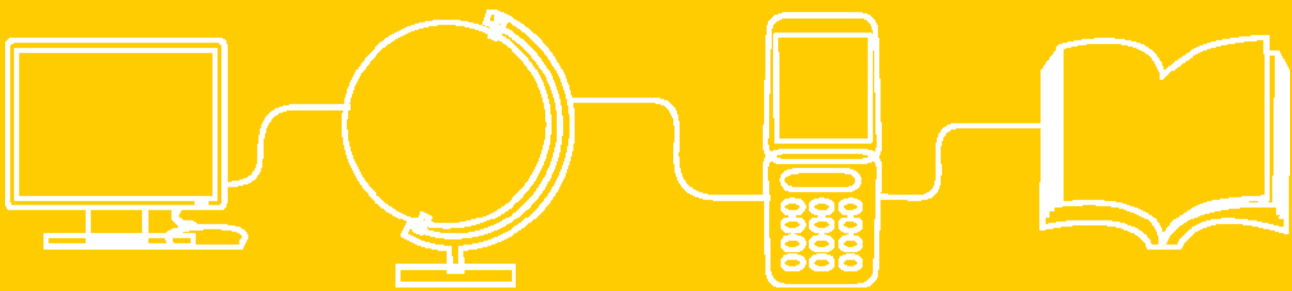
PagesJaunes Groupe
Annual Financial Report

at 31 December 2007

Board of Directors of 14 February 2008



PagesJaunes Groupe

A limited liability company (société anonyme) having a Board of Directors (Conseil d'administration) and a share capital of 56,053,356 euros.

Registered office: 7 avenue de la Cristallerie – 92317 Sèvres Cedex

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In order to achieve greater harmonisation in Europe of the provisions of national law relating to periodic and continuous reporting obligations incumbent upon issuers of transferable securities admitted to trading in a regulated market, Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004, in respect of the harmonisation of transparency requirements, provides for the publication of a financial report by such issuers. This report, as defined in article 451-1-2 of the Monetary and Financial Code, and is governed by article 222-6 of the General Regulations of the *Autorité des Marchés Financiers*. The new provisions provided for in the Transparency Directive will be applied, in all respects, for the financial years and interim periods commencing after 20 January 2007. In the context of the implementation of this Directive, PagesJaunes Groupe decided to apply these requirements voluntarily to its annual financial statements as at 30 December 2007.

1. CERTIFICATION BY THE PERSONS ASSUMING RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

“We certify that to the best of our knowledge the financial statements appearing in chapter 3 of the present annual financial report have been prepared in accordance with the applicable accounting standards and present a true picture of the assets, financial situation and results of all of the companies included within the PagesJaunes consolidated Group.

We also certify that the annual activity report appearing in section 2 of the present annual financial report is a true reflection of the information referred to in article 222-6 of the General Regulations of the *Autorité des Marchés Financiers*, namely the important events arising in the 2007 financial year and their impact on the consolidated financial statements, as well as a description of the principal risks and uncertainties for the 2008 financial year and a statement of the principal transactions between related parties”.

Mr Jacques Garaïalde
Chairman of the Board of Directors
of PagesJaunes Groupe

Mr Michel Datchary
Chief Executive Officer
of PagesJaunes Groupe

2. ANNUAL ACTIVITY REPORT AS AT 31 DECEMBER 2007

2.1. Overview

The Group's core business activity is the publication of directories in France and abroad. Its offering comprises a diversified range of products and services associated with this activity for the general public and businesses.

The Group's activities are organised in two main segments:

– **PagesJaunes in France.** These are the Group's activities in France related to the publication and distribution of directories and the sale of advertising space in printed and online directories. They also include the creation and hosting of Internet sites, the telephone directory enquiry services (118 008) and various activities such as the publication of the PagesPro directories and the QuiDonc reverse directory. They also include the holding company activities accommodated within PagesJaunes Groupe.

– **International & Subsidiaries.** These are the activities of the Group's various subsidiaries, mainly comprising the publication of consumer directories outside France and the development of complementary activities related to the publication of directories, such as the geographic services of Mappy and the direct marketing activities of PagesJaunes Marketing Services. This segment also includes the new online classified ads business ("annoncesjaunes.fr") launched at the beginning of January 2007 and accommodated within the company PagesJaunes Petites Annonces, as well as, in the fourth quarter 2007, the advertising management activities of Horyzon Média and Horyzon Clics, in which PagesJaunes Groupe acquired an interest on 11 October 2007.

The data presented for the 2006 and 2007 financial years has been adjusted to take into account the impacts associated with the sale of Kompass France and Kompass Belgium to Coface Services, on 14 March 2007. The companies Wanadoo Data and e-sama merged, on 31 March 2006, to form PagesJaunes Marketing Services. In addition, PagesJaunes Liban, a non-consolidated subsidiary, was divested, at the end of June 2006.

2.2. Comments in respect of annual earnings 2007

PagesJaunes Group *In millions of Euros*	Financial years ended 31 December 2007	2006	Change 2007/2006
Revenues	**1,158.3**	**1,093.3**	**5.9%**
External purchases	(314.6)	(302.6)	4.0%
Other operating income	10.1	11.6	-12.9%
Other operating expenses	(23.9)	(23.0)	3.9%
Salaries and social charges	(321.0)	(295.7)	8.6%
Gross operating margin	**508.9**	**483.6**	**5.2%**
as% of revenues	*43.9%*	*44.2%*	
Employee profit-sharing	(14.4)	(13.5)	6.4%
Share-based compensation	(5.2)	(8.6)	-39.5%
Depreciation, amortisation and impairment	(14.9)	(11.9)	25.2%
Income from asset disposals	14.3	(0.6)	na
Restructuring costs	-	(0.0)	na
Operating income	**488.7**	**449.0**	**8.8%**
as% of revenues	*42.2%*	*41.1%*	
Financial income	1.0	21.1	na
Financial expenses	(131.1)	(13.8)	na
Income from financial asset disposals	2.1	0.8	na
Foreign exchange gains (losses)	(0.0)	-	na
Net financial income	**(128.0)**	**8.1**	**na**
Corporation tax	(126.4)	(161.0)	-21.5%
Net earnings from continuing operations	**234.2**	**296.1**	**-20.9%**
Net income from discontinued operations (after tax)	34.4	0.8	na
Net income of the consolidated Group	**268.6**	**296.9**	**-9.5%**
of which attributable to the shareholders of PagesJaunes Groupe	269.6	296.9	-9.2%
of which minority interests	(1.0)	-	na

The Group's consolidated revenues amounted to 1,158.3 million euros, in 2007, up 5.9% on 2006. This increase was mainly due to strong growth of the Group's Internet activities, up 24.3% compared to 2006 and, to a lesser degree, to the growth of telephone directory enquiry services (118 008), in France, which only partially contributed to 2006 revenues, as well as new activities of online classified ads and Internet advertising management, following the launch of "annoncesjaunes.fr", at the beginning of 2007, and the acquisition of a stake in Horyzon Média and Horyzon Clics, the earnings of which have been consolidated within PagesJaunes Group, since October 2007.

The Group's gross operating margin amounted to 508.9 million euros, in 2007, up 5.2% on 2006, an increase reduced to 4.3%, in 2007, adjusted for PagesJaunes Groupe's costs within the scope of its disposal by France Télécom, in 2006, i.e. 4.1 million euros. The gross operating margin as a percentage of consolidated revenues was slightly down compared to 2006 to 43.9%.

Two major developments significantly impacted the gross operating margin, between 2006 and 2007:

- The marked improvement of the contribution from the telephone directory enquiry service (118 008), in 2007, thanks to the growth in advertising revenues and reduced external purchases, with a notable fall in advertising spending, compared to 2006, the launch of the service, resulting in significant advertising investments in 2006, as well as an optimisation of its cost structure.

- The launch of the online classified ads activity ("annoncesjaunes.fr"), which had a negative impact on the International & Subsidiaries segment's gross operating margin, in 2007, mainly due to the first communication campaigns and the cost of marketing operations conducted by PagesJaunes' sales force, for limited revenues in 2007.

The Group's operating profit rose by 8.8% compared to 2006 to 488.7 million euros. It includes 14.6 million euros of dilution profit of PagesJaunes Petites Annonces, recorded when M6 acquired an interest in PagesJaunes Petites Annonces, in October 2007, recognised in "income from asset disposals".

Net income of the consolidated Group amounted to 268.6 million euros, in 2007, down 9.5% on 2006. The fall in net earnings from continuing operations, which amounted to 234.2 million euros compared to 296.1 million euros in 2006, was due to interest expense arising from the payment of the exceptional dividend that required a bank loan, at the end of 2006. PagesJaunes Groupe's net debt rose to 1.87 billion euros, in 2007, thus leading to a net negative financial income of 128.0 million euros. This income also includes 34.4 million euros of net income from discontinued operations (Kompass France and Kompass Belgium), including 33.0 million euros of consolidated gain on disposals.

The following sections present revenues, gross operating margin, as well as intermediate management balances for each of the two segments of the consolidated Group, the PagesJaunes in France segment on one hand and, on the other hand, the International & Subsidiaries segment.

2.2.1. Analysis of revenues and gross operating margin of the PagesJaunes in France Segment

The following table presents the development of revenues and gross operating margin of the PagesJaunes in France segment for the 2006 and 2007 financial years:

	Financial years ended 31 December		
PagesJaunes in France	**2007**	**2006**	**Change 2007/2006**
In millions of euros			
Revenues	**1,071.8**	**1,013.3**	**5,8%**
External purchases	(270.8)	(268.9)	0.7%
Other operating income	12.6	10.9	15.6%
Other operating expenses	(22.6)	(21.3)	6.1%
Salaries and social charges	(273.4)	(254.1)	7.6%
Gross operating margin	**517.6**	**479.9**	**7.9%**
as% of revenues	*48.3%*	*47.4%*	

2.2.1.1. Revenues of the PagesJaunes in France segment

The following table shows the consolidated revenues of the PagesJaunes in France segment by line of products for the 2006 and 2007 financial years:

	Financial years ended 31 December		
PagesJaunes in France	**2007**	**2006**	**Change 2007/2006**
In millions of Euros			
Printed directories	**653.0**	**654.1**	**-0.2%**
PagesJaunes	528.8	527.1	0.3%
l'*Annuaire*	124.2	127.0	-2.2%
Online services	**369.3**	**320.8**	**15.1%**
Internet	344.0	280.0	22.9%
Minitel	25.3	40.8	-38.0%
Telephone directory enquiry services	**28.1**	**14.4**	**na**
Other activities	**21.4**	**24.0**	**-10.8%**
Revenues	**1,071.8**	**1,013.3**	**5.8%**

Revenues of the PagesJaunes in France segment totalled 1,071.8 million euros, in 2007, up 5.8% on 2006. This growth was due to increased online services revenues, buoyed by strong growth of Internet activities and, to a lesser degree, by the continued growth of the activities of telephone directory enquiry services (118 008), launched at the end of 2005. Revenues from printed directories were practically unchanged compared to the same period of the preceding year.

Overall, growth in revenues was both due to the increased numbers of advertisers and the average growth of revenues per advertiser. The number of advertisers increased by 4.5%, between 2006 and 2007, with close to 667,000 advertisers in 2007, compared to 638,000 advertisers in 2006. There were close to 120,700 new advertisers in 2007, compared to 115,100 in 2006. Within this context of strong acquisition of new advertisers, average revenues per advertiser nonetheless rose to 1,581 euros, compared to 1,570 euros in 2006. Average revenues of new advertisers were up 3.4% to 601 euros, compared to 581 euros in 2006. Finally, the retention rate of advertisers remained high compared to the industry as a whole, 85.6% of advertisers in 2006 choosing to remain clients of PagesJaunes in 2007, versus 84.5% the previous year, which was achieved despite the large increases in new client numbers of recent years, the group of clients that have the highest rate of non-retention. Expressed in terms of value, the client retention rate went from 93.4% of revenues in 2006, to 93.2% in 2007.

Printed directories

Revenues from printed directories, which principally comprised the selling of advertising space in the PagesJaunes directory[1] and *l'Annuaire* (white pages), amounted to 653.0 million euros in 2007, and was practically unchanged compared to 2006. From one period to the next, revenues of the PagesJaunes directory rose 0.3% to 528.8 million euros, while revenues of *l'Annuaire* fell by 2.2% to 124.2 million euros.

The slow-down in growth of printed directories principally concerned Ile-de-France and, to a lesser degree, certain large provincial towns, which have, for the most part, been the subject of increased distribution operations of printed directories, in the second half-year 2007 ("all address" distribution targeted at new occupants and second homes). These distribution campaigns, combined with a resumption of the advertising effort, were intended to boost the use of printed directories, which remained important loss leaders for most new advertisers, and the foremost media in terms of consultation by users. As regards the 2007 edition, more than 80% of new PagesJaunes advertisers had in fact incorporated the printed directory in their communication plans, a trend in line with previous years.

The withdrawal of certain directories was mainly due to the fall in average revenues per advertiser, which on average amounted to 1,073 euros in 2007, compared to 1,112 euros in 2006, even though the number of advertisers in printed directories continued rising, with 608,600 advertisers in 2007, compared to 588,300 in 2006.

For the 2008 edition, PagesJaunes decided to implement a new pricing policy designed to better take into account recorded differences in the use of printed and "pagesjaunes.fr" directories according to households. This new pricing policy principally aimed at offering significant reductions in printed directory rates in certain targeted areas, which overall accounted for around 18% of printed directory revenues in 2007. This has mainly been applied in *Ile-de-France*, in order to maintain advertisers' return on investment, while at the same time continuing to raise rates approximately in line with inflation, in the large majority of departments.

Online services

Revenues from online services of the PagesJaunes in France segment were mainly due to Internet services ("pagesjaunes.fr" and, website development and hosting), which continued to grow very strongly, 22.9% compared to 2006, with revenues of 344.0 million euros.

The successful launch on 19 September 2007 of the new version of the "pagesjaunes.fr" website, with notably a new look and improved ergonomics, a simplified data entry form and a new search engine, enabled to increase the number of "pagesjaunes.fr" website's visitors, which recorded 11.2 million unique visitors, in December 2007, an increase of 12.5% compared to December 2006. This number of visitors, which is a record to date, gave "pagesjaunes.fr" a reach rate of 42.2%, which

1 The technical expenses billed in respect of printed directories were previously allocated in full to the PagesJaunes directory. They are now allocated to the PagesJaunes and *l'Annuaire* directories as appropriate. The breakdown in revenues between PagesJaunes and *l'Annuaire* has accordingly been adjusted in respect of the financial year 2006, with a negative impact of 1.6 million euros on the revenues of the PagesJaunes directory and a positive impact of 1.6 million euros on those of *l'Annuaire* in 2006.

placed it amongst the most visited websites in France and the most visited directory website in Europe.

The on-lining of the new version of “pagesjaunes.fr” was accompanied by the launch of new advertising products, notably national products sold at Cost Per Thousand (CPM), with very short display times, which helped revenue growth in the fourth quarter 2007.

