PAGESJAUNES GROUPE

Consolidated financial statements as at 31 December 2004 (IFRS)

Board of Directors of 22 September 2005

Unofficial translation of the French-language "*Comptes consolidés au 31/12/2004 (IFRS)*" of PagesJaunes, for information purposes only.

PagesJaunes Groupe,
A limited liability company (Société Anonyme) having a Board of Directors (Conseil d'Administration) and a share capital of €55,757,922
Registered office: 7 avenue de la Cristallerie – 92317 Sèvres Cedex
R.C.S. Nanterre 552 028 425

Description of the business

The PagesJaunes Group has for more than 50 years provided a diversified range of products and services for the general public and business customers, with, as its core business, directories in France and abroad.

In these financial statements, unless indicated otherwise, the terms “company” and “PagesJaunes SA” refer to PagesJaunes SA, the terms “PagesJaunes Groupe” and “the company” refer to the company PagesJaunes Groupe and the terms “PagesJaunes”, “the Group” and “the PagesJaunes Group” refer to PagesJaunes Groupe and its consolidated subsidiaries.

IFRS CONSOLIDATED INCOME STATEMENT
(Amounts in thousands of euros, except for data relating to shares)

		Notes	Period ending 31 December 2004
Net revenues		7	967,160
External purchases			(317,582)
Other operating income		8	55,249
Other operating expenses			(28,353)
Personnel expenses:	- Salaries and charges	9	(268,992)
Gross operating margin			**407,482**
	- Employee profit-sharing	9	(29,926)
	- Share-based payment	9	(25,274)
Depreciation and amortisation			(10,066)
Impairment of goodwill			0
Impairment of fixed assets			0
Result of asset disposals			(363)
Restructuring costs			0
Results of equity method associates			774
Operating income			**342,627**
Financial income			20,784
Financial expenses			(444)
Gain (loss) on foreign exchange			(51)
Financial result		10	**20,289**
Corporate income tax		11	(149,314)
Net income			**213,602**
Attributable to:			
- Shareholders of PagesJaunes Groupe			213,602
- Minority interests			0
Earnings per share (in euros)		12	
Net income			
	- basic		0.77
	- diluted		0.76

IFRS CONSOLIDATED BALANCE SHEET

(Amounts in thousands of euros)

	Notes	As at 31 December 2004	As at 1 January 2004
ASSETS			
Net goodwill	13	77,475	1,198
Other net intangible fixed assets	14	8,419	3,607
Net tangible fixed assets	15	16,816	15,321
Investments accounted for using the equity method	16	15,493	2,504
Other non-current financial assets	17	3,784	1,740
Deferred income taxes, net	11	26,144	24,542
Total non-current assets		**148,131**	**48,912**
Net inventories	18	12,373	6,836
Net trade accounts receivable	19	430,793	371,791
Other receivables	20	26,784	20,695
Current taxation		133	26,979
Prepaid expenses and other current assets	21	57,410	54,346
Other current financial assets		861	12,457
Cash and cash equivalents	26	644,077	581,935
Total current assets		**1,172,431**	**1,075,039**
TOTAL ASSETS		**1,320,562**	**1,123,951**
LIABILITIES			
Share capital		55,758	54,810
Issue premium		68,335	42,249
Reserves		49,848	235,159
Net income		213,602	
Foreign currency translation adjustment		0	0
Shareholders' equity	23	**387,543**	**332,218**
Debentures or exchangeable loan stock		0	0
Long-term financial debts and derivatives	26	32	0
Employee benefits - non-current	24	22,062	17,176
Provisions - non-current	24	8,329	7,690
Total non-current liabilities		**30,423**	**24,866**
Current portion of long- and medium-term debt (maturing in less than one year)	26	3,822	3,812
Bank overdrafts and other short-term borrowings	26	10,730	11,559
Accrued interest not yet due		18	15
Provisions - current	24	236	4,145
Trade accounts payable		107,026	107,251
Employee benefits - current	24	82,021	78,673
Sundry payables	24	87,157	78,458
Other current liabilities		4,104	1,654
Corporate income tax	11	72,112	15,966
Deferred income	27	535,370	465,334
Total current liabilities		**902,596**	**766,867**
TOTAL LIABILITIES		**1,320,562**	**1,123,951**

STATEMENT OF CHANGES IN IFRS CONSOLIDATED SHAREHOLDERS' EQUITY
(Amounts in thousands of euros)

	Share capital	Issue premium	Income & Reserves	Total shareholders' equity
Balance as at 1 January 2004	**54,810**	**42,249**	**235,159**	**332,218**
Capital increase	948	68,335		69,283
Income for 2004			213,602	213,602
Share-based payment			8,399	8,399
Dividends paid		(42,249)	(193,710)	(235,959)
Balance as at 31 December 2004	**55,758**	**68,335**	**263,450**	**387,543**

Cash flow statement

(Amounts in thousands of euros)	Notes	**31 décembre 2004**
Consolidated net attributable income		213,602
Depreciation and amortisation of fixed assets	14 & 15	10,065
Capital gains or losses on asset disposals		411
Change in provisions		(4,081)
Undistributed earnings of companies accounted for using the equity method		512
Tax charge for the period	11	150,893
Deferred income taxes	11	(1,579)
Minority interests		0
Unrealised exchange difference		0
Other non-monetary items		0
Share-based payment	2.6.3	24,124
Decrease (increase) in inventories		(5,086)
Decrease (increase) in trade accounts receivable		(36,325)
Decrease (increase) in other receivables		18,138
Increase (decrease) in trade accounts payable		(10,810)
Increase (decrease) in other payables		70,229
Taxes paid		(67,859)
cash from operations		**362,234**
Acquisition of tangible and intangible fixed assets, net of changes in suppliers of fixed assets	14 & 15	(8,376)
Proceeds from sale of tangible and intangible assets		215
Acquisitions of investment securities and subsidiaries, net of cash acquired	6	(21,981)
Investments in equity method associates	6	(13,500)
Income from sales of investment securities and subsidiaries, net of cash transferred		0
Decreases (increases) in marketable securities and other long-term assets	26	11,509
cash used in investing activities		**(32,133)**
Increase (decrease) in long-term borrowings	26	(89,326)
Increase (decrease) in bank overdrafts and short-term borrowings	26	(1,167)
Capital increase	23	58,492
Dividends paid	23	(235,958)
cash provided by (used in) financing activities		**(267,959)**
Net increase (decrease) in cash and cash equivalents		62,142
Effect of changes in exchange rates on cash and cash equivalents		0
Cash and cash equivalents at beginning of period		581,935
h and cash equivalents at end of period	26	**644,077**

Note 1 – Background

1.1 Preparation of the 2004 financial information in accordance with IFRS

In accordance with European regulation 1606/2002 dated 19 July 2002 on international standards, the consolidated financial statements for the 2005 financial year will be prepared in accordance with the IAS/IFRS international standards.

The first financial statements published in accordance with the IAS/IFRS standards will be those for the 2005 financial year, which will include comparative figures for 2004 prepared on the same basis.

In preparation for the publication of these comparative financial statements for the 2005 financial year, and as recommended by the French securities regulator AMF with regard to financial communications during the transition period, the Group has prepared 2004 preliminary financial information on the expected effects of the transition to IAS/IFRS standards on:

- The balance sheet at the transition date (1 January 2004), on which date the final IFRS transition adjustments determined at the time of publication of the 2005 consolidated financial statements will be recorded in equity,
- The financial situation as at 31 December 2004 and the performance in the 2004 financial year.

This financial information for 2004 on the expected effect of the transition to IFRS has been determined by applying to 2004 data the IFRS standards and interpretations which the Group expects to apply for the preparation of its comparative consolidated financial statements as at 31 December 2005. The basis for the preparation of this 2004 financial information, as described in note 2, consequently results from:

- IFRS standards and interpretations whose application will be compulsory at 31 December 2005, based on current information;
- IFRS standards and interpretations whose application will be compulsory after 2005 and for which the Group has opted for earlier application;
- The outcome which the Group currently expects of the technical issues and drafts currently being discussed by the IASB and the IFRIC, which may be applicable at the time of publication of IFRS consolidated financial statements for the 2005 financial year;
- The options and exemptions used, which are those that the Group will most probably apply in the preparation of its first IFRS consolidated financial statements in 2005.

For the above reasons, it is possible that the preliminary closing balance sheet will not be the same as the opening balance sheet used to prepare the consolidated financial statements for the 2005 financial year.

This information was reviewed by the Board of Directors on 22 September 2005. This information complements that which was reviewed by the Board of Directors on 26 April 2005.

