



Unofficial translation, for informational purposes only, of the French language *Document de référence* 2004 of PagesJaunes Group, registered with the *Autorité des marchés financiers* on 30 March 2005 under the registration no. R05-034.

Document de référence



In application of Articles 211-1 to 211-42 of its general regulations, the *Autorité des marchés financiers* (the *AMF*) has registered the French Version of the *Document de référence* on 30 March 2005, as number R05-034.

It can only be used to back up a financial operation if it is accompanied by a memorandum of operation approved by the *Autorité des marchés financiers*.

This *Document de référence* was drawn up by the issuer, under the responsibility of its signatories.

This registration, performed after an examination of the relevance and consistency of the information given on the Company's situation, does not imply any authentication of the accounting and financial information presented.

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



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Chapter 1 – Those Responsible for the *Document de Référence* and Auditing the Accounts

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

1.1 THOSE RESPONSIBLE FOR THE *DOCUMENT DE RÉFÉRENCE*

Mr. Michel Combes,
Chairman of the Board of PagesJaunes Group
Mr. Michel Datchary,
CEO of PagesJaunes Group

1.2 STATEMENT BY THOSE RESPONSIBLE FOR THE *DOCUMENT DE RÉFÉRENCE*

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

Paris, 30 March 2005
Mr. Michel Combes
Chairman of the Board of PagesJaunes Group
Mr. Michel Datchary,
CEO of PagesJaunes Group

1.3 STATEMENT BY THE OFFICIAL AUDITORS

1.3.1 Statutory Auditors

For the 2004 fiscal year

Deloitte & Associés
represented by Éric Gins and Jean-Paul Picard
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
appointed at the General Shareholders’ Meeting held on 3 June 2003 as replacements for the resigning Statutory auditors Ernst & Young, for the remaining period of their predecessors’ appointment, until the end of the General Shareholders’ Meeting voting on the accounts for the fiscal year ending on 31 December 2003. This appointment was renewed at the General Shareholders’ Meeting held on 27 May 2004 for a term of six fiscal years until the end of the General Shareholders’ Meeting voting in 2010 on the accounts for the Company’s fiscal year ending on 31 December 2009.

And

Ernst & Young Audit
represented by Christian Chiarasini
Faubourg de l’Arche
11, allée de l’Arche
92400 Courbevoie
appointed joint chief auditor of the Company at the General Shareholders’ Meeting held on 27 May 2004 for a term of six fiscal years, until the end of the General Shareholders’ Meeting voting in 2010 on the accounts for the fiscal year ending on 31 December 2009.

For the 2003 Fiscal Year

Deloitte Touche Tohmatsu
represented by Éric Gins and Jean-Paul Picard
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine
appointed at the General Shareholders’ Meeting held on 3 June 2003 as replacements for the previous Statutory auditors Ernst & Young, for the remaining period of their predecessors’ appointment, until the end of the General Shareholders’ Meeting voting on the accounts for the fiscal year ending on 31 December 2003. This appointment was renewed at the General Shareholders’ Meeting held on 27 May 2004 for a term of six fiscal years until the end of the General Shareholders’ Meeting voting in 2010 on the accounts for the company’s fiscal year ending on 31 December 2009.

For the 2001 and 2002 Fiscal Years

Ernst & Young
represented by Christine Vitrac for the fiscal year ending on 31 December 2002 and
Alain Vincent for the fiscal year ending on 31 December 2001.
4, rue Auber
75009 Paris
appointed at the General Shareholders’ Meeting held on 25 June 1992 for a term of six fiscal years. This appointment was renewed by the General Shareholders’ Meeting held on 29 June 1998 for the same term. Ernst & Young’s resignation was reported to the General Shareholders’ Meeting held on 3 June 2003.

And

Salustro Reydel
represented by Dominique Stiegler for the fiscal year ending on 31 December 2002, and by Édouard Salustro and François Bernard for the fiscal year ending on 31 December 2001.
8, avenue Delcassé
75008 Paris
appointed at the General Shareholders’ Meeting held on 10 June 1980. This appointment was renewed for the last time by the General Shareholders’ Meeting held on 29 June 1998 for a term of six fiscal years. The resignation of Salustro Reydel was reported to the Supervisory Board’s Meeting on 13 May 2003.

1.3.2 Substitute Auditors

BEAS,
7-9, Villa Houssay
9220 Neuilly-sur-Seine
appointed at the General Shareholders' Meeting held on 3 June 2003 as replacements for the resigning joint Substitute auditors, Mr. Francis Gidoin, for the remaining term of their predecessor's appointment, until the end of the General Shareholders' Meeting voting on the accounts for the fiscal year ending on 31 December 2003. This appointment was renewed at the General Shareholders' Meeting held on 27 May 2004 for a term of six fiscal years, until the end of

the General Shareholders' Meeting voting in 2010 on the accounts for the fiscal year ending on 31 December 2009.

Auditex
Tour Ernest & Young
Faubourg de l'Arche
92037 Paris-La Défense Cedex
appointed joint alternate auditor for the Company at the General Shareholders' Meeting held on 27 May 2004 for a term of six fiscal years, until the end of the General Shareholders' Meeting voting in 2010 on the accounts for the fiscal year ending on 31 December 2009.

1.3.3 Auditors' Opinion on the *Document de référence*

In our capacity as Auditors for the PagesJaunes Group and in application of article 211-5-2 of the *AMF* General Regulations, following professional standards applicable in France, we proceeded to verify the information relating to the financial position and historical accounts presented in this *Document de référence*.

This *Document de référence* was drawn up under the responsibility of the Chairman of the Board and the Managing Director of the PagesJaunes Group. Our task is to issue an opinion on the accuracy of the information it contains relating to the financial position and the accounts.

Following professional standards applicable in France, our work consisted of assessing the accuracy of the information relating to the financial position and the accounts, verifying that it matches the accounts which were the subject of a report. It also consisted of reading the other information contained in the *Document de référence*, to identify any significance divergences from the information relating to the financial position and the accounts, and to point out any manifestly inaccurate information which we found based on our general knowledge of the Company, acquired in the performance of our task. The forecast information presented corresponds to management's goals, and not to isolated forecast information resulting from a structured production process.

The annual accounts for the fiscal year ending on 31 December 2002, drawn up by the Management Board, were the subject of an audit by Ernst & Young and RSM Salustro Reydel, according to professional standards applicable in France, and were unconditionally certified with a comment on the point set out in note 1.7 of the appendix to the annual accounts relating to booking customer receivables.

The annual accounts for the fiscal year on 31 December 2003, drawn up by the Management Board, were the subject of an audit by Deloitte Touche Tohmatsu, according to professional standards applicable in France, and were unconditionally certified with a comment on a change in accounting methods relating to the inclusion of profits from advertising inserts in on-line directories described in 1.1, 1.2 and 2.16 of the appendix to the annual accounts.

The annual accounts for the fiscal year ending on 31 December 2004, drawn up by the Board, were the subject of an audit performed by ourselves, according to professional standards applicable in France. They were certified unconditionally and with no comments.

The consolidated accounts for the fiscal years ending on 31 December 2003 and 31 December 2004, drawn up respectively by the Management Board and by the Board according to French accounting principles, were the subject of an audit performed by ourselves according to professional standards applicable in France, and were certified unconditionally and with no comments. In addition, we have no comments to make on the consolidated information for the 2002 fiscal year compared to the consolidated accounts for the 2003 fiscal year.

For information relating to the financial position and the accounts which was subject to pro forma restatement, our work consisted of assessing if the conventions used were consistent and constitute a reasonable basis for producing them, verifying the conversion of these conventions into numbers, making sure that the accounting methods used to produce this information match those used to draw up the last historical accounts which were audited, and if applicable, verifying that they match the historical accounts presented in the *Document de référence*.



Based on this work, we have no comments to make on the accuracy of the information relating to the financial position and the accounts presented in the *Document de référence*.

In regard to the pro forma information contained in this *Document de référence*, we would point out that the purpose of this information is to translate the effect on the historical accounting and financial information of the execution, at a date earlier than the actual or reasonably assumed occurrence, of a given operation or event. However, it is not necessarily representative of the financial position or the performance which would have been reported if the operation or the event had occurred at a date earlier than that of the actual or reasonably assumed occurrence.

Neuilly-sur-Seine and Paris – La Défense, 30 March 2005
The Auditors

DELOITTE & ASSOCIÉS
Jean-Paul Picard, Éric Gins

ERNST & YOUNG Audit
Christian Chiarasini

This *Document de référence* also includes:

- > the general report on the annual accounts and the report on the consolidated accounts on 31 December 2004 by the Auditors (page 116 and page 105 of this *Document de référence* respectively) including the justification for the assessments by the Auditors drawn up in application of the provisions of article L. 225-235 of the French Commercial Code;
- > the Auditors' report (page 133 Section 6.4.2 of this *Document de référence*) drawn up in application of the last point in article L. 225-235 of the French Commercial Code, on the report by the Chairman of the Board of the Company describing the internal control procedures relating to drawing up and stating the accounting and financial information for the fiscal year ending on 31 December 2004.

1.4 INFORMATION POLICY

1.4.1 Responsible for the Information

Mr. Jean-Claude Peltier
Chief Financial Officer
Telephone: 01 46 23 32 07

1.4.2 Tentative Calendar for Financial Reporting

The financial information given out by PagesJaunes Group (press releases, presentations, annual reports) is available on its website: <http://www.pagesjaunesgroupe.com>. The tentative calendar for financial reporting for the PagesJaunes Group for 2005 is as follows:

- > 3 February: 2004 accounts (press conference and analyst presentation);
- > end of April: presentation of the provisional accounts for 2004 in IFRS;
- > end of April: revenue figures for the first quarter of 2005;
- > end of July: revenue figures and estimated results for the first half of the year (conference press and analyst presentation), and;
- > end of September: final results for the first half of 2005;
- > end of October: revenue figures for the third quarter of 2005.

Chapter 2 – Issue/Admission of Securities

Not applicable.



Chapter 3 – General Information

About the Company and its Share Capital

3.1 GENERAL INFORMATION ABOUT THE COMPANY

3.1.1 Company Name and Registered Offices (Articles 2 and 4 of the By-Laws)

Company Name: PagesJaunes Group.

Registered offices and the Company's main place of business
7, avenue de la Cristallerie, 92317 Sèvres Cedex.

3.1.2 Legal Form and Applicable Legislation (Article 1 of the By-Laws)

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

3.1.3 Date of Incorporation and Term of the Company (Article 5 of the By-Laws)

The Company was incorporated on 12 January 1897 and registered on 21 February 1955. Based on article 5 of its by-laws, the Company has a term of 99 years which started on 31 December 1954 and will run until 31 December 2053, unless it is dissolved earlier or extended as provided for in the by-laws.

3.1.4 Corporate Purpose (Article 3 of the By-Laws)

> The acquisition and holding of shares or stakes or other securities in French or foreign legal entities, defining the policies to be implemented by its subsidiary companies, as well as providing all services to benefit companies in which it holds securities.

> The acquisition by any means without exception or reservation, the holding by any means and in any capacity, the management, and as applicable, the transfer by any means without exception or reservation, of all or part of any majority or minority interest that is directly or indirectly related to the Company's corporate purpose and to any similar or ancillary purposes.

In addition, the Company's purpose is also, in France and in foreign countries, to directly or indirectly:

> publish on its own behalf or on behalf of third parties, all directories published by any current or future means, to offer information services by any current or future means, as well as to carry on the business of advertising in all its forms through all means and for any purpose;

> consult, research, design, manufacture, updating and maintenance of all services in connection with any system of information circulation within a network, whether open or closed, of IT or telephone interconnection, whether wire-based, through satellite, cable or other methods, as well as any other activity in connection with such services and more particularly activities in connection with Internet or Intranet sites;

> conduct the collection, acquisition, enhancement, management, processing, commercialisation or hosting of data or files of any type;

> handle any activities directly or indirectly related to such services or that are a prerequisite for, or accessory to, conditional upon, or an extension of such services or that are capable of encouraging or developing such services, and;

> in general, all industrial, commercial, financial, civil, asset or property operations which may be directly or indirectly associated with one of the purposes set out above or any similar or associated purpose.

3.1.5 Business and Company Register

Business and Company register number: Nanterre register No. 552028425
APE Code: 744A

3.1.6 Consulting Legal Documents

All the legal documents relating to the Company must be made available to the shareholders pursuant to applicable legislation may be consulted at the Company's head offices.

3.1.7 Fiscal Year (Article 33 of the By-Laws)

Each fiscal year starts on 1 January and ends on 31 December.

3.1.8 Allocation of Net Profits – Payment of Dividends – Interim Dividends (Articles 34 and 35 of the By-Laws)

Of the profits generated within a fiscal year minus, if applicable, losses carried forward from prior years, a minimum of 5% is allocated to the statutory reserve fund. This allocation ceases to be required by law when such reserve amounts to one-tenth of the Company's stated capital. Distributable profits consist of the profits for the fiscal year, minus losses carried forward from prior years and minus amounts allocated to reserves as required by law or the by-laws, plus retained earnings. The General Shareholders' Meeting may allocate any amounts of these profits to optional reserves or retained earnings as it deems appropriate.

In addition, the General Shareholders' Meeting may decide to distribute amounts from those reserve accounts that are at its disposal by expressly indicating the reserve accounts from which such withdrawals are made. However, dividends are first taken from the distributable profits of the fiscal year.

Apart from capital reductions, no distribution of dividends may be made to shareholders if shareholders' equity is, or as a result of such distribution would become, less than the amount of capital plus the reserves required by law or the by-laws.

The terms and conditions for the payment of dividends approved by the General Shareholders' Meeting are determined by such General Shareholders' Meeting, or failing a decision by the General Shareholders' Meeting, by the Management Board. However, payment of cash dividends must be made

within a maximum period of nine months after the fiscal year ends, unless an extension is authorised by court order.

The Ordinary General Shareholders' Meeting may grant each shareholder, for all or part of the dividend to be distributed, an option of receiving payment in cash or in shares, subject to legal requirements.

