PAGESJAUNES GROUPE

Consolidated financial statements as at 30 June 2005 (IFRS)

Board of Directors of 22 September 2005

Unofficial translation of the French-language "*Comptes consolidés au 30/06/2005 (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)

		30 June 2005	31 December 2004	30 June 2004
Net revenues		481,650	967,160	422,263
External purchases		(145,759)	(317,582)	(143,834)
Other operating income		23,354	55,249	25,830
Other operating expenses		(13,582)	(28,353)	(15,504)
Personnel expenses:	- Salaries and charges	(142,174)	(268,992)	(123,171)
Gross operating margin		**203,489**	**407,482**	**165,584**
	- Employee profit-sharing	(14,476)	(29,926)	(12,831)
	- Share-based payment	(4,154)	(25,274)	(5,404)
Depreciation and amortisation		(4,387)	(10,066)	(4,880)
Impairment of goodwill		0	0	0
Impairment of fixed assets		(435)	0	0
Result of asset disposals		(75)	(363)	(423)
Restructuring costs			0	0
Results of equity method associates			774	553
Operating income		**179,962**	**342,627**	**142,599**
Financial income		7,071	20,784	7,582
Financial expense		(3,034)	(444)	(118)
Gain (loss) on foreign exchange		18	(51)	11
Financial result		**4,055**	**20,289**	**7,475**
Corporate income tax		(63,959)	(149,314)	(60,040)
Net income		**120,058**	**213,602**	**90,034**
Attributable to:				
- Shareholders of PagesJaunes Groupe		120,058	213,602	90,034
- Minority interests		0	0	0

Earnings per share (in euros)				
Net income				
	- basic	0.43	0.77	0.32
	- diluted	0.42	0.76	0.32

IFRS CONSOLIDATED BALANCE SHEET

(Amounts in thousands of euros)

	Notes	30 June 2005	31 December 2004	30 June 2004
ASSETS				
Net goodwill	6	102,598	77,475	77,475
Other net intangible fixed assets		9,422	8,419	9,287
Net tangible fixed assets		18,716	16,816	16,131
Investments accounted for using the equity method			15,493	2,662
Other non-current financial assets	7	43,862	3,784	3,561
Other non-current assets		629		
Deferred income taxes, net		21,918	26,144	25,510
Total non-current assets		**197,145**	**148,131**	**134,626**
Net inventories		12,313	12,373	6,954
Net trade accounts receivable		404,234	430,793	356,727
Other receivables		24,514	26,784	53,639
Current taxation		8,057	133	171
Prepaid expenses and other current assets		66,248	57,410	41,190
Other current financial assets	7	24,637	861	1,259
Cash and cash equivalents	8	489,648	644,077	486,376
Total current assets		**1,029,651**	**1,172,431**	**946,315**
TOTAL ASSETS		**1,226,796**	**1,320,562**	**1,080,941**
LIABILITIES				
Share capital		55,758	55,758	54,810
Issue premium		68,335	68,335	
Reserves		8,331	49,848	46,854
Net income		120,058	213,602	90,034
Foreign currency translation adjustment				
Shareholders' equity	9	**252,482**	**387,543**	**191,698**
Debentures or exchangeable loan stock		0	0	0
Long-term financial debts and derivatives		37	32	32
Employee benefits - non-current		24,056	22,062	18,146
Provisions - non-current		7,493	8,329	8,462
Other non-current liabilities		0	0	3
Total non-current liabilities		**31,586**	**30,423**	**26,643**
Current portion of long- and medium-term debt (maturing in less than one year)			3,822	3,822
Bank overdrafts and other short-term borrowings	8	58,928	10,730	52,922
Accrued interest not yet due		45	18	7
Provisions - current		602	236	203
Trade accounts payable		108,630	107,026	102,308
Employee benefits - current		66,913	82,021	62,356
Sundry payables		96,082	87,157	81,015
Other current liabilities		2,745	4,104	3,334
Corporate income tax		1,112	72,112	8,828
Deferred income		607,671	535,370	547,806
Total current liabilities		**942,728**	**902,596**	**862,600**
TOTAL LIABILITIES		**1,226,796**	**1,320,562**	**1,080,941**