After including the impact of the drop of 38% in revenues of PagesJaunes 3611 (Minitel)[2], which accelerated following France Télécom’s decision to charge users for this service as of the first second, as of September 2007 (the number of consultations for December 2007 was 2.9 million, versus 7.8 million in December 2006, for a total of 70.2 million consultations in 2007 versus 112.1 million in 2006), revenues from all online services increased by 15.1% compared to 2006, to 369.3 million euros. Overall, the number of online service advertisers increased from above 453,800 in 2006 to nearly 471,200 in 2007, i.e. 71% of the total number of advertisers. At the same time, average revenues per advertiser increased by 12,0% to 798 euros, versus 713 euros in 2006.

Telephone directory enquiry services

Revenues from telephone directory enquiry services (118 008) amounted to 28.1 million euros in 2007, versus 14.4 million euros in 2006[3]. Growth of revenues of this service compared to 2006 was not however inasmuch representative as the total deregulation of the market only happened in April 2006, and that revenue from this activity only really started to grow as of this date.

These revenues comprised, in equal measure, traffic revenues and revenues related to advertising insertions, which more than doubled compared to 2006, with 93,600 advertisers in 2007, versus 68,350 advertisers in 2006.

Other activities

Revenues from other activities of the PagesJaunes in France segment totalled 21.4 million euros in 2007, versus 24.0 million euros in 2006. These other activities, which account for only 2.0% of PagesJaunes in France segment’s revenues in 2007, mainly comprise PagesPro’s offerings on printed editions and Internet, as well as the reversed directory QuiDonc, which can be consulted via Internet, Minitel and Audiotel.

There was continued growth of revenues from PagesPro on the Internet, whereas there was a drop in revenues from the reverse directory QuiDonc, on account of a fall in the number of users of this service on Minitel.

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[2] Revenues of PagesJaunes 3611 comprised revenues from access billed to clients, revenues that were attributed to pagesjaunes.fr and PagesJaunes 3611 on a prorata basis of the audience of these two supports.

[3] 118 008’s traffic revenues were accounted for as gross revenues in 2007. If the same method had been adopted in 2006, there would have been increased revenues of 1.6 million euros.

2.2.1.2. External purchases of the PagesJaunes in France segment

PagesJaunes in France *In millions of Euros*	**Financial years ended 31 December** **2007**	**2006**	**Change 2007/2006**
External purchases	(270.8)	(268.9)	0.7%
as% of revenues	*25.3%*	*26.5%*	

External purchases essentially comprise publishing costs (purchase of paper, printing and distribution of printed directories), the costs of purchasing, creating and updating databases, the expenses for the hosting of online directories and the production of advertisements, the expenses for external call centres, as well as communication and IT development expenses.

External purchases of the PagesJaunes in France segment totalled 270.8 million euros in 2007, and were practically unchanged compared to 2006, while the segment's revenues rose 5.8% during the same period. External purchases thus accounted for 25.3% of 2007 revenues, versus 26.5% in 2006.

External purchases were practically unchanged between 2007 and 2006 due to two contrasting causes: PagesJaunes made investments for the relaunch of printed directories, both in terms of communication and distribution, and for the launch of the new version of "pagesjaunes.fr", both in terms of communication and IT and editorial content. Conversely, in 2007, PagesJaunes benefited from a notable reduction in advertising expenses and an optimisation of its cost structure compared to 2006.

Publishing costs of printed directories, comprising cost of paper, printing and distribution, totalled 103.3 million euros in 2007, versus 94.7 million euros in 2006, with cost of paper increasing from 40.0 million euros in 2006 to 45.1 million euros in 2007[4]. This development was mainly due to the increase in printed and distributed volumes, linked to the above 7% rise in distribution of printed directories, with the aim of achieving a certain exhaustiveness of distribution ("all addresses" distribution in 20 major towns, targeted at new occupants and second homes), as well as insertion of mobile and voice over IP lines. The signing by PagesJaunes, at the beginning of 2007, of multi-year contracts as regards paper and distribution, completed contracts already in place for printing, did however limit the risk of publishing cost changes of printed directories.

Despite increased advertising spending as regards directories, in order to consolidate visits and printed directories, PagesJaunes and *l'Annuaire*, and the launch of the new version of "pagesjaunes.fr", total communication expenses were down on 2006, following a large reduction in advertising expenses in respect of 118 008.

Other external purchases are overall down, thanks to the optimisation of the cost structure of 118 008, which resulted in a drop in subcontracting expenses of call centres.

[4] After deduction in 2006 of 0.6 million euros of income from paper disposal and 1.0 million euros of credit notes from printers and, in 2007, of 0.1 million euros of income from disposal and 1.1 million euros of credit notes from printers. All these revenues are accounted for in other operating income.

2.2.1.3. Other operating income of the PagesJaunes in France segment

PagesJaunes in France *In millions of Euros*	**Financial years ended 31 December** **2007**	**2006**	**Change 2007/2006**
Other operating income	12.6	10.9	15.6%

Other operating income of the PagesJaunes in France segment amounted to 12.6 million euros in 2007, versus 10.9 million euros in 2006. Other operating income mainly comprised recharging to France Télécom of operating expenses of PagesJaunes 3611 alphabetical search and other non-recurrent income, which in 2007 notably included the recharging of commercial operations for PagesJaunes Petites Annonces.

2.2.1.4. Other operating expenses of the PagesJaunes in France segment

PagesJaunes in France *In millions of Euros*	**Financial years ended 31 December** **2007**	**2006**	**Change 2007/2006**
Other operating expenses	(22.6)	(21.3)	6.1%

Other operating expenses of the PagesJaunes in France segment totalled 22.6 million euros in 2007, versus 21.3 million euros in 2006. These other operating expenses comprised taxes and duties, certain provisions for liabilities and charges, and provisions for client risks and remained low, with net allocations as a percentage of revenues for the 2007 edition being 0.245%, practically unchanged compared to 2006.

2.2.1.5. Salaries and social charges of the PagesJaunes in France segment

PagesJaunes in France *In millions of Euros*	**Financial years ended 31 December** **2007**	**2006**	**Change 2007/2006**
Salaries and social charges	(273.4)	(254.1)	7.6%
as% of revenues	*25.5%*	*25.1%*	

Salaries and social charges of the PagesJaunes in France segment comprised fixed and variable salaries and wages, including employee profit sharing, social charges, payroll taxes and various benefits paid to sales force and support function employees.

Salaries and social charges of the PagesJaunes in France segment accounted for 25.5% of revenues in 2007, versus 25.1% in 2006, and totalled 273.4 million euros, up 7.6% compared to 2006, while for the same period, revenues increased by 5.8%.

Compensation of the sales force and its direct management accounted for 14.3% of revenues in 2007, excluding specific costs related to commercial operations performed for PagesJaunes Petites Annonces, versus 14,0% in 2006. At the same time, the sales force increased by 5.4% to 2,022 employees at the end of 2007, versus 1,918 people at the end of 2006 (registered employees), which was in order to win new clients both through in-the-field sales force and telesales. This compensation of the sales force, the greatest part of which being variable, mainly depends on sale results for the periods concerned, and so its increase was not related to the increase of sales staff.

2.2.1.6. Gross operating margin of the PagesJaunes in France segment

Gross operating margin of the PagesJaunes in France segment increased by 7.9% compared to 2006, to 517.6 million euros, i.e. margin ratio of 48.3% in 2007, versus 47.4% in 2006.

Gross operating margin of the PagesJaunes in France segment in 2007 mainly benefited from a markedly higher contribution of telephone directory enquiry services (118 008), thanks to growth in advertising revenues and a decrease in external purchases compared to 2006, as well as the significant increase in the contribution from online services, arising from growth revenues from Internet activities, which enabled to absorb support and launch costs of the new version of “pagesjaunes.fr”.

2.2.2. Analysis of revenues and gross operating margin of the International & Subsidiaries segment

The following table shows the change in revenues and gross operating margin of the International & Subsidiaries segment for 2006 and 2007:

International & Subsidiaries	**Financial years ended 31 December**		
	2007	**2006**	**Change 2007/2006**
In millions of Euros			
Revenues	**93.8**	**85.9**	**9.2%**
External purchases	(51.2)	(39.5)	29.6%
Other operating income	1.4	2.2	-36.4%
Other operating expenses	(5.1)	(3.3)	54.5%
Salaries and social charges	(47.6)	(41.6)	14.4%
Gross operating margin	**(8.7)**	**3.7**	**na**
As% of revenues	*-9.3%*	*4.3%*	

2.2.2.1. Revenues of the International & Subsidiaries segment

The following table shows the distribution of consolidated revenues of the International & Subsidiaries segment by line of products for 2006 and 2007:

International & Subsidiaries	**Financial years ended 31 December**		
	2007	**2006**	**Change 2007/2006**
In millions of Euros			
BtoC directory business	61.8	58.4	5.8%
Advertising management business	1.1	-	na
Online classified ads business	1.9	-	na
Direct Marketing and Geographic Services Business	29.0	27.5	5.5%
Revenues	**93.8**	**85.9**	**9.2%**

Revenues of the International & Subsidiaries segment, excluding operations disposed of in March 2007 (Kompass France and Kompass Belgium), totalled 93.8 million euros in 2007, an increase of 9.2% compared to 2006. This growth was mainly due to growth of online activities in Spain, the launch, at the beginning of 2007, of the new activity of online classified ads "annoncesjaunes.fr", and the consolidation, since 2007, of Internet advertising management companies Horyzon Média and Horyzon Clics.

BtoC directory business

Revenues from the BtoC directories business amounted to 61.8 million euros, in 2007, up 5.8% on 2006. Revenues from the BtoC directories business was mainly due to the sale of advertising space in printed and online directories, their publication and distribution, by QDQ Media in Spain, Editus in Luxembourg and Edicom in Morocco.

QDQ Media's revenues totalled 47.6 million euros, in 2007, a rise of 5.4% compared to 2006, boosted by growth of 25.2% in online services (qdq.com) revenues, which accounted for 22.8% of QDQ Media's revenues in 2007, versus 19.2% in 2006. The practically unchanged printed revenues of QDQ Media of 36.5 million euros arose from reduced pressure on winning new clients, on account of delays in planning and sales resource recruitment. QDQ Media has implemented a new sales organisation, for which positive results are expected in 2008. Overall, the number of advertisers was down by 5.4%, with 77,200 advertisers in 2007, versus 81,600 advertisers in 2006, while average revenues per advertiser was up by 9.2% to 606 euros in 2007, versus 555 euros in 2006.

Revenues from other BtoC directories (Editus in Luxembourg and Edicom in Morocco) amounted to 14.2 million euros in 2007, an increase of 7.6% compared to 2006, notably thanks to the growth of online directories business and classified ads business in Luxembourg, and Télécontact's online and printed directories in Morocco.

Advertising Management Business

On 11 October 2007, PagesJaunes Groupe acquired controlling interests in Horyzon Média and Horyzon Clics, advertising management companies specialising in the Internet, which was increased to an interest of 66%, at the end of December 2007. This acquisition enables PagesJaunes Groupe to consolidate its presence in the growing market of national online banner advertising. In addition to the management of the "pagesjaunes.fr" and "annoncesjaunes.fr" websites, which it already holds, Horyzon Média will be entrusted the advertising management of "mappy.com", as of January 2008. All the sites marketed by Horyzon Média should have a reach rate of nearly 73%, enabling it to offer advertisers the largest cover of French Internet users.

Earnings of Horyzon Média and Horyzon Clics have been consolidated within PagesJaunes Group, since October 2007, with revenues of 1.1 million euros[5], in the fourth quarter 2007.

[5] Revenues entirely comprised of commissions paid by advertisers.

Online classified ads business

PagesJaunes Petites Annonces won 5,400 clients in 2007, and made revenues of 1.9 million euros, mainly in the second half-year 2007, thanks to a portfolio of 3,900 clients, as at 31 December 2007, 2,500 of which were paying clients. The website “annoncesjaunes.fr” recorded 831,000 unique visitors in December 2007, which puts it alongside the most visited online property and automobile classified ad websites in France. More than 400,000 classified ads were placed on “annoncesjaunes.fr”, as at 31 December 2007.

Direct marketing and geographic services business

Revenues from Direct Marketing and Geographic Services businesses amounted to 29.0 million euros in 2007, up 5.5% compared to 2006. Mappy’s strong growth in advertising revenues more than compensated for the fall in PagesJaunes Marketing Services’ revenues (direct marketing), which did not benefit for the whole of 2007 from the strengthening of its commercial means carried out during the first half-year.

2.2.2.2. External purchases of the International & Subsidiaries segment

	Financial years ended 31 December		
International & Subsidiaries *In millions of euros*	**2007**	**2006**	**Change 2007/2006**
External purchases	(51.2)	(39.5)	29.6%
As% of revenues	*54.6%*	*46.0%*	

External purchases of the International & Subsidiaries segment amounted to 51.2 million euros, in 2007, an increase of 29.6% compared to 2006. External purchases accounted for 54.6% of revenues in 2007, versus 46.0% in 2006.

This development was mainly due to launch costs and the growth of the online classified ads business (“annoncesjaunes.fr”) with, notably, the first communication and marketing campaigns, costs of putting in place the offer and costs linked to the outsourcing of certain technical and IT developments.

The slight increase of QDQ Media’s spending on communication, in order to support its audience and standing of its printed and “qdq.com” directories, as well as the slight growth in business, also explains, but to a lesser degree, the rise in external purchases of the International & Subsidiaries segment, between 2006 and 2007.

2.2.2.3. Other operating income and expenses of the International & Subsidiaries segment

	Financial years ended 31 December		
International & Subsidiaries *In millions of Euros*	**2007**	**2006**	**Change 2007/2006**
Other operating income and expenses	(3.7)	(1.1)	na

Other operating income and expenses of the International & Subsidiaries segment accounted for a net charge of 3.7 million euros in 2007, versus a net charge of 1.1 million euros in 2006.

This development was mainly due to the recognition of expenses related to marketing operations conducted by PagesJaunes for PagesJaunes Petites Annonces in 2007.

2.2.2.4. Salaries and social charges of the International & Subsidiaries segment

International & Subsidiaries *In millions of Euros*	**Financial years ended 31 December**		
	2007	**2006**	**Change 2007/2006**
Salaries and social charges	(47.6)	(41.6)	14.4%
As% of revenues	*50.7%*	*48.4%*	

Salaries and social charges of the International & Subsidiaries segment amounted to 47.6 million euros in 2007, an increase of 14.4% compared to 2006, and accounted for 50.7% of revenues in 2007, versus 48.4% in 2006.

This development was mainly due to the strengthening, as of 2006, of Mappy sales, marketing and technical teams, linked to growth of the business, as well as the setting up of PagesJaunes Petites Annonces teams, in the first six months of 2007, and finally to a lesser degree, to the consolidation of Horyzon Média and Horyzon Clics, since October 2007.

