in terms of an aggregate close to GOM), and the reimbursement for each drawing occurs at the end of each one of the withdrawing periods. Note that the Group will have to implement interest rate hedging agreements for at least 60% of the amounts due in terms of the senior debt over a period of at least 3 years.

This financing agreement contains in particular mandatory premature reimbursement and default clauses as well as financial covenants that can evolve providing for (i) on one hand an aggregate close to the GOM ratio in relation to total net interest expense attached to a lower limit that increases progressively over the length of the credit from 3.25x to 4.00x,

and (ii) on the other hand a total net debt ratio in relation to an aggregate close to GOM attached to an upper limit that falls progressively over the length of the credit from 5.25x to 3.75x. These two ratios are calculated on the basis of consolidated data (see section "4.5 Market risks – Liquidity risk"). It also includes a mandatory prepayment clause in case there is a change in the control of the Company resulting from the acquisition of Company shares.

Pertaining to the financing agreement, the Company has gathered for the lending banks a pledge of financial instruments covering the entire amount of the PagesJaunes shares that it holds as guarantee for all of the amounts due (in principal, interest, commissions, fees and ancillary amounts) by the Company in terms of the bank financing.

The Company has also contracted to gather for the lending banks a pledge of financial instruments covering the securities of any subsidiary that would become a "Material Subsidiary", according to the criteria defined in the financing contract as a guarantee for all amounts due (in principal, interest, commissions, fees and ancillary amounts) by the Company.

PagesJaunes Group will incur expense for a total amount of 47.5 million euros within the framework of setting up this bank financing, made up of commissions paid to the arrangers based on a rate of 2.0% on the amount of the senior loan and 2.125% on the amount of the revolving credit line. These fees, payable when the senior loan is drawn upon, will be amortised from an accounting standpoint over the lifetime of each of these lines, amortisation that will be booked in the Company's financial results. Moreover, PagesJaunes Group will be liable for a non-utilisation commission calculated at a rate of 0.625% per year on the unused portion of its revolving credit line, as well as an agent's commission for an amount of 100,000 euros per year.



EXPERT DECLARATIONS

With regards to the Exceptional Distribution under consideration, the President of the Nanterre Business Court has, at the joint request of PagesJaunes Group and Legendre Holding 16 (former company name of Médiannuaire), appointed on 27 July 2006 Messrs Dominique Ledouble and Thierry Bergeras as independent experts with the following task:

- “*appreciate (i) the acceptable nature for the financial structure of the PagesJaunes Group company to proceed with an exceptional distribution of reserves financed by borrowings and leading to an expected net debt over EBITDA ration in 2006 (operating results before amortisation, compensation via shares and extraordinary items) comprised between 4.5 and 5.5 times and (ii) the consequences of the distribution being considered on the level of shareholders’ equity of the company and of the group;*
- *to provide an opinion on the adequacy between the debt structure subsequent to the exceptional distribution and the development outlook being considered by PagesJaunes Group and reflected in its business plan”.*

On 12 September 2006, Messrs Ledouble and Bergeras submitted their report to the requestors, for which the conclusions have been reproduced below:

“In response to the first question put forth, we remind you that the distribution of an exceptional dividend financed through borrowing presents, for each of the parties present, both advantages and inconveniences as listed hereinbelow.

We feel that the distribution under consideration, financed through borrowing, presents in the current circumstances, an acceptable nature

sense that it obtains better profitability for invested capital for the financial structure of PagesJaunes Group (ROCE).

With consolidated shareholders’ equity becoming very negative after the transaction, it would be necessary to provide the appropriate information to the shareholders concerning the value and possible depreciation of unbooked intangible assets.

In response to the second question put forth, we believe that the loan does not have any impact on the business plan (no increase in the gross margin, economic profitability is maintained), but we observe that:

- *the business plan that was presented to us appears cautionary and is in line with the outlook retained by analysts in the sector;*
- *the loan should not create for PagesJaunes Group cash problems, or in a more general manner jeopardise organic growth in the group such as provided for in the business plan;*
- *the reduction in fine in the level of indebtedness necessarily leads to a reduction in the distribution rate, even the suppression of any distribution at all if the company would like to return to a level of zero indebtedness;*
- *the group will only be able to perform any significant acquisitions by accepting in fine the maintaining of a high multiple of Debt/EBITDA.*

Our conclusions are provided with the understanding under the reserve of the final covenants and of the structurally-independent nature of PagesJaunes Group’s debt in relation to that set up by the purchasers”.

This report is provided in its entirety in the appendix.

IMPACT OF THE EXCEPTIONAL DISTRIBUTION ON THE NET POSITION OF PAGESJAUNES GROUP

The report provided by Messrs Bergeras and Ledouble is based on a hypothesis of a net debt/EBITDA ratio of 4.5x to 5.5x, and is based on a distribution of dividends of 3 billion euros, corresponding to a dividend of approximately 10.7 euros per share.

With estimated net debt at 1.9 billion euros after the Exceptional Distribution, the Net Debt/EBITDA ratio¹ for the Group should stand at about 4 times, based on estimated EBITDA at the end of 2006 by the consensus of analysts and the estimated net cash position for the end

of 2006 by the consensus of analysts, i.e. indebtedness that is lower than other companies in the directory publishing sector and at the bottom of the bracket of distribution hypotheses being considered by the independent experts.

We have estimated, for informational purposes, what the impact of the Exceptional Distribution would have been on shareholders’ equity and net financial debt of PagesJaunes Group on the consolidated and parent financial statements at 30 June 2006.

1. EBITDA corresponds to operating results before amortisation and provisions. Gross operating margin corresponds to EBITDA before employee profit-sharing, compensation through shares expense, income from asset transfers and restructuring costs. The Net Debt / gross operating margin ratio estimated for 2006 should stand at about 4 times, based on a net consolidated cash position at the end of 2006 and 2006 consolidated gross operating margin estimated by the consensus of analysts.



Update of the document de référence

Update of chapter 20 of the document de référence – financial information concerning the assets, financial situation and results of the issuer

COMPANY FINANCIAL STATEMENTS

Based on the Company's financial statements at 30 June 2006, the payment of a dividend of 9 euros per share would have resulted in a 2.5 billion euro reduction in the shareholders' equity of PagesJaunes Group. The pro forma shareholders' equity of PagesJaunes Group at 30 June 2006 would

therefore have been about 1.6 billion euros. Correlatively, this distribution would have resulted in increasing PagesJaunes Group's pro forma financial debt, which would have then reached about 2.7 billion euros.

COMPANY CONSOLIDATED FINANCIAL STATEMENTS

On 30 June 2006, PagesJaunes Group has positive shareholder's equity standing at 259 million euros.

In the event the Company pays the Exceptional Distribution, consolidated shareholders' equity for the PagesJaunes Group would become negative by about 2.2 billion euros. Net consolidated cash, which reached 520 million euros on 30 June 2006 after taking into account the medium-term loan of 42.8 million euros granted to France Télécom and taking into account the amount invested in the liquidity agreement set up with Rothschild & Cie Banque, i.e. 17 million euros, would become negative by about 2 billion euros, based on the statements at 30 June 2006¹.

Within the framework of the project for guaranteeing the price pertaining to PagesJaunes Group shares, Médiannuaire announced that it filed with the *Autorité des marchés financiers*, that it reserved the possibility to proceed with a merger by absorption of PagesJaunes Group. Such a transaction could, where applicable, allow the Company's consolidated shareholders' equity to be reconstituted.

CONSULTING EXPENSE INCURRED BY PAGESJAUNES GROUP PERTAINING TO THE EXCEPTIONAL DISTRIBUTION

Consulting expenses incurred by PagesJaunes Group in reference to the Exceptional Distribution should fall within an envelope of about 5 million euros, comprised of lawyers' fees, expert fees and fees concerning JP Morgan Chase, the Company's bank-consultants. A portion of these consulting fees is linked to the implementation of the price guarantee.

This expense is in addition to the 47.5 million euros in commissions that will be paid to the arrangers within the framework of setting up of bank financing for a total amount of 2.35 billion euros.

1. Taking the increase in the consolidated net cash position between 30 June 2006 and the date of payment of the Exceptional Dividend into account, consolidated net debt subsequent to the payment of the Exceptional Distribution should stand at approximately 1.9 billion euros.