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**
Income for the first half of 2004			90,034	90,034
Share-based payment			5,404	5,404
Dividends paid		(42,249)	(193,710)	(235,959)
Balance as at 30 June 2004	**54,810**	**0**	**136,888**	**191,698**
Capital increase	948	68,335		69,283
Income for the second half of 2004			123,568	123,568
Share-based payment			2,995	2,995
Balance as at 31 December 2004	**55,758**	**68,335**	**263,450**	**387,543**
Income as at 30/06/2005			120,058	120,058
Share-based payment			4,154	4,154
Dividends paid			(259,273)	(259,273)
Balance as at 30 June 2005	**55,758**	**68,335**	**128,389**	**252,482**

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in thousands of euros)	**30 June 2005**	**31 December 2004**	**30 June 2004**
Consolidated net attributable income	120,058	213,602	90,034
Depreciation and amortisation of fixed assets	4,822	10,065	4,880
Capital gains or losses on asset disposals	56	411	383
Change in provisions	1,032	(4,081)	(2,522)
Undistributed earnings of companies accounted for using the equity method	0	512	(158)
Tax charge for the period	59,735	150,893	60,985
Deferred income taxes	4,224	(1,579)	(945)
Minority interests	0	0	0
Unrealised exchange difference	(9)	0	0
Other non-monetary items	0	0	0
Share-based payment	4,154	24,124	5,404
Decrease (increase) in inventories	70	(5,086)	333
Decrease (increase) in trade accounts receivables	36,847	(36,325)	32,456
Decrease (increase) in other receivables	(7,332)	18,138	12,905
Increase (decrease) in trade accounts payable	(452)	(10,810)	(15,650)
Increase (decrease) in other payables	51,182	70,229	56,278
Taxes paid	(139,025)	(67,859)	(41,272)
Net cash from operations	**135,362**	**362,234**	**203,111**
Acquisition of tangible and intangible fixed assets, net of changes in suppliers of fixed assets	(5,727)	(8,376)	(3,098)
Proceeds from sale of tangible and intangible assets	73	215	92
Acquisitions of investment securities and subsidiaries, net of cash acquired	(7,542)	(21,981)	(21,905)
Investments in equity method associates	0	(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	(66,689)	11,509	8,333
Net cash used in investing activities	**(79,885)**	**(32,133)**	**(16,578)**
Increase (decrease) in long-term borrowings	(41)	(89,326)	(89,326)
Increase (decrease) in bank overdrafts and short-term borrowings	44,366	(1,167)	40,891
Capital increase	5,040	58,492	
Dividends paid	(259,273)	(235,958)	(235,958)
Net cash provided by (used in) financing activities	**(209,908)**	**(267,959)**	**(284,393)**
Net increase (decrease) in cash and cash equivalents	(154,430)	62,142	(97,860)
Effect of changes in exchange rates on cash and cash equivalents	0	0	
Cash and cash equivalents at beginning of period	644,077	581,935	581,935
Cash and cash equivalents at end of period	**489,647**	**644,077**	**484,075**

Note 1 – Effects of the adoption of IFRS

Positions adopted by PagesJaunes Group on issues currently being analysed by the IFRIC or the CNC

In the absence of standards or interpretations applicable to the transactions described below, the management of the Group has used its judgment to define and apply the most appropriate accounting methods. The Group's judgement-based interpretations are as follows:

Employee share issues

The Group considers that the grant date in respect of shares granted to employees corresponds to the date on which the main terms of the offer are announced. This treatment complies with the recommended method set out in the CNC circular dated 21 December 2004 on employee share ownership plans (Plans d'épargne d'entreprise – PEE), which interprets the announcement date as being the grant date defined in IFRS 2 – Share-based Payment.

According to generally accepted practice under US GAAP (FAS 123), which is similar to IFRS 2, the benefit granted is measured at the end of the subscription period.

Note 2 – Accounting policies

2.1 Basis for the preparation of the financial statements

This note describes the principles applied in preparing the IFRS balance sheet as at 30 June 2005 as well as their evolution since publication on 27 April 2005 of the 2004 financial information on the transition to IFRS.