The Management Board has the ability to decide to pay interim dividends in accordance with the conditions prescribed by law.

Dividends not claimed within five years after the payment date lapse and are paid to the French State.

3.1.9 General Shareholders' Meetings (Articles 11 and 26 to 32 of the By-Laws)

Access, Participation and Voting at the General Shareholders' Meetings

General Shareholders' Meetings are composed of all shareholders whose shares are paid up and have been registered in their name no later than 3 p.m. (Paris time) on the day prior to the General Shareholders' Meeting with the following conditions:

> in order to attend, vote by mail, or be represented at the General Shareholders' Meeting, the holders of bearer shares or nominative shares in an account not held by the Company must file a certificate prepared by their financial intermediary stating the non-transferability of the shares until the Meeting date at the location indicated in the notice of Meeting no later than 3 p.m. (Paris time) on the day prior to the Meeting;

> in order to attend, vote by mail, or be represented at the General Shareholders' Meeting, the holders of nominative shares in an account held by the Company, must have their shares registered in their account held by the Company no later than 3 p.m. (Paris time) on the day prior to the Meeting;

> access to the General Shareholders' Meeting is open to its participants upon proof of eligibility and identity. The Management Board may, if it deems it useful, issue individual and personal admission cards to shareholders and require such cards to be presented;

> shareholders of the Company who are not resident in France may be registered in an account and be represented at the General Shareholders' Meeting by any intermediary registered on their behalf and who holds a general proxy to administer their shares, provided that such intermediary has declared his capacity in accordance with applicable legal and regulatory requirements prior to opening an account with the Company or with a financial intermediary account holder;

> the Company has the right to ask the intermediary registered on behalf of shareholders who are not resident in France and holding a general proxy to provide the list of shareholders it represents and whose rights will be exercised at the General Shareholders' Meeting;

> each participant at the General Shareholders' Meeting has as many votes as shares that he owns or represents, subject to any loss of voting rights;

> a shareholder may also, subject to legal and regulatory requirements, vote by mail or give a proxy to his spouse or to another shareholder to be represented and vote at a General Shareholders' Meeting;

> voting by mail is exercised in accordance with the terms and conditions prescribed by applicable laws and regulations. The Company must receive the voting form no later than 3 p.m. (Paris time) on the day prior to the Meeting date;

> proxy forms and voting by mail forms, as well as the certificates attesting to the non-transferability of shares may be prepared in electronic form, duly signed in accordance with the conditions prescribed by applicable laws and regulations;

> the shares are indivisible from the Company's point of view. Joint owners of shares must be represented at the Company by one of them, who will be considered the sole owner or sole representative. If they cannot reach an agreement, the sole representative may be appointed by a court at the request of the most diligent joint owner. Unless an agreement to the contrary has been properly reported to the Company, the right to vote in Ordinary General Shareholders' Meetings belongs to the beneficial owner while the right to vote in Extraordinary General Shareholders' Meetings belongs to the bare owner;

> General Shareholders' Meetings may be held by videoconference or any other means of telecommunication, particularly the Internet, that allows for identification of shareholders in accordance with the conditions set out in applicable laws and regulations.

Ordinary General Shareholders' Meetings

An Ordinary General Shareholders' Meeting is called to make all decisions that do not amend the by-laws. It meets at least once a year, within six months following the end of the fiscal year, unless this period is extended by a court order, to approve the accounts for fiscal year in question.

It is only validly in session, after the first notice of Meeting, if the shareholders present, represented or who have voted by mail, own at least one quarter of the shares with voting rights. After the second notice of Meeting, no quorum is required. Resolutions must be passed by a majority of votes held by the shareholders present, represented or who have voted by mail. For the purpose of calculating the quorum and majority, shareholders are deemed to be present if they participate in the Ordinary General Shareholders' Meeting by videoconference or by other means of telecommunication which allow them to be identified and comply with applicable laws and regulations.

Extraordinary General Shareholders' Meeting

Only an Extraordinary General Shareholders' Meeting is authorised to amend any provision of the by-laws. However, it cannot increase commitments by shareholders other than through transactions resulting from a properly executed reorganisation of the share capital.

Subject to legal requirements applicable to capital increases executed by capitalising reserves, profits or share premiums, an Extraordinary General Shareholders' Meeting is validly in session only if the shareholders present, represented or who have voted by mail, after the first notice of Meeting, own at least one third of the shares with voting rights, and after the second notice of Meeting one quarter of such shares. If the latter quorum cannot be reached, the second Meeting may be postponed for up to two months after the original date and



the one quarter quorum is again required. Subject to the same conditions, resolutions are passed by two thirds of the votes of the shareholders present, represented or who have voted by mail.

For the purpose of calculating the quorum and the majority, shareholders are deemed to be present if they participate in the Extraordinary General Shareholders' Meeting by videoconference or other means of telecommunication which allow them to be identified and comply with applicable laws and regulations.

3.1.9.1 Forms and Time Limits for Calling Meetings (Article 28 of the By-Laws)

General Shareholders' Meetings are called by the Board of Directors under the conditions set out by law. If not called by the Board, they may also be called by the Auditors or any other person authorised for this purpose.

In accordance with article 130 of the decree of 23 March 1967, a notice informing the shareholders of the next General Shareholders' Meeting is published in the Obligatory Legal Notices Bulletin (French acronym: *BALO*) at least thirty days prior to the Meeting.

The notice of Meeting is issued at least fifteen full days prior to the date scheduled for the General Shareholders' Meeting. This period is reduced to six full days for General Shareholders' Meetings held after the second notice of Meeting and for postponed Meetings.

Notices of Meetings are issued by an announcement published in a newspaper authorised to publish legal notices in the French department where the Company is registered, and in the *BALO* according to article 124, point 1 of the decree of 23 March 1967 referred to above. In addition, shareholders holding nominative shares at least one month prior to the date of the notice are called to the General Shareholders' Meeting by a letter sent by ordinary mail. As long as they pay the Company for the mailing costs, they may ask the Company to be informed by registered mail.

Meetings are held on the day, time and place indicated in the notice of Meeting.

The notice of Meeting must include the agenda for the Meeting.

3.1.9.2 General Shareholders' Meetings Officers (Article 30 of the By-Laws)

General Shareholders' Meetings are chaired by the Chairman of the Board of Directors, or in his absence, by another member of the Board appointed for this purpose by the Board. Failing this, the General Shareholders' Meeting elects a Chairman itself.

The duties of voting inspectors are performed by the two shareholders attending the General Shareholders' Meeting who have the greatest number of voting rights and who accept such duties.

The officers of the General Shareholders' Meeting appoint a secretary, who does not have to be shareholder.

3.1.9.3 Agenda

The agenda for the General Shareholders' Meeting is determined by the party calling the Meeting.

One or more shareholders representing the percentage of the share capital required by the applicable regulations and

acting in accordance with the legal conditions and time limits are entitled to ask for draft resolutions to be included in the agenda.

A request to have a draft resolution included in the agenda must be made by registered letter, return receipt requested, within ten days of publication of the notice of Meeting in the *BALO*. The requesting parties must provide proof that they hold or represent the required percentage of the share capital by registering the owners of the shares in the Company's records before sending such a request.

The General Shareholders' Meeting may not take any action in regard to a matter which has not been included in the agenda. However, it may at all times dismiss and replace one or more members of the Supervisory Board and, under certain conditions, remove and replace one or more members of the Management Board.

The agenda may not be changed if a second notice of Meeting is necessary, or a postponement.

3.1.9.4 Conditions for Exercising Voting Rights

At all General Shareholders' Meetings, each shareholder has the same number of votes as the number of shares he owns or represents, with no limitations other than those arising from applicable law of the Company's by-laws, and in certain cases, subject to court order. There is no clause in the by-laws providing for double or multiple voting rights for Company shareholders or limiting their voting rights.

3.1.10 Sale and Transfer of Shares (Article 9 of the By-Laws)

Shares are freely negotiable, subject to applicable statutory and regulatory requirements. They must be registered in an account and are transferred according to the terms and conditions set out in applicable laws and regulations.

3.1.11 Exceeding the Thresholds Set Out in the By-Laws (Article 9 of the By-Laws)

In addition to the legal obligation to inform the Company and the *Autorité des marchés financiers* (French acronym *AMF*) when the 5%, 10%, 20%, 33%, 50% and 66% thresholds for owning share capital or voting rights in the Company are exceeded, any individual or legal entity, acting alone or in concert, who gains or loses ownership, directly or indirectly, in the sense of articles L. 233-7 and following of the French Commercial Code, of a number of shares, voting rights or securities giving future access to the Company's capital, corresponding to 1% of the Company's share capital or voting rights, or a multiple of this percentage, is required, within five trading days of the registration of the securities allowing him to reach or exceed this threshold, to inform the Company in a registered letter, return receipt requested, of the total number of shares, voting rights or securities giving access to the share capital which they hold directly or indirectly, alone or in concert.

This notification must be renewed according to the above conditions each time the holding reaches, exceeds or falls below a new 1% threshold, for whatever reason, including levels above the 5% threshold.

If the above provisions are not respected, and if one or more shareholders holding at least 1% of the share capital so request at a General Shareholders' Meeting, the shareholder(s) involved, without prejudice to any suspension of voting rights ordered by a court under the conditions and limits set by law, shall be deprived of their voting rights derived from the securities exceeding the thresholds requiring notification.

3.1.12 Form and Identification of Bearers of Securities (Article 9 of the By-Laws)

At the shareholder's discretion, fully paid up shares may be in nominative or bearer form. They must be nominative until they are fully paid up. They must be entered in an account in the Company's records or with an authorised financial intermediary under the terms and procedures set out by law. For the purpose of identifying bearer securities, pursuant to the legal and regulatory conditions in effect and subject to the applicable legal or regulatory sanctions, the Company may ask any body or intermediary, including any central depository of financial instruments, to provide it with the information required by law or the regulations, giving the identity of the owners of Company securities giving them immediate or future voting rights in the Company's General Shareholders' Meetings, and especially the number of securities held by each of them, and if applicable, the restrictions which may apply to the securities.

The financial intermediary registered on behalf of an owner who is not domiciled in French territory must reveal the identity of the owners of these securities when asked by the Company or its representative, pursuant to the terms of article L. 228-1 of the French Commercial Code, and such request may be made at any time.

If the Company believes that some holders of securities, in nominative or bearer form, whose identities have been given to it, are doing so on behalf of third-party security owners, it has the right to ask these holders to reveal the identities of the owners of these securities under the terms set out above. If the recipient of a request made in accordance with the above provisions does not provide the requested information within the legal and regulatory deadline, or provides incomplete or incorrect information relating to its capacity or to the owners of the securities, the shares or securities giving immediate or future access to the share capital, for whom this person is the registered account holder shall be deprived of their voting rights at any General Shareholders' Meeting held until the identification question is settled, and the payment of the corresponding dividend shall be deferred until that date. In addition, if the person registered as the holder knowingly disregards the above provisions, the court in the jurisdiction where the Company's offices are registered may, if requested by the Company or one or more shareholders holding at least 5% of the share capital, order the total or partial loss of voting rights attached to the shares involved in the request for information for a total period not exceeding five years, and possibly the associated dividends as well.

The Company may request any legal entity owning its shares and holding a stake exceeding one fortieth of the share capital or voting rights to provide it with information regarding

the identity of the persons holding more than one third of the share capital or voting rights in such legal entity which are exercised at the entity's General Shareholders' Meetings.

3.2 GENERAL INFORMATION ABOUT THE SHARE CAPITAL

3.2.1 Rights and Obligations Attached to Shares (Article 10 of the By-Laws)

Each share gives its holder rights to a portion of the Company's profits and in ownership of the Company's assets and in liquidation surpluses, in equal proportion to the amount of capital it represents. In addition, each share entitles its holder to vote and be represented in the General Shareholders' Meetings in accordance with the legal regulations and provisions in the by-laws. Ownership of a share implies, ipso jure, full adherence to the by-laws and the decisions by the General Shareholders' Meeting.

Shareholders are liable for losses only up to the amount of their contribution.

Heirs, creditors, successors or representatives of a shareholder may not have any assets, securities or shares of Company put under seal, or ask for them to be shared or put up for public sale, or interfere in their management. To exercise their rights, they must base them on the Company records and the decisions by the General Shareholders' Meeting.

Each time it is necessary to own multiple shares to exercise a particular right, shareholders who do not own the required number must organise themselves individually to form a group, or where applicable, buy or sell the necessary shares.

3.2.2 Capital Increases, Reductions and Amortisation (Article 7 of the By-Laws)

PagesJaunes Group's share capital may be increased, reduced or amortised in accordance with applicable laws and regulations.

3.2.3 Share Capital

On the date that this *Document de référence* is registered, the Company's share capital is 55,757,922 euros, divided into 278,789,610 shares fully paid up, with a face value of 0.20 euro per share, all in the same class.

3.2.4 Authorised Unissued Share Capital

The Extraordinary General Shareholders' Meeting held on 27 May 2004 gave the necessary powers to the Management Board in its resolutions numbered 35 to 40 to increase PagesJaunes' share capital by issuing shares or other securities. This Extraordinary General Shareholders' Meeting held on 27 May 2004 also decided that the Company structure should be converted into a limited liability corporation with a Board of Directors, and in its 42nd resolution decided that all the powers conferred by the said Meeting of the Management Board should automatically devolve on the Board of Directors, with the same powers of further delegation subject to the applicable legal and regulatory conditions. (These delegated powers were described in Chapter 3.2.4 of the PagesJaunes' *Document de référence* registered with the AMF on 3 June 2004, as No 1.04-104.)



On the date of issue of this *Document de référence*, PagesJaunes' Board of Directors has not yet implemented these powers.

Order No. 2004-604 of 24 June 2004 made drastic changes to the law applying to shares and securities which may be issued by stock corporations, and the rules applicable to capital increases and authorisations which may be given to the Board of Directors in this regard have also been substantially amended.