2.2.2.5. Gross operating margin of the International & Subsidiaries segment

Gross operating margin of the International & Subsidiaries segment was minus 8.7 million euros in 2007, versus a profit of 3.7 million euros in 2006, notably on account of PagesJaunes Petites Annonces losses, which bore the costs of the launch, communication and marketing of its website “annoncesjaunes.fr”, which were only partially compensated for by the continuing rise in its revenues.

Due to winning a reduced number of advertisers compared to 2006 and the slight rise of its communication expenses, QDQ Media’s gross operating margin showed a slight deficit in 2007. The in-progress sales reorganisation and the new distribution of printed directories in certain major Spanish towns should enable QDQ Media to record a positive gross operating margin in 2008. At the same time, the control of its publishing costs and sales costs enabled QDQ Media to confirm in 2007 the continued improvement of its gross margin[6], with growth of 9.6% compared to 2006, for increased revenues of 5.4%.

The companies Horyzon Média and Horyzon Clics, consolidated since October 2007, made positive contributions to the gross operating margin of the International and Subsidiaries segment, in the fourth quarter 2007.

6 The gross margin corresponds to revenues less publishing costs and sales costs, in the most part variable.

2.2.3. Analysis of consolidated operating income

The following table shows the Groupe's consolidated operating income for 2006 and 2007:

PagesJaunes Group *In millions of Euros*	**Financial years ended 31 December**		
	2007	**2006**	**Change 2007/2006**
Gross operating margin	**508.9**	**483.6**	**5.2%**
Employee profit-sharing	(14.4)	(13.5)	6.4%
Share-based compensation	(5.2)	(8.6)	-39.5
Amortisation and depreciation charges	(14.9)	(11.9)	25.2%
Income (loss) from asset disposals	14.3	(0.6)	na
Restructuring costs	-	(0.0)	na
Operating income	**488.7**	**449.0**	**8.8%**
As% of revenues	*42.2%*	*41.1%*	

2.2.3.1. Employee profit-sharing and shared-based compensation

The Group's employee profit-sharing amounted to 14.4 million euros in 2007, an increase of 6.4% compared to 2006.

The Group's share-based compensation charge amounted to 5.2 million euros in 2007, versus 8.6 million euros in 2006, and was mainly due to the stock-option plan implemented on 28 June 2005, and the two plans of the distribution of free shares implemented on 30 May 2006 and 20 November 2006. In view of the Group's earnings in 2006 and 2007, the shares awarded in May 2006 were not able to be attributed due to performance criteria fixed for 2006 and 2007 not having been attained. The charge as regards this first plan, and recorded in the 2006 accounts for an amount of 2.0 million euros, was therefore cancelled by an income entry of the same amount in the 2007 accounts.

2.2.3.2. Amortisation and depreciation charges

The Group's amortisation and depreciation charges amounted to 14.9 million euros in 2007, an increase of more than 25.0% compared to 2006, which reflected the rise in investments made in 2006 by the Group, notably within the framework of a new publishing information system at PagesJaunes SA, and the launch of the new "pagesjaunes.fr".

2.2.3.3. Operating income

The Group's operating income amounted to 488.7 million euros in 2007, an increase of 8.8% compared to 2006. The margin ratio improved and went from 41.1% in 2006 to 42.2% in 2007.

2.2.4. Analysis of consolidated net income

The following table shows the Group's consolidated net income for 2006 and 2007:

PagesJaunes Group	Financial years ended 31 December		
In millions of Euros	**2007**	**2006**	**Change 2007/2006**
Operating income	**488.7**	**449.0**	**8.8%**
Financial income	1.0	21.1	na
Financial expenses	(131.1)	(13.8)	na
Income from financial asset disposals	2.1	0.8	na
Foreign exchange gains (losses)	(0.0)	-	na
Financial income	**(128.0)**	**8.1**	**na**
Corporation tax	(126.4)	(161.0)	-21.5%
Net income from continuing operations	**234.2**	**296.1**	**-20.9%**
Net income from discontinued operations	34.4	0.8	na
Net income of the consolidated Group	**268.6**	**296.9**	**-9.5%**
of which attributable to shareholders of PagesJaunes Groupe	269.6	296.9	-9.2%
of which minority interests	(1.0)	-	na

2.2.4.1. Financial income (loss)

The Group made a financial loss in 2007 of 128.0 million euros, versus a financial profit of 8.1 million euros in 2006.

The financial income for 2007 mainly comprised of the charge of interest as regards the bank loan of 1,950 million euros secured in November 2006. This charge, net of income from interest rate hedge instruments, amounted to 116.8 million euros. The average interest of the debt was thus 5.85% for the year.

The financial income also comprised the change in time value of the collar set up by the Group in November 2006, i.e. a net charge of 5.6 million euros, and the amortisation of the loan issue expense of 6.2 million euros.

2.2.4.2. Corporation tax

For the 2007 financial year, the Group recorded a charge in corporation tax of 126.4 million euros, down by 21.5% on 2006, i.e. an apparent tax rate of 35.1% in 2007, versus 35.2% in 2006.

2.2.4.3. Net income from discontinued operations

Net income from the Group's discontinued operations amounted to 34.4 million euros in 2007, versus 0.8 million euros in 2006.

PagesJaunes disposed of Kompass France and Kompass Belgium, selling it to Coface Services, on 14 March 2007. Net income from discontinued operations in 2007 comprised net expenses and revenues, as well as the consolidated gains on disposals, for an amount of 33.0 million euros.

2.2.4.4. Net income

The Group's net income amounted to 268.6 million euros in 2007, down 9.5% on 2006.

2.3. Consolidated liquidities, capital resources and investment expenses

The table below shows the development of the Group's consolidated cash position for 2006 and 2007:

PagesJaunes Group *In millions of Euros*	**Financial year ended 31 December 2007**	**Financial year ended 31 December 2006**
Hedging instruments	30.0	17.5
Short-term investments > 3 months and < 1 year	0.0	0.3
Cash and cash equivalents	71.2	55.0
Cash assets	**101.2**	**72.8**
Bank loan	(1,950.0)	(1,950.0)
Revolving credit line	-	-
Loan issue expenses	41.2	47.3
Liabilities in respect of hedging instruments	(6.8)	(8.3)
Accrued interest not yet due	(6.8)	(5.6)
Bank overdrafts	(16.7)	(7.5)
Other financial liabilities	(16.1)	(15.3)
Gross financial debt	**(1,955.2)**	**(1,939.4)**
of which current	(41.5)	(28.4)
of which non-current	(1,913.7)	(1,911.0)
Net cash (debt)	**(1,854.0)**	**(1,866.6)**

The consolidated Group's gross debt amounted to 1,955.2 million euros, as at 31 December 2007, versus 1,939.4 million euros, as at 31 December 2006, an increase of 15.8 million euros, linked to the amortisation of loan issue expenses of 6.2 million euros, and to the increase in bank overdrafts of 9.0 million euros.

The consolidated Group's net debt amounted to 1,854.0 million euros, as at 31 December 2007, versus 1,866.6 million euros, as at 31 December 2006.

The table below shows the consolidated Group's cash flows for the financial years ended 31 December 2006 and 31 December 2007:

PagesJaunes Group *In millions of Euros*	**Financial year ended 31 December**	**Financial year ended 31 December 2006**
Net cash from operations	285.0	310.3
Net cash used in investment operations	5.8	50.5
Net cash used in financing operations	(274,6)	(855,6)
Impact of foreign exchange changes on cash and equivalents	(0.0)	(0.0)
Net increase (decrease) in cash and cash equivalents	**16.2**	**(494.8)**
Cash and cash equivalents at start of period	55.0	549.8
Cash and cash equivalents at close of period	**71.2**	**55.0**

Cash and cash equivalents amounted to 71.2 million euros, as at 31 December 2007, a net rise of 16.2 million euros, in 2007.

Net cash from operations amounted to 285.0 million euros, versus 310.3 million euros in 2006, which in 2007 mainly comprised:

- gross operating margin of 508.9 million euros, up 25.3 million euros compared to 2006,
- a net disbursement of 114.7 million euros in respect of the interest associated with the new financial structure, compared to the receipt of financial income of 9.3 million euros in 2006,
- a disbursement of 121.7 million euros in respect of corporation tax, a decrease of 41.1 million euros compared to 2006.

Net cash flows allocated to investment operations amounted to 5.8 million euros, versus 50.5 million euros in 2006, which in 2007 included:

- 32.0 million euros of income from disposals, net of divested cash, associated with the sale of Kompass France and Kompass Belgium to Coface Services, on 14 March 2007,
- 10.8 million euros in respect of acquisition of shares in associate companies, net of acquired cash, including 10.2 million euros linked to the acquisition of majority interests in Horyzon Média and Horyzon Clics, on 11 October 2007, versus 2.0 million euros in 2006, including the additional price paid within the scope of the acquisition of the company e-sama,
- 16.4 million euros for the acquisition of tangible and intangible fixed assets, versus 30.6 million euros in 2006. This included the acquisition from France Télécom of the operating concession of the White Pages printed directory for 11.0 million euros, and the purchase of the "*l'Annuaire*" trademark for 1.0 million euros.

Net cash flows allocated to financial operations amounted to 274.6 million euros, versus 855.6 million euros in 2006, with:

- 303.1 million for dividends paid in 2007, versus 2,803.7 million euros in 2006, which had notably included the exceptional dividend paid in November 2006, and financed by an increase of borrowings for an amount of 1,902 million euros,
- 16.0 million euros contribution from minority shareholders, linked to the increase of capital of PagesJaunes Petites Annonces, in 2007,

- 34.4 million euros capital increase in 2006, due to the freeing of the capital balance of QDQ Media.

2.4. Off-balance sheet liabilities, disputes and related parties

See Notes 32 and 33 to the consolidated financial statements.

2.5. Risks and uncertainties in respect of 2008

The main risks and uncertainties identified by the Group in 2007 concerned:

- the economic environment and the situation of the advertising market in France and Spain, which is expected to affect sales prospecting by PagesJaunes and QDQ Media in their respective markets;
- the commercial results linked to changing the rates of PagesJaunes' Internet advertising products with a view to ensuring a better monetisation of the "pagesjaunes.fr" growing audience;
- the success, both in respect of users and advertisers, of the new version of "pagesjaunes.fr", designed to improve the site's ergonomics and meet the needs of users and advertisers;
- the development of Internet competition as regards search services, geographic and mapping, as well as online classified ads, which could have an impact on PagesJaunes', Mappy's and PagesJaunes Petites Annonces' ability to maintain the pace of growth of their Internet revenues;
- the development of 118 008 in the market of telephone directory enquiries in France, which should contribute to growth of the consolidated gross operating margin of PagesJaunes Groupe;
- Change in interest rates, which could affect PagesJaunes Groupe's financial income due to an increase in interest on debt (in respect of 20% of bank loans not hedged against interest rate change risk) and the change in fair value of hedging instruments used by the Group (for their time value).

2.6. Events subsequent to the balance sheet date of 31 December 2007

In February 2007, PagesJaunes issued writs against the companies Xentral (formerly Prodis) and *L'Annuaire Universel* on grounds of counterfeiting. PagesJaunes intends to defend its rights against these companies, which, by operating the "pagesjaunes.com" online directory site aimed at a French audience, are taking advantage of the awareness of the "PagesJaunes" brand.

2.7. Research and development

The PagesJaunes Group is at the cutting edge in its sector and conducts successful research and innovation through its in-house teams and numerous partnerships. These comprise the leading specialists in their respective fields in order to promote innovation and excellence.

3. CONSOLIDATED FINANCIAL STATEMENTS

Financial statements

Consolidated income statement

(Amounts in thousands of euros, except data relating to sha	Notes	**As at 31 December 2007**	**As at 31 December 2006**
Net revenues	7	1 158 304	1 093 342
External purchases		(314 600)	(302 607)
Other operating income		10 125	11 622
Other operating expenses		(23 960)	(23 044)
Personnel expenses : - Salaries and charges	8	(321 014)	(295 703)
Gross Operating Margin		**508 854**	**483 610**
- Employee profit-sharing	8	(14 385)	(13 525)
- Share-based payment	8	(5 189)	(8 590)
Depreciation and amortisation	14 & 15	(14 892)	(11 917)
Result of asset disposals	9	14 277	(565)
Restructuring costs		-	(48)
Operating income		**488 665**	**448 965**
Financial income		972	21 172
Financial expenses		(131 069)	(13 841)
Result of disposal of financial assets		2 107	764
Gain (loss) on foreign exchange		(10)	-
Financial result	10	**(128 001)**	**8 095**
Corporation tax	11	(126 440)	(160 975)
Net income from continuing businesses		**234 224**	**296 085**
Net income from divested businesses (after tax)	6	34 358	809
Net income of the consolidated group		**268 582**	**296 895**
Attributable to:			
- Shareholders of the operating PagesJaunes Group		269 566	296 895
- Minority interests		(984)	-
Net earnings per share (in euros)			
Net earnings per share of continuing businesses	12		
- basic		0,84	1,06
- diluted		0,83	1,05
Net earnings per share of divested businesses			
- basic		0,12	0,00
- diluted		0,12	0,00
Net earnings per share of the consolidated group			
- basic		0,96	1,07
- diluted		0,95	1,05

Consolidated balance sheet

(Amounts in thousands of euros)	Notes	As at 31 December 2007	As at 31 December 2006
ASSETS			
Net goodwill	13	125 528	107 727
Other net intangible fixed assets	14	26 128	28 016
Net tangible fixed assets	15	20 404	19 021
Available-for-sale assets	16	207	169
Other non-current financial assets	17	1 955	3 259
Derivative financial instruments	18	29 970	17 479
Net deferred tax assets	11	102	1 959
Total non-current assets		**204 294**	**177 631**
Net inventories	19	5 244	6 625
Net trade accounts receivable	20	517 990	499 953
Other current assets	21	28 023	35 324
Current tax receivable		12 699	15 774
Prepaid expenses	22	104 599	59 501
Other current financial assets		17	285
Cash and cash equivalents	28	71 228	55 076
Total current assets		**739 800**	**672 537**
TOTAL ASSETS		**944 094**	**850 168**
LIABILITIES			
Share capital		56 129	56 053
Issue premium		98 676	94 325
Reserves		(2 497 651)	(2 507 818)
Net income		269 566	296 895
Translation differences		(36)	(19)
Own shares		-	-
Equity attributable to equity holders of the parent		**(2 073 316)**	**(2 060 565)**
Minority interests		373	-
Total equity	24	**(2 072 943)**	**(2 060 565)**
Non-current financial liabilities and derivatives	29	1 913 767	1 910 990
Employee benefits - non-current	26	32 836	29 374
Provisions - non-current	26	5 658	6 889
Other non-current liabilities	5	8 700	90
Deferred tax liabilities	11	5 463	-
Total non-current liabilities		**1 966 424**	**1 947 342**
Bank overdrafts and other short-term borrowings	29	34 618	22 813
Accrued interest	29	6 845	5 645
Provisions - current	26	580	746
Trade accounts payable	25	109 393	116 679
Employee benefits - current	22 & 26	118 324	73 507
Other current liabilities	26	105 016	102 805
Corporation tax		3 431	912
Deferred income	26	672 407	640 284
Total current liabilities		**1 050 613**	**963 391**
TOTAL LIABILITIES		**944 094**	**850 168**