Consolidated financial statements at 30 June 2006 and notes

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3.1 Consolidated financial statements – 30 June 2006

CONSOLIDATED INCOME STATEMENT

(Amounts in thousands of euros, except for data relating to shares)	Note	30 June 2006	31 December 2005	30 June 2005
Net revenues		512,438	1,060,700	481,650
External purchases		(146,317)	(330,366)	(145,759)
Other operating income		6,197	54,906	23,354
Other operating expenses		(11,709)	(24,588)	(13,582)
Personnel expenses:				
- Salaries and charges		(151,399)	(297,577)	(142,174)
Gross operating margin		209,210	463,075	203,489
- Employee profit-sharing		(5,823)	(32,906)	(14,476)
- Share-based payment	10	(2,116)	(20,450)	(4,154)
Depreciation and amortization		(6,175)	(9,744)	(4,387)
Impairment of goodwill		0	0	0
Impairment of fixed assets		0	0	(435)
Result of asset disposals		(271)	(569)	(75)
Restructuring costs		(140)	(372)	0
Results of equity method associates		0	0	0
Operating income		194,685	399,034	179,962
Financial income		8,615	16,378	7,071
Financial expense		(898)	(4,813)	(3,034)
Gain (loss) on foreign exchange		0	18	18
Financial result		7,717	11,583	4,055
Corporate tax		(70,883)	(148,873)	(63,959)
Net income		131,519	261,744	120,058
Attributable to:				
- Shareholders of PagesJaunes Groupe		131,519	261,744	120,058
- Minority interests		0	0	0
Earnings per share (in euros)				
Net income				
- basic		0,47	0,94	0,43
- diluted		0,47	0,93	0,42



CONSOLIDATED BALANCE SHEET				
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(Amounts in thousands of euros)	Notes	30 June 2006	31 December 2005	30 June 2005
ASSETS				
Net goodwill	4	107,727	107,394	102,598
Other net intangible fixed assets	5	24,815	11,511	9,422
Net tangible fixed assets		18,540	17,995	18,716
Available for sale assets		88	438	438
Other non-current financial assets	6	22,667	44,081	44,053
Deferred income taxes, net		18,513	28,527	21,918
Total non-current assets		192,350	209,946	197,145
Net inventories		8,019	5,281	12,313
Net trade accounts receivable		397,980	472,756	404,234
Other receivables		33,500	39,764	24,514
Current corporate tax		14,309	5,106	8,057
Prepaid expenses		60,038	55,639	66,248
Other current financial assets	7	39,920	39,356	24,637
Cash	8	474,509	549,827	489,648
Total current assets		1,028,275	1,167,729	1,029,651
TOTAL ASSETS		1,220,625	1,377,675	1,226,796
LIABILITIES				
Share capital		55,759	55,758	55,758
Issue premium		68,449	68,335	68,335
Reserves		3,590	23,416	8,331
Net income		131,519	261,744	120,058
Foreign currency translation adjustment		(10)	8	0
Own shares		(24)	(2,163)	0
Shareholders' equity	9	259,283	407,098	252,482
Long-term financial debts and derivatives	8	1	17	37
Employee benefits - non-current		27,801	25,450	24,056
Provisions - non-current		6,955	7,876	7,493
Other non-current liabilities		2,038	2,492	0
Total non-current liabilities		36,795	35,835	31,586
Bank overdrafts and other short-term borrowings	8	13,946	13,288	58,928
Accrued interest not yet due	8	4	8	45
Provisions - current		350	509	602
Trade accounts payable		115,552	124,167	108,630
Employee benefits - current		64,417	87,890	66,913
Other current liabilities		94,122	101,155	98,827
Corporate tax liabilities		585	16,069	1,112
Deferred income		635,571	591,656	607,671
Total current liabilities		924,547	934,742	942,728
TOTAL LIABILITIES		1,220,625	1,377,675	1,226,796



STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Amounts in thousands of euros)	Number of shares in circulation	Share capital	Issue premium	Income & Reserves	Conversion reserve	Own shares	Total shareholders' equity
Balance as at 1 January 2005	278,789,610	55,758	68,335	263,450	0	0	387,543
Income as at 30 June 2005				120,058			120,058
Share-based payment				4,154			4,154
Dividends paid				(259,273)			(259,273)
Balance as at 30 June 2005	278,789,610	55,758	68,335	128,389	0	0	252,482
Income for second half of 2005				141,686			141,686
Share-based payment				15,092			15,092
Dividends paid				(1)			(1)
Conversion					8		8
Own shares of the consolidating company	(100,000)			0		(2,169)	(2,169)
Balance as at 31 December 2005	278,689,610	55,758	68,335	285,166	8	(2,169)	407,098
Income as at 30 June 2006				131,519			131,519
Share-based payment				2,116			2,116
Dividends paid				(283,994)			(283,994)
Conversion					(18)		(18)
Stock options exercised	6,000	1	114				115
Own shares of the consolidating company	99,000			302		2,145	2,447
Balance as at 30 June 2006	278,794,610	55,759	68,449	135,109	(10)	(24)	259,283

See note 9 – Shareholders' equity



TABLEAU DES FLUX DE TRÉSORERIE CONSOLIDÉS

(Amounts in thousands of euros)	Notes	30 June 2006	31 December 2005	30 June 2005
Consolidated net attributable income		131,519	261,744	120,058
Depreciation and amortization of fixed assets		6,174	9,744	4,822
Capital gains or losses on asset disposals		271	569	56
Change in provisions		(591)	(3,633)	1,032
Corporate tax charge for the period		70,883	148,873	63,959
Interest income and expenses		(7,717)	(11,565)	(4,200)
Unrealised exchange difference		3	(25)	(9)
Share-based payment	10	2,116	19,238	4,154
Decrease (increase) in inventories		(2,737)	7,148	70
Decrease (increase) in trade accounts receivable		75,801	(25,743)	36,847
Decrease (increase) in other receivables		(5,610)	(16,891)	(7,332)
Increase (decrease) in trade accounts payable		(8,868)	14,679	(452)
Increase (decrease) in other payables		15,429	56,045	51,182
Dividends and interest income received		7,915	18,737	7,077
Interest paid and net derivative rate effects		(177)	(3,288)	(2,877)
Corporate tax paid		(85,711)	(212,181)	(139,025)
Net cash from operations		198,700	263,451	135,362
Acquisition of tangible and intangible fixed assets	5	(20,094)	(11,843)	(5,489)
Change in suppliers of fixed assets		409	20	(238)
Proceeds from sale of tangible and intangible assets		63	125	73
Acquisitions of investment securities and subsidiaries, net of cash acquired		(1,962)	(12,498)	(7,542)
Income from sales of investment securities and subsidiaries, net of cash transferred		45	0	0
Decreases (increases) in marketable securities and other long-term assets		20,661	(80,794)	(66,689)
Net cash used in investing activities		(878)	(104,990)	(79,885)
Increase (decrease) in long-term borrowings		(210)	(18)	(41)
Increase (decrease) in bank overdrafts and short-term borrowings		899	(1,328)	44,366
Decrease (increase) in deposits and other financial assets associated with debt		0	(26)	0
Repurchase of shares		2,585	(2,169)	0
Capital increase		7,600	10,081	5,040
Dividends paid	9	(283,994)	(259,274)	(259,273)
Net cash provided by (used in) financing activities		(273,120)	(252,734)	(209,908)
Net increase (decrease) in cash and cash equivalents		(75,298)	(94,273)	(154,431)
Effect of changes in exchange rates on cash		(20)	22	0
Net change in cash position		(75,318)	(94,251)	(154,431)
Cash and cash equivalents at beginning of period		549,827	644,077	644,077
Cash and cash equivalents at end of period	8	474,509	549,827	489,646



3.2 Notes

Note 1. Accounting principles

This note describes the changes in the accounting principles since the preparation of the consolidated financial statements for 2005 as applied to the interim financial statements as at 30 June 2006.

1.1 Basis for the preparation of the financial statements

In application of European regulation 1606/2002 of 19 July 2002, the consolidated financial statements in respect of the first half of 2006 have been prepared in accordance with the IAS/IFRS international accounting standards as adopted by the European Union and presented, for comparison purposes, together with the data for the first half of 2006 and full-year 2005 prepared on the same basis.

The interim financial statements for the first half of 2005 and 2006 have been prepared in accordance with standard IAS 34 "Interim financial reporting". It should be noted that for reasons of cost optimisation, the publication dates of the printed directories (which determine the recognition of revenue and related costs) may vary from one half year to the next, since each printed directory appears only once each year. However, there is no publication timing difference between the first half of 2005 and the first half of 2006.