1.2 Organisation of the conversion project

In this context, PagesJaunes Groupe, as part of the measures implemented by France Telecom, launched a project for the conversion to international standards (IAS/IFRS) in July 2003. This made it possible to identify and deal with the main differences in accounting methods as at December 2004, to begin the preparation of a preliminary opening balance sheet as at 1 January 2004 and to carry out the adjustments to the monthly financial flows in the 2004 financial year. The project forms part of a broader programme to enhance management reporting and enabled the deployment of a new consolidation tool and a new chart of accounts throughout the Group. To ensure that accounting policies are defined and implemented consistently throughout France Telecom, the IFRS conversion project is being led by a corporate team that is responsible for managing the project at both Group and sub-group levels, including PagesJaunes Groupe.

The main committees within PagesJaunes Groupe which are responsible for ensuring the success of the project and tracking progress are as follows:

- A Programme Steering Committee comprising the main players in the Group and the sub-groups;
- A Technical Committee responsible for validating IFRS technical issues and options, comprising the main players in the Group and the sub-groups and the external auditors.
- A Programme Strategy Committee responsible for the IFRS project, the new consolidation system and the new management reporting system, comprising the Executive Directors and Finance Management.
- The Audit Committee, which has examined the accounting options selected by the Group.

Complementary work has also been carried out within PagesJaunes Groupe and its Audit Committee.

Note 2 – Effects of the first-time adoption of IFRS

This note describes the principles applied in preparing the preliminary opening IFRS balance sheet at 1 January 2004 and the differences as compared to the French accounting standards previously applied, as well as the effects of these differences on the preliminary balance sheets as at 1 January 2004 and 31 December 2004 and on the preliminary results for the 2004 financial year.

The 2004 financial information on the transition to IFRS has been prepared in accordance with the provisions of IFRS 1 "First-time adoption of IFRS" and the IFRS/IAS standards applicable as at 31 December 2005, as published by the IASB as at 31 December 2004. They have been prepared in accordance with the standards IAS 39 "Financial instruments: recognition and measurement" and IAS 32 "Financial instruments: disclosure and presentation". The Group has opted to apply these two standards from 1 January 2004. On the other hand, the Group has not at this stage opted for the early application of the amendments relating to IAS 19 "Employee benefits".

The Group has opted for the early application of IFRIC 4 "Determining whether an arrangement contains a lease". Adoption of this interpretation is compulsory for annual periods beginning on or after 1 January 2006, but early application is permitted. Although it has not yet been endorsed by the European Commission, the European Financial Reporting Advisory Group (EFRAG) has recommended that it be endorsed.

2.1 Accounting options and positions adopted by PagesJaunes Groupe

IFRS 1 relating to the first-time adoption of IFRS provides for specific rules for implementation of international accounting standards. The Group has opted to apply the following accounting options:

Valuation of tangible and intangible assets at fair value

PagesJaunes Groupe has chosen to use historical value as the valuation basis for tangible and intangible fixed assets in the preparation of the 2004 opening balance sheet in accordance with IAS 16 and IAS 38.

Stock options and other share-based payment

The Group has opted to apply retrospectively the provisions of the standard IFRS 2 "Share-based payment" for plans settled in shares and in cash; as a result, all the plans, even those issued before 7 November 2002, have been stated in accordance with the accounting principles defined in IFRS 2.

Business combinations

In accordance with the option provided for in IFRS 1, the Group has opted not to restate past business combinations that occurred prior to 1 January 2004.

The Group has not adopted the other options provided for by the standard IFRS 1.

2.2 Effects on shareholders' equity and 2004 net income

Transition from French GAAP to IFRS

	Shareholders' equity at start of period	Shareholders' equity at end of period	Of which 2004 net income
French GAAP	**332,358**	**383,375**	**233,418**
Revenue recognition	(140)		140
Amortisation of goodwill		4,168	4,168
Share-based payment			(24,124)
IFRS	**332,218**	**387,543**	**213,602**

2.3 Effects on 2004 income

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

	Transition of income statement from French GAAP to IFRS			**Breakdown of difference per standard**				
	French GAAP as published 2004	**IFRS**	**Differences**	**IAS18 / SIC31**	**IFRS3**	**IFRS2**	**IAS1** *(Reclassifications)*	**Other**
				2.6.1	2.6.2	2.6.3	2.6.5	
	2 004	**2004**						
Net revenues	973,122	967,160	(5,962)	(5,962)				0
External purchases	(323,544)	(317,582)	5,962	5,962				0
Other operating income and expenses	32,055	26,896	(5,159)				(5,313)	154
Personnel expenses: - Salaries and charges	(265,649)	(268,992)	(3,343)				(3,343)	0
Gross operating margin	**415,984**	**407,482**	**(8,502)**	**0**			**(8,656)**	**154**
- Employee profit-sharing		(29,926)	(29,926)				(29,926)	0
- Share-based payment		(25,274)	(25,274)			(24,124)	(1,150)	0
Depreciation and amortisation	(10,066)	(10,066)	0					
Impairment of goodwill		0	0					
Impairment of fixed assets		0	0					
Result of asset disposals		(363)	(363)				(363)	0
Restructuring costs		0	0					
Results of equity method associates		774	774				774	0
Operating income	**405,918**	**342,627**	**(63,291)**			**(24,124)**	**(39,321)**	**154**
Financial income	20,434	20,784	350				350	0
Financial expenses	(444)	(444)	0					
Gain (loss) on foreign exchange	(53)	(51)	2				2	0
Financial result	**19,937**	**20,289**	**352**				**352**	**0**
Results of equity method associates	774		(774)				(774)	0
Other non-operating income (expenses), net	(9,817)		9,817				9,817	0
Employee profit-sharing	(29,926)		29,926				29,926	0
Amortisation of goodwill	(4,168)		4,168		4,168			0
Corporate income tax	(149,300)	(149,314)	(14)					(14)
Net income	**233,418**	**213,602**	**(19,816)**		**4,168**	**(24,124)**	**0**	**140**

Earnings per share (in euros)			
Net attributable income			
- basic	0.84	0.77	(0.07)
- diluted	0.83	0.76	(0.07)

2.4 Effects on the balance sheet as at 1 January 2004

Transition of the opening balance sheet as at 1 January 2004 – Assets

Balance sheet under French GAAP		Reclassifications	IFRS adjustments	IFRS	Balance sheet under IFRS
Net goodwill	**1,198**			**1,198**	Net goodwill
Net intangible fixed assets	**558**	3,049		**3,607**	Other net intangible fixed assets
Tangible fixed assets	**18,370**	(3,049)		**15,321**	Net tangible fixed assets
Investments accounted for using the equity method	**2,504**			**2,504**	Investments accounted for using the equity method
Net investment securities	**388**	(388)		**0**	Assets available for sale
Other net long-term assets	**1,352**	388		**1,740**	Other non-current financial assets
Net long-term deferred taxes	**6,508**	18,034		**24,542**	Net deferred tax assets
Total fixed assets	**30,878**	**18,034**	**0**	**48,912**	**Total non-current assets**
Net inventories	**7,112**		(276)	**6,836**	Net inventories
Trade accounts receivable net of provision	**371,791**			**371,791**	Net trade accounts receivable
Net short-term deferred taxes	**18,034**	(18,034)		**0**	
Other receivables and prepaid expenses	**102,745**	(102,745)			
		20,695		**20,695**	Other receivables
		26,979		**26,979**	Current taxes
		54,214	132	**54,346**	Prepaid expenses and other current assets
Investment securities	**11,600**	857		**12,457**	Other current financial assets
Cash and cash equivalents	**581,935**	0		**581,935**	Cash and cash equivalents
Total current assets	**1,093,217**	**(18,034)**	**(144)**	**1,075,039**	**Total current assets**
Total assets	**1,124,095**	**(0)**	**(144)**	**1,123,951**	**Total assets**

Transition of the opening balance sheet as at 1 January 2004 – Liabilities

Balance sheet under French GAAP		**Reclassifications**	**IFRS adjustments**	**IFRS**	**Balance sheet under IFRS**
Share capital	**54,810**			**54,810**	Share capital
Premiums associated with share capital	**42,249**			**42,249**	Issue premium
Reserves	**235,299**	4	**(144)**	**235,159**	Reserves
Translation reserves	**0**			**0**	Translation reserves
Shareholders' equity	**332,358**	**4**	**(144)**	**332,218**	**Shareholders' equity**
Debentures	**0**			**0**	Debentures or exchangeable loan stock
Other long- and medium-term financial debts	**0**			**0**	Long-term financial debts and derivatives
Other long-term debts	**24,805**	(24,805)			
		17,176		**17,176**	Employee benefits - non-current
		7,690		**7,690**	Provisions - non-current
				0	Other liabilities - non-current
				0	Deferred tax liabilities
Total long-term liabilities	**24,805**	**61**		**24,866**	**Total non-current liabilities**
Current portion of long- and medium-term debt (maturing in less than one year)	**3,822**	(10)		**3,812**	Current portion of long- and medium-term debt (maturing in less than one year)
Bank overdrafts and other short-term borrowings	**11,559**			**11,559**	Bank overdrafts and other short-term borrowings
		15		**15**	Accrued interest not yet due
		4,145		**4,145**	Provisions - current
Trade accounts payable	**107,312**	(61)		**107,251**	Trade accounts payable
		78,673		**78,673**	Employee benefits - current
Accrued expenses and other short-term provisions	**177,247**	(177,247)			
		78,458		**78,458**	Sundry payables
		1,654		**1,654**	Other current liabilities
		15,966		**15,966**	Corporate income tax liabilities
Other liabilities	**1,654**	(1,654)			
Deferred income	**465,338**	(4)		**465,334**	Deferred income
Total short-term liabilities	**766,932**	**(65)**		**766,867**	**Total current liabilities**
Total liabilities	**1,124,095**	**0**	**(144)**	**1,123,951**	**Total liabilities**