Statement of changes in consolidated shareholders' equity

(Amounts in thousands of euros)	**Number of shares in circulation**	**Share capital**	**Issue premium**	**Income and reserves**	**Translation reserve**	**Own shares**	**Group equity**	Minority interests	**Total equity**
Balance as at 31 December 2005	**278 689 610**	**55 758**	**68 335**	**285 166**	**8**	**(2 169)**	**407 098**	**-**	**407 098**
2006 result				296 895			**296 894**		**296 894**
Share-based payment				7 071			**7 071**		**7 071**
Exceptional dividend				(283 994)			**(283 994)**		**(283 994)**
Exceptional dividend				(2 519 748)			**(2 519 748)**		**(2 519 748)**
Translation difference					(27)		**(27)**		**(27)**
Change in value of hedging instruments net of tax				3 244			**3 244**		**3 244**
Stock options exercised	1 477 170	295	25 990				**26 285**		**26 285**
Shares of the consolidating company net of tax	100 000			443		2 169	**2 612**		**2 612**
Balance as at 31 December 2006	**280 266 780**	**56 053**	**94 325**	**(2 210 924)**	**(20)**	**-**	**(2 060 565)**	**-**	**(2 060 565)**
2007 result				269 566			**269 566**	(984)	**268 582**
Share-based payment				4 464			**4 464**	2	**4 466**
Dividends paid				(303 071)			**(303 071)**	-	**(303 071)**
Translation difference					(16)		**(16)**	-	**(16)**
Change in value of hedging instruments net of tax				11 880			**11 880**	-	**11 880**
Stock options exercised	377 670	76	4 351				**4 427**	-	**4 427**
Dilution effect (profit recognised when M6 acquired an interest in the capital of PagesJaunes Petites Annonces)							**-**	1 373	**1 373**
Scope entry of Horyzon Media, Horyzon Clics and A Ton Service							**-**	252	**252**
Minority puts on Horyzon Media et Horyzon Clics							**-**	(271)	**(271)**
Balance as at 31 December 2007	**280 644 450**	**56 129**	**98 676**	**(2 228 085)**	**(36)**	**-**	**(2 073 316)**	**373**	**(2 072 943)**

Consolidated cash flow statement

(Amounts in thousands of euros)	Notes	As at 31 December 2007	As at 31 December 2006
Consolidated net attributable income		**269 566**	**296 895**
Depreciation and amortisation of fixed assets	14 & 15	14 892	12 639
Capital gains or losses on asset disposals		(47 277)	558
Change in provisions	24 & 26	2 960	2 887
Tax charge for the period	11	126 198	161 655
Interest income and expenses	10	126 188	(4 061)
Minority interests		(984)	-
Unrealised exchange difference		11	10
Hedging instruments	19	1 770	(4 206)
Share-based payment		4 466	7 071
Net change in working capital		23 554	(9 669)
Dividends and interest received		952	15 186
Interest paid and rate effect of net derivatives		(115 636)	(5 864)
Taxes paid	11	(121 698)	(162 752)
Net cash from operations		**284 962**	**310 349**
Acquisition of tangible and intangible fixed assets	14 & 15	(16 433)	(30 585)
Change in suppliers of fixed assets		(1 448)	1 405
Proceeds from sale of tangible and intangible assets		39	119
Acquisitions of investment securities and subsidiaries, net of cash acquired	5	(10 760)	(2 043)
Proceeds from disposals of financial assets, net of cash sold	6	32 044	45
Decreases (increases) in marketable securities and other long-term assets	28	2 394	81 578
Net cash used in investing activities		**5 836**	**50 519**
		-	
Increase (decrease) in long-term borrowings	28	(1 873)	1 901 981
Increase (decrease) in bank overdrafts and short-term borrowings	28	9 892	9 578
Movements in own shares		-	2 208
Capital increase	25	4 427	34 385
Minority interests contribution	9	16 000	-
Dividends paid	25	(303 071)	(2 803 742)
Net cash provided by (used in) financing activities		**(274 625)**	**(855 590)**
Impact of changes in exchange rates on cash		(22)	(29)
Net increase (decrease) in cash position		**16 152**	**(494 751)**
Cash and cash equivalents at beginning of period		55 076	549 827
Cash and cash equivalents at end of period	28	**71 228**	**55 076**

Note 1 – Description of the business

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

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

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

This information was issued by the Board of Directors of PagesJaunes Groupe of 14 February 2008.

Note 2 – Context of the publication and basis for preparation of the 2007 financial information

In accordance with European regulation 1606/2002 dated 19 July 2002, the consolidated financial statements for the 2007 financial year have been prepared in accordance with the IAS/IFRS international standards and presented with comparative data for 2006 prepared under the same standards.
The basis for the preparation of this financial information, as described in Note 3, results from:

- All the standards and interpretations adopted by the European Union as at 31 December 2007;
- IFRS standards and interpretations whose application will be compulsory after 2006 and for which the Group has opted for earlier application;
- Accounting positions adopted by the Group, on which work is currently being carried out by the IASB (IFRIC) or the CNC, as recalled in Note 3;
- The options and exemptions used.

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

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

Note 3 – Accounting policies and changes of estimate

3.1 – Accounting policies

This Note describes the Accounting Policies applied to the accounts as at 31 December 2007 in accordance with the provisions of international accounting standards as adopted by the European Commission as at 31 December 2007.
Unless stated otherwise, these methods have been applied consistently to all the financial years shown.

3.1.1 – Application of standards, amendments to standards and interpretations

New regulations or amendments came into force on 1 January 2007 and through which the Group is affected:

- Standard IFRS 7 "Financial instruments – Disclosures", which is compulsory for financial years commencing after 1 January 2007;
- The amendment to standard IAS 1 "Presentation of financial statements – information on the share capital", which is compulsory for financial years commencing after 1 January 2007.

The other interpretations applicable in a compulsory manner since 1 January 2007 have not had any significant impact on the Group's accounts.

Other standards, interpretations and amendments of standards and interpretations adopted by the European Union as at December 31, 2007 are compulsory in respect of financial years commencing after December 31, 2007. The Group has not opted for early application of these provisions.

The Group is nevertheless analysing the practical consequences of these new regulations and the effects of their application in its future financial statements.

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

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

Undertaking to acquire minority interests:
In the framework of the acquisition, at the end of 2007, of 66% of the securities of the companies holding the advertising business of Horyzon Media and Horyzon Clics, call and put options were granted respectively for the balance of 34% of the securities of these companies consolidated through full integration. They are exercisable by both parties in 2011. The exercise price of these options is set according to a predetermined calculation formula based on the sales figures and the operating result for the financial year 2010.
In accordance with the different regulations in force as at 31 December 2007, the accounting method adopted by the Group is as follows:

- In accordance with the provisions set out by standard IAS 32 "Financial instruments: information to be supplied and presentation", the Group records a financial debt under the put options granted to the minority shareholders of the entities concerned;
- The debt is stated in "Other non-current liabilities", for the current value of the provisional exercise price at the time of the start of the operation, then at the time of the subsequent statements of account, on the basis of the fair value of the shares potentially bought;
- The counterpart of this debt is recorded as a decrease in the minority interests and for the balance in goodwill;

- The subsequent variation of the value of the undertaking is stated by adjusting the amount of goodwill, excluding unwinding of the discounting effect of the debt, which is stated in the financial expenses;

The share of the net income attributable to the shareholders of PagesJaunes Groupe is calculated on the basis of the percentage of their holding in the entities, without taking into account the percentage of interest attached to the put options.

Variations in percentage of interest

Since IFRS standards do not contain any specific detail on the accounting method at the time of the contribution by minority shareholders of their interests in a consolidated entity of the Group in exchange for securities of another consolidated entity of the Group, or on the accounting method for the percentage decrease of interest arising as a result, the Group has adopted the following accounting methodology: the increase in percentage of interest is assimilated to an acquisition of minority interests; the percentage decrease of interest is assimilated to a disposal where the result is recorded in the income statement under the heading “result of disposal of shares” when it is made.

Management share ownership plan:

Sèvres I, Sèvres II and Sèvres III, which jointly controlled 100% of the capital of Médiannuaire Holding, the indirect majority shareholder of PagesJaunes Groupe, have offered certain managers of the Group the possibility of acquiring a minority holding, in the form of 212,591 ordinary shares, in the capital of Médiannuaire Holding, representing 0.55% of the company’s capital). This holding was acquired at the end of December 2006 on the basis of the price proposed by Médiannuaire Holding in the framework of the price guarantee procedure relating to the PagesJaunes Groupe shares completed on 1 December 2006.

The capital of Médiannuaire Holding is made up of ordinary shares and preference shares. The right of each class of share to the increase in value of shareholders’ equity is variable as a function of the internal rate of return recorded by the shareholders of Médiannuaire Holding on their investment during their holding period. Furthermore, the shares held by these managers are subject to presence and performance conditions, implemented by reciprocal purchase and sale undertakings signed with the shareholders of Médiannuaire Holding at a price, which varies depending on the fulfilment of these conditions. Further more, each manager has made a with the shareholders of Médiannuaire Holding a reciprocal commitment to buy and to sell, which becomes exercisable, by one or other of the parties, once this manager leaves PagesJaunes Groupe. The price per share at which these reciprocal purchase and sale undertakings would be implemented varies mainly depending on the share price of PagesJaunes Groupe, the length of service of the managers as from 21 December 2006, and the fulfilment of certain performance conditions. As at 31 December 2007, application of these criteria would result, assuming that these cross options were exercised on this date by one or other of the parties, in a buy-back at nought value of the shares acquired by the managers.

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

Statutory training rights (DIF)

The Group has maintained in IFRS the treatment retained in French standards for statutory training rights (Opinion n°2004-F of 13 October 2004 of the emergency committee of the CNC relating to the “accounting for statutory training rights – DIF”) namely:

- Expenditure in respect of statutory training rights constitutes an expense for the period and does not give rise to any provision;
- The volume of hours at the end of the accounting period, of the portion open to rights with an indication of the volume of hours not having been the subject of requests from the employees, is mentioned in the appendices.

3.2 – Consolidation

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

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

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

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

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

Material inter-company transactions and balances are eliminated in consolidation.

3.3 – Transactions in foreign currencies

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

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

3.4 – Presentation of the financial statements

As permitted under IAS 1 “Presentation of Financial Statements”, the Group presents the income statement by type.
Operating income corresponds to net income before:

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

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

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

3.5 – Revenues

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

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

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

3.6 – Advertising and similar expenses

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

3.7 – Earnings per share

The Group discloses both basic earnings per share and diluted earnings per share. The number of shares used to calculate diluted earnings per share takes into account the conversion into ordinary shares of dilutive instruments outstanding at the period-end (unexercised options, free shares, etc.).

If the basic earnings per share are negative, diluted loss per share represents the same amount as the basic loss. To permit direct comparisons of earnings per share, the weighted average number of shares outstanding for the reporting year and previous years is adjusted to take into account any shares issued at a discount to market price. Treasury stock deducted from consolidated equity is not taken into account in the calculation of earnings per share.

3.8 – Goodwill

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

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

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

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

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

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

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

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

3.9 – Other intangible assets

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

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

Internally developed trademarks are not recognised in the balance sheet.

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

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

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

- The technical feasibility necessary to complete the intangible asset with a view to its being put into service or sold;
- The intention and financial and technical ability to complete the development project;
- Its capacity to use or sell the intangible asset;
- The likelihood that the future economic benefits attributable to the development costs incurred will accrue to the company;
- The costs of this asset can be reliably valued.

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

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

3.10 – Tangible fixed assets

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

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

Finance leases
Assets acquired under leases that transfer the risks and rewards of ownership to entities of the Group (finance leases) are stated in fixed assets, with a corresponding financial obligation being

recorded in liabilities. The risks and rewards of ownership are considered as having been transferred to the entities of the Group when:

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

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

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

Depreciation
Tangible fixed assets are depreciated on a basis that reflects the pattern in which their future economic benefits are expected to be consumed in the case of each asset item on the basis of the acquisition cost, less any residual value. The straight-line basis is usually applied over the following estimated useful lives: 25 to 30 years for buildings, 5 to 10 years for fittings, 1 to 5 years for other fixed assets.
These depreciation periods are reviewed annually and are adjusted if current estimated useful lives differ from previous estimates. These changes in accounting estimates are recognised prospectively.

3.11 – Impairment of fixed assets

Under IAS 36 "Impairment of Assets", the value in use of tangible and intangible fixed assets must be tested for impairment when there is an indication that they may be impaired. Indicators are reviewed at each closing date.
Intangible and tangible fixed assets are subject to a write down for impairment when, because of events or circumstances which have occurred during the period (such as obsolescence, physical deterioration, significant changes to the manner in which the asset is used, worse than expected performance, a drop in revenues or other external indicators, etc.), their recoverable amount appears to be lower than their net book value in the long term. The recoverable amount of an asset is the higher of its fair value less exit costs and its value in use.

Each asset or group of assets is tested for impairment by comparing its recoverable amount to its net book value. When an asset or group of assets is found to be impaired, the recognised impairment loss is equal to the difference between its net book value and the recoverable amount.
The recoverable amount of an asset is generally determined by reference to its value in use, corresponding to the future economic benefits expected to be derived from the use of the asset and its subsequent disposal. It is assessed by the discounted cash flows method, based on economic assumptions and operating conditions expected by the Management of the Group.

3.12 – Financial assets and liabilities

Financial assets include available-for-sale assets, held-to-maturity assets, loans and receivables and cash and cash equivalents.
Financial liabilities include borrowings, other financing and bank overdrafts and operating debts.
Financial assets and liabilities are measured and recognised in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

3.12.1 – Measurement and recognition of financial assets

Assets held to maturity

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

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

Available-for-sale assets

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

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

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

Loans and receivables

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

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

Assets at fair value through the income statement

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

These assets are carried in the balance sheet under short-term financial assets.

Cash and cash equivalents

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

3.12.2 – Measurement and recognition of financial liabilities

Financial liabilities

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

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

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

Financial liabilities held for trading

Financial liabilities held for trading are measured at fair value.

3.12.3 – Measurement and recognition of derivative instruments

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

Hedging instruments

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

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

Hedge accounting applies if:

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

The effects of applying hedge accounting are as follows:

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

3.13 – Inventories

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

3.14 – Deferred taxes

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

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

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

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

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

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

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

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

3.15 – Provisions

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

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

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

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

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

Provisions are discounted when the discounting adjustment is material.

3.16 – Pension and similar benefit obligations

3.16.1 – Post-employment benefits

Retirement benefits and similar commitments

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

The impact of changes in assumptions is reflected in the income statement over the residual average working life of the employees (cf. Note 26).

Other retirement schemes

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

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

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

3.16.2 – Other long-term benefits

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

3.16.3 – Termination benefits

Any termination benefits are also determined on an actuarial basis and covered by provisions.
For all commitments where termination of employment contracts would trigger payment of compensation, the impact of changes in assumptions is recognised in profit or loss for the period during which the revision takes place.