The principles applied in the preparation of this financial information for the first half of 2006 is unchanged as compared to the principles described in note 2 to the 2005 financial statements. They result from the application of:

- all the standards and interpretations which have been adopted by the European Union and which are compulsory as at 30 June 2006;
- accounting positions adopted by the Group by virtue of paragraphs 10 to 12 of IAS 8;
- the options and exemptions used.

In order to prepare the Group's financial statements, the management of PagesJaunes Group has to carry out estimates since many items included in the financial statements cannot be precisely valued. The Management revises these estimates in the event of changes in the circumstances on which they were based, new information or further experience. Consequently, the estimates applied on 30 June 2006 may be substantially modified.

Finally, if no standards or interpretations are applicable to a specific transaction, the Group's management applies judgment to define and apply accounting principles that will lead to relevant and reliable information, so that the financial statements:

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

The currency for the presentation of the consolidated financial statements and the notes to the financial statements is the euro.

These financial statements have been prepared under the responsibility of the Board of Directors of 20 July 2006.

1.2 Application of standards, amendments to standards and interpretations in advance of the compulsory application date since 1 January 2006

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

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

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

In the 2006 half-year consolidated financial statements, the Group has not used the option provided by the amendment to IAS 19 "Modification to IAS 19 Employee benefits", applicable on 1 January 2006. This option allows actuarial gains and losses recognised during the year to be recognised immediately in shareholders' equity.

The Group is not affected by:

- interpretation IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds";
- interpretation IFRIC 6 "Liabilities arising from participating in a specific Market-Waste Electrical and Electronic Equipment", which became compulsory on 1 January 2006;
- the amendments to IFRS 1 "First-time adoption of IFRS", IAS 39 "Cash Flow Hedge Accounting of forecast Intragroup Transactions" and "Financial Instruments: Recognition and Measurement", IAS 21 "Effects of Changes in Foreign Exchange Rates" and IFRS 4 "Insurance Contracts – Financial Guarantee Contracts", which have been compulsory since 1 January 2006.

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

PagesJaunes Group has not opted for early application of the following standards, amendments to standards and interpretations (adopted or in the process of adoption by the European Union):

- IFRS 7 "Financial Instruments: Disclosures"; the date of first application of this regulation is 1 January 2007;
- IFRIC 8 "Scope of IFRS 2", which is compulsory for financial years commencing after 1 May 2006; this regulation has not been approved by the European Union;



- amendment to IAS 1 “Presentation of Financial Statements”, notes to the share capital, which becomes compulsory on 1 January 2007.

Note 2. Change in the scope of consolidation

The main operations during the period ending 30 June 2006 were as follows:

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

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

The company Cristallerie 1, which now includes an online classified ads business that is in the process of being launched, has been consolidated since 1 January 2006. This company had no activity in 2005.

Note 3. Segment information

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

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

PagesJaunes in France: the activities in France related to the publication and distribution of directories, the sale of advertising space in printed and online directories, the creation and hosting of websites, the 118 008 telephone directory enquiry services and the publication of the PagesPro directories, the sale of online access to databases, the reverse directory QuiDonc and the advertising representation for Europages;

International & Subsidiaries: the activities of the Company's various subsidiaries that are principally involved in the publication of consumer directories outside France, developing the Kompass directories in Europe and developing complementary activities related to the publication of directories (such as the geographic services of Mappy and the direct marketing activities of PagesJaunes Marketing Services – formerly Wanadoo Data and e-sama). This segment also includes the new classified ads business that is currently being launched.

3.1 By business segment

The following tables show the key figures by business segment:

ANALYSIS BY BUSINESS SEGMENT

	As at 30 June 2006			As at 31 December 2005				As at 30 June 2005				
	Pages Jaunes in France	International & Subsidiaries	Eliminations	Total Pages Jaunes Group	Pages Jaunes in France	International & Subsidiaries	Eliminations	Total Pages Jaunes Group	Pages Jaunes in France	International & Subsidiaries	Eliminations	Total Pages Jaunes Group
(Amounts in thousands of euros)												
Net revenues	464,433	51,411	(3,406)	512,438	956,144	108,874	(4,318)	1,060,700	437,867	45,328	(1,545)	481,650
- External	463,679	48,759		512,438	954,914	105,786		1,060,700	437,314	44,336		481,650
- Inter-segment	754	2,652	(3,406)	0	1,230	3,088	(4,318)	0	553	992	(1,545)	0
Gross operating margin	208,323	887	0	209,210	457,538	5,537	0	463,075	204,028	(539)	0	203,489
Employee profit-sharing	(5,813)	(10)		(5,823)	(32,340)	(566)		(32,906)	(14,277)	(199)		(14,476)
Share-based payment	(1,706)	(410)		(2,116)	(19,125)	(1,325)		(20,450)	(3,735)	(419)		(4,154)
Depreciation and amortization	(4,243)	(1,932)		(6,175)	(5,872)	(3,872)		(9,744)	(2,941)	(1,446)		(4,387)
Impairment of goodwill				0				0				0
Impairment of fixed assets				0				0		(435)		(435)
Result of asset disposals	(273)	2		(271)	(538)	(31)		(569)	(47)	(28)		(75)
Restructuring costs		(140)		(140)		(372)		(372)				
Operating income	196,288	(1,603)	0	194,685	399,663	(629)	0	399,034	183,028	(3,066)	0	179,962
Financial income				8,615				16,378				7,071
Financial expenses				(898)				(4,813)				(3,034)
Gain (loss) on foreign exchange				0				18				18
Corporate tax				(70,883)				(148,873)				(63,959)
Net income				131,519				261,744				120,058
Capex	18,741	1,353		20,094	9,824	2,019		11,843	4,489	1,000		5,489



3.2 By geographic region

ANALYSIS BY GEOGRAPHIC REGION

(Amounts in thousands of euros)	30 June 2006	31 December 2005	30 June 2005
Revenue contributions	512,438	1,060,700	481,650
- France	486,501	1,004,239	460,049
- Others	25,937	56,461	21,601
Capex	20,094	11,843	5,489
- France	19,620	11,119	4,813
- Others	474	724	676

Note 4. Goodwill related to consolidated companies

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

(in thousands of euros)	Opening balance 31 December 2005	Acquisitions/Disposals/Reclassifications	Closing balance 30 June 2006
QDQ Media	68,882		68,882
Mappy	7,400		7,400
PagesJaunes Marketing Services (formerly Wanadoo Data)	1,198	12,080	13,278
e-sama	11,747	(11,747)	-
Eurodirectory	12,109		12,109
Kompass Belgium	1,262		1,262
Edicom	4,796		4,796
TOTAL	107,394	333	107,727

No loss in value was booked at 30 June 2006.

For the significant Cash Generating Units (QDQ Media and PagesJaunes Marketing Services), the current value of goodwill was reviewed in the framework of the consolidated financial statements, based on the business plan, a perpetual growth rate falling between 2% and 3% and a discount rate after taxes falling between 9% and 11%.

Note 5. Other net intangible fixed assets

France Télécom was appointed by decree on 3 March 2005 as the publisher of the universal directory for a period of two years. Since France Télécom

must remain the publisher, the transfer of the *l'Annuaire* trademark to PagesJaunes SA, a subsidiary of PagesJaunes Group, as provided for in the agreements of May/June 2004, could not be implemented. The solution adopted involved establishing an operational concession contract for the universal printed directory in favour of PagesJaunes accompanied by a contract for the transfer of "l'Annuaire" trademark for a total of €12 million. These contracts were signed on 20 January and came into force on 1 January 2006. The price of the operating concession, €11 million, is being amortised over a period of four years with effect from 1 January 2006, the period corresponding to that of the non-competition undertaking granted by France Télécom for the publication of alphabetical directories.

Note 6. Other non-current financial assets

(in thousands of euros)	30 June 2006	31 December 2005	30 June 2005
France Télécom long-term loan ⁽¹⁾	21,403	42,805	42,805
Other assets ⁽²⁾	1,264	1,276	1,248
TOTAL	22,667	44,081	44,053

(1) Long-term portion of the loan of €64.2 million granted to France Télécom, of which €21.4 had been repaid in April 2006.

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



Note 7. Other current financial assets

(in thousands of euros)	30 June 2006	31 December 2005	30 June 2005
France Télécom loan ⁽¹⁾	21,402	21,403	21,403
Short-term investments (>3 months and <1 year) (2)	17,575	16,482	2,113
Other assets	943	1,471	1,121
TOTAL	39,920	39,356	24,637

(1) Short-term portion of the loan of €64.2 million granted to France Télécom, of which €21.4 million had been repaid in April 2006.

(2) Sum provided for the market maker in respect of the liquidity contract entered into in 2005.