Therefore, the Board of Directors has decided to propose to the Mixed General Shareholders' Meeting held on 12 April 2005:

> to terminate the financial powers delegated by the General Shareholders Meeting held on 27 May 2004, effective immediately as of the date of the Meeting;

> then to give the Board of Directors new powers for a similar purpose to that of the resolutions of 27 May 2004, subject to the amendments resulting from the order of 24 June 24, for a fixed term of twenty-six months except for the power to authorise a capital reduction by cancelling ordinary shares (eighteen months).

The table below summarises the authorisations submitted for approval to the Mixed General Shareholders' Meeting held on 12 April 2005:

Securities	Length of authorisation and expiration	Maximum amount of debt securities	Maximum nominal amount of capital increase
Debt securities and equivalents	26 months 11 June 2007	20 million euros	–
Capital increase by capitalising reserves, earnings or premiums	26 months 11 June 2007	–	20 million euros
Issuances without preferential subscription rights (capital increase using all types of securities)	26 months 11 June 2007	Loan instruments: 20 million euros	20 million euros
Issuances with preferential subscription rights (capital increase using all types of securities)	26 months 11 June 2007	Loan instruments: 20 million euros	20 million euros
Issuance of ordinary shares and securities giving access to ordinary shares in case of a public swap offering initiated by the Company	26 months 11 June 2007	Loan instruments: 20 million euros	20 million euros
Issuance of ordinary shares and securities giving access to ordinary shares to pay back contributions in kind made to the Company	26 months 11 June 2007	Loan instruments: 10% of the capital or 5,575,792 euros	10% of the capital or 5,575,792 euros
Issuance of ordinary shares following an issuance by a Company subsidiary or a company controlling the Company of securities giving access to ordinary Company shares	26 months 11 June 2007	–	20 million euros
Capital increase reserved for employees (and similar personnel)	26 months 11 June 2007	–	2,230,000 euros or about 4% of the share capital

Capital increase reserved for members of Company or employee savings plans

3.2.4.1 Issuance of Ordinary Shares and Securities Giving Access to Ordinary Shares in the Company or One of its Subsidiaries, Maintaining the Shareholders' Preferential Subscription Rights

A proposal will be made to the Mixed General Shareholders' Meeting to be held on 12 April 2005, voting on the conditions for a quorum and majority required for Extraordinary General Shareholders' Meetings, to delegate powers to the Board of Directors for a period of twenty-six months starting on the date of the Meeting, to decide on the issuance, with or without maintaining shareholders' preferential subscription rights, (i) of ordinary Company shares, (ii) of securities giving access by any means, both now or future, to existing ordinary Company shares or any issued in the future and (iii) of securities giving access by any means, both now or future, to existing ordinary shares or any issued in the future in a company in which the Company owns directly or indirectly more than half the share capital (the "subsidiary") subscription to which could take place by payment of cash, or by offsetting debts.

The cap on the nominal amount of the Company's capital increase now or in future, resulting from all the issuances carried out as a result of this delegation of powers, corresponding to the 10th resolution put to a vote at the General Shareholders' Meeting on 12 April 2005, is set at 20 million euros, with the stipulation that this fixed cap does not take into account the number of ordinary Company shares to be issued, if any, based on the adjustments made to protect the owners of rights attached to securities giving access to ordinary shares.

Securities giving access to ordinary shares in the Company or a subsidiary so issued may consist of debt securities or may be linked to the issue of such securities, or may permit them to be issued in the form of intermediate securities. They may take the form of subordinated securities or not, with a fixed or open ended term, and be issued in euros or in other currencies, or in any other monetary unit established by reference to several currencies. The nominal amount of the debt securities so issued may not exceed 20 million euros or their equivalent value on the date the issue is decided, with the stipulation that (i) this amount does not include the repayment premiums above par, if any are provided for, (ii) this amount is common to all the debt securities, the issue of which is covered in Resolutions 11, 14 and 15 below, submitted to this General Shareholders' Meeting, but (iii) that this amount is independent of and separate from the amount of the securities giving the right to an allocation of debt securities which may be issued based on resolution 18 submitted to this General Shareholders' Meeting and from the amount of the debt securities the issue of which will be decided or authorised by the Board of Directors pursuant to article L. 228-40 of the French Commercial Code. The term of the loans (giving access to ordinary shares in the Company or a subsidiary) apart from those which would be represented by open ended securities, may not exceed fifty years. Loans (giving access to ordinary shares in the Company or a Subsidiary) may be at a fixed and/or variable interest rate, or with capitalisation, and be subject to repayment, with or

without a premium, or an amortisation, and the securities may also be subject to buyback on the exchange, or a purchase or swap offering from the Company.

In proportion to the number of shares they hold, shareholders have a preferential subscription right to ordinary shares and securities issued as a result of this resolution. The Board of Directors may institute a reducible subscription right to ordinary shares or securities issued to the benefit of the shareholders, which will be exercised in proportion to their subscription rights and up to the limit of their requests. If the non-reducible subscriptions, and if any, the reducible subscriptions have not absorbed the whole issue, the Board of Directors may use any or all of the powers set out below in the order it determines: (i) to limit the issue to the amount of the subscriptions received as long as it reaches at least three quarters of the planned issue, (ii) freely distribute all or part of the unsubscribed shares, or (ii) offer to the public in a public offering all or part of the unsubscribed shares on the French and/or international and/or foreign market.

3.2.4.2 Issuance of Ordinary Shares and Securities Giving Access to Ordinary Shares in the Company or One of its Subsidiaries, Suppressing the Shareholders' Preferential Subscription Rights

A proposal will be made to the Mixed General Shareholders' Meeting to be held on 12 April 2005, voting on the conditions for a quorum and majority required for Extraordinary General Shareholders' Meetings, to delegate powers to the Board of Directors for a period of twenty-six months starting on the date of the Meeting, to decide on the issuance (i) of ordinary Company shares, (ii) of securities giving access by any means, both now or future, to existing ordinary Company shares or any issued in the future and (iii) of securities giving access by any means, both now or future, to existing ordinary shares or any issued in the future in a company in which the Company owns directly or indirectly more than half the share capital (the "subsidiary") subscription to which could take place by payment of cash, or by offsetting debts. In relation to this resolution 11 submitted to the General Shareholders' Meeting of April 12, 2005, the shareholders will be asked to suppress the shareholders preferential subscription rights to these ordinary shares and securities. This expressly excludes the issue of preferential shares or securities giving immediate and/or future access to preferential shares.

The cap on the nominal amount of the Company's capital increase now or in future, resulting from all the issuances carried out as a result of this delegation of powers is set at 20 million euros, with the stipulation that this fixed cap does not take into account the number of ordinary Company shares to be issued, if any, based on the adjustments made to protect the owners of rights attached to securities giving access to ordinary shares.

Securities giving access to ordinary shares in the Company or a subsidiary so issued may consist of debt securities or may be linked to the issue of such securities, or may permit them to be issued in the form of intermediate securities. The provisions relating to securities of the same type which may be issued based on the previous resolution shall apply to their issuance

during their existence and in relation to their access to ordinary shares, repayment or their amortisation. The nominal amount of the debt securities so issued may not exceed 20 million euros or their equivalent value on the date the issue is decided, with the stipulation that (i) this amount does not include the repayment premiums above par, if any are provided for, (ii) this amount is common to all the debt securities, the issue of which is covered in resolutions 14 and 15 below, submitted to this General Shareholders' Meeting, but (iii) that this amount is independent of and separate from the amount of the securities giving the right to an allocation of debt securities which may be issued based on resolution 18 submitted to this General Shareholders' Meeting and from the amount of the debt securities the issue of which will be decided or authorised by the Board of Directors pursuant to article L. 228-40 of the French Commercial Code.

The Board of Directors may institute a reducible or non-reducible priority subscription right to ordinary shares or securities issued to the benefit of the shareholders, for which it will set, pursuant to legal requirements, the procedures and conditions under which it may be exercised, but not creating any negotiable rights. Securities not subscribed as a result of this right shall be subject to a public offering in France and/or abroad and/or on the international market.

If the subscriptions, including if any those made by shareholders, have not absorbed the whole issue, the Board of Directors may limit the amount of the transaction subject to the conditions set out by law.

A proposal will be made to the shareholders, in relation to Resolution 13 submitted for approval to the General Shareholders' Meeting held on 12 April 2005, to authorise the Board of Directors, for a period of twenty-six months starting on the day of the said Meeting, if there is an issuance of ordinary shares or securities giving access to ordinary shares with suppression of the shareholders' preferential right of subscription, to set the issue price according to the following conditions:

a) the issue price for ordinary shares shall be least equal to the closing price of the PagesJaunes Group share on the Eurolist market of Euronext Paris in the last trading day prior to the day it is set, possibly reduced by a maximum discount of 10%;
b) the issue price for securities shall be such that the amount received immediately by the Company, plus if applicable, the amount likely to be received later by the Company for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount indicated in point a) above.

A proposal will also be made to the shareholders in relation to resolution 13 submitted for approval to the General Shareholders' Meeting held on 12 April 2005 to authorise the Board of Directors for a period of twenty-six months starting on the day of the said Meeting, to decide for each of the issuances decided in application of resolutions 10 and 11 described above, to increase the number of securities to be issued under the terms of article L. 225-135-1 of the French Commercial Code and subject to respecting the cap set out in the resolution in application of which the issue is decided.

3.2.4.3 Issuance of Ordinary Shares and Securities Giving Access to Ordinary Shares in the Case of a Public Swap Offering Initiated by the Company

A proposal will be made to the shareholders, in relation to resolution 14 submitted for approval to the General Shareholders Meeting held on 12 April 2005, to delegate powers to the Board of Directors for a period of twenty-six months starting on the day of the Meeting, to decide, based on and under the terms set out in resolution 11 described above, on the issuance of ordinary shares in the Company or securities giving access by any means, immediately and/or in the future, to ordinary shares existing now or to be issued by the Company, in remuneration for securities contributed to a public swap offering initiated in France or abroad, according to local regulations, by the Company on securities of another company admitted to trading on one of the regulated markets covered by article L. 225-148 of the French Commercial Code, and to decide as necessary to suppress the shareholders' preferential subscription rights to these ordinary shares and securities, to the benefit of the holders of these securities. The cap on the nominal amount of the capital increase, immediate or in the future, resulting from all the issuances carried out deriving from this present delegation of powers is set at 20 million euros.

3.2.4.4 Issuance of Ordinary Shares and Securities Giving Access to Ordinary Share in Remuneration for Contributions in Kind Made to the Company and Made up of Capital Securities or Securities Giving Access to Capital

A proposal will be made to the shareholders, in relation to resolution 15 submitted for approval to the General Shareholders' Meeting held on 12 April 2005, to delegate powers to the Board of Directors for a period of twenty-six months starting on the day of the said Meeting, for the purpose of proceeding, based on the report by the Auditor or Auditors of the Contributions indicated in points 1 and 2 of article L. 225-147 of the French Commercial Code, with the issuance of ordinary shares in the Company or securities giving access by any means, immediately and/or in future, to existing ordinary shares or to be issued by the Company, in remuneration for contributions in kind made to the Company and made up of capital securities or securities giving access to capital, when the provisions of article L. 225-148 of the French Commercial Code are not applicable, and to decide, as necessary, to suppress the shareholders' preferential right of subscription to the ordinary shares and securities so issued, to the benefit of the holders of the capital securities or securities giving access to capital, involved in the contributions in kind. The cap on the nominal amount of the capital increase, immediate or in the future, resulting from all issuances carried out deriving from this present delegation is set at 10% of the Company's share capital (as it exists on the date of this Shareholders' Meeting) i.e., 5,575,792 euros.

3.2.4.5 Issuance of Ordinary Shares as a Result of the Issuance by a Company Subsidiary or a Company Controlling the Subsidiary of Securities Giving Access to Ordinary Shares in the Company

A proposal will be made to the shareholders, in relation to resolution 16 submitted for approval to the General Shareholders' Meeting held on 12 April 2005, for the purpose of a possible issuance on one or more occasions in France, on foreign markets and/or the international market, by one or more companies where the Company owns directly or indirectly more than half the share capital (the "subsidiary") or by one of the companies which own directly or indirectly more than half the share capital (the "Controlling Company"), with the Company's consent, of all the securities giving access by any means, immediately or in the future, to ordinary shares in the Company, to delegate powers to the Board of Directors, in relation to resolution 11 described above, to decide on the issuance of the ordinary shares in the Company to which the securities described above issued by a subsidiary or a Controlling Company could give rights.

This decision means that the Company shareholders would waive their preferential rights of subscription to the ordinary shares in the Company to which the securities described above issued by a subsidiary or a Controlling Company could give rights, in favour of the holders of the securities which may be issued by the subsidiaries or the Controlling Companies.

The cap on the nominal amount of the capital increase of the Company resulting from all the issuances carried out derived from this delegation is set at 20 million euros, this amount set against the cap set by resolution 11, with the stipulation that this cap is set without taking into account the number of ordinary shares in the Company to be issued, as necessary, for the adjustments carried out to protect the holders of the rights attached to the securities giving access to the ordinary shares. Under all circumstances, the amount paid at the time of the issuance or which may be later paid to PagesJaunes Group must be, pursuant to the stipulations of resolution 11, for each ordinary share issued as a result of the issuance of these securities, at least equal to the minimum amount stipulated by the laws and regulations in effect at the time this delegation is used, after correction, if necessary, of this amount to take into account the difference in the entitlement date.

This delegation is given for a period of twenty-six months starting on the date of this Meeting.

3.2.4.6 Increasing the Company's Capital by Capitalising Reserves, Profits or Premiums

A proposal will be made to the shareholders, in relation to resolution 19 submitted for approval to the General Shareholders' Meeting held on 12 April 2005, for the purpose of delegating powers to the Board of Directors for a period of twenty-six months starting from the date of this Meeting, to decide to increase the share capital, on one or more occasions at the times and according to the methods it shall determine, by capitalising reserves, profits or premiums, followed by the

creation and free allocation of shares or an increase in the number of existing ordinary shares or by a combination of these methods.