3.17 – Share-based payments

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

The value of stock options is determined in particular by reference to the exercise price, the life of the options, the current price of the underlying shares, the expected share price volatility, expected dividends and the risk-free interest rate over the life of the options. The amount so determined (under the share-based payment heading) is recognised in personnel expenses on a straight-line basis over the period between the grant date and the exercise date – corresponding to the vesting period – and in equity for equity-settled plans or in liabilities to employees for cash-settled plans. The Group has opted for retrospective application of IFRS 2 to equity- and cash-settled plans. The new plans are valued in accordance with IFRS 2 using a binomial model.

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

Note 4 – Segment information

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

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

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

QuiDonc. This segment also includes the holding company activities accommodated within PagesJaunes Groupe.

- International & Subsidiaries: the activities of the Company's various subsidiaries that are principally involved in the publication of consumer directories outside France (Spain, Morocco and Luxembourg) 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. This segment also includes the new small online ads business ("annoncesjaunes.fr") launched at the start of January 2007, and part of PagesJaunes Petites Annonces, together with, in the fourth quarter of 2007, the Internet advertising business of Horyzon Media and Horyzon Clics, in which PagesJaunes Groupe took a 66% stake on 11 October 2007.

4.1 – Analysis by business segment

The following table shows information by business segment for the periods ended 31 December 2007 and 2006:

Analysis by business segment

Income statement

Amounts in thousands of euros	As at 31 December 2007				As at 31 December 2006			
	PagesJaunes in France	**International & subsidiaries**	**Eliminations**	**Group**	**PagesJaunes in France**	**International & subsidiaries**	**Eliminations**	**Group**
Net revenues	**1 071 830**	**93 825**	**(7 351)**	**1 158 304**	**1 013 293**	**85 868**	**(5 819)**	**1 093 342**
- External	1 071 533	86 771	-	1 158 304	1 013 245	80 097	-	1 093 342
- Inter-segment	297	7 054	(7 351)	-	48	5 771	(5 819)	-
External purchases	(270 753)	(51 198)	7 351	(314 600)	(268 935)	(39 491)	5 819	(302 607)
Other operating income	12 613	1 417	(3 905)	10 125	10 939	2 212	(1 529)	11 622
Other operating expenses	(22 708)	(5 158)	3 905	(23 961)	(21 277)	(3 296)	1 529	(23 044)
Salaries and charges	(273 383)	(47 631)	-	(321 014)	(254 112)	(41 591)	-	(295 703)
Gross operating margin	**517 599**	**(8 745)**	**-**	**508 854**	**479 908**	**3 702**	**-**	**483 610**
Employee profit-sharing				(14 385)				(13 525)
Share-based payment				(5 189)				(8 590)
Depreciation and amortisation	(11 916)	(2 976)	-	(14 892)	(8 791)	(3 126)	-	(11 917)
Result of asset disposals				14 277				(565)
Restructuring costs				-				(48)
Operating income				**488 665**				**448 965**
Financial income				972				21 172
Financial expenses				(131 069)				(13 841)
Result of disposal of financial assets				2 107				764
Gain (loss) on foreign exchange				(10)				-
Corporation tax				(126 440)				(160 975)
Net income from continuing businesses				**234 224**				**296 086**
Net income from divested businesses (after tax)				**34 358**				**809**
Net income of the consolidated group				**268 582**				**296 895**
Attributable to :								
Shareholders PagesJaunes Group				269 566				296 895
Minority interests				(984)				-
Acquisitions of tangible and intangible fixed assets	**11 871**	**4 562**	**-**	**16 433**	**26 312**	**4 273**	**-**	**30 585**

Analysis by business segment

Balance sheet

Amounts in thousands of euros	As at 31 December 2007				As at 31 December 2006			
	PagesJaunes in France	International & subsidiaries	Eliminations	Group	PagesJaunes in France	International & subsidiaries	Eliminations	Group
Net goodwill	-	125 528	-	125 528	-	107 727	-	107 727
Net intangible fixed assets	20 994	5 134	-	26 128	22 586	5 430	-	28 016
Net tangible fixed assets	14 713	5 691	-	20 404	13 553	5 468	-	19 021
Non-current non-segment assets				32 234				22 867
Non-current assets				**204 294**				**177 631**
Net inventories	4 353	891	-	5 244	5 944	681	-	6 625
Net trade accounts receivable	472 006	49 323	(3 339)	517 990	450 661	53 305	(4 013)	499 953
Other current assets	23 555	4 480	(12)	28 023	30 405	4 919	-	35 324
Pre-paid expenses	96 594	8 029	(24)	104 599	43 209	16 319	(27)	59 501
Current non-segment assets				83 944				71 135
Current assets				**739 800**				**672 537**
Total assets				**944 094**				**850 168**
of which segment assets	*632 215*	*199 076*	*(3 375)*	*827 916*	*566 358*	*193 849*	*(4 040)*	*756 167*
of which non-segment assets				*116 178*				*94 001*
Shareholders' equity				**(2 073 316)**				**(2 060 565)**
Shareholders' equity				**373**				**-**
Personnel benefits - non-current	32 627	209	-	32 836	28 354	1 020	-	29 374
Provisions - non-current	5 647	11	-	5 658	6 709	180	-	6 889
Other non-current liabilities	8 700	-	-	8 700	-	90	-	90
Non-current segment liabilities				1 919 230				1 910 990
Non-current liabilities				**1 966 424**				**1 947 342**
Provisions - current	-	580		580		746		746
Trade accounts payable	89 382	23 350	(3 339)	109 393	102 392	18 300	(4 013)	116 679
Personnel benefits - current	110 963	7 361		118 324	62 577	10 930		73 507
Other current liabilities	98 166	6 862	(12)	105 016	93 254	9 551		102 805
Deferred income	649 129	23 302	(24)	672 407	600 176	40 135	(27)	640 284
Current non-segment liabilities				44 893				29 370
Current liabilities				**1 050 613**				**963 391**
Total liabilities				**944 094**				**850 168**
of which segment liabilities	*994 614*	*61 675*	*(3 375)*	*1 052 914*	*893 461*	*80 952*	*(4 040)*	*970 373*
of which non-segment liabilities				*(108 820)*				*(120 205)*

4.2 – Analysis by geographic region

Amounts in thousands of euros	**As at 31 December 2007**	**As at 31 December 2006**
Revenues	**1 158 304**	**1 093 342**
- France	1 096 534	1 034 930
- Others	61 770	58 412
Assets	**944 094**	**850 168**
- France	696 334	622 637
- Others	131 583	133 530
- Not allocated	116 177	94 001
Acquisitions of tangible and intangible fixed ass	**16 433**	**30 585**
- France	13 640	29 479
- Others	2 793	1 106

Note 5 – Change in the scope of consolidation

The main operations during 2006 and 2007 were as follows:

- **2007**

On 14 March 2007, PagesJaunes Groupe sold 100% of shares of the companies Kompass France and Kompass Belgium to Coface Services. In accordance with international accounting standards (IFRS 5 "Non-current Assets Held for Sale and Discounted Operations"), the revenues and expenses of the Kompass businesses are stated separately from the continuing businesses on a "divested businesses" line at the foot of the consolidated income statement, until the actual departure form the consolidated group. In accordance with IFRS, this presentation format in the income statement is used both for the financial data for the current year and for the data for the previous year on a comparative basis. In addition, the figures are stated before the elimination of intercompany items between Kompass France and Kompass Belgium on the one had, and on the other hand, all the other companies of the PagesJaunes Group. These two companies formed part of the "International & Subsidiaries" segment.

On 27 July 2007, PagesJaunes Groupe and Groupe M6 formed a strategic partnership as regards the business of Internet classified ads, under the terms of which Group M6 acquired, on 17 October, a 34% stake in the capital of PagesJaunes Petites Annonces, subsidiary of PagesJaunes Groupe, by an increase in capital of 16 million euros.

On 11 October 2007, PagesJaunes Groupe acquired 55% of shares and voting rights of the company Horyzon Media and 66% of shares and voting rights of the company Horyzon Clics. On 24 December 2007, an additional 11% of shares and voting rights of the company Horyzon Media were acquired. All these shares were acquired in cash, for a price of 10.7 million euros, of which 0.2 million euros for fees and costs.

In addition, options to buy and sell shares were respectively granted for the balance of 34% of shares. They can be exercised by both parties in 2011. The accounting of these options generated a debt of 8.6 million euros recognised in “Other non-current liabilities” and additional goodwill for the same amount.

On 17 October 2007, PagesJaunes Petites Annonces, subsidiary of PagesJaunes Groupe, acquired 100% of shares and voting rights of the company “A Ton Service” for 0.5 million euros.

- **2006**

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

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

Note 6 – Divested businesses

PagesJaunes Groupe sold 100% of the shares of the companies Kompass France and Kompass Belgium, on 14 March 2007 (cf. Note 5). The Kompass businesses are recognised in the financial statements as divested businesses. The net income and expenses and the disposal results after tax are recognised in “net income from divested businesses”.

The main aggregates making up the net income from divested businesses for the periods presented are as follows:

(in thousands of Euros)	31 December 2007 (1)	31 December 2006
Revenues	7,017	31,392
Operating expenses	(5,656)	(28,681)
Gross operating margin	**1,361**	**2,711**
Operating income	1,015	1,317
Financial income	31	172
Corporation tax	(273)	(680)
Net income from Kompass businesses	**1,013**	**809**
Capital gain on disposal before tax (2)	32,830	-
Tax on disposal result (3)	515	-
Capital gain on disposal after tax (2)	33,345	-
Net income from divested businesses	**34,358**	**809**

(1) Corresponds to the flows generated by the Kompass businesses up to the disposal date
(2) Capital gain net of disposal expenses amounting to 0.2 million euros and the balance of deferred tax assets on the disposal date, recorded in respect of losses in previous years, amounting to 2.2 million euros
(3) Corresponds to the tax saving relating to the fiscal short-term loss from the disposal result ((1.3) million euros) and disposal expenses (0.2 million euros)

The net cash flows relating to the Kompass businesses in the periods presented are as follows:

(in thousands of Euros)	31 December 2007 (1)	31 December 2006
Net cash from operations	1,728	2,764
Net cash used in investing activities	(247)	(451)
Net cash provided by (used in) financing activities	55	(150)

(1) Corresponds to the flow generated by the Kompass businesses until the disposal date.

The net impact of the divestment of the Kompass businesses on the cash position, net of cash divested, amounted to 32.0 million euros.

Note 7 – Revenues

(in thousands of Euros)	**31 December 2007**	**31 December 2006**
PagesJaunes in France		
Printed directories	653,003	654,144
PagesJaunes	528,795	527,187
L'*Annuaire*	124,208	126,957
Online services	369,285	320,727
Internet	344,025	279,964
Minitel	25,260	40,763
Telephone directory enquiry services	28,067	14,410
Other businesses	21,475	24,012
PagesJaunes in France segment total	**1,071,830**	**1,013,293**
International & Subsidiaries		
BtoC directories	61,779	58,348
Kompass	-	-
Internet advertising management	1,148	-
Online classified ads	1,891	-
Direct marketing and geographic services	29,007	27,520
International & Subsidiaries total	**93,825**	**85,868**
Inter-segment	(7,351)	(5,819)
TOTAL	**1,158,304**	**1,093,342**

Note 8 – Personnel expenses

(in thousands of Euros, except for number of employees)		31 December 2007	31 December 2006
Average number of employees (full-time equivalent)		4,640	4,443
Salaries and social charges		**(321,014)**	**(295,703)**
of which:	- Salaries and wages	(230,581)	(211,957)
	- Social charges	(82,171)	(75,969)
	- Self-constructed assets	0	-
	- Payroll and other items	(8,262)	(7,777)
Share-based compensation		**(5,189)**	**(8,590)**
of which:	- Stock options and free shares (1)	(4,367)	(6,625)
	- Social charges on exercised stock options	(822)	(1,965)
Employee profit-sharing		**(14,385)**	**(13,525)**
Total personnel expenses		**(340,588)**	**(317,818)**

(1) cf. Note 27

Note 9 – Income from asset disposals

On 27 July 2007, PagesJaunes Groupe and Groupe M6 formed a strategic partnership as regards the business of Internet classified ads, under the terms of which Groupe M6 acquired, on 17 October, a 34% stake in the capital of PagesJaunes Petites Annonces, subsidiary of PagesJaunes Groupe, by an increase in capital of 16 million euros.

This operation generated a dilution profit of 14.6 million euros in 2007, recognised in the section “Income from asset disposals”.

Note 10 – Financial income

The financial income breaks down as follows:

(in thousands of Euros)	**31 December 2007**	**31 December 2006**
Interest and similar income from financial assets	438	16,389
Change in fair value of hedging instruments	-	4,206
Dividends received	534	577
Financial income	**972**	**21,172**
Interest on financial liabilities	(120,749)	(11,719)
Hedging instrument receipts	3,861	-
Change in fair value of hedging instruments	(5,628)	-
Amortisation of debt costs	(6,151)	(613)
Discounting cost (1)	(2,402)	(1 509)
Financial expenses	**(131,069)**	**(13,841)**
Result of disposal of financial assets	**2,107**	**764**
Foreign exchange gains (losses)	**(10)**	**-**
Financial income (loss)	**(128,001)**	**8,095**

(1) Cost relating to the increase of the retirement benefit obligation present value (cf. Note 26)

Note 11 – Corporation tax

11.1 – Group tax proof

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

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

Amounts in thousands of euros	As at 31 December 2007	As at 31 December 2006
Pretax income	360 664	457 060
Statutory tax rate	34,43%	34,43%
Theoretical tax	**(124 177)**	**(157 366)**
Loss-making companies not integrated for tax purposes	(6 115)	(776)
Share-based payment	(1 504)	(2 281)
Foreign subsidiaries	191	(31)
Previous year adjustements	(1)	(668)
Dilution profit recognised when M6 acquired an interest in the capital of PagesJaunes Petites Annonces	5 036	-
Other non-taxable revenues and expenses	129	147
Effective tax	**(126 440)**	**(160 975)**
of which current tax	*(127 806)*	*(137 040)*
of which deferred tax	*1 366*	*(23 935)*

11.2 – Balance sheet tax position

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

Amounts in thousands of euros	As at 31 December 2007	As at 31 December 2006
Retirement benefits	9 233	8 321
Employee profit-sharing	4 960	4 663
Fixed assets	-	2 934
Non-deductible provisions	1 818	2 284
Tax loss carry-forwards and depreciation deemed deferred	-	1 743
Other differences	709	1 745
Subtotal of deferred tax assets	**16 720**	**21 690**
Hedging instruments	(7 258)	(3 433)
Loan issue costs	(14 823)	(16 298)
Subtotal of deferred tax liabilities	**(22 081)**	**(19 731)**
Total net deferred tax assets / (liabilities)	**(5 361)**	**1 959**
Deferred tax assets	*102*	*1 959*
Deferred tax liabilities	*(5 463)*	*-*

No deferred tax assets were recognised in the balance sheet in respect of loss carry-forwards of QDQ Media, as this company recorded negative net income in 2007. The amount of the unstated deferred tax was estimated at 56.8 million euros, as at 31 December 2007.