Note 8. Gross financial debt, cash

(in thousands of euros)	30 June 2006	31 December 2005	30 June 2005
Short-term investments (cf. note 7)	17,575	16,482	2,113
Cash and cash equivalents ⁽¹⁾	474,509	549,827	489,648
Total investments and cash	492,084	566,309	491,761
Bank overdrafts	9,034	7,806	8,830
Other financial liabilities	4,917	5,507	50,180
Gross financial debt	13,951	13,313	59,010
of which due in less than one year	13,950	13,296	58,973
of which due in more than one year	1	17	37
Net cash position (debt)	478,133	552,996	432,751

(1) Comprises essentially current accounts and deposits up to three months with France Télécom.

Movements in the financial debt of PagesJaunes were as follows:

(in thousands of euros)	
Balance on 31 December 2005	13,313
- Changes in scope of consolidation	0
- Net increase (decrease)	638
- Other changes	0
BALANCE ON 30 JUNE 2006	13,951

Note 9. Shareholders' equity

In accordance with the decision of the shareholders meeting in the Combined General Meeting of 19 April 2006, PagesJaunes Group paid on 2 May 2006 the dividend relating to the 2005 financial year, amounting to €284.0 million, i.e. €1.02 per ordinary share.

The company carried out a capital increase of €1,200 by the creation of 6,000 new shares in order to allow the anticipated exercise of PagesJaunes Group options.

The Combined General Meeting of PagesJaunes Group of 19 April 2006 authorised the Board of Directors, for a period of 18 months with effect from the date of the Combined General Meeting, to repurchase PagesJaunes Group shares up to a maximum of 10% of the share capital for a maximum of €30 per share as part of a share repurchase programme. On 14 November 2005 PagesJaunes Group entered into a liquidity contract with Rothschild & Cie Banque in order to promote the liquidity of the transactions and the regularity of the market prices of the shares of PagesJaunes Group. Between the implementation of this contract

and 30 June 2006, Rothschild & Cie Banque acquired an accumulated total of 1,813,365 PagesJaunes Group shares in the market on behalf of PagesJaunes Group. Between 19 April 2006, the renewal date of the share repurchase programme, and 30 June 2006, Rothschild & Cie Banque acquired an accumulated total of 395,000 shares in the market, i.e. 0.14% of the capital of PagesJaunes Group. As at 30 June 2006, PagesJaunes Group held 1,000 of its own shares under this liquidity contract.

In addition, in its 13th resolution, the Combined General Meeting of PagesJaunes Group on 19 April 2006 authorised the Board of Directors to cancel all or part of the ordinary shares of PagesJaunes Group acquired in repurchase programmes adopted by the company. By law, these shares can only be cancelled up to a limit of 10% of the capital of the Company in any 24-month period.

In its 12th resolution, this Meeting authorised the Board of Directors to allocate bonus shares of the Company to the members of the personnel or officers of the Company. On 30 May 2006 the Board of Directors of PagesJaunes Group allocated to certain employees of Group companies a total of 602,361 bonus shares of PagesJaunes Group, representing 0.22%



of the capital of the Company. This allocation confers the right to receive shares of the company free of charge, after a vesting period of two years and subject to fulfilment of performance conditions.

The Combined General Meeting of 12 April 2005 also adopted a certain number of financial resolutions which remain in force during the 2006 financial year.

In its 10th and 11th resolutions, making use of the legal mechanism of general delegation of powers, it conferred upon the Board of Directors the power, for a period of 26 months, to decide on the issuance, with or without pre-emptive rights for shareholders, of (i) ordinary shares of the company, (ii) marketable securities giving access by any means, immediately or at a future date, to existing or new ordinary shares of the company or (iii) marketable securities giving access by all means, immediately or at a future date, to existing or future shares in a company of which the Company holds directly or indirectly more than half of the capital (the "Subsidiary").

This Meeting also conferred upon the Board of Directors, for the same period of 26 months, in its 12th resolution, a power enabling the Board of Directors, in the context of an issue with no pre-emptive right, of ordinary shares or marketable securities giving access to ordinary shares of the Company or a Subsidiary, in accordance with the new power provided by the law to derogate from the legal rule concerning the setting of the subscription price and to set this price in accordance with the terms defined by the general meeting. The meeting, in its 13th resolution, authorised the Board of Directors, in the event of a capital increase with or without pre-emptive right for shareholders, to increase the number of shares to be issued in the event of excess demand. The 14th, 15th and 16th resolutions adopted by this Meeting concern the issuance, without pre-emptive right, of ordinary shares or marketable securities giving access to ordinary shares, either to enable the issuance of public exchange offers to be initiated by the Company (14th resolution), or in accordance with the new power provided by the law to enable the remuneration by the Company of contributions in kind consisting of capital shares or marketable securities giving access to capital (15th resolution), or to enable the issuance by subsidiaries or companies controlling PagesJaunes Group of transferable securities giving access to ordinary shares of the Company (16th resolution). This Meeting set an upper limit of €20 million for the 10th to 16th resolutions referred to above.

In its 18th resolution, this Meeting delegated power to the Board of Directors to decide on the issuance of marketable securities conferring the right, immediately or at a future date, to the allocation of debt securities.

In its 19th resolution, this Meeting delegated power to the Board of Directors for the purposes of increasing the capital by the incorporation of reserves, profits or premiums, within the limits of a maximum nominal amount of capital increase of €20 million, irrespective of the initial upper limit.

In its 20th resolution, this Meeting delegated power to the Board of Directors for the purposes of increasing the capital for the benefit of the members of the employee share ownership plan of the PagesJaunes Group, by issuing shares for cash, within the limits of a maximum nominal amount of capital increase of €2,230,000, i.e. approximately 4% of the capital of the Company.

In its 22nd resolution this Meeting authorised the Board of Directors to allocate options in respect of the Company's ordinary shares to employees or officers of the Company up to a maximum of 2% of the capital. On 28 June 2005 the Board of Directors of PagesJaunes Group allocated to certain of its employees a total of 3,796,800 options on PagesJaunes

shares, representing 1.36% of the Company's share capital and conferring the right to subscribe the same number of shares at a price of €19.30 per share.

PagesJaunes Group is a subsidiary of France Télécom, which controls 54.0% of the capital and voting rights. The Board of Directors of France Télécom, meeting on 6 June 2006, announced that it was preparing a full or partial withdrawal from PagesJaunes Group.

Note 10. Stock options and bonus shares

10.1 Description of the plans

PagesJaunes Group established a stock option plan on 28 June 2005 and carried out an allocation of bonus shares on 30 May 2006.

In addition, some employees hold options which had been granted to them when PagesJaunes Group was a subsidiary of the Wanadoo Group or when they were employees of Wanadoo and Orange SA, subsidiaries of the France Télécom Group.

PagesJaunes Group

The stock option plan of 28 June 2005, totalling 3,796,800 options all with an exercise price of €19.30, has a life of 10 years and the options are fully vested after three years. There are no performance conditions. A four-year period of non-transferability (sales restriction) of the shares is required in accordance with taxation regulations and is applicable to French beneficiaries.

In accordance with the resolutions adopted by the Extraordinary General Meeting of 19 April 2006, the Board of Directors of PagesJaunes Group, meeting on 30 May 2006, resolved to allocate bonus shares to certain managers and employees of PagesJaunes Group and associated companies. This involved a total of 602,361 rights to receive shares. This allocation confers the right to receive shares of the company free of charge, after a vesting period of two years and subject to fulfilment of performance conditions.

Orange SA

"France" stock option plans: These plans (2001, 2002 and 2003), amounting to 45,983,363 options at the level of the France Télécom Group, have a life of 10 years and, in the case of most plans, the options are fully vested after three years. Certain options also have individually specified vesting periods. A four-year period of non-transferability (sales restriction) of the shares is required in accordance with taxation regulations and is applicable to French beneficiaries.

Wanadoo SA

The Wanadoo stock option plans for French employees (2000, 2001, 2002 and 2003), amounting to 30,630,000 options at the level of the France Télécom Group, have a life of 10 years and are fully vested after three years (or five years in the case of the 2000 plan). In addition, for the 2000 and 2001 plans, the exercising of the options is subject to performance conditions associated with the performance of the underlying shares and the achievement of operating results. All the plans are based on settlement in shares (cash settlement was possible temporarily between 9 March 2004 and 1 September 2004). A four-year period of non-transferability (sales restriction) of the shares is required in accordance with taxation regulations and is applicable to French beneficiaries.