The General Shareholders' Meeting would delegate powers to the Board of Directors to decide that the rights associated with fractions of shares shall not be either negotiable, or transferable, and that the corresponding share certificates will be sold; the monies coming from this sale will be allocated to the holders of the rights by the deadline set out in the legal provisions.

The cap on the nominal amount of the capital increase, now or in the future, resulting from all the issuances carried out deriving from this delegation is set at 20 million euros, with the stipulation that this cap is set (i) without taking into account the number of ordinary Company shares to be issued, if any, as adjustments made to protect holders of rights attached to securities giving access to ordinary shares and (ii) independently and separately from the caps on capital increases resulting from ordinary share or securities issuances authorised by the resolutions described above.

3.2.4.7 Increase in the Company's Share Capital Reserved for Members of the PagesJaunes Group Savings Plan

A proposal will be made to the shareholders, in relation to resolution 20 submitted for approval to the General Shareholders' Meeting held on 12 April 2005 to delegate powers to the Board of Directors for a period of twenty-six months starting on the date of this Meeting, to decide on its own initiative and judgement to increase the share capital on one or more occasions at the times and according to the methods it shall determine, by issuing ordinary shares or securities giving access to existing ordinary shares or those to be issued by the Company reserved for employees and former employees who are members of the PagesJaunes Group Company savings plan, or by the free allocation of ordinary shares or securities giving access to existing ordinary shares or those to be issued by the Company, particularly by capitalising reserves, profits or premiums, up to the legal and regulatory limits.

The cap on the nominal amount of the capital increase, now or in the future, resulting from all the issuances carried out deriving from this delegation is set at 2,230,000 euros (representing about 4% of the Company's share capital) with the stipulation that this cap is set (i) without taking into account the number of ordinary Company shares to be issued, if any, as adjustments made to protect holders of rights attached to securities giving access to ordinary shares and (ii) independently and separately from the caps on capital increases resulting from ordinary share or securities issuances authorised by the resolutions described above.

3.2.5 Other Securities Giving Access to Capital

On the date this *Document de référence* is registered, there are no other securities giving access to the Company's capital.

3.2.6 Purchase by the Company of its Own Shares

The General Shareholders' Meeting held on 27 May 2004, on the basis of articles L. 225-209 and following of the French Commercial Code and regulation No. 98-02 issued by the

French Exchange Commission, as amended, authorised the Management Board to buy, by any means, on the open market or privately, Company shares, up to the limit of 10% of the Company's share capital existing on the date of the General Shareholders' Meeting and thereafter, throughout the term of validity of this delegation of powers, up to a maximum limit of 10% of the share capital actually existing, in the following conditions:

> the maximum purchase price may not exceed 100% of the first price for the Company's shares quoted when it was admitted for trading on the *Premier Marché* (excluding costs) and the minimum purchase price may not be lower than 50% of the first price for the Company's shares quoted when it was admitted for trading on the *Premier Marché* (excluding costs), with the stipulation that in the case of capital transactions, particularly involving capitalising reserves and allocating free shares and/or by dividing or grouping shares, the purchase and sales prices indicated above will be adjusted as appropriate or to make free allocation of the shares so acquired, pursuant to articles 443-1 and following of the Labour Code, the sales price, or the cash equivalent of the shares allocated would then be determined pursuant to the specifically applicable legal provisions; in addition, the minimum sales prices will not apply if securities are distributed in payment or in a swap as part of external growth transactions;

> the overall amount allocated to this share buyback program may not exceed 400 million euros;

> this authorisation is valid for a maximum period of eighteen months starting on 27 May 2004;

> the purchase, sale or transfer of these shares may be carried out, including during a public offering as long as it is exclusively for cash, under the terms set out by the Market Authorities, by all means, particularly on the market, or by private contract, including by purchase, block sale, public offers to buy, swap or sell, by use of any derivative financial instruments particularly by the issuance of bonds or securities giving rights to Company shares, or by setting up option strategies under the terms set out by the Market Authorities, including sales of call or swap options, and at the times considered appropriate by the Management Board or the person acting as the Management Board's representative.

As of this date, the Company has not utilised this authorisation, and the Board of Directors has decided to make a proposal to the shareholders to terminate this delegation of powers approved by the Shareholders' Meeting on 27 May 2004, effective immediately on the date of this Meeting, and then to give the Board of Directors a new delegation of powers under the terms described below (a detailed description of which is shown in the operation memorandum submitted for approval to the *AMF*).

The draft resolution which will be submitted for approval to the shareholders at the Mixed General Shareholders' Meeting on 12 April 2005 on the new share buyback program is worded as follows:

(Authorisation to be given to the Board of Directors to buy, keep or to transfer PagesJaunes Group shares).

The General Shareholders' Meeting, deliberating under the quorum and majority conditions required for ordinary general

shareholders meetings, having heard the report by the Board of Directors and the items included in the prospectus approved by the *AMF*:

> terminates, effectively immediately, for the unused fraction, the authorisation to buy the Company's shares, given by the Mixed General Shareholders' Meeting of 27 May 2004 in its resolution 15;

> authorises the Company, pursuant to articles L. 225-209 and following of the French Commercial Code, to buy its own shares, up to the limit of 10% of the amount of share capital existing on the date of this Meeting, under the following conditions: the maximum purchase price may not exceed 30 euros per share, with the stipulation that in the case of capital operations, particularly involving capitalising reserves and allocating free shares, and/or dividing or grouping shares, this price will be adjusted as appropriate, and that if the shares so acquired are used to make a free allocation of shares pursuant to articles L. 443-1 and following of the French Labour Code, the sales price, or the cash equivalent of the shares allocated, would then be determined pursuant to the specifically applicable legal provisions.

As a consequence, the maximum amount of the funds to be used for the buyback program comes to 836,368,830 euros, as calculated based on the share capital on 23 February 2005, and this maximum amount may be adjusted to take into account the amount of the share capital on the date of the General Shareholders' Meeting:

– this authorisation is valid for a period of eighteen months;

– the purchases made by the Company based on this authorisation may not, under any circumstances, result in it holding, directly or indirectly, more than 10% of the shares in the share capital;

– the purchase or transfer of these shares may be carried out, including during a public offering as long as it is exclusively for cash, under the terms and limits set out by the legislation in effect on the date of these operations, by all means, particularly on the market, or by private contract, including by purchase, block sale, public offers to buy, swap or sell, by use of any derivative financial instruments particularly by the issuance of bonds or securities giving rights to Company shares, or by setting up option strategies under the terms set out by the Market Authorities, including sales of call or swap options, and at the times considered appropriate by the Management Board or the person acting as the Management Board's representative.

These purchases may take place for the purpose of any allocation permitted by law, the purposes of this share buyback program being:

– to allocate shares to employees of the PagesJaunes Group and particularly in the framework of:

- (i) employee profit sharing;
- (ii) any plan for buying or freely allocating shares to employees under the terms set out by law, and particularly by articles L. 443-1 and following of the French Labour Code or
- (iii) any call option plan for employees and company officers or some of them, as well as carrying out any hedging operations relating to these operations, under the terms set out by the Market Authorities and at the times determined

- by the Board of Directors or the person acting on behalf of the Board of Directors;
- to reduce the Company's share capital in application of resolution 21 submitted to this General Shareholders' Meeting, if it is approved;
- to stimulate the secondary market or the liquidity of PagesJaunes Group's shares by an investment services provider through a liquidity contract according to the ethics charter approved by the AMF;
- to keep shares to be released later on the Exchange or as payment in any future external growth operations;
- to distribute shares when rights attached to securities giving access to shares by any means, now or in the future, as well as carrying out all hedging operations needed for PagesJaunes Group's obligations in relation to these securities, under the terms set out by the Market authorities and at the times determined by the Board of Directors or the person acting on behalf of the Board of Directors;
- to execute any market operation which is recognised by the law or the AMF in the future.

The Board of Directors shall inform the shareholders at the Annual General Shareholders' Meeting of the purchases, transfers or cancellations of shares which have taken place as well as the allocation, and if applicable, the reallocation, under the terms set out by law, of the shares acquired for the various goals pursued. The General Shareholders' Meeting confers all powers on the Board of Directors, with the authority to delegate them, to make all exchange orders, sign all agreements, draw up all documents, particularly for information, proceed with the allocation, and if applicable reallocation, under the terms set out by law, of the shares acquired for the various goals pursued, to carry out all formalities and make all declarations to all authorities and generally do everything required.

The General Shareholders' Meeting also confers all powers on the Board of Directors, if the AMF in the future extends or adds to the purposes allowed for share buyback programs, for the purpose of preparing and having the AMF approve a corrective prospectus covering these amended purposes. This share buyback programme was declared in a prospectus approved by the AMF on 23 March 2005 as No. 05-172 (available at no charge from the Company and on the websites: www.amf-france.org and www.pagesjaunesgroup.com).

3.2.7 Debt Securities

The General Shareholders' Meeting of 27 May 2004 authorised the Management Board, under a non-retroactive condition precedent of the admission to trading and the first listing of the Company's shares on the *Premier Marché* of Euronext Paris SA, to proceed on one or more occasions, at its sole discretion, in France, abroad and/or on the international market, to issue bonds or similar securities, particular subordinated securities for a set term or not, or any other securities conferring, in the same issuance, the same debt rights over the Company, which may or may not include bonds giving rights to an allocation, purchase or subscription to other bonds, similar securities or other securities giving a

debt right over the Company. The General Shareholders' Meeting decided:

- > that the maximum face value which may be given to all the securities issued as indicated above may not exceed 2 billion euros, or the equivalent of this amount either in any of the national subdivisions of the euro, or in foreign currencies other than the euro or in any other monetary units established in reference to several currencies, with the stipulation that this maximum face value shall apply generally to the bonds or similar securities as well as other debt securities issued immediately or following the exercise of bonds, but that this same amount would not include the redemption premiums, if any;

- > this authorisation is valid for a period of five years starting on the date of this Meeting.

It conferred all powers on the Management Board, with the authority to subdelegate under the terms set out by law, to:

- > proceed with the said issuances up to the limit set out above, and to determine the date, type, amounts and currency of issue;

- > decide on the features of the securities to be issued, particularly their face value and their entitlement date, the issue price, with premium if any, their interest rate, fixed and/or variable, and the payment date, or in the case of variable rate securities, the means of determining their interest rate, or the terms for capitalising the interest;

- > based on market conditions, set the means of amortisation and/or early redemption of the securities issued, if applicable, with a fixed or variable premium, or even buyback by the Company;

- > if needed, to decide to confer a guarantee or sureties on the securities to be issued, and to decide on their type and features;

- > generally to decide on all the procedures for all the issues including any admission to a regulated market, sign all contracts, reach all agreements with all banks and all entities, take all steps and meet all formality requirements, and generally do everything necessary.

In relation to debt securities, order No. 2004-604 of 24 June 2004 (see above section 3.2.4) made to amendments involving the competent bodies: on the one hand, it is now stated that the issuance of bonds is the responsibility of the Board of Directors unless stated otherwise in the by-laws, or the General Shareholders' Meeting decides otherwise, and on the other hand, the issuance of securities giving access to debt securities is now the responsibility of the Extraordinary General Shareholders' Meeting.

Therefore, the Board of Directors has decided to make a proposal to the shareholders to terminate, effective immediate on the date of this Meeting, the delegation conferred by the General Shareholders' Meeting of 27 May 2004 in its resolution 16, and then to give the Board of Directors a new delegation of powers for a similar purpose to that contained in its resolutions of 27 May 2004, subject to the amendments resulting from the order of 24 June 2004. Therefore a proposal will be made to the General Shareholders' Meeting of 12 April 2005, in resolution 18 submitted to a vote by the shareholders, to delegate powers to the Board of Directors to



decide on the issuance, on one or more occasions, in France, abroad and/or on the international market, any securities giving rights to an allocation, now or in the future, of debt securities such as bonds, similar securities, subordinated securities for a set term or not, or any other securities giving, in the same issuance, the same debt rights over the Company. The face value of all the securities to be issued indicated above may not exceed 20 million euros, or the equivalent of this amount in currencies or any other monetary units established by reference to several currencies, with the stipulation that this maximum face value shall apply to all the debt securities to which securities would give the right to allocation, now or in the future, but that this same amount does not include any repayment premiums above par, if any are provided for.

This delegation of powers is given for a period of twenty-six months starting on the date of this Meeting.

3.2.8 Securities not Representing the Share Capital

On the date of registration of this *Document de référence*, there are no securities not representing the Company's share capital.

3.2.9 Option Plans

On the date of registration of this *Document de référence*, the Company has not implemented any option plans. The Board of Directors has decided to make a proposal to the shareholders, based on resolution 22 submitted to a vote by the Mixed General Shareholders' Meeting on April 12, 2005, to authorise it, pursuant to articles L. 225-177 and following of the French Commercial Code, to issue, on one or more occasions, options to subscribe or options to buy Company shares under the conditions given below:

(Delegation of powers to the Board of Directors to allocate subscription options and/or purchase options for ordinary Company shares.)

The General Shareholders' Meeting, deliberating under the quorum and majority conditions required for extraordinary general shareholders meetings, having heard the report by the Board of Directors and the special report by the Auditors, authorises the Board of Directors, pursuant to articles L. 225-177 and following of the French Commercial Code, to issue, on one or more occasions, options to subscribe or purchase Company shares under the conditions given below. The recipients must be employees or officers (in the sense of Article L. 225-185) of the Company or companies or groups of companies which are associated with it in the sense of article L. 225-180 of the French Commercial Code. The options may be issued by the Board of Directors to any or all of these persons. This authorisation is granted for a period of thirty-eight months starting from the date of this General Shareholders' Meeting. Each option shall confer the right to subscribe or purchase one ordinary new or existing share as the case may be. The total number of options which may be issued under the terms of this resolution may not give any rights to subscribe or purchase a number of ordinary shares representing, on the date of distribution, more than 2% of the Company's share capital on the date of this Meeting.

The shares which may be obtained by exercising the share purchase options issued under the terms of this resolution must be bought by the Company, either under the terms of article L. 225-208 of the French Commercial Code or any share redemption programme which may apply at a later date.