PagesJaunes Groupe opted for the French tax consolidation regime provided for by Article 223 A. of the French General Tax Code. This option aims to create a consolidated tax group, consisting of, in addition to PagesJaunes Groupe, all its French subsidiaries that satisfy the conditions required to become a member. This option took effect from 1 January 2005, for a period of five years.

Differed tax recorded in the balance sheet went from a deferred tax asset of 2.0 million euros, as at 31 December 2006, to a deferred tax liability of 5.4 million euros, as at 31 December 2007.

The liability in the balance sheet corresponds to current tax. The tax disbursed during the 2007 financial year amounted to 121.7 million euros (162.8 million euros in 2006).

Note 12 – Earnings per share

In 2007, net income amounted to 268.6 million euros. The number of ordinary shares in circulation was 280.6 million. Net consolidated earnings per share was therefore 0.96 euro and 0.95 euro, taking into account the potentially dilutive effect of the existence of, on average in 2007, 3.4 million stock options, as well as 0.8 million shares that could be granted free of charge, in 2008 and 2009, subject to the fulfilment of performance conditions. Net earnings per share of continuing operations was 0.84 euro (0.83 euro following dilutions) and net earnings per share of discontinued operations was 0.12 euro (0.12 euro following dilution).

In 2006, net income amounted to 296.9 million euros. The average number of ordinary shares in circulation was 278.6 million. Net consolidated earnings per share was therefore 1.07 euro, and 1.05 euro taking into account the potential dilutive effect of the existence of, on average for 2006, 3.7 million stock options and 0.2 million shares that could granted free of charge, in 2008 and 2009, subject to the fulfilment of performance conditions.

Note 13 – Goodwill related to consolidated companies

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

(in thousands of Euros)	**31 December 2007**			**31 December 2006**
	Other movements	Acquisitions/ Disposals	Closing balance	Closing balance
QDQ Media	-	-	68,882	68,882
Mappy	-	-	7,400	7,400
PagesJaunes Marketing Services	-	-	13,278	13,278
Eurodirectory	-	-	12,109	12,109
Edicom	-	-	4,796	4,796
Kompass Belgium	-	(1,262)	-	1,262
A Ton Service	-	421	421	-
Horyzon Média and Clics	(271)	18,913	18,642	-
Total	**(271)**	**18,072**	**125,528**	**107,727**

The value of goodwill was examined in the context of the consolidated financial statements, in accordance with the method described in Note 3.8 – Accounting Policies, on the basis of business plans, a perpetual growth rate of between 1.5% and 2.5% and a discount rate after tax of between 8.5% and 12% depending on the cash-generating units (8.7% and 12% in 2006). In fact, the liability recognised for commitments to buy out minority shareholders is offset by a decrease in minority interest and an increase in goodwill (cf. Note 3.1.2).

Note 14 – Other intangible fixed assets

(in thousands of Euros)	31 December 2007			31 December 2006		
	Gross value	Accumulated amortisation	Net value	Gross value	Accumulated amortisation	Net value
ERP & Applications support	49,970	(33,440)	16,530	44,521	(28,402)	16,119
Annuaire concession	11,000	(5,500)	5,500	11,000	(2,750)	8,250
Other intangible fixed assets	5,885	(1,787)	4,098	8,357	(4,710)	3,647
Total	**66,855**	**(40,727)**	**26,128**	**63,878**	**(35,862)**	**28,016**

No significant impairment was recognised as at 31 December 2007 and 2006.

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

(in thousands of Euros)	31 December 2007	31 December 2006
Opening balance	**28,016**	**11,511**
Acquisitions	3,744	16,121
Assets generated internally (1)	3,869	7,205
Effect of changes in scope of consolidation (2)	(326)	-
Translation differences	(1)	(1)
Reclassifications	1	(65)
Disposals	(335)	(120)
Amortisation charge	(8,840)	(6,635)
Closing balance	**26,128**	**28,016**

(1) concerns all capitalised development expenses.
(2) concerns the entry of A Ton Service and Horyzon Media into the scope of consolidation in 2007 and the departure of Kompass France and Kompass Belgium.

Note 15 – Tangible fixed assets

(in thousands of Euros)	31 December 2007			31 December 2006		
	Gross value	Accumulated Depreciation	Net value	Gross value	Accumulated Depreciation	Net value
Land and buildings	1,530	(191)	1,339	2,855	(980)	1,875
Computers and terminals	37,475	(29,418)	8,057	40,577	(32,582)	7,995
Other assets	27,579	(16,571)	11,008	22,512	(13,360)	9,152
Total	**66,584**	**(46,180)**	**20,404**	**65,943**	**(46,922)**	**19,021**

No significant impairment was recognised as at 31 December 2007 and 2006.

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

(in thousands of Euros)	**31 December 2007**	**31 December 2006**
Opening balance	**19,021**	**17,995**
Acquisitions of tangible fixed assets	8,820	7,260
Effect of changes in the scope of consolidation (1)	(1,294)	-
Translation differences	(2)	(3)
Reclassifications	(35)	65
Disposals and discards	(54)	(291)
Depreciation charge	(6,052)	(6,004)
Closing balance	**20,404**	**19,021**

(1) concerns the entry of Horyzon Media and Horyzon Clics into the scope of consolidation in 2007 and the departure of Kompass France and Kompass Belgium.

Note 16 – Other available-for-sale assets

This section includes shares classified as assets available for sale within the meaning of IAS 39.

Note 17 – Other non-current financial assets

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

Note 18 – Derivative financial instruments – non-current assets

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

Description of derivative financial instruments

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

- an interest rate swap contract of a nominal amount of 380 million euros, commencing on 31 December 2006 and ending on 13 December 2011. In the context of this operation, PagesJaunes Groupe receives interest at a variable rate, i.e. Euribor, and pays a fixed rate of 3.7830%,
- a collar, comprising the synthetic combination of the purchase of a cap and the sale of a floor with a nominal amount of 1.140 million euros, commencing on 13 December 2006 and ending on 13 December 2011. The tunnel made up of this collar provides for a minimum interest rate of 3.0% and a maximum interest rate of 4.0%. The annual premium on this collar, payable in arrears, is 1.9 million euros.

These operations cover the cash flow relating to the variable-rate senior debt drawn by PagesJaunes Groupe in November 2006 (cf. Note 28). The prospective effectiveness tests carried out by PagesJaunes Groupe when initiating these operations and the retrospective tests carried out on

31 December 2006 and 2007 demonstrated that these financial instruments offered fully effective hedging of the cash flows relating to this senior debt.

Recognition of assets and liabilities relating to these derivative financial instruments

The initial fair value of the collar was recognised in the consolidated assets when it was concluded in December 2006, in an amount of 8.3 million euros, with the opposite entry being "Liabilities in respect of hedging instruments" (cf. Note 28) in an amount of 8.3 million euros, corresponding to the discounted premium which the Company will have to pay in five annual instalments. This debt amounted to 6.8 million euros as at 31 December 2007.

The value of these derivative financial instruments was as follows:

in thousands of Euros	**31 December 2007**	**31 December 2006**
Interest rate swap – cash flow hedge	8,515	3,715
Collar – cash flow hedge	21,455	13,765
of which intrinsic value	*14,551*	*1,233*
of which time value	*6, 904*	*12,532*
Total	**29,970**	**17,479**

The change in the fair value of these derivative financial instruments between 31 December 2006 and 31 December 2007, i.e. 4.8 million euros for the interest rate swap and 13.3 million euros for the intrinsic value of the collar, was recognized in recyclable shareholders' equity, after the recording of a deferred tax liability of 6.2 million euros. The change in the time value of the collar was recorded in financial charges (cf. Note 10), in an amount of (5.6) million euros, giving rise to deferred tax of 1.9 million euros.

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

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

Note 19 – Net inventories

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

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

No significant discards were recognised in the years 2006 and 2007.

Note 20 – Trade accounts receivable

The breakdown of the gross value and impairment of trade receivables is as follows:

in thousands of Euros	**31 December 2007**	**31 December 2006**
Gross trade accounts receivable	535,190	516,525
Provisions for impairment (1)	(17,200)	(16,572)
Net trade accounts receivable	**517,990**	**499,953**

(1) cf. Note 23 – Changes in provisions for impairment of assets

As at 31 December, trade receivables are due as follows:

in thousands of Euros	**Total**	**Activities disposed of**	**Not due and not impaired**	**Overdue and not impaired**					
				< 30 days	**between 31 and 60 days**	**between 61 and 90 days**	**between 91 and 180 days**	**between 181 and 360 days**	**> 360 days**
2007	517,990	-	476,235	19,476	10,766	3,731	4,422	2,827	533
2006	499,953	13,342	442,608	19,391	11,181	4,267	6,239	2,342	583

The Groupe's trade receivables portfolio does not present a significant risk of concentration (close to 763,000 advertisers of which 666,800 in France). The first 20 advertisers in France represent 1.3% of this turnover and advertisers in the 10 leading professional categories represent 14.1% of turnover for PagesJaunes in France. Provisions for trade account risks in France remain at a very low level, with a net charges rate of 0.245% compared to turnover for 2007, almost stable compared to 2006.

Note 21 – Other current assets

Other current assets are made up as follows:

in thousands of Euros	**31 December 2007**	**31 December 2006**
VAT receivable	17,439	18,129
Sundry accounts receivable	675	198
Other current assets (1)	9,909	16,997
Total	**28,023**	**35,324**

(1) of which advances and down payments to suppliers for 3.1 million euros in 2007 and 7.0 million euros in 2006.

Note 22 – Deferred charges

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

In an effort to homogenize results with deferred charges income, the deferred charges as at 31 December 2007 (104.6 million euros) include an amount of 46.5 million euros entered opposite current staff benefits in order to recognize all remuneration due with regard to forthcoming directories as at 31 December 2007. The corresponding amount as at 31 December 2006 was estimated at 43.3 million euros. The financial statements on that date were not revised.

Note 23 – Changes in provisions for assets impairment

(in thousands of Euros)	**Opening balance**	**Net allowances / releases**	**Other movements (1)**	**Closing balance**
2006				
Investment securities	2,702	(2,702)	-	-
Trade accounts receivable	16,271	314	(13)	16,572
Other assets	110	412	-	522
2007				
Trade accounts receivable	16,572	2,203	(1,575)	17,200
Other assets	522	(463)	29	88

(1) of which the departure of Kompass France and Kompass Belgium in 2007 for (1,575) K€

Almost all of the receivables due were covered by a provision for impairment amounting to close to 100% of their total. The receivables relative to forthcoming directories are also covered by a provision calculated according to a statistical rate observed empirically during the last 5 years of publications.

Note 24 – Share capital

24.1 – Company capital

As at 31 December 2007, the share capital of the company PagesJaunes Groupe, amounting to 56.1 million euros, was divided into 280,644,450 ordinary shares each of a par value of 0.20 euros. It is fully paid up (280,266,780 shares at 31 December 2006).

The Company carried out a capital increase of 75,534 euros through the creation of 377,670 new shares in the context of the early exercise of PagesJaunes Groupe options in 2007. In 2006, 1,477,170 shares were created in the same context, increasing the Company's capital by 295,434 euros.

The share capital of PagesJaunes Groupe is 54.75% owned by Médiannuaire SAS as at 31 December 2007.

24.2 – Other reserves

The other consolidated reserves amounting to (2,497,651) as at 31 December 2007 are essentially made up of:

- the fair value variation of derivative financial instruments between their conclusion date and 31 December 2007 for a before-tax total of 23.1 million euros (4.9 million euros as at 31 December 2006) and a tax amount of 7.9 million euros (1.7 million euros as at 31 December 2006);
- the opposite entry for share-based payment expenses for the portion settled in own equity instruments (cf Note 27);
- under deduction of the portion of dividend distributions exceeding the result for the period, concerning principally the exceptional distribution effected in November 2006 (2,519.7 million euros).

The estimated time for recycling of reserves relative to financial instruments, generated in the context of implementation of hedging accounting according to IAS 39, is four years.

24.3 – Own shares

No own shares were held at 31 December 2007. nor at 31 December 2006.

24.4 – Dividends

Dividends distributed on 4 May 2007 amounted to 303.1 million euros, i.e. 1.08 euro per share.

In 2006, two distributions were made:

- On 2 May, 284.0 million euros, i.e. 1.02 euro per share,
- On 24 November, 2,519.7 million euros, i.e. 9.00 euros per share.

Note 25 – Trade accounts payable

Trade accounts payable do not bear interest and are usually payable between 30 and 90 days.

Note 26 – Employee benefits, provisions and other current liabilities

These are made up as follows:

(in thousands of Euros)	31 December 2007	31 December 2006
Post-employment benefits	26,655	24,239
Other long-term benefits	6,181	5,135
Employee benefits – non-current (1)	**32,836**	**29,374**
Other provisions for risks	1,258	497
Provisions for corporate and taxation disputes	4,400	6,392
Provisions – non-current	**5,658**	**6,889**

(1) Cf. details in following Note. Non-current employee benefits concern the French entities.