10.2 Description of the valuation models for the instruments allocated during the period

PagesJaunes Group allocated bonus shares in 2006. No other shareholders' equity instrument was allocated in 2006.

PagesJaunes Group has assessed the fair value of the goods or services received during the period on the basis of the fair value of the allocated shareholders' equity instruments. The fair value of an allocated share corresponds to the market price of the share on the date of allocation, adjusted to take account of the loss of dividend expected during the two-year vesting period. The assumptions used to determine this fair value are detailed in note 10.5.

10.3 Movements in stock option plans during the period

	Number of options as at 30 June 2006	Weighted average exercise price 2006	Number of options 2005	Weighted average exercise price 2005
Options in circulation at start of period	7,101,444	n.m.	4,316,609	n.m.
Orange stock option plans	318,200	€9.07	186,900	€9.15
Wanadoo stock option plans	3,035,244	€22.71	4,129,709	€21.07
PagesJaunes Groupe stock option plan	3,748,000	€19.30	-	-
Options granted				
Orange stock option plans	-	-	-	-
Wanadoo stock option plans	-	-	-	-
PagesJaunes Groupe stock option plan	-	-	3,796,800	€19.30
Additional options				
Orange stock option plans	-	-	-	-
Wanadoo stock option plans	-	-	12,484	€22.62
PagesJaunes Groupe stock option plan	-	-	-	-
Options exercised				
Orange stock option plans	-	-	(5,000)	€10.00
Wanadoo stock option plans	(39,552)	€14.53	(868,128)	€14.93
PagesJaunes Groupe stock option plan	(6,000)	€19.30	-	-
Options cancelled, lapsed				
Orange stock option plans	-	-	-	-
Wanadoo stock option plans	(23,803)	€22.06	(110,084)	€22.79
PagesJaunes Groupe stock option plan	(22,400)	€19.30	(39,800)	€19.30
Migration outside the PagesJaunes Group (*)				
Orange stock option plans	-	-	-	-
Wanadoo stock option plans	(9,939)	€27.88	(128,737)	€20.42
PagesJaunes Groupe stock option plan	(18,000)	€19.30	(9,000)	€19.30
Migration within the PagesJaunes Group (**)				
Orange stock option plans	5,000	€10.00	136,300	€9.00
Wanadoo stock option plans	19,693	€15.38	-	-
PagesJaunes Groupe stock option plan	-	-	-	-
Options in circulation at end of period	7,006,443	n.m.	7,101,444	n.m.
Orange stock option plans	323,200	€9.09	318,200	€9.07
Wanadoo stock option plans	2,981,643	€22.75	3,035,244	€22.71
PagesJaunes Groupe stock option plan	3,701,600	€19.30	3,748,000	€19.30

(*) Options held by beneficiaries who left PagesJaunes for another company in the France Télécom group.

(**) Options held by beneficiaries joining the PagesJaunes Group who were in another company of the France Télécom group at the time of allocation of their options.



10.4 Details of options in circulation at the end of the period

	Number of options not exercised at closing date	Weighted average time to start of exercise period (months)	Weighted average exercise price	Number of options exercisable at end of period
2005				
Orange stock option plans	318,200	1	€9.07	276,080
Wanadoo stock option plans	3,035,244	3	€22.71	2,289,492
PagesJaunes Groupe stock option plan	3,748,000	30	€19.30	-
TOTAL	7,101,444	17	n.m.	2,565,572
As at 30 June 2006				
Orange stock option plans	323,200	-	€9.09	323,200
Wanadoo stock option plans	2,981,643	1	€22.71	2,247,597
PagesJaunes Groupe stock option plan	3,701,600	24	€19.30	-
TOTAL	7,006,443	13	n.m.	2,570,797

10.5 Fair value of bonus shares allocated during the period

Main assumptions - Valuation model

Price of underlying asset on grant date (market price)	€21.52
Vesting period	2 years
Expected dividend rate	5.00%
Probability of achievement of performance conditions	100%
Fair value of a share	€19.47

Having regard to the number of rights to the allocation of bonus shares distributed on 30 May 2006, i.e. 602,361, the maximum charge representing the fair value of the shares which could be allocated in this way, subject to fulfilment of the performance conditions specified by the Board of Directors of PagesJaunes Group, is €10.6 million. This charge, which takes into account an estimated annual departure rate of 5%, is

amortised over the vesting period, i.e. two years. It will be adjusted as a function of the trend in the probability of achieving the performance conditions or of the expected rate of departure during this period, and will be finally set on the basis of the number of shares actually distributed at the end of this period.

10.6 Impact of stock option plans and bonus shares in the income statement

(in thousands of euros)	30 June 2006	31 December 2005	30 June 2005
Charge for the period			
Orange stock option plans	18	440	411
Wanadoo stock option plans	672	4,267	3,743
PagesJaunes stock option plan	988	1,011	-
PagesJaunes Groupe bonus shares	438	-	-
TOTAL	2,116	5,718	4,154

The charge for the 2006 financial year relates to stock options and bonus shares.



Note 11. Transactions with related parties

AMOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES

(in thousands of euros)	30 June 2006	31 December 2005	30 June 2005
Associated company			
France Télécom SA	5,515	15,821	16,638
Atlas Services Belgium (formerly Wanadoo international)	-	7,485	12,526
Other companies of the France Télécom group	1,494	1,591	2,100
TOTAL	7,009	24,897	31,264

In addition to these receivables, the current accounts and deposits with France Télécom amounted to €454.1 million as at 30 June 2006, €537.6 million as at 31 December 2005 and €499.2 million as at 30 June 2005.

A loan was also granted to France Télécom in a total amount of €42.8 million as at 30 June 2006 (€64.2 million as at 30 June 2005 and 31 December 2005, see notes 6 and 7), the balance of which is repayable in two instalments, in April 2007 and April 2008.

DEBTS TO ASSOCIATED COMPANIES

(in thousands of euros)	30 June 2006	31 December 2005	30 June 2005
Associated company			
France Télécom SA	23,290	35,973	35,550
Other companies of the France Télécom group	805	1,297	1,706
TOTAL	24,095	37,270	37,256

In addition, the current accounts with France Télécom amounted to €45.0 million as at 30 June 2005. There were no liabilities in this regard on 30 June 2006, nor on 31 December 2005.



SIGNIFICANT TRANSACTIONS WITH ASSOCIATED COMPANIES

(in thousands of euros)	30 June 2006	31 December 2005	30 June 2005
Nature of the transaction			
Télétel	1,435	3,915	2,230
Publishing costs	2,956	47,276	21,171
Audiotel	200	1,248	606
Enriched databases (sale)	418	1,262	640
Advertising products and representation	2,966	3,672	1,153
Direct marketing	720	1,377	693
Other income	1,148	343	276
Direct marketing - databases	(474)	(1,054)	(576)
Placing at disposal of personnel	(2,453)	(5,948)	(3,102)
White Pages fees	(2,365)	(61,323)	(29,454)
Real estate and rental charges	(5,785)	(12,022)	(5,070)
Raw databases (purchase)	(2,010)	(3,957)	(2,120)
Management fees	(2,868)	(5,618)	(2,821)
Trademark fees	-	(579)	(290)
Telephone – hosting	(3,451)	(6,394)	(3,594)
IT services and development	(1,617)	(4,142)	(1,947)
Call centres – training of operators	(3,904)	(907)	-
Operating concession and l'Annuaire trademark (Intangible fixed assets)	(12,000)	-	-
Other operational services	(1,657)	(1,864)	(1,880)
TOTAL	(28,741)	(44,715)	(24,085)

The main agreements entered into with the France Télécom group relate to:

- The provision of directory data for the publication of directories;
- Prospecting and collecting advertising for insertion in *l'Annuaire* and the 3611 alphabetical search service and the technical design, implementation and formatting of this advertising. With effect from 1 January 2006, this agreement applies only to the 3611 alphabetical search service;
- Carrying out on behalf of France Télécom the work necessary for the production, distribution and promotion of *l'Annuaire* and 3611 alphabetical search service;

- Management fees;
- The trademark fee up to 31 December 2005;
- Call centres for the 118 008 telephone directory enquiry service;
- The loan granted to France Télécom, the balance of which was €42.8 million as at 30 June 2006.

In addition to these transactions, financial income was generated by the cash deposited with France Télécom, amounting to €7.2 million in the first half of 2006, €15.4 million in 2005 and €6.7 million in the first half of 2005, and PagesJaunes Group contributed to legal employee profit-sharing pooled at the level of the France Télécom group up to 31 December 2005.