2.5 Effects on the balance sheet as at 31 December 2004

Transition of the closing balance sheet as at 31 December 2004 – Assets

Balance sheet under French GAAP		Reclassifications	IFRS adjustments	IFRS	Balance sheet under IFRS
Net goodwill	**73,307**		4,168	**77,475**	Net goodwill
Net intangible fixed assets	**2,092**	6,327		**8,419**	Other net intangible fixed assets
Tangible fixed assets	**23,143**	(6,327)		**16,816**	Net tangible fixed assets
Investments accounted for using the equity method	**15,493**			**15,493**	Investments accounted for using the equity method
Net investment securities	**2,263**	(2,263)		**0**	Assets available for sale
Other net long-term assets	**1,521**	2,263		**3,784**	Other non-current financial assets
Net long-term deferred taxes	**9,016**	17,128		**26,144**	Net deferred tax assets
Total fixed assets	**126,835**	**17,128**	**4,168**	**148,131**	**Total non-current assets**
Net inventories	**12,373**			**12,373**	Net inventories
Trade accounts receivable net of provision	**430,793**			**430,793**	Net trade accounts receivable
Net short-term deferred taxes	**17,128**	(17,128)		**0**	
Other receivables and prepaid expenses	**84,924**	(84,924)			
		26,784		**26,784**	Other receivables
		133		**133**	Current taxes
		57,410		**57,410**	Prepaid expenses and other current assets
Investment securities	**264**	597		**861**	Other current financial assets
Cash and cash equivalents	**644,077**			**644,077**	Cash and cash equivalents
Total current assets	**1,189,559**	**(17,128)**	**0**	**1,172,431**	**Total current assets**
Total assets	**1,316,394**	**0**	**4,168**	**1,320,562**	**Total assets**

Transition of the closing balance sheet as at 31 December 2004 – Liabilities

Balance sheet under French GAAP		**Reclassifications**	**IFRS adjustments**	**IFRS**	**Balance sheet under IFRS**
Share capital	**55,758**			**55,758**	Share capital
Premiums associated with share capital	**52,610**		**15,725**	**68,335**	Issue premium
Reserves	**41,589**		**8,259**	**49,848**	Reserves
Net attributable income	**233,418**		**(19,816)**	**213,602**	Net attributable income
Translation reserves	**0**			**0**	Translation reserves
Shareholders' equity	**383,375**	**0**	**4,168**	**387,543**	**Shareholders' equity**
Debentures	**0**			**0**	Debentures or exchangeable loan stock
Other long- and medium-term financial debts	**32**			**32**	Long-term financial debts and derivatives
Other long-term liabilities	**30,391**	(30,391)			
		22,062		**22,062**	Employee benefits - non-current
		8,329		**8,329**	Provisions - non-current
				0	Other liabilities - non-current
		0		**0**	Deferred tax liabilities
Total long-term liabilities	**30,423**	**0**	**0**	**30,423**	**Total non-current liabilities**
Current portion of long- and medium-term debt (maturing in less than one year)	**3,822**			**3,822**	Current portion of long- and medium-term debt (maturing in less than one year)
Bank overdrafts and other short-term borrowings	**10,730**			**10,730**	Bank overdrafts and other short-term borrowings
		18		**18**	Accrued interest not yet due
		236		**236**	Provisions - current
Trade accounts payable	**107,026**			**107,026**	Trade accounts payable
		82,021		**82,021**	Employee benefits - current
Accrued expenses and other short-term provisions	**241,543**	(241,543)			
		87,157		**87,157**	Sundry payables
		4,104		**4,104**	Other current liabilities
		72,112		**72,112**	Corporate income tax liabilities
Other liabilities	**4,104**	(4,104)			
Deferred income	**535,371**	(1)		**535,370**	Deferred income
Total short-term liabilities	**902,596**	**0**		**902,596**	**Total current liabilities**
Total liabilities	**1,316,394**	**0**	**4,168**	**1,320,562**	**Total liabilities**

2.6 Description of the main IFRS adjustments

2.6.1 Revenues

The 2004 IFRS consolidated income statement shows a decrease of €6 million in revenues compared to the published revenues under French GAAP because of changes in the presentation of certain expenses as deductions from revenues:

- Negative impact of €2 million in respect of reclassification of advertising exchanges as a deduction from revenues,
- Negative impact of €4 million in respect of reclassification of the Europages advertising representation fee as a deduction from revenues.

These items were stated as expenses under French GAAP. The gross operating margin and the consolidated net income are therefore unaffected.

2.6.2 Amortisation and impairment of goodwill

In accordance with the option provided for by the standard IFRS 1, the Group has chosen not to restate business combinations occurring prior to 1 January 2004. In accordance with IFRS 3 "Business combinations", goodwill is no longer amortised from 1 January 2004. This generates a positive impact of €4 million on the income statement (€6 million at constant scope because of the acquisition of QDQ Media, see note 5).

2.6.3 Stock options and employee share issues

Stock options

Under French accounting standards, no compensation expense is recognised when stock options are granted.

The application of IFRS 2 "Share-based payment" leads to the recognition of an expense for stock options granted by France Telecom to its employees, including the employees of PagesJaunes Groupe. In the 2004 IFRS income statement, the expense related to stock options amounts to €10 million, offset by an entry in shareholders' equity, since the plans are settled in shares.

Employee share issues

Following the sale of PagesJaunes Groupe shares to outside investors in July 2004, the Company carried out a rights issue reserved for employees of the France Telecom Group. A total of 4.7 million shares were purchased by the employees.

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

Under IFRS, the value of the benefit granted to existing and former shareholders in respect of these two transactions has been determined based on the fair value of the rights at the grant date, taking into account the restriction period. In the 2004 IFRS income statement, the effect is an additional charge of €11 million in respect of the France Telecom offer and €3 million in respect of the PagesJaunes Groupe offer.

The total impact relating to stock options and employee share issues is therefore €24 million. The total amount charged to the income statement ("share-based payments" account) is €25 million, since a charge of €1 million had already been stated under French GAAP.

2.6.4 Main reclassifications in the balance sheet

Various balance sheet items have been reclassified to comply with IFRS presentation rules. The main reclassifications as at 1 January 2004 – in addition to those described above – are as follows:

- "Software", which was classified under tangible fixed assets in the French GAAP balance sheet, has been reclassified under intangible fixed assets in an amount of €3 million (€6 million at the close).
- "Other receivables and prepaid expenses" have mainly been analysed between four headings, namely:
  - "Other receivables" in an amount of €21 million (€27 million at the close),
  - "Current tax assets" in an amount of €27 million (0 at the close),
  - "Prepaid expenses and other current assets" in an amount of €54 million (€57 million at the close),
  - "Other current financial assets and derivatives" in an amount of €1 million (€1 million at the close).
- "Other long-term debt" has mainly been analysed between two headings, namely:
  - "Non-current employee benefits" in an amount of €17 million (€22 million at the close),
  - "Non-current provisions" in an amount of €8 million (€8 million at the close),
- "Accrued expenses and other short-term provisions" have mainly been analysed between four headings, namely:
  - "Current provisions" in an amount of €4 million (0 at the close),
  - "Current employee benefits" in an amount of €79 million (€82 million at the close),
  - "Sundry payables" in an amount of €78 million (€87 million at the close),
  - "Corporate income tax payable" in an amount of €16 million (€72 million at the close).

- The balance of "Other liabilities" in the French GAAP balance sheet has been reclassified mainly in "Other current liabilities".
- Deferred income tax assets and liabilities are presented on a specific line under IFRS and are classified as non-current. Therefore, the "Net short-term deferred tax" headings in the assets and liabilities of the French GAAP balance sheet have been reclassified in "Deferred tax assets and liabilities".

2.6.5 Main reclassifications in the income statement

In addition to the IFRS adjustments detailed above (revenue recognition, amortisation and impairment of goodwill, share-based payment), certain presentation changes have been made to the income statement to comply with IFRS rules. The main reclassifications as at 31 December 2004 concern operating income, as follows:

- Employee profit sharing is reported under "Personnel expenses",

- The breakdown of the negative balance of €10 million of "Other non-operating income and expenses" under French GAAP is reported mainly under:

- "Other operating income and expenses" in an amount of €(5 million), including in particular the expenses for the Company's initial public offering,
- "Salaries and charges" in an amount of €(4 million),
- Share-based payment in an amount of €(1 million).