(in thousands of Euros)	31 December 2007	31 December 2006
Personnel (1)	96,246	46,059
Corporate bodies	22,078	27,448
Total employee benefits – current	**118,324**	**73,507**
VAT payable	94,567	90,794
Sundry accounts payable	8,429	8,693
Other current liabilities	2,020	3,318
Other current liabilities	**105,016**	**102,805**

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

Movement in provisions were as follows:

(in thousands of euros)	Opening balance	Charge for the year	Reversal of the year (unused)	Reversal of the year (utilised)	Changes in the scope of consolidation, reclassifications and others	Closing balance
Provisions for social and fiscal litigations	6 392	63	-1 989	-56	250	4 660
Other Provision for risks	1 243	853	-20	-218	-280	1 578
Total provisions	**7 635**	**916**	**-2 009**	**-274**	**-30**	**6 238**
- of which non current	6 889	868	-1 900	-176	-23	5 658
- of which current	746	48	-109	-98	-7	580

Pension commitments and other personnel benefits:

(in thousands of euros)	Post-employment benefits	Other long-term benefits	**Total 31 December 2007**	**Total 31 December 2006**
Change in value of commitments				
Total value of commitments at start of period	**39 609**	**5 135**	**44 744**	**39 792**
Cost of services rendered	2 593	421	3 014	2 975
Discounting cost	1 723	227	1 950	1 549
Contributions paid by employees	-	-	-	-
Amendments to scheme	-	-	-	-
Reductions/liquidations	-	-	-	-
Actuarial (gains) or losses	2 359	609	2 968	1 633
Benefits paid	(1 276)	(193)	(1 469)	(1 205)
Acquisitions	-	-	-	-
Assignments/transfers of activity	-	-	-	-
Changes in scope	(796)	(18)	(814)	-
Others: (translation differences)	-	-	-	-
Total value of commitments at end of period (A)	**44 212**	**6 181**	**50 393**	**44 744**
Commitments at end of period relating to fully or partly financed schemes	*43 102*	-	*43 102*	*37 653*
Commitments at end of period relating to non-financed schemes	*1 110*	*6 181*	*7 291*	*7 091*
Change in cover assets				
Fair value of cover assets at start of period	**1 287**	**-**	**1 287**	**1 612**
Financial income from cover assets	42	-	42	63
Gains/losses on cover assets	-	-	-	(51)
Contributions paid by the employer	1 489	-	1 489	600
Contributions paid by the employees	-	-	-	-
Reductions/liquidations	-	-	-	-
Benefits paid by the fund	(1 276)	-	(1 276)	(937)
Change in scope	-	-	-	-
Others (translation differences)	-	-	-	-
Fair value of cover assets at end of period (B)	**1 542**	**-**	**1 542**	**1 287**
Financial cover				
Situation of the scheme (A) – (B)	42 670	6 181	48 851	43 457
Unrecognised actuarial gains or (losses)	(15 783)	-	(15 783)	(14 083)
Unrecognised cost of past services	-	-	-	-
Adjustment linked to upper limit of assets	-	-	-	-
Provision / (assets) at end of period	**26 887**	**6 181**	**33 068**	**29 374**
of which provision / (asset) short term	*232*	-	*232*	*502*
of which provision / (asset) long term	*26 655*	*6 181*	*32 836*	*28 872*
Pension charge				
Cost of services rendered	2 593	421	3 014	2 975
Discounting costs	1 723	227	1 950	1 549
Expected return on scheme assets	(42)	-	(42)	(63)
Amortisation of actuarial (gains) or losses	659	609	1 268	332
Amortisation of cost of past services	-	-	-	-
Effect of reductions/liquidations	-	-	-	-
Assignments/transfers of activity	(17)	-	(17)	-
Adjustment linked to upper limit of assets	-	-	-	-
Total pension charge	**4 916**	**1 257**	**6 173**	**4 793**
Movements in the provision / (asset)				
Provision / (assets) at start of period	**24 239**	**5 135**	**29 374**	**25 450**
Pension charge	4 916	1 257	6 173	4 793
Pension charge from divested businesses	17	-	17	-
Contributions paid by the employer	(1 489)	(193)	(1 682)	(722)
Benefits paid directly by the employer	-	-	-	(147)
Change of scope	(796)	(18)	(814)	-
Others (goodwill)	-	-	-	-
Provision / (assets) at end of period	**26 887**	**6 181**	**33 068**	**29 374**
Assumptions				
Discount rate (%)	4,75%	4,75%	4,75%	4,25%
Expected long-term inflation rate (%)	2,0%	2,0%	2,0%	2,0%
Expected long-term salary growth (%)	Dependent on employee category and age			
Expected yield on scheme assets (%)	4,0%	-	-	4,2%
Probable residual activity period	15,4	15,4	-	
Amount entered as a charge in respect of the peric	**4 916**	**1 257**	**6 173**	**4 793**

Note 27 – Stock options and free shares

27.1 – Stock options

27.1.1 – Description of the plans

The Board of Directors was authorized on 12 April 2005 at the General Shareholders' Meeting to implement a share option plan to the benefit of certain managers and employees of the Group, in accordance with articles L. 225-177 and subsequent of the Commercial Code, in order to associate them with the Group's development. Such authorization was granted for 38 months and the total number of stock options allocated in the context of this resolution may not represent more than 2.0% of the Company's capital at the date of this Shareholders' Meeting, i.e. 5,575,792 options.

Thus, PagesJaunes Groupe implemented two share option subscription plans, the first on 28 June 2005 and the second on 20 December 2007.

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

The settlement of the plan enabled the beneficiaries to exercise in advance up to 50% of the options granted to them, i.e. approximately 1.85 million options, within a period of three months from the date of sending of the notice of change of control, i.e. having regard to the change of control which occurred on 11 October 2006, from 12 October 2006 to 12 January 2007, and to sell the shares resulting from such exercise at their convenience. The capital gains recorded as a result of such advance exercise are treated for tax purposes as wages and salaries. As a result, they are subject to social charges and income tax for the beneficiary, and employer's charges for the company. 1,854,840 options (377,670 in 2007 and 1,477,170 in 2006) were thus exercised in advance, generating additional social charges amounting to 0.5 million euros in 2007 and 2,1 million euros in 2006, classified under the heading "Share-based payment expenses" (cf. Note 27.3).

In addition, the payment of an exceptional dividend by deduction from the Company's free reserves gave rise to an adjustment to the exercise price and to the number of shares granted, in accordance with article L.225-181 of the Commercial Code. As of 31 December 2007, taking into account this advance exercise on the one hand and the adjustment to the exercise price and the number of options on the other, and finally departures of employees, 3,190,829 options remained in circulation (3,735,176 in 2006), the adjusted exercise price of which is now 11.72 euros.

A second plan was introduced in December 2007, totalling 2,927,900 options with an exercise price of 14.46 euros, and with a life of 10 years. The options are fully purchased after 3 years. There are no performance conditions attached.

For all plans, French tax laws forbid the sale of the shares for 4 years. This applies to beneficiaries of French nationality.

27.1.2 – Description of the valuation models

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

The fair values of the options in the PagesJaunes Groupe plan granted in December 2007 have been calculated using a binomial model which reflects the expected exercise behaviour of grantees by means of "exercise ceiling" assumptions expressed as a multiple of the exercise price and representing the value of the shares for which it is expected that all the options will be exercised. The ceiling used to calculate the above fair values is 2.0. The expected volatility has been established on the basis of the historical volatility of PagesJaunes, i.e. 18%. Having regard to an estimated annual departure rate of 3.0% and an estimated expected dividend rate of 5.0%, the fair value of a PagesJaunes Groupe option has been measured at 1.61 euro for French resident taxpayers (1.62 euro for non-French residents) for an underlying price on the grant date of 13.65 euros and an exercise price of 14.46 euros. The allocation date for valuation of the charge corresponds to the date of the Board of Directors' meeting during which the options were granted, i.e. 20 December 2007, the lead-time for informing the grantees having been considered as reasonable.

27.1.3 – Movements in stock option plans during the year

	Number of options in 2007	Weighted average exercise price 2007	Number of options in 2006	Weighted average exercise price 2006
Options in circulation at start of period				
December 2007 stock option plan	-	-	-	-
June 2005 stock option plan	3,735,176	11.72 €	3,748,000	19.30 €
Options granted				
December 2007 stock option plan	2,927,900	14.46 €	-	-
June 2005 stock option plan	-	-	-	-
Additional options				
December 2007 stock option plan	-	-	-	-
June 2005 stock option plan (**)	-	-	1,588,512	11.72 €
Options exercised				
December 2007 stock option plan	-	-	-	-
June 2005 stock option plan	(377,670)	11.72 €	(1,477,170)	17.80 €
Options cancelled, lapsed				
December 2007 stock option plan	-	-	-	-
June 2005 stock option plan	(166,677)	11.72 €	(133,166)	18.43 €
Other movements (*)				
December 2007 stock option plan	-	-	-	-
June 2005 stock option plan	-	-	9,000	19.30 €
Options in circulation at end of period	**6,118,729**		**3,735,176**	
December 2007 stock option plan	2,927,900	14.46 €	-	-
June 2005 stock option plan	3,190,829	11.72 €	3,735,176	11.72 €

(*) Options held by beneficiaries who transferred to another company within the France Télécom Group in 2006.

(**) Represents the additional options resulting from the adjustment mechanism linked to the distribution of the exceptional dividend of 9 euros in 2006.

No option could be exercised as at 31 December 2007.
The average time still left to run until the beginning of the new period is 6 months for the June 2005 stock option plan and 36 months for the December 2007 stock option plan.

27.2 – Free grant of shares

27.2.1 – Description of the plans

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

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

These shares will be finally vested at the end of a vesting period of two years, provided that the beneficiary is still an employee or director of the Group and performance conditions are fulfilled. The performance conditions concern the achievement of criteria for growth in consolidated revenues and growth in consolidated gross operating margin for the years 2006 and 2007 in the case of the first plan and criteria for growth in consolidated gross operating margin for the years 2007 and 2008 in the case of the second plan.

As at 31 December 2007, taking into account the cancellations which had arisen since these grants and the non-fulfilment of performance criteria fixed for 2006 and 2007, 745,440 shares eligible for free grant remained in circulation (1,356,201 as at 31 December 2006).

No new free grant of shares was agreed in 2007.

27.2.2 – Description of the valuation models

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

27.2.3 – Fair value of options granted free of charge during the period

Main assumptions – valuation model	**May 2006**	**November 2006**
Price of underlying asset on grant date (market price)	21.52 €	23.84 €
Vesting period	2 years	2 years
Expected dividend rate (1)	5.00%	5.00%
Probability of achievement of performance conditions at outset	100%	100%
Fair value of share	**19.47 €**	**12.57 €**

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

The expense representing the cost of these free share plans, which takes account of an estimated annual departure rate of 5%, is amortised over the two-year vesting period. It is adjusted on the basis of the probability that the performance conditions will be achieved or of the workforce departure rate during this period and is fixed permanently on the basis of the number of shares actually distributed at the end of this period. In view of the Group's results in 2006 and 2007, the shares permitted in May 2006 cannot be granted due to non-fulfilment of performance criteria fixed for the periods of 2006 and 2007. The expense relating to this first plan recorded in the accounts for

2006 for an amount of 2.0 million euros was cancelled by a product of the same amount in the accounts for 2007.

27.3 – Expense relating to stock option plans and free share plans

The impact of the stock option plans and free share plans on the statement of accounts for the period of 2007 amounts to 5.2 million euros (8.6 million euros in 2006) of which 0.8 million euros for social contributions (2.1 million euros in 2006, cf. Note 8). The social contributions are relative to the advance exercise of stock options in 2006 and 2007 and the employer's contribution of 10%, introduced by the law for Social Security financing of 2008 and based on the fair value of shares granted in December 2007.
These plans are expected to be settled in own equity instruments.

Note 28 – Cash and cash equivalents, net financial debt

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

(in thousands of Euros)	**31 December 2007**	**31 December 2006**
Hedging instruments (cf. Note 18)	29,970	17,479
ST investments > 3 months and < 1 year	17	285
Cash and cash equivalents	71,228	55,076
Cash position	**101,214**	**72,840**
Bank borrowing	(1,950,000)	(1,950,000)
Debt costs	41,186	47,336
Liability in respect of hedging instruments (cf. Note 18)	(6,792)	(8,326)
Accrued interest not yet due	(6,845)	(5,645)
Bank overdrafts	(16,709)	(7,510)
Other financial liabilities	(16,070)	(15,303)
Gross financial debt	**(1,955,230)**	**(1,939,447)**
of which current	*(41,463)*	*(28,458)*
of which non-current	*(1,913,767)*	*(1,910,990)*
Net cash (debt)	**(1,854,016)**	**(1,866,607)**

Cash and cash equivalents

Cash and cash equivalents essentially comprised negotiable MTNs, UCITs and overdrawn bank accounts.

Bank loan

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

This financing contract contains in particular obligatory and default advance repayment clauses as well as adaptive financial covenants.

The medium term senior loan has a maturity of seven years, with interest at a variable rate based on the Euribor 3 month reference rate and a margin of 175 basis points as at 31 December 2007, and is repayable in full at maturity. The revolving credit line has a maturity of seven years, with interest at a variable rate based on the Euribor or Libor reference rate with a margin of 175 basis points as at 31 December 2007.

Other financial liabilities

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

The movements in financial liabilities were as follows:

(in thousands of Euros)	**31 December 2007**	**31 December 2006**
Opening balance	1,939,447	13,313
Changes in scope of consolidation (1)	(57)	-
Net increase (decrease)	15,840	1,926,134
Closing balance	**1,955,230**	**1,939,447**

(1) Entry of A Ton Service for 0.1 million euros and departure of Kompass France and Kompass Belgium for (0.2) million euros

Note 29 – Deferred income

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

Note 30 – Financial instruments

30.1 – Financial instruments recorded in the balance sheet

	Carrying amount in balance sheet	Breakdown according to IAS 39				
		Fair value recognised in profit or loss	Derivative instruments (Fair value recognised in equity)	Available-for-sale assets	Loans and receivables (amortised cost)	Financial liabilities (amortised cost)
Available-for-sale assets	207	-	-	207	-	-
Other non-current financial assets	1 955	-	-	-	1 955	-
Derivative financial instruments	29 970	6 904	23 066	-	-	-
Net trade accounts receivable	517 990	-	-	-	517 990	-
Other current financial assets	17	17	-	-	-	-
Cash equivalents	67 397	67 397	-	-	-	-
Cash	3 831	3 831	-	-	-	-
Financial assets	**621 367**	**78 148**	**23 066**	**207**	**519 945**	**-**
Non-current financial liabilities and derivatives	1 913 767	-	-	-	-	1 913 767
Bank overdrafts and other short-term borrowings	34 618	-	-	-	-	34 618
Accrued interest	6 845	-	-	-	-	6 845
Trade accounts payable	109 393	-	-	-	-	109 393
Financial liabilities	**2 064 623**	**-**	**-**	**-**	**-**	**2 064 623**

Hedging derivatives recorded in the accounts at their fair value by own capital are detailed in Note 18.
Commitments to purchase minority interest are detailed in Note 5.

30.2 – Impact of financial instruments on the result

	Impact in profit and loss	Breakdown according to IAS 39				
		Fair value recognised in profit or loss	Derivative instruments	Available-for-sale assets	Loans and receivables (amortised cost)	Financial liabilities (amortised cost)
Interest income	3 079	3 079	-	-	-	-
Interest expenses	(128 999)	-	(5 960)	-	-	(123 039)
Gain (loss) on foreign exchange	(10)	-	-	-	(10)	-
Derecognition	-	-	-	-	-	-
Impairment	(1 740)	-	-	-	(1 740)	-
Net gain / (loss)	**(127 671)**	**3 079**	**(5 960)**	**-**	**(1 750)**	**(123 039)**

Note 31 – Objectives of the Group's policy for financial risk and share capital management

The Group's objective is to optimise its financial structure, whose principle assessment criterion is the financial lever (ratio of net debt to gross operating margin), in order to reduce the cost of its capital while at the same time preserving the financial flexibility that will allow it to achieve its development plan.

The two main financial management objectives are:

- PagesJaunes Groupe, and PagesJaunes Group at consolidated level, are net borrowers and within this context the first objective of PagesJaunes Groupe is to secure and thus limit the cost of its debt;
- Due to generation of a significant cash flow at the rate of the sales prospecting cycle and also due to payment of interest on its debt and to dividends payable to shareholders at different periods, the PagesJaunes Groupe produces cash surpluses and may find itself temporarily in a cash surplus situation. As these surpluses are not expected to last over time, the Group's objective is to invest them at the highest interest rate possible and under conditions of very limited risk.