Note 12. Contractual obligations and off-balance-sheet liabilities

A summary of the significant off-balance-sheet liabilities is as follows:

(in thousands of euros)	30 June 2006				31 December 2005
	Total	Payments due by period			Total
		Less than one year	One to five years	More than five years	
Contractual obligations					
Operating leases	32,162	8,603	23,424	135	37,448
Purchase obligations for goods and services	27,605	27,447	158	-	120,165
Investments	694	694	-	-	-
TOTAL	60,461	36,744	23,582	135	157,613
Contingent liabilities					
Guarantees	682	217	143	322	1,013

Leasing contracts

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

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

The rent expense recorded in the income statement for operating leases amounted to €7.7 million in the first half of 2006. Of this €7.7 million, €5.2 million was billed by France Télécom. France Télécom's share of future commitments amounts to €5.4 million from 1 July 2006 to 30 June 2007 and €16.2 million from 1 July 2007 to 31 December 2011.

Commitments to purchase goods and services – production of Directories

As part of its business operations, the PagesJaunes Group concludes contracts with paper suppliers and distributors. These are generally annual contracts with rates valid for one year with a minimum purchase amount. With regard to printing services, the Group has entered into guarantees with its suppliers covering its unit printing costs for a period of three years, up to the end of 2008.

In this context, with effect from 2006 the off-balance sheet liabilities in relation to suppliers of paper, printing and distribution of directories include only firm orders which commit the PagesJaunes Group to both a precise volume and a price.

Furthermore, on the basis of the forecast volumes specified in these three-year printing contracts, the total amount payable under these contracts is estimated to be approximately €77 million for PagesJaunes SA and €7 million for QDQ Media.

Deconsolidating structures and ad hoc entities

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

There are no contractual obligations towards ad hoc entities.

Note 13. Disputes and litigation

In the ordinary course of business, the companies of the Group may be involved in a number of legal, arbitration and administrative proceedings. Costs that may arise from these proceedings are provisioned only when

they are probable and their amounts can be either quantified or estimated within a reasonable range. The amount of the provisions is based on an assessment of the risk on a case-by-case basis and largely depends on factors other than the particular stage of proceedings, although events occurring during the course of proceedings may call for a reassessment of this risk.

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

- a) at the beginning of 2002, PagesJaunes SA implemented a commercial development plan, including, notably, the modification of the employment contracts of 930 sales representatives. This modification aims to adapt these contracts to a new competitive environment. Approximately 100 employees refused to sign the proposed new contract and were laid off during the second quarter of 2002. Almost all these employees commenced legal proceedings against PagesJaunes to contest the validity of the reason for the redundancies. *The Cour de Cassation*, in two judgments handed down on 11 January 2006, approved the commercial development plan. The *Cour de Cassation* ruled that economic redundancy following a reorganisation implemented to prevent future economic difficulties associated with technological developments was justified. However, cases including claims based on grounds not settled by the above judgments and cases before the administrative jurisdictions are still pending;
- b) in 2001 and 2002, PagesJaunes Group was subject to a tax audit for the fiscal years 1998 and 1999. Following a notice of adjustments dated 29 May 2002, the taxation administration called into question the deductible nature of the provision for the impairment of the Oda Do Brazil shares in an amount of €11.3 million (long-term capital loss) and the provision for the impairment of the receivables from *Oda Do Brazil* in an amount of €7.4 million. The Company contested this adjustment in a letter dated 27 June 2002 and the administration maintained its position in its response to the taxpayer's observations dated 20 August 2002. A litigious claim was filed with the taxation administration on 15 July 2004. The amount involved is €4.5 million (including late payment interest up to 30 June 2006);
- c) on 26 June 2002, FAC, an advertising agency, commenced proceedings against PagesJaunes before the *Tribunal de commerce of Nanterre*. This advertising agency considers that PagesJaunes has committed acts of



unfair competition, such as interference with customer relationships, disparagement and abusive sales methods. It is claiming €1 million in damages. This case was heard on 14 September 2004. Judgement was pronounced on 21 December 2004. Our opponents did not win the case. The advertising agency *FAC* has appealed this judgement. Although PagesJaunes Group believes it has elements in its favour, it cannot, in the current circumstances, rule out the possibility that it may lose the case on appeal;

- d) PagesJaunes SA commenced legal action on 10 June 2003 against *LSM*, an advertising agency, before the *Tribunal de Commerce of Cannes*. Based on the testimony of many customers, PagesJaunes SA claimed that this agency undertook acts of unfair competition with the aim of creating confusion between *LSM* and PagesJaunes SA in the mind of customers contacted by *LSM* for advertisement insertions in the PagesJaunes SA directory. In a judgment rendered on 19 February 2004, the *Tribunal de Commerce of Cannes* dismissed PagesJaunes SA's claims. PagesJaunes SA has appealed this decision, which, if confirmed on appeal, would likely foster the development of this type of competition from other advertising agencies and create difficulties for PagesJaunes in its customer prospection. Even though it believes it has a strong case in these proceedings, PagesJaunes SA cannot exclude a confirmation of this decision on appeal;
- e) PagesJaunes SA was informed on 24 January 2006 of a reference to the *Conseil de la Concurrence* filed on 10 January 2006 by the company *Le Numéro* relating to alleged practices of France Télécom and PagesJaunes SA in the area of directory enquiry services. The *Conseil de la Concurrence* issued its ruling on 21 June 2006, closing the reference by *Le Numéro* and rejecting all of its demands against PagesJaunes SA.

In addition, in common with the other companies in the sector, the Group is frequently the subject of court proceedings brought in relation to errors in the publication of directories and other media. Generally the financial risk represented by each of these proceedings is relatively limited. However, an increase in their number may constitute a significant risk for the Group. The number of such proceedings declined constantly from 2001 and has remained stable in 2006. As at 30 June 2006, the number of proceedings was 28, for a total amount of potential claims of €1.8 million. In the context of these proceedings, the Group is endeavouring to negotiate out-of-court compensation, which would enable it significantly to reduce the final total cost of these proceedings. However, no guarantee can be given that these proceedings will not have a significant negative impact on the financial situation of the Group.

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

Note 14. Sundry information

Since 9 February 2006, PagesJaunes Group and PagesJaunes SA have been the subject of a tax audit covering the years 2002, 2003 and 2004. The audit is currently ongoing.

Note 15. Subsequent events

Nil

Note 16. Scope of consolidation

SCOPE AS AT 30 JUNE 2006

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



SCOPE AT 31 DECEMBER 2005

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



3.3 Auditors' report on information from the first half-year of 2006

(Articles L. 232-7 of the French Commercial Code and 297-1 of the decree of 23 March 1967)

Dear Shareholders,

In our capacity as Auditors and in accordance with Article L. 232-7 of the French Commercial Code, we have conducted:

- a limited review of the summary consolidated half-year financial statements of PagesJaunes Group, concerning the period from 1 January to 30 June 2006, such as attached to this report;
- a verification of the information provided in the half-year report.

These summarized consolidated half-year financial statements were drawn up under the responsibility of the Board of Directors. It is our task, based on our limited review, to express an opinion on these statements.

We have conducted our limited review according to professional standards applicable in France. A limited review of intermediate statements consists in obtaining information deemed as necessary, mainly from people who are responsible for the accounting and financial aspects, and to implement analytical procedures as well as any other appropriate procedure. A review of this type does not include all of the verifications proper to an audit conducted according to professional standards applicable in France. It therefore does not make it possible to ensure that all of the significant points that would have been identified in a proper audit have been identified and, because of this, we shall not provide an audit opinion.

Based on our limited review, we have not found any significant errors that would call into question the compliance, in all of their significant aspects, of the summarised consolidated half-year financial statements with the IAS 34 standard – referential standard IFRS such as adopted in the European Union pertaining to intermediate financial information.

We have also, in accordance with the professional standards applicable in France, verified the information provided in the half-year report that comments on the summarised consolidated half-year financial statements which were the object of our limited review.

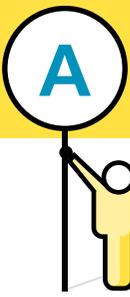
We have no comment regarding their accuracy and their concordance with the summarised consolidated half-year financial statements.

Neuilly-sur-Seine and Paris-La Défense, 24 July 2006

The Auditors

DELOITTE & ASSOCIÉS
Éric Gins Jean-Paul Picard

ERNST & YOUNG Audit
Christian Chiarasini Jeremy Thurbin



Appendix: report of Mr Dominique Ledouble and Thierry Bergeras, independent experts with the Nanterre Business Court

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"Ladies and Gentlemen,

PagesJaunes Group is currently the target of a transfer transaction of the controlling interest held by France Telecom to an investment fund consortium conducted by Kohlberg Kravis Roberts & Co (KKR) and Goldman Sachs Capital Partners (GSCP) (the "Consortium").