2.7 Effects on the cash flow statement as at 31 December 2004

	Period ending 31 December 2004		
(Amounts in thousands of euros)	French GAAP	IFRS	Adjustments / reclassifications
Consolidated net attributable income	233,418	213,602	(19,816)
Depreciation and amortisation of fixed assets	14,233	10,065	(4,168)
Capital gains or losses on asset disposals	411	411	0
Change in provisions	(4,081)	(4,081)	0
Undistributed earnings of companies accounted for using the equity method	512	512	0
Tax charge for the period		150,893	150,893
Deferred income taxes	(1,579)	(1,579)	0
Minority interests	0	0	0
Unrealised exchange difference	0	0	0
Other non-monetary items	0	0	0
Share-based payment		24,124	24,124
Decrease (increase) in inventories	(4,810)	(5,086)	(276)
Decrease (increase) in trade accounts receivable	(36,325)	(36,325)	0
Decrease (increase) in other receivables	18,006	18,138	132
Increase (decrease) in trade accounts payable	(10,810)	(10,810)	0
Increase (decrease) in other payables	153,259	70,229	(83,030)
Taxes paid		(67,859)	(67,859)
cash from operations	**362,234**	**362,234**	**0**
Acquisition of tangible and intangible fixed assets, net of changes in suppliers of fixed assets	(8,376)	(8,376)	0
Proceeds from sale of tangible and intangible assets	215	215	0
Acquisitions of investment securities and subsidiaries, net of cash acquired	(21,981)	(21,981)	0
Investments in equity method associates	(13,500)	(13,500)	0
Income from sales of investment securities and subsidiaries, net of cash transferred	0	0	0
Decreases (increases) in marketable securities and other long-term assets	11,509	11,509	0
cash used in investing activities	**(32,133)**	**(32,133)**	**0**
Increase (decrease) in long-term borrowings	(89,326)	(89,326)	0
Increase (decrease) in bank overdrafts and short-term borrowings	(1,167)	(1,167)	0
Capital increase	58,492	58,492	0
Dividends paid	(235,958)	(235,958)	0
cash provided by (used in) financing activities	**(267,959)**	**(267,959)**	**0**
Net increase (decrease) in cash and cash equivalents	62,142	62,142	0
Effect of changes in exchange rates on cash and cash equivalents	0	0	0
Cash and cash equivalents at beginning of period	581,935	581,935	0
h and cash equivalents at end of period	**644,077**	**644,077**	**0**

The application of IFRS standards has no impact on the change in or balance of cash and cash equivalents.

Note 3 – Accounting policies

3.1 Basis for the preparation of the financial statements

The preparation of financial statements in accordance with IFRS 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. Actual results may differ significantly from these estimates, if different assumptions or circumstances apply.

Certain standards within the accounting framework set out by the IASB offer alternative methods of measuring and recognising assets and liabilities. The Group has chosen:

- To continue to recognize inventories at their original cost, determined by the weighted average unit cost method, in accordance with IAS 2 "Inventories".
- To measure tangible and intangible assets using amortised historical cost instead of remeasuring tangible and intangible assets at each closing date.
- To recognise actuarial gains and losses on pension and other post-employment benefit obligations according to the corridor method. This method 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.
- To continue to consolidate jointly controlled companies using the proportional method, as provided for in IAS 31 "Interests in joint ventures".

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.

3.2 Consolidation

Subsidiaries which are controlled exclusively by PagesJaunes Groupe, directly or indirectly, are fully consolidated.

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

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

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

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

Material intercompany transactions and balances are eliminated in consolidation.

3.3 Transactions in foreign currencies

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

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

3.4 Presentation of the financial statements

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

Operating income corresponds to net income before:

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

Gross operating margin corresponds to operating income before:

- Employee profit-sharing;
- Share-based payment;
- 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.
- 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 publication fee.

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. Diluted earnings are calculated based on net attributable income, adjusted for the finance cost of dilutive debt instruments and their impact on employee profit-sharing, net of the related tax effect. 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 of the consolidated companies.

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

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

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

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

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

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

3.9 Other intangible assets

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

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

Internally developed trademarks are not recognised in the balance sheet.

Trademarks

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

Licences and patents

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

Research and development costs

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

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

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

Software

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

3.10 Tangible fixed assets

Gross value

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

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

Finance leases

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

- The lease transfers ownership of the asset to the lessee at the end of the lease term,
- The Group has the option to purchase and the conditions of the option are such that it is highly likely that ownership will be transferred at the end of the lease term,
- The lease term covers the major part of the estimated economic life of the asset,

- The discounted value of the total of the minimum fees provided for in the contract is close to the fair value of the asset.

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

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

Depreciation

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

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

3.11 Impairment of fixed assets

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

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

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

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

3.12 Financial assets and liabilities

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

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

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

Measurement and recognition of financial assets

Assets held to maturity

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

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

Available-for-sale assets

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

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

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

Loans and receivables

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

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

Assets held for trading

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

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

Cash and cash equivalents

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

Measurement and recognition of 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. The calculation includes all fees and points paid or received between the parties to the contract.

Financial liabilities held for trading

Financial liabilities held for trading are measured at fair value.

3.13 Inventories

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

3.14 Deferred taxes

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

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

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

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

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

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

3.15 Provisions

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

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

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

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

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

Provisions are discounted when the discounting adjustment is material.

Statutory training rights (DIF)

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

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

3.16 Pension and similar benefit obligations

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 are 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 24).

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.

Other long-term benefits

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

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. (cf. note 29).

3.17 Share-based payments

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

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

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

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

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

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.

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 publication of the PagesPro directories, the sale of online access to databases, the reverse directory QuiDonc and the advertising representation for Europages.
- International & Subsidiaries: the activities of the Company's various subsidiaries that are principally involved in the publication of consumer directories outside France, developing the Kompass directories in Europe and developing complementary activities related to the publication of directories (such as the geographic services of Mappy and the relationship marketing activities of Wanadoo Data and e-sama).

4.1 – Analysis by business segment

The following table shows information by business segment for the period ended 31 December 2004:

Amounts in thousands of euros	**PagesJaunes in France**	**International & Subsidiaries**	**Eliminations**	**Total PagesJaunes Group**
As at 31 December 2004				
Net revenues	**903,937**	**65,064**	**(1,841)**	**967,160**
- External	903,900	63,260		967,160
- Intersegment	37	1,804	(1,841)	0
Gross operating margin	413,940	(6,458)	0	**407,482**
Employee profit-sharing	(29,408)	(518)		(29,926)
Share-based payment	(23,522)	(1,752)		(25,274)
Depreciation and amortisation	(6,670)	(3,396)		(10,066)
Impairment of goodwill				0
Impairment of fixed assets				0
Result of asset disposals	(360)	(3)		(363)
Restructuring costs				0
Results of equity method associates		774		774
Operating income	**353,980**	**(11,353)**	**0**	**342,627**
Financial income				20,784
Financial expenses				(444)
Gain (loss) on foreign exchange				(51)
Corporate income tax				(149,314)
Net income				**213,602**
Goodwill (net value)		77,475		77,475
Intangible fixed assets (net value)	1,578	6,841		8,419
Tangible fixed assets (net value)	13,808	3,008		16,816
Participation in equity method associates		15,493		15,493
Trade accounts receivable	396,542	35,494	(1,243)	430,793
Inventories	11,842	531		12,373
Subtotal	***423,770***	***138,842***	***(1,243)***	***561,369***
Financial assets				4,645
Tax assets				26,277
Other assets				728,271
Total segment assets				**1,320,562**
Provisions for warranties and disputes	8,217	348		8,565
Trade accounts payable	93,272	14,997	(1,243)	107,026
Accrued expenses	82,445	4,712		87,157
Sub-total	***183,934***	***20,057***	***(1,243)***	***202,748***
Financial debts				14,584
Tax liabilities				72,112
Shareholders' equity				387,543
Other liabilities				643,575
Total segment liabilities				**1,320,562**
Capex	**6,211**	**1,466**		**7,677**

4.2 – Analysis by geographic region

(Amounts in thousands of euros)	**31 décembre 2004**
Revenue contributions	**967,160**
- France	940,774
- Others	26,386
Assets	**1,320,562**
- France	469,804
- Others	91,565
- Unallocated	759,193
Capex	**7,677**
- France	6,888
- Others	789

Note 5 – Additional information at constant scope

The consolidated information at constant scope for the 2004 financial year are intended to show the effect on the historical consolidated data of PagesJaunes Groupe of the acquisitions of QDQ Media and Mappy (formerly Wanadoo Maps), subsidiaries of Wanadoo acquired during the first half of 2004.