The price for exercising the options issued under the terms of this resolution shall be set by the Board of Directors according to the following procedures:

- > the price for exercising the options to subscribe or purchase ordinary shares may not be lower than the average price of the PagesJaunes Group share on the Eurolist market of Euronext in the 20 trading sessions preceding the date on which the options are issued, and no option may be issued less than 20 trading sessions after the detachment of shares from a coupon giving the right to a dividend or a capital increase;
- > in addition, the price for exercising the options to purchase shares may not be lower than 80% of the average purchase price for ordinary shares held by the Company under the terms of article L. 225-208 of the French Commercial Code or, if applicable, the share redemption programme authorised by resolution 9 submitted to this General Shareholders' Meeting under article L. 225-209 of the French Commercial Code or any share redemption programme which may apply at a later date. The options allocated must be exercised within ten years following the date of their allocation by the Board of Directors. The General Shareholders' Meeting notes and decides, as necessary, that this delegation of powers involves, to the benefit of the recipients of the subscription options, an express waiver by the shareholders to their preferential subscription rights to shares which will be issued gradually as these options are exercised.

The General Shareholders' Meeting gives all powers to the Board of Directors, which may ask for the assistance of a committee with the members of its choice, for the purpose of, under the limits set out above:

- > setting the dates on which the options will be issued, within legal conditions and limits;
- > determining the recipients of the options, the number of options given to each, how they will be allocated and how the options will be exercised;
- > setting the conditions for exercising the options and particularly limiting, restricting or prohibiting (a) exercising the options or (b) selling the shares obtained by exercising the options for particular periods of time or after particular events, and this decision may (i) affect all or some of the options and (ii) involve all or some of the recipients;
- > deciding the conditions under which the price and/or the number of shares to be subscribed or purchased shall be adjusted in the situations set out by law;
- > more generally, with the power to subdelegate under the conditions set out by law, signing all agreements, draw up all documents, determine capital increases after options have been exercised, amending the by-laws if necessary as a consequence, carry out all formalities and all declarations to all bodies and to anything which may otherwise be necessary. The Board of Directors shall inform the General Shareholders' Meeting each year of the operations carried out under the terms of this resolution.

3.2.10 Evolution in Share Capital Over the Last Five Years

Date	Operation	Number of shares issued	Face value of the capital increase	Issue premium per share	Total amount of the issue premium	Subsequent amounts of capital	Number of shares	Face value
Mixed General Shareholders' Meeting 10 March 1999	Changeover to the euro capital increase by drawing on the "Other reserves" account	–	F3,140,868.78	–	–	€3,654,000	12,180	€300
Extraordinary General shareholders' Meeting 23 June 2000	Capital increase following an asset transfer from France Télécom	170,520	€51,156,000.00	€547.77	€42,249,363	€54,810,000	182,700	€300
Mixed General Shareholders' Meeting 27 May 2004	Division of the face value	274,050,000	–	–	–	€54,810,000	274,050,000	€0.20
IPO July 2004	Capital increase reserved for France Télécom group employees	4,739,610	€947,922	€11.10	€52,609,671	€55,757,922	278,789,610	€0.20

3.3 CURRENT DISTRIBUTION OF SHARE CAPITAL AND VOTING RIGHTS

3.3.1 Distribution of Company Share Capital

On 31 December 2003:

	Number of shares	% of share capital	% of voting rights
Wanadoo SA	274,050,000	100	100

On 31 December 2004:

	Number of shares	% of share capital	% of voting rights
France Télécom	172,849,998	62.0	62.0
Public	101,200,002	36.3	36.3
Employees (Group savings plan)	4,739,610	1.7	1.7
Total	278,789,610	100.0	100.0

On 10 February 2005, as part of an accelerated placement with institutional investors, France Télécom sold 22,303,169 PagesJaunes Group shares which it held directly, representing 8% of the share capital of the PagesJaunes Group.

At the end of this placement, France Télécom held 150,546,830 PagesJaunes shares, which is 54% of the share capital of the PagesJaunes Group.

On 15 March 2005:

	Number of shares	% of capital	% of voting rights
France Télécom	150,546,830	54.0	54.0
Public	123,503,170	44.3	44.3
Employees (Group Savings Plan)	4,739,610	1.7	1.7
Total	278,789,610	100.0	100.0



Each of the members of the Board of Directors owns at least one Company share, pursuant to article L. 225-25 of the French Commercial Code. On 15 March 2005, the members of the Board of Directors and Company officers hold 16,867 Company shares (and/or shares in the FCP PagesJaunes Group).

3.3.2 Changes to the Distribution of the Share Capital Over the Last Three Years

The shares comprising the share capital of the PagesJaunes Group were admitted for trading to the *Premier Marché* of Euronext Paris on 8 July 2004. The initial public offering of the PagesJaunes Group (presented in the operation memorandum which received approval No. 04-614 from the AMF on 21 June 2004) is done through:

- > selling existing shares by Wanadoo (the “Placement”) as part of:
 - a public offering in France in the form of an offering at an open price intended mainly for individuals,
 - a global offering intended for institutional investors;
- > an offering of new shares, resulting from capital increases reserved for employees, taking place at the same time as the Placement.

The number of shares sold under the Placement came to 101,200,000 shares, after the exercise of all the over-allocation option by the banks in charge of the Placement. In addition, the number of new shares subscribed as part of the capital increases reserved for employees came to 4,739,610.

PagesJaunes Group opted in 2004 to use the tax integration system set out in articles 223 A and following of the French General Tax Code. This option aims to create a fiscally consolidated group including, apart from the PagesJaunes Group, all its French subsidiaries meeting the conditions set for becoming members. This option takes effect on 1 January 2005 for a period of five fiscal years.

After the departure of the PagesJaunes Group and its own subsidiaries from the fiscally consolidated group created by Wanadoo, PagesJaunes Group and its own subsidiaries are not members of any fiscally Consolidated Group for the 2004 fiscal year and will have to pay any corporate tax on their respective taxable profits. In addition, PagesJaunes Group and its own subsidiaries may not deduct long-term deficits and losses from their prior earnings which they suffered while they were members of the fiscally Consolidated Group created by Wanadoo.

3.3.3 Persons Exercising or Who Could Exercise Control Over the Company

Apart from France Télécom, no individual or legal entity directly or indirectly, together or in concert, does or could exercise control over PagesJaunes on the registration date of this *Document de référence*.

3.3.4 Shareholders’ Agreements

On the registration date of this *Document de référence*, there is no shareholders’ agreement involving the share capital and/or voting rights in the Company.

3.3.5 Pledges

3.3.5.1 Pledges of Company Shares

On the registration date of this *Document de référence*, there is no Company share which is subject to a pledge.

3.3.5.2 Pledges of Company Assets

On the registration date of this *Document de référence*, there are no significant Company assets subject to a pledge.

3.3.6 Description of the Group/Organisation chart

An organisation chart and description of the Group’s structure are given in section 4.1 “General Presentation on the Group – History and Changes in Group Structure”.

3.4 DIVIDENDS

The Board of Directors of the PagesJaunes Group, meeting on 2 February 2005, decided to make a proposal to the General Shareholders' Meeting set for 12 April 2005 to pay a dividend of 0.93 euros per share.

Over the last five fiscal years, the Company has distributed the following dividends:

Year	2003	2002	2001	2000	1999
Amount distributed (in euros per share)	1,291.50	1,358	830	768	1,500
	0.86*	0.91*	0.55*	0.51*	1.00*

*Number of shares adjusted to take the division of the number of the shares into account.

The Company's distribution policy over the last few years has been to distribute all or a major part of its distributable profits to its shareholders, while retaining an adequate self-financing capacity to finance the Company's development. The Company's goal is to distribute to its shareholders all the profits from the Group's operating activities for the fiscal year in question. However this goal does not represent any kind of

binding commitment on the Company, and future dividends will depend on the Group's results, its financial position and any other situation which the Board of Directors deems pertinent.

Dividends which are still unclaimed five years after they have been made available for payment are withdrawn and after this period must be paid to the State.

3.5 TRADING IN THE COMPANY'S SHARES

Months	Lowest price in euros	Highest price in euros	Latest price in euros	Number of securities traded	Share capital in millions of euros
July 2004	14.10	14.47	14.47	33,448,071	477.50
August 2004	14.24	14.70	14.66	6,001,273	86.82
September 2004	14.50	15.50	15.47	7,449,391	111.85
October 2004	14.91	15.97	15.89	10,815,248	166.07
November 2004	15.55	17.20	16.48	10,651,249	174.09
December 2004	16.28	18.05	17.85	10,889,148	185.54
January 2005	17.12	18.64	18.42	10,730,100	189.56
February 2005	18.40	20.48	19.09	17,351,372	337.32



Chapter 4 – Description of PagesJaunes' Business

4.1 GENERAL PRESENTATION OF THE COMPANY AND THE GROUP

Today the Group is the leading publisher of directories in France intended for the general public and professionals, available in printed form and on-line (Internet and Minitel). In 2005, the Group published 356 directory editions, and distributed 67.7 million copies and 682,872 professionals used one or more Group publications as an advertising medium to develop their business.

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

History and Changes in the Group's Structure

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

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

Advertising in the directories and the Company had developed continuously since 1946, because of the growth in consumption in France, the advertising market, increased directory distribution and audience, together with the number of telephone subscribers. The continuous increase in ODA's sales (from 1.6 million euros in 1956 to 908.4 million euros in 2004) was due particularly to the Company's ongoing ability to make permanent adaptations in terms of business and technology. The 1980's saw the successful launch of the PagesJaunes directory as well as the start up of Minitel, a precursor of the advertising model on the Internet. The Company experienced many technological changes, especially with the adoption of computer-aided publishing ("PAO") for

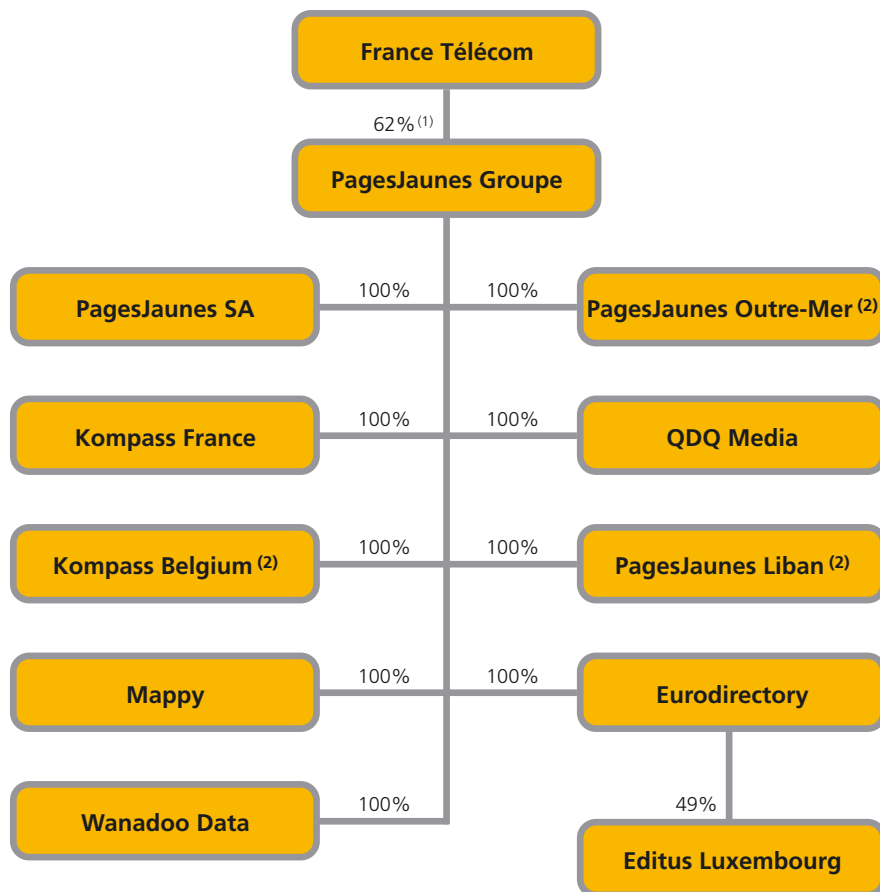
all "paper" and "telematic" advertisements in 1990, the changeover to colour in 1995, the launch of Internet services in 1997, and finally the "PagesJaunes 2000" directory which introduced four-colour printing. In addition, the Company has tried to develop its range of advertising services beyond that of the general public directories, with a range of directories intended for professionals (Kompass, PagesPro), as well as a database marketing business (Wanadoo Data).

In the framework of the public offering initiated by France Télécom for Wanadoo in February 2004, it was decided to place some companies in Wanadoo's directory division under the Company's umbrella. This reorganisation took place in April 2004 and consisted of:

- > the sale of all the shares comprising QDQ Media's share capital by Wanadoo International to the Company for a transaction price of 106.719 million euros;
- > the sale of all the shares comprising Mappy's share capital by Wanadoo France to the Company for a transaction price of 10.048 million euros, and;
- > the sale of all the shares comprising Kompass Belgium's share capital by Wanadoo International to the Company for a transaction price of 1.799 million euros. The valuation of QDQ Media used for this transaction was performed using the cash flow actualisation method resulting from the business plan prepared by the management of this company, which forecast a positive cash flow starting in 2007 over a full year. The method and main assumptions used for the valuation are in line with those used when Wanadoo determined the value of this holding in its accounts drawn up for the fiscal year ending on 31 December 2003, which were based on a cash flow actualisation at the rate of 11% over a period of 10 years and consistent growth of 3% per year thereafter. As far as Mappy and Kompass Belgium are concerned, the valuation used for these transactions corresponds to the value of each of the companies in Wanadoo's accounts on 31 December 2003. PagesJaunes has strengthened its presence in Luxembourg by buying a 50% stake in the Luxembourg-based company Eurodirectory in October 2004. This operation now gives it 100% control of this company which it previously owned equally with Seat Pagine Gialle.