A proposal is under consideration to be made to the General Shareholders' Meeting, to distribute an exceptional dividend for a maximum amount of 3.1 billion euros taken from reserves. This distribution will be financed by the use of available cash and by a loan for which the amount would lead to a net debt/EBITDA 2006 ratio of between 4.5x et 5.5x.

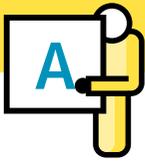
Before acting, you solicited the opinion of independent experts on the matter:

- "appreciate (i) the acceptable nature for the financial structure of the PAGESJAUNES GROUP company to proceed with an exceptional distribution of reserves financed by borrowings and leading to an expected net debt over EBITDA ration in 2006 (operating results before amortisation, compensation via shares and extraordinary items) comprised between 4.5 and 5.5 times and (ii) the consequences of the distribution being considered on the level of shareholders' equity of the company and of the group;
- to provide an opinion on the adequacy between the debt structure subsequent to the exceptional distribution and the development outlook being considered by PAGESJAUNES GROUP and reflected in its business plan".

At the request of PagesJaunes Group and Legendre Holding 16 SAS, the President of the Nanterre Business Court by order of 27 July 2006, appointed us to draw up the requested report, of which the contents is provided hereinbelow.

Deployment of the task

The undersigned sent the clerk of the Nanterre Business Court a declaration confirming their independence and their commitment to perform this task with impartiality. Mr. Dominique Ledouble notes for whom it may concern that accompanied by Mr. Xavier Paper, he was appointed in 2004 as contribution commissioners in the legal restructuring of the PagesJaunes Group.



The task included the diligences deemed necessary on the basis:

- of a critical examination of the past and forecast financial documents concerning PagesJaunes Group;
- of an appreciation of the situation of PagesJaunes Group pertaining to that of comparable companies or situations;
- of discussion with the management of PagesJaunes Group (Mr. Datchary CEO, Mr. Moché Strategy Director, and Madame Mattlinger, Financial Director).

We have not conducted any diligence pertaining to an audit aiming to check the reliability of historical data, we shall base our examination at hand on the auditors' reports without any reserve.

We are not aware of the financing conditions of the buyout by KKR and GSCP or of any agreements that are about to be signed between the latter and France Telecom. We have simply been informed that the date contracted by PagesJaunes Group will be structurally independent from that of the acquirer.

1. Presentation of the transaction

The controlling interest in PagesJaunes Group held by France Télécom is to be transferred to the Consortium. Within the framework of financing the transaction, the future shareholders are considering to proceed with an exceptional distribution of dividends leading the target PagesJaunes

Group to borrow an amount comprised between 2.1 and 2.6 billion euros, such that the Net debt/EBITDA 2006 multiple be comprised between 4.5x and 5.5x.

1.1 ACTIVITY OF PAGESJAUNES GROUP

PagesJaunes Group, whose shares are admitted for trading on the Eurolist market of Euronext Paris, is the parent company of a listed group which provides an activity of sector inquiry and information via the publication and distribution of directories, the consultation of an Internet site (pagesjaunes.fr), the minitel, or by telephone (118 008). Revenue reached 1.1 billion euros in 2005. Net income group share for the same year was €262 million.

In France, PagesJaunes SA has 620,000 customers; the top 20 customers represent 1.5% of the revenue. The customer irrecoverability rate reaches 0.3%. The average number of employees is 4,677 including 1,829 sales personnel. The "on-line directory" activities provide nearly 30% of the revenue based on a traditional advertising model of location sales. Apart from the Minitel activity (€57 million in revenue in 2005), all of the activities are growing. The company took part in the launch of the telephone inquiry service when the market was opened; until now it has experienced mitigated results and expects to reach the break even point in 2008.

1.2 VALUE OF PAGESJAUNES GROUP

PagesJaunes Group has seen great change in the value of the company over the last few years:

- 1998: €400 million during the transfer by HAVAS and VIVENDI to France Telecom;
- 2000: €500 million during the transfer of France Telecom to Wanadoo;
- 2004: €3.9 billion euros when it was listed on the stock exchange;

- 2006: €5.6 billion euros when transferred by France Telecom.

The origin for this change lies mainly:

- in the change of its business which changed in just a few years from a governed company to the status of an autonomous actor;
- in the ability of PagesJaunes to defend its directory offering, to build its on-line directory service and to develop the two networks.



1.3 FINANCIAL POLICY AND STRUCTURE

At the end of December 2005, PagesJaunes Group has a financial structure without debt with positive net cash exceeding €600 million¹. It invests very little and most of its investment (IT equipment in particular) is booked

directly as expense. It has an attractive dividend distribution policy for the shareholder with a distribution rate of almost 100% and a rate of return close to 5%.

1.4 CHARACTERISTICS OF THE LOAN FINANCING THE EXCEPTIONAL DIVIDEND

The purpose of borrowing in order to obtain a financial ratio of between 4.5 and 5,5 times EBITDA leads to borrowing an amount that falls between 2.1 billion euros and 2.6 billion euros. Taking available cash into account, the dividend distribution under consideration could be at a maximum of about 3.1 billion euros.

The loan under consideration would be, with the reserve of discussions currently underway with the interested lending institutions, accompanied with the following conditions:

- loan in euros;
- EURIBOR variable rate plus about 200 basis points covering the interest rate risk by a hedging tool (swap);

- reimbursement in fine over seven years.

The Group's officers have confirmed to us that the debt contracted by PagesJaunes Group would be structurally independent from any debt that may be set up at the level of the acquirer, which in particular benefits from priority in terms of dividends or guarantee in relation to this loan. As of the date of our report, we are not aware of the covenants that will accompany the loan; we were simply informed that the latter would be limited to the normal commitments of maintaining financial ratios (maximum total net debt/EBITDA ratio and minimum EBITDA/ financial expense ratio) with no limitation on the amount of any acquisitions or asset transfers.

2. Financial structure of the PagesJaunes Group

We have reviewed the impact of the exceptional distribution and the subsequent indebtedness on the financial structure of PagesJaunes Group.

2.1 RELIABILITY OF THE FORECAST PROCESS

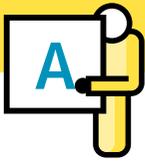
We have examined the business plan put forth by the management of PagesJaunes Group and have debated on the hypotheses that are retained and the calculations that were carried out. We observe:

- that looking to the past, the group has always been cautious in its estimates; especially, forecasts established during the contributions in 2004 were largely exceeded;
- that the future hypotheses seem cautionary, and rather lower than those retained by financial analysts.

Generally speaking, PagesJaunes Group has the expected characteristics in order to carry out this type of transaction, in particular:

- the activity is not very cyclic;
- diversity in the activities and good distribution of revenue per customer;
- past weakness in investment levels;
- strong entry barriers;

1. Including €550 million in available cash and €64 million tied to a loan with France Télécom who, taking the transaction being considered into account, will be reimbursed before the end of 2006.



- persistence over the last few years in recurring income at a high level;
- no debt.

The risk on the business plan that we have taken into consideration are primarily as follows:

- entered on the list in the Internet search market as one of the leaders in the market;

- cannibalisation of directory and on-line search products;
- abandoning of the Voice & Services (V&S) activity.

Impact of the entry on the list if other competitors in the Internet market is difficult to grasp; it can be forecast however that PagesJaunes Group will have to provide additional functionality and services if it wants to maintain the expected growth in its revenue. If the V&S is to be abandoned, the impact of this decision on the business plan would be of low impact.

2.2 SIMULATIONS CARRIED OUT

We have carried out simulations aiming to appreciate the sensitivity of the model to a degradation of the financial or economic hypotheses:

- the business plan was degraded in the form of hypotheses judged as low by the management in light of the results over the last five years (low scenario);
- we have also produced over the period of the plan, the growth rates for the activity that were observed during the years 1992/1997, years of economic crisis and low growth and even negative growth for the group (crisis scenario).

These simulations show that:

- even in the degraded scenario, the loan should not create any cash flow problems for PagesJaunes Group;
- the reduction in fine in the level of indebtedness necessarily leads to the reduction in the distribution rate or even to the suppression of distribution at all if the company wants to return to a zero debt state;
- the group will not be able to perform and major acquisitions unless it accepts in fine the maintaining of a high multiple pertaining to Debt/EBITDA. In any case, the level of indebtedness in fine will result from arbitration between distribution and external growth.