This information at constant scope have been drawn up on the basis of the historical consolidated figures of PagesJaunes Groupe and those of its acquired subsidiaries, restated as indicated in the paragraphs below.

The main conventions followed in drawing up this information are as follows:

The income statement includes:

- the consolidated operating results of PagesJaunes Groupe combined with those of the acquired subsidiaries
- the financial expenses relating to the financing of the acquisition costs.

The current taxation stated in the consolidated information at constant scope is that declared by the companies in the Groupe. It has been corrected to reflect the variation in results associated with the restatement of the financial income.

No adjustment relating to overheads has been entered, since the various entities already control these expenses on an individual basis.

TO COMPARE CONSOLIDATED IFRS INCOME STATEMENT AT CONSTANT SCOPE
(Amounts in thousands of euros)

		2004 Historical	Adjustments	**2004 Constant scope**
Net revenues		967,160	10,966	978,126
External purchases		(317,582)	(5,709)	(323,291)
Other operating income and expenses		26,896	(766)	26,130
Personnel expenses:	- Salaries and charges	(268,992)	(6,857)	(275,849)
Gross operating margin		**407,482**	**(2,366)**	**405,116**
	- Employee profit-sharing	(29,926)	0	(29,926)
	- Share-based payment	(25,274)	0	(25,274)
Depreciation and amortisation		(10,066)	(238)	(10,304)
Impairment of goodwill		0	0	0
Impairment of fixed assets		0	0	0
Result of asset disposals		(363)	0	(363)
Restructuring costs		0	0	0
Results of equity method associates		774	0	774
Operating income		**342,627**	**(2,604)**	**340,023**
Financial income		20,784	(1,464)	19,320
Financial expense		(444)	(2)	(446)
Gain (loss) on foreign exchange		(51)	0	(51)
Financial result		**20,289**	**(1,466)**	**18,823**
Corporate income tax		(149,314)	546	(148,768)
Net income		**213,602**	**(3,524)**	**210,078**

Note 6 – Change in the scope of consolidation

- **2003**

No operations took place which impacted the scope of consolidation.

- **2004**

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

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

The acquisition of the remaining 50% of the Eurodirectory sub-group, for a price of €13.5 million, generates goodwill of €12 million. By acquiring the remainder of the holding in Eurodirectory, PagesJaunes Groupe becomes a 49% shareholder in Editus, a Luxembourg directory company. Eurodirectory, which was acquired at the end of the year, will be fully consolidated and its subsidiary Editus will be proportionally consolidated from 2005. For reasons of simplification, the company continued to be consolidated by the equity method in 2004. This decision has no significant impact on the financial statements.

All the companies were acquired for cash.

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

It should be noted that the adoption of IFRS standards has no impact on the scope and methods of consolidation applied under French GAAP.

Note 7 – Revenues

(in thousands of euros)	31 December 2004
PagesJaunes in France	
Printed directories	**618,928**
PagesJaunes	505,167
The Annuaire	113,761
Online services	**254,518**
Internet	169,558
Minitel	84,960
Other businesses	**30,491**
QuiDonc	7,286
Others *	23,205
* including PagesPro, online access, Europages	
Total for the PagesJaunes in France segment	**903,937**
International & Subsidiaries	
B to C Directories	26,386
Kompass	23,356
Relationship Marketing and Geographic Services	15,322
Total for the International & Subsidiaries segment	**65,064**
Intersegment	(1,841)
TOTAL	**967,160**

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

Note 8 – Other operating income

(in thousands of euros)	31 December 2004
Recharging of publication costs relating to the Annuaire	48,264
Other income	6,985
TOTAL	**55,249**

Note 9 – Personnel expenses

(in thousands of euros, except for number of employees)		31 December 2004
Average number of employees (full-time equivalent)		4,233
- Wages and salaries		185,114
- Social charges		72,846
- Personnel costs in own work capitalised		0
- Change in provision for retirement benefits		1,420
- Taxes on salaries and other items		9,612
	subtotal :	***268,992***
- Profit-sharing		29,926
- Share-based payment (1)		25,274
Total personnel expenses		**324,192**

(1) See notes 2.6.3 and 25

Note 10 – Financial income (expense)

This item consists primarily of income generated by cash placed with France Telecom.

Note 11 – Corporate income tax

11.1 Group tax computation:

The corporate income tax for the year results from the application of the effective year-end rate to the pretax income as at 31 December 2004.

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

(in thousands of euros)	31 December 2004
Pretax income	362,916
Statutory tax rate	35.43%
Theoretical tax	**(128,581)**
Income from equity-method associates	274
Loss-making companies	(7,456)
Tax on long-term capital gain reserves	(964)
Distribution of the special long-term capital gain reserve	(4,610)
Share-based payment	(8,547)
Other non-taxable revenues and expenses	570
Effective tax	**(149,314)**
of which current tax	*(150,893)*
of which deferred tax	*1,579*

11.2 Balance sheet tax position:

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

(in thousands of euros)	31 December 2004	1 January 2004
Retirement benefits	6,201	5,668
Exceptional amortisation and depreciation	3,244	1,655
Temporarily non-deductible provisions	2,783	4,171
Tax loss carry-forwards and depreciation deemed	2,829	808
Provision for employee profit-sharing	10,320	9,968
Other deferred tax assets	767	2,272
Total deferred tax assets	**26,144**	**24,542**

It should be noted that no deferred tax was recognised in the balance sheet relating to the loss carry-forwards for loss-making companies (mainly QDQ Media). The amount is estimated at €65 million as at 31 December 2004.

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

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

The liability in the balance sheet corresponds to current tax. The tax disbursed during the financial year amounted to €68 million.

Note 12 – Earnings per share

Net income amounted to €213.6 million.

The number of ordinary shares was 278,789,610 (cf. note 23 – Shareholders' equity) as at 31 December 2004.

The net earnings per share are calculated on the basis of the weighted average number of shares in circulation during the listing period (excluding the effect of the division of the par value), which is 278,192,494.

The net earnings per share therefore amount to €0.77 and €0.76 taking into account the potentially dilutive effect of the granting to some employees of 3,796,800 PagesJaunes stock options in June 2005 (cf. note 31 – Subsequent events).

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 2004**		
	Opening balance	Acquisitions/ disposals	Closing balance
QDQ Media		68,882	68,882
Mappy (formerly Wanadoo Maps)		7,395	7,395
Wanadoo Data	1,198		1,198
Total	**1,198**	**76,277**	**77,475**

The main acquisitions in 2004 were:

The consolidation of QDQ Media, which generated goodwill of approximately €69 million, based on a share purchase price of €17 million (excluding an equity loan of €89 million). This goodwill amount was entered in April 2004.

The acquisition of Mappy (formerly Wanadoo Maps), which generated goodwill of €7.4 million, based on a purchase price of €10 million.

The current value of the goodwill was examined during the preparation of the consolidated financial statements in accordance with the method described in note 3.8 – Goodwill, on the basis of business plans, a perpetual growth rate of between 2% and 3% and a discount rate after tax of between 9% and 11%.

With regard to the goodwill in respect of QDQ Media, the recoverable amount has been determined on the basis of the market value (fair value net of exit costs), having regard to the recent nature of the acquisition.

Note 14 – Other intangible fixed assets

(in thousands of euros)	31 December 2004			1 January 2004
	Gross value	Accumulated amortisation	Net value	Net value
Other intangible fixed assets	4,018	(1,926)	2,092	558
ERP & Applications support	32,865	(26,538)	6,327	3,049
Total	**36,883**	**(28,464)**	**8,419**	**3,607**

No impairment was recognised as at 31 December 2004.

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

(in thousands of euros)	31 December 2004
Opening balance	**3,607**
- Acquisitions	1,558
- Assets generated internally (1)	394
- Effect of changes in scope of consolidation (2)	6,796
- Disposals	(10)
- Amortisation charge	(3,926)
Closing balance	**8,419**

(1) Concerns all capitalised development expenses.

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

Note 15 – Tangible fixed assets

(in thousands of euros)	31 December 2004			1 January 2004
	Gross value	Accumulated depreciation	Net value	Net value
Land and buildings	632	(232)	400	0
Computers and terminals	36,073	(28,360)	7,713	8,870
Other assets	23,052	(14,349)	8,703	6,451
Total	**59,757**	**(42,941)**	**16,816**	**15,321**

No impairment was recognised as at 31 December 2004.