During the 2004 fiscal year, by a partial asset transfer agreement, PagesJaunes Group transferred to PagesJaunes SA, formerly NEDIF, retroactive to 1 January 2004, the business assets, business, and staff members in charge of the business of publishing the PagesJaunes directories, previously performed by PagesJaunes SA, which is now PagesJaunes Group. These transfers were made at their real value and represent a net asset transfer of 4,005,000,000 euros, which included goodwill worth 3,959,321,134 euros.

An organisation chart of the Group on 31 December 2004 is given below:



(1) 54% on the date of this *Document de référence*.

(2) Subsidiaries of PagesJaunes Group not consolidated in 2004.



The Directory: a Unique Advertising Medium

A directory holds a unique position in the local advertising medium market. Found in homes and businesses, it allows a consumer looking for a product or service to quickly find precise and immediately useful information about all the businesses who could meet his needs. This information is enhanced by a certain amount of advertising content which helps the user in his search. Because of all the information offered, directories are one of the most consulted media by French consumers aged 15 and above looking for a business when deciding to make a purchase. So in 2004, about eight in ten French consumers aged 15 and above used one of the Company's directory services in France at least once during the year. In 81.5% of cases, looking in the PagesJaunes directory was followed by a commercial contact. In 58.4% of cases, this commercial contact resulted in a transaction or a purchase (source: ISL/Crédoc, Directory Consultation Table, 2004 Annual Report – study performed with four samples using 8,442 people, representative of the French population aged 15 and above, carried out at PagesJaunes' request). Therefore, for businesses, directories represent one of the essential means of entering the local advertising market.

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

The Directory: an Economic Model Based on the "Virtuous Circle"

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

The European Directory Market

The European directory market is made up of publishers whose business is mainly geared to their domestic market, where they generally occupy a long-standing leading position. The European directory market represented 6.368 billion euros in 2002 (source: AMR International, The European Telephone Directory Market Report 2003, Autumn 2003). Apart from PagesJaunes, the main companies active in the European directory market are Yell, Seat Pagine Gialle, TPI, Eniro, DeTeMedien and World Directories. The Yell Group publishes business directories including Yellow Pages and Business Pages directories in the United Kingdom and Yellow Book directories in the United States. It also has an Internet presence on its websites at yell.com in the United Kingdom and yellowbook.com in the United States.

In Italy, Seat Pagine Gialle publishes alphabetical and business directories in printed form and on-line (paginegialle.it). This company also has an international presence, particularly in the United Kingdom where it publishes Thomson Directories, the second largest directory publisher in that market. It has

also an operator information service in Italy, as well as through its subsidiary Telegate, mostly in Germany and Austria. TPI, a subsidiary of the Telefonica group, specialises in publishing alphabetical and business directories, printed and on-line (pagesamarillas.es for Spain), in Spain and Latin America.

Eniro is a Swedish group that basically focuses on publishing business directories in print and on-line (eniro.se for Sweden). The group is mostly present in Sweden, Norway, Finland, Germany, Denmark, Benelux and Poland.

DeTeMedien, in Germany, is part of the T-com division of the Deutsche Telekom group, for which it publishes alphabetical and business directories in paper form, on CD-Rom and on-line (gelbeseiten.de). The German market, which is the biggest in Europe, is split between a large number of local companies under contract with the publisher DeTeMedien. Gouden Gids in the Netherlands, Promedia in Belgium, Golden Pages in Ireland, Paginas Amarelas in Portugal and Pagini Aurii in Romania are subsidiaries of World Directories (formerly VNU World Directories) whose main business is providing information and advertising in business directories, via telephone and the Internet (goudengids.nl and pagesdor.be for the Netherlands and Belgium). World Directories was sold by the VNU Group in September 2004 to Apex Partners Worldwide and Cinven Limited.

And finally there are other smaller sized companies present in the European directory market such as Findexa in Norway and TDC Forlag in Denmark.

The table below gives an estimate of the advertising revenue from the directory market in the main countries of Western Europe in 2002:

Country	Market size (in millions of euros)	Main company
Germany	1,125	DeTeMedien
Great Britain	1,119	Yell*
Italy	1,022	Seat Pagine Gialle*
France	830	PagesJaunes**
Spain	431	TPI*
Sweden	303	Eniro*
Netherlands	274	Gouden Gids*
Belgium	226	Promedia*
Norway	186	Findexa**
Denmark	177	TDC Forlag
Other countries	675	
European Market	6,368	

Source: AMR International – The European Telephone Directory Market Report 2003 – Autumn 2003.

* Company listed on a regulated market on 1 June 2004.

** Company listed on a regulated market on 31 December 2004.

4.2 DESCRIPTION OF THE GROUP'S MAIN BUSINESSES

The Group's businesses are organised into two main segments:
> PagesJaunes in France. This is the business of the PagesJaunes Company in France, which involves publishing the directories, distributing them, selling advertising space in the printed and

on-line directories, creating and hosting Internet sites as well as publishing the PagePro directories, selling on demand access, the QuiDonc reverse directory and Europages advertising representation.

> International and subsidiaries. These are the businesses of the various Company subsidiaries, which mostly comprise

publishing directories for the general public outside France, developing Kompass directories in Europe and developing activities which complement publishing the directories (such as Mappy's map services and Wanadoo Data's database marketing).

The table below gives the revenue figures for 2004 for the Group's businesses described in this chapter:

PagesJaunes in France	Revenue 2004 (in millions of euros)	International and subsidiaries	Revenue 2004 ⁽¹⁾ (in millions of euros)
Printed directories	618.9	General public directories	54.4
PagesJaunes directory	505.2	QDQ Media	36.6
L'Annuaire ("the Directory")	113.8	Editus Luxembourg ⁽²⁾	16.9
		PagesJaunes Liban ⁽³⁾	0.9
On-line services	254.5	Kompass	28.9
pagesjaunes.fr	147.0	Kompass France	24.9
PagesJaunes 3611	85.0	Kompass Belgium ⁽³⁾	4.0
Creating and hosting websites	22.6		
Other businesses	34.9	Complementary businesses	17.1
including QuiDonc	7.3	Wanadoo Data	11.6
including selling access	6.0	Mappy	5.5
including PagesPro	15.4		
including Europages	4.0		

(1) Revenue shown in each Company's books.

(2) Consolidated company using the equity method.

(3) Non-consolidated companies, preliminary unaudited figures.

4.2.1 PagesJaunes' Business in France

4.2.1.1 General Presentation on PagesJaunes Business in France – A Well-Known Brand

Overview of PagesJaunes Services

In 2004, PagesJaunes published 233 directory editions, distributing 51.6 million copies. The following table gives the list of the Company's various directory services in France and how they are distributed:

Means of distribution	Print	Minitel	Audiotel	CD-Rom	Internet, mobile/SMS	Interactive Internet	Television
List of services*							
Business directory by heading	PagesJaunes directory	PagesJaunes 3611	–	–	pagesjaunes.fr	wap.pagesjaunes.fr	PagesJaunes
Alphabetic directory	L'Annuaire	PagesJaunes 3611	–	–	pagesblanches.fr	wap.pagesjaunes.fr	PagesJaunes
Business to business directories	PagesPro	–	–	PagesPro	pagespro.com	–	–
Reverse directory	–	3617 QuiDonc	32 88	–	quidonc.fr	62 800 by SMS	QuiDonc

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

PagesJaunes also offers businesses complementary services to the directory business, particularly services creating and hosting websites to promote their businesses. In 2004, PagesJaunes had revenue of 908.4 million euros, an increase of 7.2% over 2003, which is 92.3% of Consolidated Group revenue. The Company's income mainly comes from selling advertising space in its printed directories and on-line services (98.5% of the Company's revenue in 2004). Most of the Company's costs are for publishing (buying paper, printing and distributing the printed directories), and marketing and management costs.

The advertisers

Most of our advertising customers in PagesJaunes are artisans, independent professionals (including the liberal professions) and small and medium-sized businesses. The potential market targeted by the Company is made up of 2.9 million businesses

(source: *Agence des PME, PME: Clés de Lecture*. Definitions, Breakdown, Typologies – January 2003 [based on *Insee* figures December 2001]. Parameters used: Companies in the ICS field [industrial and professional consumer product companies], finance companies, non-merchant companies, legal entities subject to administrative law and private law groupings.) In 2004, 583,836 advertisers used at least one PagesJaunes outlet to promote their range of products and services, which represent about 20% of the market targeted by PagesJaunes. In 2004, the 20 top advertisers represented 1.1% of revenue and advertisers in the top 10 professional categories represented 15% of the Company's revenue (garages, car repair firms, estate agents, hotels and hotel/restaurants, moving companies, restaurants, hairdressers, woodworking companies, general electricians, plumbers and funeral directors).

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

	2001	2002	2003	2004
Total number of advertisers ⁽¹⁾	548,232	560,453	561,180	583,836
including new advertisers ⁽²⁾	86,446	89,083	82,080	98,365
Printed directory advertisers (PagesJaunes directory or l'Annuaire)	520,618	531,270	532,041	550,504
On-line services advertisers	383,932	391,842	401,610	420,941
including advertisers in pagesjaunes.fr at the end of December (as a percentage of the total number of advertisers)	203,613 37.1%	231,806 41.4%	267,175 47.6%	307,953 52.7%
Average revenue per advertiser (in euros) ⁽³⁾	1,342	1,384	1,477	1,533
Average revenue per advertisers in the printed directories (in euros) ⁽⁴⁾	1,044	1,063	1,118	1,124
Average revenue per advertiser pagesjaunes.fr (in euros) ⁽⁵⁾	251	297	380	511

(1) The number of advertisers includes all the advertisers in the year in question, including those who bought advertising space in PagesJaunes through an advertising agency. This number is different from that reported by Wanadoo, which books all businesses advertising through an advertising agency as a single advertiser.

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

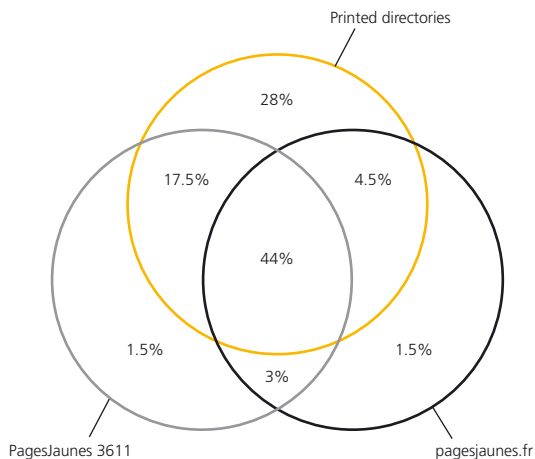
(3) The average revenue per advertiser is calculated by dividing total Company revenue, excluding QuiDonc and access revenue ("Advertising revenue") by the total number of advertisers.

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

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

Advertisers in Multiple Platforms

Most of PagesJaunes' advertisers use both the printed directories and the on-line directories. So, in 2004, 66% of them advertised both in one of the printed directories (the PagesJaunes directory or l'Annuaire) and one of the on-line services (PagesJaunes 3611 or pagesjaunes.fr) and 44% advertised in one of the printed directories, and PagesJaunes 3611 and pagesjaunes.fr. In the latter case, their average revenue is about twice as big as the average revenue per advertiser. The following diagram shows how the advertisers were divided up in 2004 and illustrates the different advertising platforms chosen by the advertisers.



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

	2000	2001	2002	2003	2004**
Average revenue per advertiser (in euros)*	546	772	903	1,148	1,367

* Internal study of new advertisers to the Company in 2000 in 44 departments of France.

** Figures resulting from marketing our services in these 44 departments for which the ending date for sale of advertising products was prior to March 2004.

Services Recognised by Advertisers

Advertisers in PagesJaunes estimate that PagesJaunes brings them about 20% of their customers. In addition, to the question "What are the three PagesJaunes products or services which interest you most?", 88% of advertisers mentioned the PagesJaunes directory, 46% mentioned l'Annuaire and 37% pagesjaunes.fr. 80% of the advertisers are willing to recommend PagesJaunes and 39% have done so already (source: Groupe H2A, institutional satisfaction study, October 2004 – telephone survey done with 3,171 advertisers representing PagesJaunes' advertising base, and carried out at PagesJaunes' request). Several years ago, PagesJaunes set up a system to measure the effectiveness of the PagesJaunes directory for an advertiser. This involves including a telephone number in the advertising product which only appears in that

Loyal advertisers

PagesJaunes SA has a very high loyalty rate of its advertisers. So 86.5% of the Company's advertising customers in 2003 continued their business relationship with the Company in 2004 (the remaining 13.5% of the advertisers who did not continue their business relationship with the Company included companies who went out of business and Company liquidations). This loyalty rate of advertisers is closely related to the advertiser's spending pattern with PagesJaunes, which is itself closely related to how long it has been a PagesJaunes customer. So the loyalty rate of advertisers is about 79% for advertisers who invest 500 euros or less (this is particularly true for new advertisers), about 89% for advertisers who invest between 500 and 1,000 euros, about 92% for advertisers who invest between 1,000 and 1,500 euros, and reaches about 95% for advertisers who invest over 1,500 euros (generally the most long-standing advertisers).

Typically, an advertiser spends more on his advertising with PagesJaunes as his relationship as a customer continues over time.

location, which enables the calls so generated to be counted. This measure of effectiveness is more concrete for the local advertiser than the concept of "costs per thousand" (CPM in French) used by most media.

The Contractual Relationship

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



Recognised Trademark

The Company owns the trademark "PagesJaunes" which is very well known, and contributes to expanding the audience for its directories. Since 2001, the Company has used an advertising campaign depicting "runners" which personalise the Company's services in a friendly and dynamic way, and has contributed to making the trademark and its services better known. Therefore, in response to the question "When you are looking for an individual, a company or a business, a product or a service, what are all the sources of information you think of?", 89% of persons surveyed immediately mentioned a PagesJaunes service, and when the question was asked again quoting PagesJaunes' various services, the level of assisted recognition went up to 100% (Source: CSA: PagesJaunes recognition and image in connection with the impact of advertising and promotional campaigns" November 2004 – study performed on a sample of 651 people, representative of

the French population aged 15 and above, and carried out at PagesJaunes' request).