2.3 IMPACT ON THE CONSOLIDATED AND PARENT FINANCIAL STATEMENTS

2.3.1 Parent statements of PAGESJAUNES GROUP

The parent accounts closed on 31 December 2005 are as follows:

(in millions of euros)	ASSETS	(in millions of euros)	LIABILITIES
		Capital	56
Holdings	4,169	issue premium	53
Receivables	79	Legal reserve	5
Treasury shares	2	Other reserves	38
		Balance carried forward	3,689
Receivables	166	Result	242
		Shareholders' equity	4,083
VMP	16	Provisions	1
		Borrowings	188
		Liabilities	160
TOTAL ASSETS	4,432	TOTAL LIABILITIES	4,432

This balance sheet warrants the following remark: the balance carried forward has its origin in the booking in 2004 of a capital gain subsequent to the partial contribution of assets of the activities of PagesJaunes (which became PagesJaunes Group) to NEDIF (which became PagesJaunes).



With the hypothesis of a payment of a dividend of three billion euros, the social balance sheet of PagesJaunes Group would have the following physiognomy:

(in millions of euros)	ASSETS	(in millions of euros)	LIABILITIES
		Capital	56
Holdings	4,169	issue premium	53
Receivables	79	Legal reserve	5
Treasury shares	2	Other reserves	38
		Balance carried forward	689
Receivables	166	Result	242
		Shareholders' equity	1,083
VMP	16	Provisions	1
		Borrowings	3,188
		Liabilities	160
TOTAL ASSETS	4,432	TOTAL LIABILITIES	4,432

2.3.2 Consolidated financial statements of PagesJaunes Group

The consolidated financial statements of PagesJaunes Group are as follows at 31 December 2005:

(in millions of euros)	ASSETS	(in millions of euros)	LIABILITIES
		Capital	56
Fixed assets	210	Consolidated reserves	89
		Result	262
Stocks	5	Shareholders' equity	407
Receivables	473		
Other assets	101	Non-current liabilities	36
Other financial assets	39	Borrowings	
Available Cash	550	Liabilities	935
TOTAL ASSETS	1,378	TOTAL LIABILITIES	1,378

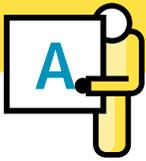
This consolidated balance sheet warrants the following remarks:

- the value of the consolidated shareholders' equity of PagesJaunes Group is low (€407 million) compared to the market value (€6,100 million) in the sense where intangible value (brand, market share, clientele) are not valorised.

- the social results are distributed at a level of 100%.

With the hypothesis of a payment of a dividend of three billion euros, the consolidated balance sheet of PagesJaunes Group would have the following physiognomy:

(in millions of euros)	ASSETS	(in millions of euros)	LIABILITIES
		Capital	56
Fixed assets	210	Consolidated reserves	(2,911)
		Result	262
Stocks	5	Shareholders' equity	(2,593)
Receivables	473		
Other assets	101	Non-current liabilities	36
Other financial assets	39	Borrowings	2,450
Available Cash		Liabilities	935
TOTAL ASSETS	828	TOTAL LIABILITIES	828



This warrants the following commentary on our behalf:

- the unbalance observed is only the accounting results of the distribution to shareholders of a part of the assets. This transaction has a particularly negative impact on the presentation of the consolidated financial statements and especially on shareholders' equity which becomes highly negative;

- the difference between the book value and the market value in shareholders' equity is also substantial;
- accounting regulations do not allow for a presentation of the statements that is more realistic in terms of the group. It will therefore be necessary, as long as this situation persists, to provide the shareholders with appropriate information on the value of the intangibles that served as a basis in the distribution of the exceptional dividend.

2.4 "LEVERAGED RECAP"

Anglo-Saxon literature identifies three ways to create value with "leveraged recap" transactions such as that which is under consideration in the case with the PagesJaunes Group:

- give funds back to the shareholder that he can reinvest elsewhere with better yield (opportunity cost);
- increase the return on the capital invested by substantially reducing the amount of the capital while still reducing the average weighted cost of the latter, taking advantage of the leverage effect on the after-tax borrowing rate;
- encourage management to provide better management due to the very existence of the loan.

And there are inconveniences:

- this exceptional distribution, if it is not followed as in the past, by a policy of high distribution, may not be suitable for the minority shareholder who invested in PagesJaunes Group in order to benefit from dividends that are high and regular;

- the exceptional distribution can be unfavourable from a tax standpoint for the shareholder in certain situations;
- the increase in return on equity (ROE) is accompanied by an increase in the risk for the shareholder;
- attaining objectives that are less than market expectations ² leads to a degradation in value accentuated by the presence of the debt;
- and we mention the risk of bankruptcy: Standard and Poors indicated recently that "leverage caps" substantially increased this risk in the transactions, which are certainly different, of secondary LBO ³.

Finally, this market practice is borrowed from the world of LBOs and leads to a change in the risk classification for the share held by the minority shareholder. It implies an increase in indebtedness, an increase in fixed costs but economic profitability is maintained.

3. Review of comparative practices

3.1 COMPARABLE COMPANIES

The companies that were retained in the sample that allowed the shareholder's to approve the contribution transaction in December 2004 are the following:

- YELL (GB): YELL exercises the same activity in Great Britain as PagesJaunes. It has services which are not yet set up in France, in particular Yellowbook which is a search engine by profession and by location. The associated photos and road map views are especially perfected. It acquired TPI (Spain) in 2006;
- SEAT PAGINE GIALLE (Italy): SEAT PAGINE GIALLE exercises the same activity in Italy. The company has set up a location service via road map, providing location of searched sites in three dimensions. SEAT PAGINE GIALLE distributed dividends for an exceptional amount of 3.5 billion euros in 2004. Since then it has completely overhauled its dividend

distribution policy. It generates a yield of 1.2% per year compared to 4.5% at PagesJaunes;

- ENIRO (Sweden): ENIRO exercises the same activity in the three Nordic countries and in POLAND. It acquired FINDEXA in 2005 (Norway);
- DEX MEDIA (USA): DEX MEDIA came together with RH DONNELLEY in order to form the world's third largest directory publisher. It exercises its activity in the United States;
- FINDEXA (Norway): FINDEXA exercises its activity in NORWAY. It encountered much difficulty when try to penetrate the French market.

2. A recent example of this is Seat Pagine Gialle.

3. 7 August 2006.



3.2 COMPARABLE MULTIPLES

The companies in the sector have high Debt/EBITDA ratios that stem from the buy-out of competitors (Yell, Eniro) and from carrying out a comparable transaction (Seat PG).

	Current multiple	Current debt level*	Highest historical multiple
Seat	5,8x	50%	6,9x
Yell	6,0x	46%	6,2x
Eniro	5,0x	68%	6,5x
RH Donnelly	7,4x	nc	7,4x

* Debt/Debt + company value.

Companies in the CAC 40 and Footsie 100 currently have ratios that are lower, varying between – 1.7 and 4, but for different Capex profiles.

Levels of indebtedness for companies in the sector are currently showing levels that are higher than the level expected in PagesJaunes Group after the transaction (40%).

4. Conclusion

In response to the first question put forth, we remind you that the distribution of an exceptional dividend financed through borrowing presents, for each of the parties present, both advantages and inconveniences as listed hereinabove.

We feel that the distribution under consideration, financed through borrowing, presents in the current circumstances, an acceptable nature sense that it obtains better profitability for invested capital for the financial structure of PagesJaunes Group (ROCE).

With consolidated shareholders' equity becoming very negative after the transaction, it would be necessary to provide the appropriate information to the shareholders concerning the value and possible depreciation of unbooked intangible assets.

In response to the second question put forth, we believe that the loan does not have any impact on the business plan (no increase in the gross margin, economic profitability is maintained), but we observe that:

- the business plan that was presented to us appears cautionary and is in line with the outlook retained by analysts in the sector;
- the loan should not create for PagesJaunes Group cash problems, or in a more general manner jeopardise organic growth in the group such as provided for in the business plan;
- the reduction in fine in the level of indebtedness necessarily leads to a reduction in the distribution rate, even the suppression of any distribution at all if the company would like to return to a level of zero indebtedness;
- the group will only be able to perform any significant acquisitions by accepting in fine the maintaining of a high multiple of Debt/EBITDA.

Our conclusions are provided with the understanding under the reserve of the final covenants and of the structurally-independent nature of PagesJaunes Group's debt in relation to that set up by the purchasers."