The first half 2005 financial information has been prepared in accordance with IFRS 1 "First-time adoption of IFRS" and IAS 34 "Interim Financial Reporting".

Accounting principles applied are the same as those described in note 11 of the present document showing transition to IFRS of first half 2004 financial information:

- application of all standards and interpretations adopted by European Commission at 30 June 2005, show that no additional standard and interpretation has been adopted since 31 December 2004;

- early application of IFRIC 4 "Determining whether an arrangement contains a lease";

- accounting positions adopted by the Group for which discussions are in progress at IASB (IFRIC) or French CNC level as mentioned below.

Furthermore, in order to optimize costs, publishing dates of print directories (determining revenue recognition) can be different from one half year to other, each print directory being be published once a year.

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.

The half-year consolidated financial statements are drawn up in accordance with standard IAS 34 "Interim financial reporting".

2.2 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.

2.3 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.

2.4 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.

2.5 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 year are associated with the corresponding revenues stated for the year in question; this concerns commissions for sales and telesales personnel as well as the publication fee.*

2.6 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.

2.7 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 Group reports a loss, 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.

2.8 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.

2.9 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 3.10).

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.

2.10 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.

2.11 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.

2.12 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 the Group's 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.

2.13 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.

2.14 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.

2.15 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 as soon as the obligation towards the employee becomes probable or certain.

2.16 Pension and other similar benefits

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.

2.17 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 3 – Change in the scope of consolidation

The main operations which took place during the period ending on 30 June 2005 are as follows :

The entry on 1 January 2005 of Kompass Belgium, a company acquired on 14 April 2004 at a price of €1.8 million, generated goodwill of €1.3 million (for 100 per cent of the shares and voting rights).

The acquisition of e-sama, through the subsidiary Wanadoo Data, on 1 February 2005 at a price of €12.9 million for 100% of the shares generated goodwill of €11.7 million.

The acquisition of the remaining 50% of the Eurodirectory subgroup at a price of €13.5 million at the end of 2004 generated goodwill of €12 million. This company is now owned 100%. By acquiring the balance of the holding in Eurodirectory, PagesJaunes Groupe becomes a 49% shareholder in Editus, a Luxembourg directory company. Eurodirectory was fully consolidated on 1 January 2005 and its subsidiary Editus was proportionally consolidated.

Note 4 – Additional information at constant scope

In order to ensure comparability between the data for the first half of 2004 and that for the scope of consolidation in the first half of 2005, the 2004 data has been restated on the basis of the 2005 scope of consolidation.

The table below shows the transition between the consolidated financial statements as at 30 June 2004 and the consolidated figures at constant scope for 30 June 2004, taking into account:

- The entries of QDQ Media and Mappy on 1 January 2004 instead of 1 April 2004 and 1 May 2004 respectively;
- The entry of Kompass Belgium on 1 January 2004;
- The proportional consolidation of Editus on 1 January 2004;
- The acquisition of e-sama on 1 February 2004 instead of 1 February 2005

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

		30 June 2004 Historical	Structure effects 2004 & 2005	**30 June 2004 Constant scope**
Net revenues		422,263	17,537	439,800
External purchases		(143,834)	(9,155)	(152,989)
Other operating income and expenses		10,326	(619)	9,707
Personnel expenses:	- Salaries and charges	(123,171)	(9,708)	(132,879)
Gross operating margin		**165,584**	**(1,945)**	**163,639**
	- Employee profit-sharing	(12,831)	(115)	(12,946)
	– Share-based payment	(5,404)	0	(5,404)
Depreciation and amortisation		(4,880)	(468)	(5,348)
Impairment of goodwill			0	0
Impairment of fixed assets			(5)	(5)
Result of asset disposals		(423)	0	(423)
Restructuring costs		0	0	0
Results of equity method associates		553	(553)	
Operating income		**142,599**	**(3,086)**	**139,513**
Financial income		7,582	(1,699)	5,883
Financial expense		(118)	2	(116)
Gain (loss) on foreign exchange		11	(11)	0
Financial result		**7,475**	**(1,708)**	**5,767**
Corporate income tax		(60,040)	446	(59,594)
Net income		**90,034**	**(4,348)**	**85,686**
Minority interests		0	0	0
Consolidated net attributable income		**90,034**	**(4,348)**	**85,686**

Note 5 – 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).