A Large Audience

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

PagesJaunes now has a large audience for all its directory services. So, according to a study, 81.5% of persons surveyed had used one of the Company's media in 2004 (Source: ISL/Crédoc, Directory Consultation Table, 2004 Annual Report – study performed with four samples using 8,442 people, representative of the French population aged 15 and above, carried out at PagesJaunes' request).

The table below shows changes in the usage rate for each of the Company's media over the last five years.

Usage rate	2000	2001	2002	2003	2004
At least one PagesJaunes media	80.4%	81.5%	81.3%	81.5%	81.5%
PagesJaunes directory *	64.9%	68.7%	68.2%	67.7%	66.0%
l'Annuaire*	66.6%	68.0%	66.6%	65.3%	63.9%
PagesJaunes 3611*	21.8%	18.8%	17.0%	13.8%	12.1%
pagesjaunes.fr*	4.0%	6.6%	8.8%	12.8%	18.3%

*Use for personal or business purposes, at least once over the last twelve months.

Source: ISL/Crédoc, Directory Consultation Table, 2004 Annual Report – study performed with representative of the French population aged 15 and above.

After a drop in the audience between 1994 and 1999 (mainly because of a drop in the audience for Minitel and l'Annuaire), the overall audience for PagesJaunes directories has levelled off since 2000 mostly because of a change in its products and an active advertising policy.

Access to Data

Information about individuals and businesses published in PagesJaunes directories is gathered from various sources. On the one hand, PagesJaunes uses the subscriber databases of the various telecommunications operators in France, including France Télécom, through database availability contracts (see section "4.6.2.4. Access to Directory Data"). On the other hand, the Company adds to this information using contacts which the marketing network maintains with businesses. Finally, the Company has created a special number in operation since 20 March 2001, which enables any individual or business to add to its listing information free of charge by giving the Company its mobile telephone number.

Advertising Products

PagesJaunes offers its advertisers a wide range of advertising platforms (print, Minitel and fixed and mobile Internet). In fact, PagesJaunes believes that this wide range of platforms is needed to allow advertisers to reach the greatest number of users and respond to changes in usage. In addition, PagesJaunes offers a wide range of advertising products in each platforms.

Advertising Products in Printed Directories

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

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

Advertising Products on PagesJaunes 3611 (Minitel)

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

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

Advertising Products on pagesjaunes.fr (Internet)

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

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

- > impact products, particularly modules (see the description of the modules on PagesJaunes 3611) and other products which may be accessed from a icon on the hit list beside the information about the advertiser: the link to the site (enabling Internet users consulting pagesjaunes.fr to go to the advertiser's site in one click), an audio spot (an interactive product enabling businesses to record sound spots by telephone to highlight an event or a special promotion) and a clip (a sound and image sequence lasting thirty to sixty seconds which enables the advertiser to highlight his specific services);
- > display products, which appear on hit lists or on the home page of pagesjaunes.fr (headers, banners and totems) which can be clickable, to access the advertiser's site. For these display products, the advertiser may choose a local advertisement: the advertising product will appear for all requests made for a particular town or department, enabling the advertiser to benefit from an advertising campaign resembling a local display campaign.

The advertiser is also offered the option of theme-based advertising: the advertising product will appear for all requests made for a particular town or department, for a particular type of business. In look-ups by category, businesses who have bought an advertising product appear before the non-advertising listings. For the advertisers, the order of appearance in the hit lists rotates so that all advertisers get the same visibility.

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

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

Commercial Organisation

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

On 31 December 2004, PagesJaunes had a sales force of 1,720 salesmen and women, compared to 1,558 in 2003 and 1,488 in 2002, divided over three sales channels: telephone sales, field sales and major accounts.

- > The telephone sales team has 624 sellers, 406 of whom work on attracting new customers (Télévente Prospects) and 218 work on retaining customers who have advertised in previous years (Télévente Clients) and who have spent about 500 euros to promote their business on one of the Company's platforms.
- > The field sales team has 1,073 sellers attached to 20 regional agencies. Field sales are devoted to retaining the existing base of advertisers, and to a lesser extent attracting new advertisers. The biggest regional customers are under the responsibility of more experienced sales staff that has specific tools and management.

> The major accounts department has 15 sales staff and handles the biggest advertisers in terms of spending or with a big development potential. These are mostly major brands or advertisers with a network of sales outlets. In addition, the business organisation has a mail-order sales department which has eight employees. Each of these sales channels works together, within a particular geographical area. Dividing customers between the various sales channels optimises customer relations and the direct cost of sales, defined as the compensation paid to the sales staff and management costs. So, in 2004, direct sales costs represented 13.4% of Company sales in 2004. This percentage may be up to five times higher when attracting a new advertiser. To make sure it has an outstanding sales force, the Company is very selective in its recruitment, and offers all its sales staff continuous training programmes about the products offered and new technologies. The training programme for newly-recruited sales staff – basically for telephone sales – takes four weeks, alternating between theory and practice. In 2004, apart from the initial training period taken by these new telemarketers, each salesman and woman also took an average of four and a half days of additional training.

In addition, the heads of the sales teams regularly perform evaluations of the performance of the sales staff for whom they provide leadership, as well as personalised progress plans. The commission portion of the compensation paid to sales staff depends on the channel in question: for the field staff, who in 2004 was responsible for 76.5% of the Company's revenue, 100% of their salary is commission. The Company's marketing organisation offers attractive career opportunities and pay increases for sales staff, who generally begin their careers at "Télévente Prospects". The best of them then have the opportunity to move to "Televente Clients" and



then the field sales force, which contributes to motivation and retention of the Company's sales force. So the sales staff, whose average age was 37 and a half at the end of 2004, has an average length of service of seven and a half years with the Company.

In 2004, the Company's marketing organisation contributed to retaining 483,362 advertisers and attracting 98,365 new advertisers, compared to about 82,080 new customers in 2003. In addition, in 2004, the Company set up field sales teams dedicated to attracting new customers, these teams representing a sales force of 32 people divided over four marketing agencies at the end of December 2004.

4.2.1.2 Printed Directories

PagesJaunes printed directories business includes the PagesJaunes directory and l'Annuaire. This business generated revenue of 618.9 million euros in 2004, i.e. 62.9% of the Group consolidated revenue in 2004. 550,504 advertisers bought an advertising product in 2004 in the PagesJaunes directory or l'Annuaire. In 2004, the printed directories came out in 233 editions, a figure slightly higher compared to previous years.

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

> **sale of advertising space.** The sale of advertising space starts on average six months before the directory is published and mobilises all the sales staff in the department in question.

As the marketing process continues, the advertising products are produced by the advertisement production department, and then sent to the advertisers for approval ("print order");

> **page layout of the directory.** About three months before the date scheduled for publishing the directories for a particular department, PagesJaunes stops selling advertising space in the directories in question and starts to do the page layout. This page layout is done by the production department which inserts the advertisements in the personal or business listings; a final check is performed by the same production department;

> **printing and binding.** The directory is then sent in electronic files to outside printers, who use paper purchased directly by PagesJaunes. The finished directories are then sent to distribution platforms located in the department in question;

> **distribution.** The directory distribution is carried out by outside service providers. The quality of the distribution of the printed directories is a key factor in their audience, so PagesJaunes performs audits to qualitatively and quantitatively measure the services provided. Compensation paid to the providers depends in part on the results of these audits. In 2004, the manufacturing and distribution processes of the printed directories received ISO 9002 certification, 2000 version, from AFAQ.

The PagesJaunes Directory

Each PagesJaunes directory lists businesses under one of its 1718 categories depending on the place where the business is located. For each business listed, PagesJaunes shows an entry

in the departmental directory where the business is carried out and in general where the corresponding telephone line is installed. For France as a whole, the PagesJaunes directory lists about 4 million businesses.

In 2004, the PagesJaunes directory published 131 different editions of the PagesJaunes directory; these editions were mostly distributed free of charge to private homes and businesses, which represents a total distribution of 27.4 million copies. The PagesJaunes directory is also available for sale from the Company, upon request, by calling an "Azur" telephone number 0 810 810 767. Some of these directories have a cover with advertising for the whole department, some with advertising for a part of the department. This scoping technique enables advertisers to promote their business for a lower cost over a smaller geographical area. The PagesJaunes directory generated revenue of 505.2 million euros in 2004, which is 51.3% of the Consolidated Group revenue for 2004. Most of this income is from advertising contained in this directory.

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

In 2005, the PagesJaunes directory will be published in three new pocket PagesJaunes editions, available in Lille, Lyon and Marseille, in addition to the existing Paris paperback PagesJaunes.

L'Annuaire

In 2004, PagesJaunes issued 102 departmental editions of l'Annuaire, distributed free of charge to private homes and businesses, excluding individuals or businesses with Minitel, which represents a total distribution of 24.2 million copies. It is also available for sale from the Company upon request by calling an "Azur" telephone number 0 810 810 767.

France Télécom, the publisher of this directory, has given PagesJaunes the task of finding advertising customers, designing and producing the advertising material to be included in l'Annuaire, in an agreement dated 30 June 1967, replaced by an agreement dated 15 November 2002, valid until 31 December 2009 (see section 4.5.2. "Advertising Representation Agreement"). France Télécom has also assigned the production, manufacture and distribution of l'Annuaire to the Company, in an agreement dated 26 June 2000, in effect until 31 December 2004, and automatically renewable for the same length of time as the original agreement (see section 4.5.3. "Agreement on Manufacturing and Distributing l'Annuaire and PagesJaunes 3611 Alphabetical Search"). In 2004, under the advertising representation agreement, PagesJaunes prospected for customers and billed advertisers in l'Annuaire (see section 4.5.2 "Advertising Representation Agreement"). The advertising revenue billed to advertisers by the Company were fully booked in PagesJaunes revenue figures. The amount paid back to France Télécom was booked under costs of services and products sold. l'Annuaire produced revenue of 113.8 million euros in 2004, which is 11.6% of the 2004 Consolidated Group revenue. In 2004, PagesJaunes paid France Télécom a publisher's fee of 53.8 million euros under

the terms of the advertising representation agreement. Under the manufacturing agreement signed with France Télécom, PagesJaunes was responsible for the production, manufacture and distribution of l'Annuaire, published by France Télécom. Under the regulations applicable to universal directory and directory assistance services, the France Télécom group made a bid for the publication of the universal directory and directory assistance services, stating that the printed universal directory would be subcontracted to PagesJaunes. In a decree dated 3 March 2005 by the Ministry of the Economy, Finance and Industry, France Télécom was appointed the operator in charge of universal directory services and the general directory (see section 4.5.3).

4.2.1.3 On-Line Services

PagesJaunes SA also provides on-line services which have become increasingly important in 2004. Since PagesJaunes 3611 was launched on Minitel in 1985, this service has been progressively enhanced by the launch of the website pagesjaunes.fr in 1997 and the development in the same year of a website creation and hosting service. The appearance of the PagesJaunes service on Minitel 1985 has helped to familiarise users and advertisers with an on-line directory service. This familiarity then encouraged the development of pagesjaunes.fr. In December 2000, the WAP version of pagesjaunes.fr intended for mobile phones was launched and

then deployed on all operators' platforms. The service has since been adapted to technological advances. The latest version put on line in July 2004 allows the user's location to be pinpointed. This service is also available on the 3rd generation Orange and SFR portals. The number of visits to PagesJaunes Internet mobile services in 2004 came to 4.6 million, which is an average of 386,000 visits a month. In 2004, PagesJaunes on-line services generated revenue of 254.5 million euros, which is 25.9% of the Consolidated Group revenue for 2004. In 2004, about 420,941 advertisers were customers of the Company's on-line services. Most of the revenue comes from listing products – the same for PagesJaunes 3611 and pagesjaunes.fr – and advertising products specific to each of these platforms. The revenue produced by these listing products, which represented about 31% of the revenue from on-line services in 2004, is divided between PagesJaunes 3611 and pagesjaunes.fr, in proportion to their respective audiences. If we take PagesJaunes 3611 and pagesjaunes.fr as a whole, pagesjaunes.fr represented about 64% of this total in 2004, compared to 36% for PagesJaunes 3611. In addition, the revenue figures for the on-line services also include the website creation and hosting business. The main costs associated with PagesJaunes' on-line business are information system costs, marketing and advertising costs, as well as administrative costs.

The following table shows recent changes in the number of searches on PagesJaunes' on-line platforms:

	June 2003	December 2003	June 2004	December 2004	Variation June 2003/ June 2004	Variation Dec. 2003/ dec. 2004
PagesJaunes 3611*	25.8	21.3	19.5	15.0	-24.4%	-29.6%
pagesjaunes.fr**	22.1	23.5	34.6	36.0	+56.6%	+54.5%
Total	47.9	44.8	54.1	51.0	+13.2%	+13.8%

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

**Source: Cybermétrie-Médiamétrie-e-stat, in number of visits.

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

PagesJaunes 3611

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

PagesJaunes, publisher of PagesJaunes 3611 business searches, retains all the advertising revenue from business listing products. France Télécom, the publisher of PagesJaunes 3611 alphabetical searches has assigned to PagesJaunes all the tasks involved in advertising representation, the production and publishing of this directory.

For advertising representation, PagesJaunes receives payment based on an agreement (see section "4.5.2. Advertising Representation Agreement"). The amount of advertising invoiced to advertisers on PagesJaunes for advertising space in the alphabetical searches on PagesJaunes 3611 is fully booked in PagesJaunes' revenue. The Company then pays France Télécom the part of the revenue which is over and above its commission for advertising representation. The amount so paid is booked under costs of services and products sold. PagesJaunes 3611 remains a well-used service with 15 million searches in the month of December 2004 (source: PagesJaunes). In 2004, PagesJaunes 3611 generated 85.8 million euros in revenue, which is 8.7% of the Consolidated Group revenue.