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

(in thousands of euros)	**Period ending 31 December 2004**
Opening balance	**15,321**
- Acquisitions of tangible fixed assets	5,726
- Effect of changes in the scope of consolidation	2,537
- Disposals and discards	(616)
- Depreciation charge	(6,152)
Closing balance	**16,816**

Note 16 – Investments accounted for using the equity method

The item "Investments accounted for using the equity method" records the value of Eurodirectory, a company which was controlled 100% as at 31 December 2004 (50% as at 01 January 2004) and which holds the shares of Editus in Luxembourg. Although this company was 100% owned as at 31 December 2004, it continues to be consolidated by the equity method because the additional acquisition did not take place until October 2004. This entity will be fully consolidated from 1 January 2005. The fair value of the investments accounted for using the equity method is analysed as follows:

(in thousands of euros)	31 December 2004
Eurodirectory	
Opening balance	**2,504**
- Share in earnings	774
- Dividends paid	(1,285)
- Interest acquired in 2004	1,391
- Goodwill	12,109
Closing balance	**15,493**

Key financial data relating to Eurodirectory:

(in thousands of euros)	Assets	Liabilities (excluding equity)	Revenues	Net income
As at 31 December 2004	3 839	24	49	774
As at 1 January 2004	3 475	98	-	-

Note 17 – Other non-current financial assets

	31 December 2004						1 January 2004
(in thousands of euros)	% interest	Equity (3)	Net income (3)	Gross value	Provision	Net book value	Net book value
Kompass Belgium (1)	100%	1,642	101	1,799	0	1,799	0
PagesJaunes Outremer	100%	484	354	76	0	76	76
PagesJaunes Liban	100%	21	(123)	2,125	(1,813)	312	312
Other securities				76	0	76	0
Other assets (2)				1,521		1,521	1352
TOTAL				**5,597**	**(1,813)**	**3,784**	**1,740**

(1) Company acquired in 2004

(2) Other assets consist mainly of the long-term portion of security deposits and guarantees, as well as other long-term investments.

(3) 2003 figures

These entities are not consolidated, either because of their insignificant nature or because their activity is controlled through another entity (as in the case of PagesJaunes Outremer).

Note 18 – Net inventories

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

The application of IFRS standards does not result in any change in the method of valuing inventories. Inventories are valued at their weighted average cost in accordance with the standard IAS 2.

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

No significant discards were recognised during the 2004 financial year.

Note 19 – Trade accounts receivable

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

(in thousands of euros)	31 December 2004	1 January 2004
Gross trade accounts receivable	451,259	378,359
Provisions for impairment (1)	(20,466)	(6,568)
Net trade accounts receivable	**430,793**	**371,791**

(1) cf. note 22 – changes in provisions for impairment of assets

Half of the difference between these two periods is explained by companies joining the scope of consolidation.

Note 20 – Other receivables

The other receivables are made up as follows:

(in thousands of euros)	**31 December 2004**	**1 January 2004**
VAT receivable	13,690	15,485
Sundry accounts receivable	300	246
Other receivables	12,794	4,964
Total	**26,784**	**20,695**

Note 21 – Prepaid expenses and other current assets

Prepaid expenses and other current assets are made up as follows:

(in thousands of euros)	**31 December 2004**	**1 January 2004**
Prepaid expenses (1)	39,844	54,346
Uncalled subscribed capital (2)	17,566	0
Total	**57,410**	**54,346**

(1) Prepaid expenses consist mainly of charges relating to the sale of advertisements billed in respect of as yet unpublished directories and online directories distributed over a display period which is generally 12 months.

(2) The uncalled subscribed capital corresponds to the balance of the 2003 capital increase of QDQ Media, which Wanadoo International has undertaken to pay up when requested by the Company's Board of Directors.

Note 22 – Changes in provisions for asset impairment

(in thousands of euros)	Opening balance	Net allowances (releases)	Other movements (1)	Closing balance
Investment securities	1,813	0	0	1,813
Trade accounts receivable	6,568	(4,892)	18,790	20,466
Other assets	1,264	(634)	0	630

(1) Includes the effects of exchange rates and changes in the scope of consolidation and primarily concerns QDQ Media in 2004

Note 23 – Shareholders' equity

23.1 – Share capital

As at 31 December 2004, the share capital of the company PagesJaunes Groupe, amounting to €55.8 million, was divided into 278,789,610 ordinary shares of a par value of €0.20 each. It is fully paid up.

PagesJaunes Groupe is a subsidiary of France Telecom.

Movements in the number of shares during the period	
Number of €300 par value shares at beginning of period	182,700
Division of the par value by 1500	273,867,300
Capital increase reserved for employees (1)	4,739,610
Number of €0.20 par value shares at end of period	**278,789,610**

(1) Capital increase reserved for employees in an amount of €58 million.

23.2 – Reserves

The various components of the consolidated reserves, which include the income for the period, are as follows:

In thousands of euros	31 December 2004	1 January 2004
Company reserves of PagesJaunes Groupe SA	44,545	70,179
of which statutory reserve	*5,481*	*5,481*
of which special reserve for long-term capital gains (1)	*39,064*	*63,958*
of which other reserves	-	*740*
Other reserves and consolidated results	5,303	164,980
Total reserves	**49,848**	**235,159**

(1) The special reserve for long-term capital gains will be transferred to a distributable ordinary reserve account in 2005. In this connection a tax charge of €964,000 has been recognised in the 2004 financial statements, corresponding to the exceptional tax of 2.5%.

23.3 – Dividend

Dividend distribution in 2004 amounted to €235,958,000, i.e. €1,291.50 per share, or €0.85 per share on the basis of the number of shares in existence as at 31 December 2004.

Note 24 – Employee benefits, provisions and other current liabilities

These are made up as follows:

(in thousands of euros)	31 December 2004	1 January 2004
Post-employment benefits	18,065	16,645
Other long-term benefits	3,997	531
Employee benefits – non-current	**22,062**	**17,176**
Other provisions for risks and charges	112	0
Provisions for corporate and taxation disputes (1)	8,217	7,690
Provisions – non-current	**8,329**	**7,690**

(1) cf. note 29 Off-balance-sheet commitments and risks

(in thousands of euros)	31 December 2004	1 January 2004
Personnel (1)	59,453	56,905
Corporate bodies	22,568	21,768
Total employee benefits – current	**82,021**	**78,673**
VAT payable	80,572	73,934
Sundry accounts payable	6,585	4,524
Sundry payables	**87,157**	**78,458**

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

Movements in non-current employee benefits were as follows:

(in thousands of euros)	**1 January 2004**	**Allowance for the period**	**Release for the period (unused provision)**	**Release for the period (used provision)**	**Changes in scope, reclassifications et al**	**31 December 2004**
Post-employment benefits	16,645	1,420	0	0	0	18,065
Other long-term benefits	531	3,466	0	0	0	3,997
Total	**17,176**	**4,886**	**0**	**0**	**0**	**22,062**

Movements in provisions were as follows:

(in thousands of euros)	1 January 2004	Allowance for the period	Release for the period (unused provision)	Release for the period (used provision)	Changes in scope, reclassifications et al	31 December 2004
Provisions for corporate and taxation disputes	7,690	530	(3)	0	0	8,217
Other provisions for risks and charges	4,145	103	0	(4,071)	171	348
Total provisions	**11,835**	**633**	**(3)**	**(4,071)**	**171**	**8,565**
- of which non-current	7,690	530	(3)	0	112	8,329
- of which current	4,145	103	0	(4,071)	59	236

Table of engagements of retirement and other advantages of the personnel

	Post employment benefits				
(in thousands of euros)	Annuity plans	Capital plans	Other post-employment benefits	Long-term benefits	**Total**
Change in benefit obligation					
Defined Benefit Obligation (DBO) at beginning of period	0	19,513	872	2,870	23,255
Service Cost	0	1,139	51	188	1,378
Interest Cost	0	1,020	46	149	1,239
Employee contributions	0	0	0	0	0
Amendments	0	0	0	0	0
Curtailments / Settlements	0	0	0	0	0
Actuarial (Gains) or Losses	0	6,701	58	969	7,728
Benefits paid	0	(512)	0	(162)	(674)
Change in scope of consolidation: Acquisitions / Disposals	0	0	0	0	0
Others (foreign currency translation)	0	0	0	0	0
Defined Benefit Obligation (DBO) at end of period: (A)	0	27,861	1,027	4,014	32,926
DB0 at end of period in respect of Employee Benefit Plans that are wholly or partially funded	0	27,861	0	3,997	31,882
DB0 at end of period in respect of Employee Benefit Plans that are wholly unfunded	0	0	1,027	17	1,044
Change in plan assets					0
Fair value of plan assets at beginning of period	0	1,566	0	0	1,566
Actual return on plan assets	0	66	0	0	66
Employer contributions	0	800	0	0	800
Employee contributions	0	0	0	0	0
Curtailments/Settlements	0	0	0	0	0
Benefits paid out of plan assets	0	(512)	0	0	(512)
Change in scope of consolidation: Acquisitions / Disposals	0	0	0	0	0
Others (foreign currency translation)	0	0	0	0	0
Fair value of plan assets at end of period: (B)	0	1,920	0	0	1,920