The Group is also careful to respect its commitments as indicated in its banking documentation that contains certain default and early demand for payment clauses. These clauses are linked in particular to respect for the operating and financial arrangements such as the minimum level of hedging for the net consolidated interest charge through an aggregate close to the gross operating margin (GOM) and the maximum lever, measured by comparing the consolidated net debt to an aggregate close to the consolidated GOM.

The Group's objective is to maintain its financial lever at between 3 and 4 times GOM. As at 31 December 2007, this lever was fixed at 3.6 times GOM, a level clearly lower than the maximum of 5.25 times fixed by the banking documentation.

In view of its financial structure, the Group is exposed to the risk of interest rates, liquidity and credit risk.

Exchange rate risk

PagesJaunes Groupe estimates that the exchange rate risk is not significant with regard to its activity insofar as it is carried out essentially in the euro zone.

Interest rate risk

PagesJaunes Groupe is exposed to the risk of interest rate fluctuations insofar as all of its short and long term financing is at variable rates. The Group manages this risk by taking recourse to derivative instruments, mainly interest rate swaps and collars.
The principle characteristics of the Group's bank debt are detailed in Note 28 (Cash and cash equivalents, net financial debt) and those of the instruments used for hedging interest rates in Note 18 (Derivative financial instruments – non-current assets).

PagesJaunes Groupe estimates that a 1% increase in the short term interest rates compared to the Euribor 3 month rate reported as at 31 December 2007, i.e. 4.684%, should lead to a decrease in the consolidated annual before-tax result of 5.2 million euros.

Sensitivity analysis of an increase of 100 basis points of Euribor 3 months (before tax)

(in millions of Euros)	Cash equivalents	Bank loan and overdrafts	Net derivative financial instruments
Carrying amount in balance sheet	71,2	(1 966,7)	23,2
Sensitivity in profit and loss	0,7	(19,7)	13,7
Sensitivity in equity	-	-	49,9

Liquidity risk

The PagesJaunes Groupe has set up a centralised cash flow management system with cash pooling that includes all of its French subsidiaries, and is organised around a PagesJaunes Groupe pivot. This method of managing liquidity combined with an internal reporting system enables the Group to anticipate and estimate future cash flows linked to the operational activity of its various subsidiaries, thus optimising the drawing on credit lines for cash flow requirements and investing when it has cash surpluses.

Based on maturity of financial liabilities as at 31 December 2007, the estimated cash disbursements for coming periods, calculated on the basis of the forward rates as at 31 December 2007, are as follows:

(in millions of Euros)	Carrying amount in balance sheet		2008		2009-2010		2011-2012		2013 and over	
	Assets	Liabilities	Variable interest	Reimbur.	Variable interest	Reimbur.	Variable interest	Reimbur.	Variable interest	Reimbur.
Financial liabilities										
Bank loan	-	(1 950,0)	(124,8)	-	(235,5)	-	(239,3)	-	(120,7)	(1 950,0)
Revolving credit line	-	-	-	-	-	-	-	-	-	-
Bank overdrafts	-	(16,7)	-	(16,7)	-	-	-	-	-	-
Accrued interest not yet due	-	(6,8)	(6,8)	-	-	-	-	-	-	-
Other financial liabilities	-	(16,1)	-	(16,1)	-	-	-	-	-	-
Interest rate risk hedging										
Cash flow hedges										
Collars and swap	30,0	(6,8)	8,8	-	6,7	-	4,5	-	-	-

At the same time, in the event of exercising the puts consented within the framework of minority interest purchasing commitments (cf. Note 5), the debt valued at 8.7 million euros on the balance sheet of 31 December 2007 will be honoured at 10.7 million euros in 2011.

Credit risk

PagesJaunes Groupe is exposed to credit risk, essentially in the context of its investments and interest rate hedging instruments. PagesJaunes Groupe limits credit risk by selecting counterparts with a long term rating higher than AA- (Standard & Poor's and/or Fitch IBCA) and Aa3 (Moody's). As at 31 December 2007, the PagesJaunes Groupe's exposure was set at 67 million euros due to its investments in negotiable MTNs and 30 million euros for the market value of its interest rate financial instruments.

The procedure adopted by PagesJaunes Groupe for managing its financial operations also includes as limited list of authorised signatures outside of which the CEO's signature is compulsory. The banking documentation also limits the list of counterparts for interest rate hedging operations.

Share risk

PagesJaunes Groupe estimates that the share risk is not significant insofar as the Group does not hold its own shares and its cash surplus investments are not exposed to risk on the securities markets.

Finally, PagesJaunes Groupe has fixed the objective of distributing all of the Group's net profits for the period 2008. It should be Noted that this distribution objective does not represent a definite commitment by the PagesJaunes Groupe and future dividends will depend on Group results, the Group's financial situation and on any other issues that the Board of Directors and the PagesJaunes Groupe shareholders judge to be relevant.

Note 32 – Information on related parties

32.1 – Remuneration of members of the Executive Committee and the Board of Directors

The table below presents the remuneration of members of the PagesJaunes Groupe's Board of Directors, Executive Committee or the Executive Committee of PagesJaunes at the close of each period or who had been members during the periods closed. The scope of this table also includes members representing employees on the Board of Directors of the PagesJaunes Groupe.

In thousands of Euros	**31 December 2007**	**31 December 2006**
Short-term benefits (1)	4,879	4,267
of which employer's contributions	*1,226*	*1,121*
Post-employment benefits (2)	48	39
Other long-term benefits (3)	2	-
Termination benefits (4)	-	-
Equity benefits (5)	205	947
Total	**5,134**	**5,252**

(1) Salaries, remuneration, profit-sharing and bonuses and social security contributions, paid leave, director's fees and recognised non-monetary benefits
(2) Pensions, retirement and other benefits, life assurance, medical insurance, etc.
(3) Leave associated with length of service, sabbatical leave, long-term leave, end of career leave, deferred remuneration, profit-sharing and bonuses (if payable 12 months or more after the period-end)
(4) Redundancy benefits
(5) Stock options including social contributions relative to advance levies and other share-based payments

32.2 – Transactions with related parties

Service contracts were set in place in 2006 and 2007 with Médiannuaire, majority shareholder in the PagesJaunes Groupe. These contracts generated a charge of 3.2 million euros for the period 2007 (0.3 million euros for 2006).
The transactions and balances with related parties form part of day-to-day operations.

In 2006, operations realised with France Télécom (and its subsidiaries), former majority shareholder in PagesJaunes Groupe, represented a net charge of 28.7 million euros.

Note 33 – Contractual obligations and off-balance-sheet liabilities

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

	2007				**2006**
Contractual obligations (in thousands of euros)	Total	Payments due by period			Total
		Less than one year	From one to five years	More than five years	
Simple leases	**69,901**	**13,420**	**42,708**	**13,773**	**28,400**
Paper, printing, distribution (1)	7,792	7,792	-	-	11,560
Others	17,599	11,084	4,985	1,530	19,439
Purchase obligations for goods and services	**25,391**	**18,876**	**4,985**	**1,530**	**30,999**
Total	**95,292**	**32,296**	**47,693**	**15,303**	**59,399**

(1) see details in table above

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

Contingent liabilities (in thousands of euros)	2007				2006
	Total	Payments due by period			Total
		Less than one year	From 1 to 5 years	More than 5 years	
Guarantees	322	-	322	-	329

Leasing contracts

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

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

The rent expense recorded in the income statement for operating leases amounted to 15.9 million euros in 2007 (16.8 million euros in 2006).

At the beginning of 2007, PagesJaunes renegotiated contracts for premises in Sèvres, permitting the Group to hold the lease directly with the owner. These premises, used for offices, had formerly been sub-leased to France Télécom, former majority shareholder of PagesJaunes Groupe. These leases were permitted and accepted for a firm period of nine whole consecutive years starting from 1 April 2007. The commitment was evaluated at 51 million euros as at 31 December 2007.

As at 31 December 2007, the Group's commitment for all rental contracts amounted to 69.9 million euros of which 13.4 million euros at less than one year.

Commitments to purchase goods and services

Production of directories

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

In particular, PagesJaunes entered into three-year contracts with its printers, in respect of the years 2006, 2007 and 2008, and with three of its paper suppliers in respect of the years 2007, 2008 and 2009. It has also entered into a two-year contract with a paper supplier for the years 2007 and 2008. These contracts fix the rate conditions granted for the period and state forecast order volumes for each of the years but without any minimum contract value, for a total estimated amount of 101.2 million euros as at 31 December 2007, of which 68.7 million euros at less than one year.

QDQ Media concluded similar contracts with its printers, with forecast volumes totalling 2.8 million euros (at less than a year).

Only the firm orders placed as at 31 December 2007, with paper suppliers, content suppliers, printers and distributors, are therefore recorded in off-balance-sheet liabilities at that date, for a total amount of 7.8 million euros.

These liabilities are detailed in the table below:

Contractual obligations (in thousands of Euros)	2007				2006
	Total	Payments due per period			Total
		Less than 1 year	From 1 to 5 years	More than 5 years	
Paper	-	-	-	-	5,471
Printing	6,392	6,392	-	-	3,313
Distribution	1,004	1,004	-	-	1,120
Editorial content	396	396	-	-	1,656
Total	**7,792**	**7,792**	**-**	**-**	**11,560**

Individual entitlement to training (DIF)

Under the legal entitlement to professional training, for those employees in possession of a permanent work contract with the Group's French entities, the total volume of training hours available but not consumed as at 31 December 2007 was 235,694 (compared to 177,208 hours as at 31 December 2006). 4,305 training hours were claimed by employees in 2007 (1,479 hours in 2006).

Other commitments made

On 14 March 2007, PagesJaunes Groupe sold all of the shares of Kompass France and Kompass Belgium to the company Coface Services. Within this context, PagesJaunes Groupe gave a certain number of general guarantees to Coface Services, with a ceiling of 2.7 million euros, as well as specific guarantees relating in particular to corporate and fiscal risks, with a ceiling total of 7.7 million euros.

Other commitments received

On 24 October 2006 PagesJaunes Groupe concluded a revolving credit line of 400 million euros with a bank syndicate comprising seven international banks. The revolving credit line is intended to finance the Group's treasury requirements (working capital requirement, investments or refinancing) in the context of its operating activities. This credit line was not drawn as at 31 December 2007.

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 34 – Disputes and litigation

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

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

1. At the beginning of 2002, PagesJaunes implemented a commercial development plan, including, notably, the modification of the employment contracts of 930 sales representatives. This modification aims to adapt these contracts to a new competitive environment. Approximately 100 employees refused to sign the proposed new contract and were laid off during the second quarter of 2002. Almost all these employees commenced legal proceedings against PagesJaunes to contest the validity of the reason for the redundancies. The *Cour de Cassation*, in two judgments handed down on 11 January 2006, approved the commercial development plan. The *Cour de Cassation* ruled that economic redundancy following a reorganisation implemented to prevent future economic difficulties associated with technological developments was justified. On 14 February 2007, the *Cour de Cassation* passed a new judgment confirming validity of the plan implemented by PagesJaunes. However, cases including claims based on grounds not settled by the above judgments and cases before the administrative jurisdictions are still pending. The provision of 7.3 million euros constituted at the end of 2002 to cover this risk was reduced by 1.0 million euros in 2006, then by 1.9 million euros in 2007 in view of the favourable progress of this case.

2. The French *Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes* (DGCCRF) is currently carrying out an investigation on the relationship of PagesJaunes with certain advertising agencies. Although at this stage PagesJaunes is not aware of the exact purpose of this investigation and therefore cannot assess its implications, PagesJaunes cannot rule out the possibility that it might have adverse consequences for the company.

3. In 2006, PagesJaunes Groupe and its subsidiary PagesJaunes were subjected to a tax inspection in respect of the years 2002, 2003 and 2004. On 11 December 2006, the companies received a proposed reassessment from the taxation authorities concerning two points: (i) In respect of the first point, relating to the non-deductibility of debt cancellations, PagesJaunes Groupe recorded an additional tax charge of 0.7 million euros from 2006; (ii) By contrast, PagesJaunes Groupe and PagesJaunes contested the second point concerning a claim of about 4.8 million euros including interest. They sent their observations to the taxation authorities to this effect in two letters dated 10 January 2007. On 7 March 2007, the tax authority simply rejected the request for adjustment on this second point. This latter point had not been covered by a provision in the accounts for 2006.

4. An advertising agency (Publicom Méditerranée) commenced legal proceedings against PagesJaunes before the Commercial Court of Nanterre for abuse of dominant position, discriminatory practices and unfair competition. It is claiming 1,600,000 euros in damages. This case is still at the pre-trial stage. Although PagesJaunes believes it has a strong case, it cannot rule out possible adverse judgments.

5. During January 2007, the company PagesJaunes was summoned to appear before the "*Conseils de Prud'Hommes*" (French work and industrial tribunal) of Caen, Marseille and Lille at the instigation of three employees from the company ADREXO, charged with the carriage of directories in certain *départements*. The plaintiffs are filing various claims for back pay and compensation and complaining of unreported work. In particular, they are holding PagesJaunes liable on grounds of financial solidarity. These proceedings are in the initial stage and although PagesJaunes has strong arguments in its defence, it cannot rule out possible adverse judgments or prejudicial consequences.

In addition, in common with other companies in this 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 an significant risk for the Group. The number of such proceedings declined constantly from 2001 and has remained stable since 2006. On 31 December 2007, there were 23 cases pending for a total amount of 1.8 million euros in damages. Within this context, the Group is attempting to negotiate out-of-court settlements which will significantly reduce the total final cost of these proceedings. However, there is no guarantee that these cases will not have an unfavourable impact on the Group's financial situation.

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

Note 35 – Events subsequent to closing

In February 2007, PagesJaunes issued writs against the companies Xentral (formerly Prodis) and L'Annuaire Universel on grounds of counterfeiting. PagesJaunes intends to defend its rights against these companies, which, by operating the "pagesjaunes.com" online directory site aimed at a French audience, are taking advantage of the awareness of the "PagesJaunes" brand.

Note 36 – Scope of consolidation

		As at 31 December 2007		As at 31 December 2006	
Company	**Country**	**Interest**	**Control**	**Interest**	**Control**
Fully consolidated companies					
PagesJaunes in France segment					
PagesJaunes Groupe	France	100%	100%	100%	100%
PagesJaunes	France	100%	100%	100%	100%
International & Subsidiaries segment					
QDQ Media	Spain	100%	100%	100%	100%
Eurodirectory	Luxemburg	100%	100%	100%	100%
Edicom	Morocco	100%	100%	100%	100%
Kompass France (1)	France	-	-	100%	100%
Kompass Belgium (1)	Belgium	-	-	100%	100%
PagesJaunes Marketing Services	France	100%	100%	100%	100%
Mappy	France	100%	100%	100%	100%
PagesJaunes Petites Annonces	France	66%	66%	100%	100%
Horyzon Média	France	66%	66%	-	-
Horyzon Clics	France	66%	66%	-	-
A Ton Service	France	66%	100%	-	-
Proportionally consolidated companies					
International & Subsidiaries segment					
Editus	Luxemburg	49%	49%	49%	49%

(1) Businesses sold in 2007, cf Note 6.