5.1 – Analysis by business segment

The following tables show the key figures by business segment:

Analysis by business segment - historical

Amounts in thousands of euros	**PagesJaunes in France**	**International & Subsidiaries**	**Eliminations**	**Total PagesJaunes Group**
As at 30 June 2005				
Net revenues	**437,867**	**45,328**	**(1,545)**	**481,650**
- External	437,314	44,336		481,650
- Intersegment	553	992	(1,545)	0
Gross operating margin	**204,028**	**(539)**	**0**	**203,489**
- Employee profit-sharing	(14,277)	(199)		(14,476)
- Share-based payment	(3,735)	(419)		(4,154)
Depreciation and amortisation	(2,941)	(1,446)		(4,387)
Impairment of goodwill				
Impairment of fixed assets		(435)		(435)
Result of asset disposals	(47)	(28)		(75)
Restructuring costs				
Results of equity method associates				
Operating income	**183,028**	**(3,066)**	**0**	**179,962**
Financial income				7,071
Financial expenses				(3,034)
Gain (loss) on foreign exchange				18
Corporate income tax				(63,959)
Net income				**120,058**
Capex	**4,489**	**1,000**		**5,489**

Analysis by business segment - historical

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**
Capex	**6,211**	**1,466**		**7,677**

Analysis by business segment - historical

Amounts in thousands of euros		PagesJaunes in France	International & Subsidiaries	Eliminations	Total PagesJaunes Group
As at 30 June 2004					
Net revenues		**397,341**	**25,555**	**(633)**	**422,263**
	- External	397,309	24,954		422,263
	- Intersegment	32	601	(633)	0
Gross operating margin		**168,113**	**(2,529)**	**0**	**165,584**
	- Employee profit-sharing	(12,703)	(128)		(12,831)
	- Share-based payment	(4,874)	(530)		(5,404)
Depreciation and amortisation		(3,249)	(1,631)		(4,880)
Impairment of goodwill					
Impairment of fixed assets					
Result of asset disposals		(424)	1		(423)
Restructuring costs					
Results of equity method associates			553		553
Operating income		**146,863**	**(4,264)**	**0**	**142,599**
Financial income					7,582
Financial expenses					(118)
Gain (loss) on foreign exchange					11
Corporate income tax					(60,040)
Net income					**90,034**
Capex		**1,983**	**540**		**2,523**

5.2 – Analysis by geographic region

(Amounts in thousands of euros)	**30 juin 2005**	**31 décembre 2004**	**30 juin 2004**
Revenue contributions	**481,650**	**967,160**	**422,263**
- France	460,049	940,774	414,221
- Others	21,601	26,386	8,042
Capex	**5,489**	**7,677**	**2,523**
- France	4,813	6,888	2,255
- Others	676	789	268

Note 6 – Goodwill related to consolidated companies

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

(in thousands of euros)	Opening balance 31/12/04	Acquisitions / Disposals / Reclassifications	Closing balance 30/06/05
QDQ Media	68,882		68,882
Mappy (formerly Wanadoo Maps)	7,395		7,395
Wanadoo Data	1,198		1,198
Eurodirectory		12,109	12,109
Kompass Belgium		1,265	1,265
e-sama		11,747	11,747
Total	**77,475**	**25,123**	**102,598**

No impairment was recognised as at 30 June 2005.

Following the change in the consolidation method on 1 January 2005, the goodwill in respect of Eurodirectory was reclassified from "Equity Method Investments", since this company was now fully consolidated.

The entry of Kompass Belgium generated goodwill of €1.3 million, on the basis of an acquisition price of €1.8 million for 100 per cent of the shares in April 2004.

The acquisition of 100% of the shares of e-sama in February 2005 generated positive goodwill of approximately €12 million, on the basis of an acquisition price of €13 million for the shares (including an earn-out of €2 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 2.8 – 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%.

The goodwill in respect of QDQ Media corresponds to the value in use as at 30 June 2005.