Reconciliation of Funded Status

Funded status of the plan (A) - (B)	0	25,941	1,027	4,014	30,982
Unrecognised actuarial Gains and (Losses)	0	(8,979)	(58)		(9,037)
Unrecognised Prior Service Cost	0	0	0		0
Adjustment due to Assets Ceiling	0	0	0	0	0
Accrued / (Prepaid) Pension Cost					
Accrued/(Prepaid) Pension Cost : Short-Term Portion	0	0	0	0	0
Accrued/(Prepaid) Pension Cost : Long-Term Portion	0	17,019	969	4,014	22,062
Net Periodic Pension Cost					
Service Cost	0	344	51	188	583
Interest Cost	0	1,020	46	149	1,239
Expected return on plan Assets	0	(66)	0	0	(66)
Amortisation of actuarial (Gains) or Losses	0	0	0	3,292	3,292
Amortisation of unrecognised prior service cost	0	0	0	0	0
Effects of settlements/curtailments	0	0	0	0	0
Adjustment due to Assets Ceiling	0	0	0	0	0
Net Periodic Pension Cost	0	1,298	97	3,629	5,048
Growth in Accrued/(Prepaid) Pension Cost					
Accrued/(Prepaid) Pension Cost at beginning of period	0	15,721	872	547	17,176
Net Periodic Pension Cost	0	1,298	97	3,629	5,048
Employer Contributions	0	0	0	0	0
Benefits directly paid by the employer	0	0	0	(162)	(162)
Change in scope of consolidation: Acquisitions / Disposals	0	0	0	0	0
Others (foreign currency translation)	0	0	0	0	0
Accrued/(Prepaid) Pension Cost at end of period	0	17,019	969	4,014	22,062
ASSUMPTIONS (*)					
Discount rate (%)		4.5%	4.5%	4.5%	
Inflation rate expected over the long-term (%)		2.0%	2.0%	2.0%	
Salary growth expected over the long-term (%)		according to age			
Pension indexing expected over the long-term (%)					
Medical cost trend rates (%)					
Expected returns on plan assets (%)		5.0%	5.0%	5.0%	
Expected growth in compulsory pension plans (%)					
Expected average remaining working lives		19	16	16	
Net Periodic Pension Cost	0	1,298	97	3,629	5,048

Note 25 – Stock options

25.1 – Description of the plans

PagesJaunes Groupe has not granted any stock options. However, some employees hold options which had been granted to them when PagesJaunes was a subsidiary of the Wanadoo Group or when they were employees of Wanadoo and Orange S.A., subsidiaries of the France Telecom Group.

Orange S.A.:

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

Wanadoo S.A.:

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

Whichever plan is involved (Wanadoo or Orange), the shares are subject to a four-year period of non-transferability (sales restriction) in accordance with taxation regulations applicable to French beneficiaries.

25.2 – Description of the valuation models

No equity instrument was allocated in 2004.

25.3 – Movements in stock option plans during the period

	Number of options	**Weighted average exercise price**
Options in circulation at start of period	4,660,560	€20.90
Options granted	-	-
Orange stock option plan	-	-
Wanadoo stock option plan	-	-
Options exercised	(309,624)	€15.37
Orange stock option plan	-	-
Wanadoo stock option plan	(309,624)	€15.37
Options cancelled	65,907)	€19.73
Orange stock option plan	-	-
Wanadoo stock option plan	(65,907)	€19.73
Options lapsed	-	-
Orange stock option plan	-	-
Wanadoo stock option plan	-,	-
Migration outside the PJ Group (*)	(250,781)	€24.89
Orange stock option plan	-	-
Wanadoo stock option plan	(250,781)	€24.89
Migration within the PJ Group (**)	282,361	€12.76
Orange stock option plan	186,900	€9.15
Wanadoo stock option plan	95,461	€19.82
Options in circulation at end of period	**4,316,609**	€**20.56**

(*) Options held by beneficiaries who transferred to another company within the France Telecom Group in 2004

(**) Options held by beneficiaries who transferred within the PagesJaunes Group in 2004 but who were in another company within the France Telecom Group when their options were granted.

25.4 – Details of the options in circulation at the end of the period

	Number of options not exercised at closing date	Weighted average time to start of exercise period (months)	Weighted average exercise price	Number of options exercisable at end of period
Orange stock option plan	186,900	2	9,15,€	137,500
Wanadoo stock option plan	4,129,709	8	21,07,€	1,188,556
Total	**4,316,609**	**7**	**20,56,€**	**1,326,056**

25.5 – Fair value of options granted during the period

PagesJaunes Groupe did not grant any stock options in 2004.

25.6 – Effect of stock option plans on the income statement

(in thousands of euros)	31 December 2004
Charge for the period	
Orange stock option plan	65
Wanadoo stock option plan	9,910
TOTAL	**9,975**

More than 99% of the charge for the 2004 financial year relates to options repayable in shares.

Note 26 – Gross financial debt, cash

(in thousands of euros)	31 December 2004	1 January 2004
Short-term investments >3 months and <1 year	265	11,600
Cash and cash equivalents (1)	644,077	581,935
Total marketable securities and cash	**644,342**	**593,535**
Bank overdrafts	9,786	11,265
Other financial liabilities	4,816	4,121
Gross financial debt	**14,602**	**15,386**
of which due in less than one year	14,570	15,386
of which due in more than one year	32	-
Net cash position (debt)	**629,740**	**578,149**

(1) Essentially comprises current accounts and deposits up to three months with France Telecom.

Movements in the financial debt of PagesJaunes were as follows:

(in thousands of euros)	31 December 2004
Balance at beginning of period	**15,386**
- Changes in scope of consolidation	89,705
- Net increase (decrease)	(90,507)
Balance at end of period	**14,602**

The difference in the debt position results from the addition of QDQ Media to the scope of consolidation and to repayment of amounts due to Wanadoo International, since QDQ is now financed by PagesJaunes.

Note 27 – Deferred income

(in thousands of euros)	31 December 2004	1 January 2004
Deferred income	535,370	465,334
Total	**535,370**	**465,334**

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

Note 28 – Transactions with related parties

Note 28.1 – Remuneration of directors

In thousands of euros	**31 December 2004**
Short-term benefits (1)	543
of which employer's contributions	*121*
Post-employment benefits (2)	5
Other long-term benefits (3)	0
Termination benefits (4)	-
Equity Benefits (5)	233
Total	**781**

(1) Salary, remuneration, profit-sharing and bonuses (if payable no later than 12 months after the period-end), social security contributions, paid leave, director's fees and non-monetary benefits

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

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

(4) Redundancy benefits

(5) Stock options and other share-based payments

Note 28.2 – Transactions with related parties

Transactions and balances with related parties summarised below form part of day-to-day operations:

Amounts receivable from related parties

(in thousands of euros) **Related party**	**31-déc.-04**	**1-janv.-04**
France Télécom SA	15,710	16,910
Wanadoo SA		13,466
Wanadoo International	17,613	0
Other companies in the France Telecom Group	1,875	3,786
Total	**35,198**	**34,162**

In addition to these receivables, current accounts and deposits with France Telecom amounted to €581.4 million as at 1 January 2004 and €637.6 million as at 31 December 2004.

Amounts owed to related parties

(in thousands of euros) **Related party**	**31-déc.-04**	**1-janv.-04**
France Télécom SA	30,280	26,068
Wanadoo SA		11,385
Wanadoo International		0
Other companies in the France Telecom Group	2,197	9,113
Total	**32,477**	**46,566**

Significant transactions with related parties

(in thousands of euros) **Transactions**	**31-déc.-04**
Télétel	6,028
Publishing costs	48,264
Audiotel	1,395
Access to directories	2,664
Provision of personnel	(7,631)
Alphabetical directory fees	(58,622)
Real estate	(10,085)
Databases	(7,640)
Management fees	(5,464)
Trademark royalty fees	(1,066)
Telephone - hosting	(5,438)
Other operational services	(6,353)
Total	**(43,948)**

The main agreements entered into with the France Telecom Group relate to:

- The provision of directory data for the publication of directories

- Prospecting and collecting advertising for insertion in the Annuaire and the Minitel alphabetical search service and the technical design, implementation and formatting of this advertising.

- Carrying out on behalf of France Telecom the work necessary for the production, distribution and promotion of the Annuaire and Minitel alphabetical search service.

- Trademark and management fees.

In addition to these transactions, financial income was generated by the cash deposited with France Telecom, amounting to €19.9 million, and the PagesJaunes contribution to employee profit-sharing pooled at the level of the France Telecom group.

Note 29 – Contractual obligations and off-balance-sheet commitments

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

Contractual obligations	Total	Payments due by period		
	in thousands of euros	Less than one year	One to five years	More than five years
Leases	44,389	13,348	30,812	229
Purchase obligations for goods and services	64,224	59,121	5,103	0
Total	108,613	72,469	35,915	229

Contingent liabilities	Total	Payments due by period		
	in thousands of euros	Less than one year	One to five years	More than five years
Guarantees	853	853	0	0

Leasing contracts

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

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

The rent expense recorded in the income statement for operating leases amounted to €14.4 million as at 31 December 2004. Of this amount of €14.4 million, €9.5 million was billed by France Telecom. France Telecom's share of future commitments amounts to €10.1 million as at December 2005 and €24.2 million for 2005 to 2009.