Note 7 – Non-current and current financial assets

The change in financial assets between 31 December 2004 and 30 June 2005 is linked to the securitisation of a tax receivable in respect of the exceptional levy on the distributions made in 2005 ("compulsory loan") for €64.2 million. It is repayable in three equal instalments from 2006 to 2008. The portion due in more than one year is classified under non-current financial assets.

Note 8 – Gross financial debt, cash

(in thousands of euros)	30 June 2005	31 December 2004	30 June 2004
Short-term investments >3 months and <1 year	2,113	265	1,197
Cash and cash equivalents (1)	489,648	644,077	486,376
Total marketable securities and cash	**491,761**	**644,342**	**487,573**
Bank overdrafts	8,830	9,786	6,884
Other financial liabilities	50,180	4,816	49,899
Gross financial debt	**59,010**	**14,602**	**56,783**
of which due in less than one year	58,973	14,570	56,751
of which due in more than one year	37	32	32
Net cash position (debt)	**432,751**	**629,740**	**430,790**

(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)	
Balance as at 31 December 2004	**14,602**
- Changes in scope of consolidation	1,200
- Net increase (decrease)	43,493
- Other changes	(285)
Balance as at 30 June 2005	**59,010**

Note 9 – Shareholders' equity

The Combined General Meeting of PagesJaunes Groupe of 12 April 2005 authorised the Board of Directors, for a period of 18 months from the date of the Combined General Meeting, to repurchase shares of PagesJaunes Groupe up to 10% of the share capital for a maximum amount of €30 per share as part of the share repurchase programme described in the Note d'information authorised by the AMF on 23 March 2005 under the number 05-172. Hitherto, this programme has not been implemented.

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

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

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

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

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

In its 21st resolution, this Meeting authorised the Board of Directors, for the purposes of reducing the capital by cancelling ordinary PagesJaunes Groupe shares acquired in the context of share repurchase programmes adopted by the Company. By law, the number of cancelled shares must not exceed 10% of the capital of the Company in any 24-month period.

The 22nd resolution is intended to enable the Board of Directors to allocate options in respect of the Company's ordinary shares to employees or officers of the Company. 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.

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.

PagesJaunes Groupe is a subsidiary of France Telecom.

Note 10 – Transactions with related parties

Receivables

(in thousands of euros) **Related party**	**30-juin-05**	**31 December 2004**	**30-juin-04**
France Télécom SA	16,638	15,710	16,311
Wanadoo SA			211
Wanadoo International		17,613	22,500
Other companies in the France Telecom Group	2,100	1,875	2,269
Total	**18,738**	**35,198**	**41,291**

Liabilities

(in thousands of euros) **Related party**	**30-juin-05**	**31 December 2004**	**30-juin-04**
France Télécom SA	35,550	30,280	72,487
Wanadoo SA			15,831
Other companies in the France Telecom Group	1,706	2,197	2,287
Total	**37,256**	**32,477**	**90,605**

(in thousands of euros) **Transactions**	**30-juin-05**	**31 December 2004**	**30-juin-04**
Télétel	2,230	6,028	3,189
Publishing costs	21,171	48,264	21,580
Audiotel	607	1,395	931
Access to directories	618	2,664	1,044
Provision of personnel	(3,102)	(7,631)	(4,010)
Alphabetical directory fees	(29,454)	(58,622)	(25,428)
Real estate	(5,070)	(10,085)	(5,053)
Databases	(2,120)	(7,640)	(1,906)
Management fees	(2,821)	(5,464)	(4,620)
Trademark royalty fees	(290)	(1,066)	(1,200)
Telephone - hosting	(3,222)	(5,438)	(2,371)
Other operational services	(2,627)	(6,353)	(7,807)
Total	**(24,080)**	**(43,948)**	**(25,651)**

Note 11 – Transition to IFRS as at 30 June 2004

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 first half of 2005, and as recommended by the French securities regulator AMF with regard to financial communications during the transition period, the Group has prepared the first half of 2004 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 30 June 2004 and the performance of the first half of 2004.

This financial information of the first half of 2004 on the expected effect of the transition to IFRS has been determined by applying to the first half of 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 first half of 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 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.