Commitments to purchase goods and services

Production of directories

As part of its business operation, PagesJaunes SA is committed to its paper suppliers on the basis of generally annual contracts with significant volume commitments. PagesJaunes SA also has commitments with printers on the basis of tri-annual or bi-annual contracts and with distributors on the basis of annual contracts for the production and distribution of the PagesJaunes directory and the Annuaire. These commitments are made only for forecast order volumes without any minimum contractual value. These commitments are valued at €50.5 million due in December 2005. These amounts may vary depending on the actual volume each year.

QDQ Media is also committed to paper suppliers, with similar firm volume commitments, and to printers. These commitments amount to €12 million, of which €8 million is due in December 2005 and €4 million in December 2006.

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.

Purchases of securities

The Group has given an undertaking to purchase a direct marketing database hosting company named e-sama for a consideration not exceeding €13 million.

Individual training rights

In respect of the individual right to training, for non-civil servant employees and those on indefinite contracts within the French entities of the PagesJaunes Group, the number of hours in the open but unconsumed portion of the rights was 43,648 as at 31 December 2004. No hours have been the subject of employee requests.

Note 30 – 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 Groupe believes could reasonably have a material adverse effect on its results, its business or its consolidated financial position.

I- Prodis, a company which operates an Internet site at the address www.pagesjaunes.com and owns the domain names pagesjaunes.com and pagesjaunes.net, commenced legal proceedings against France Telecom and against PagesJaunes on 26 September 2000 and on 20 April 2001 respectively, primarily for nullification of the PagesJaunes trademark. In this context, Prodis sought to assert that the filing of the name Pages Jaunes as a trademark would be fraudulent as it is a mere translation of the term "Yellow Pages", which has been used in the United States since 1886 for the business directory concept, and constitutes a generic term used without distinctiveness in various countries. In a judgment rendered on 14 May 2003, the Tribunal de Grande Instance of Paris confirmed the validity of the "Pages Jaunes" trademark. Prodis filed an appeal citing the same claims and adding new claims concerning the "Pages Blanches", "L'Annuaire" and "L'annuaire des Pages Blanches" trademarks. In a ruling issued on 30 March 2005, the Cour d'Appel of Paris considered in particular that "these trademarks have acquired a strong distinctive character as a result of the long-standing and intensive use made of them" and that PagesJaunes and France Télécom had demonstrated "by means of the many notices produced during the proceedings that they have reacted to any unlawful use of their trademarks, regularly defending the associated rights", and that "the contradictory nature of the arguments advanced by Prodis (…) were sufficient to establish its bad faith in the instigation and conduct of the present proceedings". The Cour d'Appel of Paris consequently upheld the judgment issued on 14 May 2003 by the Tribunal de Grande Instance de Paris, dismissing all of the claims cited by Prodis and declaring the new claims inadmissible and ordered the company to pay damages of EUR 20,000 each to PagesJaunes and France Télécom for abuse of process and EUR 10,000 on the basis of article 700 of the New Code of Civil Procedure.

II- 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. To date, almost all these employees have commenced legal proceedings against PagesJaunes to contest the validity of the reason for the layoff. Although a number of decisions favourable to the Group have already been rendered at first instance, no assurance can be given on the favourable outcome of this litigation for the Group. The total amount of damages claimed is approximately €22 million and a provision of €7.3 million has been recorded for the risk arising from this litigation. An unfavourable outcome could have a significant negative effect on the activity, financial situation, results or objectives of the Group.

III- During the years 2001 and 2002, PagesJaunes was subject to a tax audit for fiscal years 1998 and 1999. The only adjustments still disputed represent a risk of approximately €6.6 million (including interest). The Company believes that it has strong arguments for opposing the still disputed adjustments and has therefore not entered provisions in respect of these adjustments as at 31 December 2003. In order to present its arguments, the company instituted a dispute procedure by filing a prior complaint with the tax authorities in July 2004.

IV- On 26 June 2002, FAC, an advertising agency, commenced proceedings against PagesJaunes before the Tribunal de commerce of Nanterre. This advertising agency considers that PagesJaunes has committed acts of unfair competition, such as interference with customer relationships, disparagement and abusive sales methods. It is claiming €1 million in damages. This case was heard on 14 September 2004. Judgement was pronounced on 21 December 2004. Our opponents did not win the case. FAC has appealed this judgement. Although PagesJaunes Groupe believes it has elements in its favour, it cannot, in the current circumstances, rule out the possibility that it may lose the case on appeal.

V- PagesJaunes commenced legal action on 10 June 2003 against LSM, an advertising agency, before the Tribunal de Commerce of Cannes. Based on the testimony of many customers, PagesJaunes claims that this agency undertook acts of unfair competition with the aim of creating confusion between LSM and PagesJaunes in the mind of customers contacted by LSM for advertisement insertions in the PagesJaunes directory. In a judgment rendered on 19 February 2004, the Tribunal de Commerce of Cannes dismissed PagesJaunes' claims. PagesJaunes has appealed this decision, which, if confirmed on appeal, would likely foster the development of this type of competition from other advertising agencies and create difficulties for PagesJaunes in its customer prospection. Even though it believes it has a strong case in these proceedings, PagesJaunes cannot exclude a confirmation of this decision on appeal.

VI- PagesJaunes was informed on 4 October 2004 of a reference to the Conseil de la Concurrence (French Competition Authority) apparently made on May 11, 1998 by the Ministry of the Economy alleging certain practices by the former Office d'Annonces (which subsequently became PagesJaunes) in the market for advertisement insertions in telephone directories in Metropolitan France and Réunion. As PagesJaunes currently has no information on this matter, it is unable to make any assessment of these proceedings.

In addition, in common with the other companies in the sector, the Group is frequently the subject of court proceedings brought in relation to errors in the publication of directories and other media. Generally the financial risk represented by each of these proceedings is relatively limited. However, an increase in their number may constitute a significant risk for the Group. The number of such proceedings has declined constantly since 2001. As at 31 December 2004, the number of proceedings was 27, for a total amount of damages of €2 million, and as at 30 June 2005 the number of proceedings was around 25, with a total amount of claims of the order of €2 million. In the context of these proceedings, the Group is endeavouring to negotiate out-of-court compensation, which would enable it significantly to reduce the final total cost of these proceedings. However, no guarantee can be given that these proceedings will not have a significant negative impact on the financial situation of the Group.

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

Note 31 – Subsequent events

In line with the intentions stated at the time of the initial public offering, PagesJaunes Groupe completed the acquisition of Edicom from France Télécom. Edicom is the leading publisher of directories in Morocco and generated revenues of €4.0 million in 2004. Edicom will be consolidated from 1 July 2005.

France Telecom announced on 10 February 2005 the sale of 8% of the capital of PagesJaunes Groupe, taking its holding to 54%.

In February 2005, through its subsidiary Wanadoo Data, PagesJaunes Groupe acquired 100% of e-sama, a company specialising in the hosting of databases and customer relationship management (CRM) services. e-sama generated revenues of €8.4 million in 2004, representing growth of +22%; the company is profitable, with a gross operating margin of 20%. This company is being fully consolidated from 1 February 2005.

Following the combined general meeting of 12 April 2005, PagesJaunes Groupe paid on 28 April 2005 the dividend relating to the 2004 financial year in an amount of €259 million, i.e. €0.93 per share.

On 28 June 2005 the Board of Directors of PagesJaunes Groupe granted to certain of its employees a total of 3,796,800 options on PagesJaunes shares, representing 1.36% of the company's share capital and conferring the right to subscribe the same number of shares at a price of €19.30 per share.

Note 32 – Scope of consolidation

SCOPE AS AT 31/12/2004

FULLY CONSOLIDATED COMPANIES

Company	Country	Interest	Control
PagesJaunes Groupe (formerly PagesJaunes)	France	100%	100%
PagesJaunes SA	France	100%	100%
Kompass France	France	100%	100%
Wanadoo Data	France	100%	100%
Mappy (formally Wanadoo Maps)	France	100%	100%
QDQ Media	Spain	100%	100%

COMPANIES CONSOLIDATED BY THE EQUITY METHOD

Company	Country	Interest	Control
Eurodirectory	Luxembourg	50%	50%

SCOPE AS AT 01/01/2004

FULLY CONSOLIDATED COMPANIES

Company	Country	Interest	Control
Kompass France	France	100%	100%
PagesJaunes SA	France	100%	100%
Wanadoo Data	France	100%	100%

COMPANIES CONSOLIDATED BY THE EQUITY METHOD

Company	Country	Interest	Control
Eurodirectory	Luxembourg	50%	50%