2004 opening and closing balance sheets have been set up taking into account only subsequent events to 2004 closing in French GAAP as reviewed by the Board of Directors on 2 February 2005. This information was reviewed by the Board of Directors on 22 September 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 an 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.

11.1 Effect on income as at 30 June 2004

(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**

		30 juin 2004			IAS18 / SIC31	IFRS3	IFRS2	IAS1 *(Reclassifications)*	Autre
		French GAAP as published	IFRS	Differences	11.3.1	11.3.2	11.3.3	11.3.5	
Net revenues		424,443	422,263	(2,180)	(2,180)				0
External purchases		(146,024)	(143,834)	2,190	2,180				10
Other operating income and expenses		14,730	10,326	(4,404)				(4,506)	102
Personnel expenses:	- Salaries and charges	(123,201)	(123,171)	30				0	30
Gross operating margin		**169,948**	**165,584**	**(4,364)**	**0**	**0**	**0**	**(4,506)**	**142**
	- Employee profit-sharing		(12,831)	(12,831)				(12,831)	0
	- Share-based payment		(5,404)	(5,404)			(5,404)		0
Depreciation and amortisation		(4,880)	(4,880)	0					0
Impairment of goodwill			0	0					0
Impairment of fixed assets			0	0					0
Result of asset disposals			(423)	(423)				(423)	0
Restructuring costs			0	0					0
Results of equity method associates			553	553				553	0
Operating income		**165,068**	**142,599**	**(22,469)**	**0**	**0**	**(5,404)**	**(17,207)**	**142**
Financial income		7,232	7,582	350				350	0
Financial expense		(118)	(118)	0					0
Gain (loss) on foreign exchange		6	11	5				5	0
Financial result		**7,120**	**7,475**	**355**	**0**	**0**	**0**	**355**	**0**
Results of equity method associates		639		(639)				(553)	(86)
Other non-operating income (expenses), net		(4,574)		4,574				4,574	0
Employee profit-sharing		(12,831)		12,831				12,831	0
Amortisation of goodwill		(1,407)		1,407		1,407			0
Corporate income tax		(60,040)	(60,040)	0					0
Net income		**93,975**	**90,034**	**(3,941)**	**0**	**1,407**	**(5,404)**	**0**	**56**
Minority interests			0						
Consolidated net attributable income		**93,975**	**90,034**	**(3,941)**					
Earnings per share (in euros)									
Net attributable income	- basic	0.34	0.32	(0.01)					
	- published comparable	0.34	0.32	(0.01)					

11.2 Effect on the balance sheet as at 30 June 2004 - assets

Balance sheet under French GAAP		**Reclassifications**	**IFRS adjustments**	**IFRS**	**Balance sheet under IFRS**
Net goodwill	**76,068**		1,407	**77,475**	Net goodwill
Net intangible fixed assets	**2,040**	7,247		**9,287**	Other net intangible fixed assets
Tangible fixed assets	**23,378**	(7,247)		**16,131**	Net tangible fixed assets
Investments accounted for using the equity method	**2,748**		(86)	**2,662**	Investments accounted for using the equity method
Net investment securities	**2,187**	(2,187)		**0**	Assets available for sale
Other net long-term assets	**1,374**	2,187		**3,561**	Other non-current financial assets
Net long-term deferred taxes	**9,100**	16,408	2	**25,510**	Net deferred tax assets
Total fixed assets	**116,895**	**16,408**	**1,323**	**134,626**	**Total non-current assets**
Net inventories	**6,954**			**6,954**	Net inventories
Trade accounts receivable net of provision	**356,727**			**356,727**	Net trade accounts receivable
Net short-term deferred taxes	**16,408**	(16,408)		**0**	
Other receivables and prepaid expenses	**95,062**	(95,062)			
		53,639		**53,639**	Other receivables
		171		**171**	Current taxes
		41,190		**41,190**	Prepaid expenses and other current assets
Investment securities	**3,497**	62	(2,300)	**1,259**	Other current financial assets
Cash and cash equivalents	**484,076**		2,300	**486,376**	Cash and cash equivalents
Total current assets	**962,724**	**(16,408)**	**0**	**946,315**	**Total current assets**
Total assets	**1,079,619**	**0**	**1,323**	**1,080,941**	**Total assets**

11.3 Effects on the balance sheet as at 30 June 2004 - liabilities

Balance sheet under French GAAP		Reclassifica-tions	IFRS adjustments	IFRS	Balance sheet under IFRS
Share capital	**54,810**			**54,810**	Share capital
Reserves	**41,590**		5,264	**46,854**	Reserves
Net attributable income	**93,975**		(3,941)	**90,034**	Net attributable income
Translation reserves	**0**			**0**	Translation reserves
Shareholders' equity	**190,375**	**0**	**1,323**	**191,698**	**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	**26,611**	(26,611)			
		18,146		**18,146**	Employee benefits - non-current
		8,462		**8,462**	Provisions - non-current
		3		**3**	Other liabilities - non-current
		0		**0**	Deferred tax liabilities
Total long-term liabilities	**26,643**	**0**	**0**	**26,643**	**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	**52,788**	134		**52,922**	Bank overdrafts and other short-term borrowings
		7		**7**	Accrued interest not yet due
		203		**203**	Provisions - current
Trade accounts payable	**102,307**	1		**102,308**	Trade accounts payable
		62,356		**62,356**	Employee benefits - current
Accrued expenses and other short-term provisions	**152,550**	(152,550)			
		81,015		**81,015**	Sundry payables
		3,334		**3,334**	Other current liabilities
		8,828		**8,828**	Corporate income tax liabilities
Other liabilities	**3,328**	(3,328)			
Deferred income	**547,806**			**547,806**	Deferred income
Total short-term liabilities	**862,601**	**0**		**862,600**	**Total current liabilities**
Total liabilities	**1,079,619**	**0**	**1,323**	**1,080,941**	**Total liabilities**

11.3 Description of the main IFRS adjustments

11.3.1 Revenues

The 2004 IFRS consolidated income statement shows a decrease of €2 million in revenues compared to the published revenues under French standards because of changes in the presentation of certain expenses as deductions from revenues:

- Negative impact of €1 million in respect of reclassification of advertising exchanges as a deduction from revenues,
- Negative impact of €1 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.

11.3.2 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 €1.4 million on the income statement.

11.3.3 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 IFRS income statement as at 30 June 2004, the expense related to stock options amounts to €5 million, offset by an entry in equity, since the plans are settled in shares.

11.3.4 Main reclassifications in the balance sheet

Various balance sheet items have been reclassified to comply with IFRS presentation rules. The main reclassifications as at 30 June 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 €7 million.
- "Other receivables and prepaid expenses" have mainly been analysed between two headings, namely:
    - "Other receivables" in an amount of €54 million,
    - "Prepaid expenses and other current assets" in an amount of €41 million,
- "Other long-term debt" has mainly been analysed between two headings, namely
    - "Non-current employee benefits" in an amount of €18 million
    - "Non-current provisions" in an amount of €8 million,
- "Accrued expenses and other short-term provisions" have mainly been analysed between three headings, namely:
    - "Current employee benefits" in an amount of €62 million,
    - "Sundry payables" in an amount of €81 million,
    - "Corporate income tax payable" in an amount of €9 million.

- 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".

11.3.5 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 30 June 2004 concern operating income, as follows:

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

- The breakdown 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.

Note 12 – 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 13 – 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·

Note 14 – Scope of consolidation

SCOPE AS AT 30/06/2005

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 (formerly Wanadoo Maps)	France	100%	100%
QDQ Media	Spain	100%	100%
Eurodirectory	Luxembourg	100%	100%
e-sama	France	100%	100%
Kompass Belgium	Belgium	100%	100%

PROPORTIONALLY CONSOLIDATED COMPANIES

Company	Country	Interest	Control
Editus	Luxembourg	49%	49%

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 (formerly Wanadoo Maps)	France	100%	100%
QDQ Media	Spain	100%	100%

COMPANIES CONSOLIDATED BY THE EQUITY METHOD

Company	Country	Interest	Control
Eurodirectory	Luxembourg	50%	50%