Strengthened by its experience with Minitel, PagesJaunes was able to create an attractive range of Internet advertising products for advertisers on the pagesjaunes.fr website.

pagesjaunes.fr

The pagesjaunes.fr website was launched in 1997 when the number of Internet users in France and the number of



Internet advertisers was still low. The increase in the number of Internet users in France, as well as the reputation and content of the pagesjaunes.fr services enabled the Company to attract a larger audience every year together with a growing number of advertisers on pagesjaunes.fr. At the end of December 2004, 307,953 advertisers had an advertising presence on line at pagesjaunes.fr. In 2004, pagesjaunes.fr generated revenue of 146.1 million euros, which is 14.9% of the Consolidated Group revenue. The pagesjaunes.fr website offers various services to Internet users:

> searching for a business or an individual using refined search criteria such as the business, name, address, location or department of the business or individual sought. Users performing a search can also access maps for 2,196 towns and over 4 million photos of 23 towns to find the business or individual being sought. These additional services are offered by the Company in partnership with its subsidiary Mappy;

> a private space called "Espace Perso". Created in 2003, Espace Perso is a free service which allows individuals or businesses who wish to add active links to their information appearing in pagesblanches.fr. These links enable Internet users to send a text message or an e-mail directly without the subscriber's mobile telephone number or e-mail address being revealed. Espace Perso answers Internet users' desire to be easily contacted, while keeping their personal information confidential;

> a service called "Recherche à Proximité". Created in January 2004, this enables any Internet user, based on a simple address or a category of businesses being sought, to get a free list of these businesses close to the address given, as well as a map of the area with the pagesjaunes.fr advertisers highlighted. This service was extended to 900 towns in November 2004;

> access to the reverse directory "QuiDonc". This reverse directory is specifically described in section 4.2.1.4 "Other Businesses – the QuiDonc Reverse Directory".

> the possibility of rapid access to over 200 directories on line all over the world and to get information about a company in another country for example. This service is offered free of charge to users of pagesjaunes.fr;

> the "Ville en Direct" service which allows the user to get practical information about a particular town such as the current weather and forecast, traffic situation on the national and Paris/Île-de-France motorway network, and video images of the town (webcams). This service started in February 2005. The Company has managed to make pagesjaunes.fr one of the most popular sites in France in terms of audience. With a coverage rate of 31.5% in December 2004 (source: Nielsen Home and Work), it regularly ranks 8th in French sites. In terms of visits, pagesjaunes.fr has made great progress over recent months: an average of 31.9 million visits per month in 2004 compared to an average of 21.3 million visits per month in 2003 (source: Médiamétrie/eStat). Pagesjaunes.fr is also accessible from the Wanadoo and Voila portals, which belong to the France Télécom group and from the other major sites for French users. Access from all these portals and sites represents 15% of the audience for pagesjaunes.fr in numbers of pages viewed (source: Médiamétrie/eStat, September 2004).

Website Creation and Hosting

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

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

This service was enhanced in November 2004 by a new product called "En Savoir+". This new product uses a very standardised production process which reduces both production costs and the tasks performed by the marketers to sell this type of product. This simplification also allows Televente to offer this product to its customers. On 19 January 2004, 3,029 customers had already signed up for this new product. The income from this business comes from billing for design costs, flat fees for services and marketing additional options, and for the "En Savoir+" product, an annual fee for a package which includes creating the website, hosting it and listing it on pagesjaunes.fr; this latter item is booked under pagesjaunes.fr earnings. This business generated revenue of 22.6 million euros in 2004, which is 2.3% of Consolidated Group revenue.

4.2.1.4 Other Businesses

The PagesPro Directory

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

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

For everyone else, the PagesPro directory is available for purchase.

Most of this income is from sale of advertising space in the PagesPro directory, which generated revenue of 15.4 million euros in 2004, which is 1.6% of Consolidated Group revenue. 26,366 businesses used one of the PagesPro directory services in 2004 to advertise.

Printed PagesPro

In 2004, the printed PagesPro directory listed 291,832 businesses, selected based on type (which must be geared to other businesses) and their size (a minimum number of staff is set for each type of business). These businesses were categorised

under 459 types of business and classified based on where they do business.

Five regional versions are published each year: Northwest, Southwest, Southeast, Northeast and Île-de-France.

The PagesPro directory contains a lot of information about the businesses listed:

> contact information with the company name, address, telephone and fax numbers, how many employees it has, e-mail and website address, and;

> information about the company's business such as its main activity, products and services.

In 2004, about 300,760 copies were distributed.

The PagesPro Directory on CD-Rom

In 2004, the PagesPro directory on CD-Rom listed 525,736 businesses. The search is simplified for the user by two choices: a free search or a search filtered by business, APE, NAF or SIRET/SIREN code, by name, geographical area or by size. The contact facility on the CD-Rom allows a user with an Internet connection to send e-mail messages to the company and to look at its website(s). He can also use the autodial system for telephone or fax.

In 2004, about 381,000 copies were distributed.

pagespro.com

The PagesPro directory is also available free of charge on the Internet (www.pagespro.com) with a database of about 538,211 businesses all over the country. The information available to Internet users is enhanced, compared to the printed or CD-Rom PagesPro directories, by information bought from third parties (such as financial information about the companies and information about economic trends in this business sector). Searching for a business using the pagespro.com site is facilitated by having four main search modes available: by company name, by business, by NAF or by SIRET/SIREN code. The search can also be refined using geographical criteria: region, department, locality or address. The Internet user also has an additional interactive service providing him with a map and itinerary to reach the business's physical site.

The QuiDonc Reverse Directory

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

QuiDonc is available from Minitel (3617 QuiDonc), on an Audiotel server, by telephone at 3288 (voice server), by a text message sent to 61800, by interactive television (TPS line-up) as well as using WAP services offered by mobile telephone operators. QuiDonc is also accessible directly over the Internet (www.quidonc.fr), on the pagesjaunes.fr site (using the "À QuiDonc il est ce numéro ?" and "Mais QuiDonc porte ce nom ?" tabs) and is also available as a fee-paying service on wanadoo.fr and voila.fr as well as other user sites.

The QuiDonc service is a fee-paying service. On the Internet payment is secured and the cost of a search is not calculated based on the amount of time used as on Minitel and Audiotel, but by search. The Internet user is billed 0.50 euro plus tax per search with "À QuiDonc il est ce numéro ?" and

1.50 euros plus tax per search with "Mais QuiDonc porte ce nom ?".

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

Europages

Europages is a directory listing 550,000 companies selected based on the size of their import-export activity in all sectors of business, in about 30 European countries. The Europages directory provides the addresses, telephone and fax numbers, e-mail and website addresses of the companies listed. These businesses are listed based on detailed categories comprising 21 business sectors, 700 main headings and 3,500 specialist headings. The Europages directory is also available on CD-Rom and is accessible over the Internet. The printed and CD-Rom directories are distributed free of charge to 580,000 businesses all over Europe, selected based on their type of business, size and export capacity. Europages is a registered trademark of Euredit, a subsidiary of the Seat Pagine Gialle group. The Company is responsible for the advertising representation in France of the Europages formats (print, CD-Rom, Internet) based on a contract with Euredit renewed on 30 May 2000, which sets the conditions for advertising representation for the 2001 to 2006 editions.

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

In 2004, the advertising revenue from PagesJaunes in this business represented 4.0 million euros and the publisher's fee paid to Euredit came to 3.8 million euros. The amount of the fee so paid was booked under "Cost of services and products sold".

Sale of On-Line Access to Databases

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

In application of a decision made by the Competition Council on 12 September 2003 against France Télécom, the prices

charged for this business were reduced so that they are strictly geared towards covering costs.

The main customers are the information services of French mobile telephone operators (Orange, SFR, Bouygues Télécom) and foreign operators (particularly Belgacom, Swisscom, Deutsche Telekom). In 2004, this business represented revenue of 6.0 million euros, which is 0.6% of Consolidated Group revenue.

4.2.1.5 Competition in France

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

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

Competition for Audience

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

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

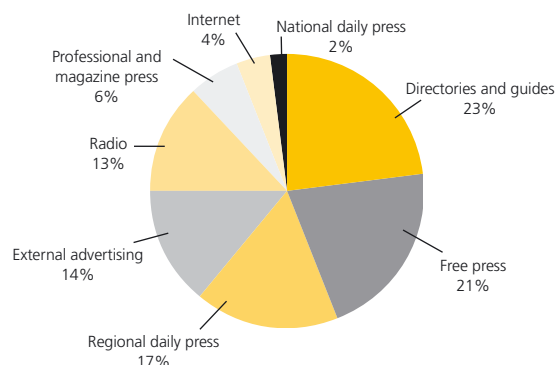
So, the Company's main competitors are:

- > electronic or paper listings, which store telecommunications numbers;
- > operator information services (particularly France Télécom's 12 number, Orange's 712, Bouygues Télécom's 612 and SFR's 222);
- > the free press (particularly media published by Comareg and Spir Communication, 20 Minutes and Metro);
- > Internet search engines (particularly Google, Voila, Yahoo! and MSN);
- > thematic portals on the Internet, as well as specialised vendor sites (viamichelin.com, webcity.fr, seloger.com, ebay.fr, voyages-sncf.com, hotels.com, kelkoo.com); and
- > other publishers of print or on-line directories (particularly Bottin – the Soleil, U Corsu and Iliad directories), as well as town directories and local guides which are also being developed on the Internet.

Competition From Advertising Media

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

competitive horizons. Publishers of thematic content on the Internet are developing advertising services aimed at local advertisers (business listings, minisites describing the services offered by these businesses, on-line reservations or purchases). This is also true of Internet search engines which are developing fee-paying advertising services in their hit lists, aimed at small- and medium-sized businesses. The advertiser market at the local level in France (as defined in the diagram below) represented total spending of 3,815 million euros in 2003 and the diagram which follows shows how this spending is divided among the various advertising outlets:



Source: France Pub, 2003 figures, excluding cinema and local television, direct marketing, promotions, special events and public relations.

The advertising market at the local level increased by 14.5% between 2000 and 2003, and the Directories and guides segment increased by 18% over the same period. In 2003, the Directories and guides segment represented 850 million euros. In this segment, the Company's directories are in competition with all the other directories in print or on line available in France, and the Company's market share is about 93%.

4.2.2 International and Subsidiaries

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

- > publishing general public directories outside France;
- > developing the Kompass directories in Europe, and;
- > developing complementary activities to the directory publishing business, such as map and database marketing services.

The Group currently publishes general public directories in Spain, Lebanon and Luxembourg, particularly the Kompass directories in France, Spain, Belgium and Luxembourg. Finally the Group has developed its complementary businesses which include value-added services such as Mappy's map services or in the area of database marketing, selling Wanadoo Data marketing files and database processing. The International and subsidiaries segment represented total revenue in 2004 of 75.7 million euros, which is 7.7% of Consolidated Group revenue in 2004. PagesJaunes Group's goal is to profitably develop these businesses, which constitute a potential for additional growth and a natural extension of its directory publishing business in France.

4.2.2.1 General Public Directory Publishing Outside France

4.2.2.1.1 QDQ Media

The QDQ Media company was created in 1997 to draw part of the development potential of the Spanish market (low directory penetration, small presence in the advertising market compared to the other European markets) with a differentiated and more modern product. QDQ Media was purchased by Wanadoo in April 2001 and then sold to PagesJaunes in April 2004 (see section 4.1 "General Presentation of the Company and the Group – History and Changes in Group Structure").

QDQ Media currently offers printed directories, on-line services as well as an operator-assisted directory information service. To market advertising space in these platforms, QDQ Media has developed a field sales force, and then starting in 2001, telephone marketing, which together represent about 500 people. The field sales force is organised into seven agencies: Centre, Catalonia, North, Northwest, Castille-Canaries, Andalusia and Levant. Each agency manages between seven and eleven directories.

Telephone marketing consists of three platforms: Madrid, Barcelona and Saragossa.

QDQ creates the database from public sources enhanced by information gathered in the field. In addition, QDQ Media gets free access to the databases of subscribers of the various operators following a decision by the Spanish Telecommunications Market Commission on 7 November 2002. QDQ Media is now the second directory publisher in Spain in terms of revenue (source: AMR International. The European Telephone Directory Market, autumn 2003). So, 74,311 advertisers used QDQ Media in 2004, generating revenue for the company of 36.6 million euros (0.1 million of which was eliminated in consolidation), corresponding to 3.7% of Consolidated Group revenue. QDQ Media's income is basically from selling advertisements in its printed and on-line directories. QDQ Media offers its advertisers a wide array of advertising products to best meet their different needs. The main costs of QDQ Media are publishing costs (buying paper, printing and distributing the directories), plus marketing and administrative costs.

Printed Directory: QDQ, La Guia Util

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

The first five QDQ, La Guia Util directories were launched in 1998 in the province of Madrid. Between 1999 and 2001, 63 additional directories were created. Today, QDQ Media publishes 68 printed directories which come out each year and cover almost all of Spain. They are distributed free of charge to private homes and companies. 15 million copies of QDQ, La Guia Util were distributed in 2004.

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

35% of the Spanish population aged 16 and above said it had used a QDQ, La Guia Util directory over the previous twelve months (source: Gallup España, January-December 2004).

The older directories are the best established and their audience is sometimes close to that of Páginas Amarillas, as is the case in the province of Madrid where the directories are in their seventh or eighth editions.

The printed directories represented about 90.2% of total revenue for QDQ Media in 2004. In 2004, in the printed classified directory segment defined as the sum of TPI and QDQ Media, QDQ Media's market share came to 10.1% (source: for the TPI printed classified directory revenue figures, TPI press release of 17 February 2005).

On-Line Services

QDQ Media launched the QDQ.com site in 2001 to offer users the possibility of searching for businesses on the Internet. The QDQ.com site has developed particularly by offering Mappy's photograph and mapping services (Mappy's business is described in section 4.2.2.3.2 "Mappy"). Madrid and Barcelona in photographs, in 2002, and then Valencia and Seville in photographs in 2003 have been very successful with users and have contributed to a significant increase in the audience for the QDQ.com site.

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

The QDQ website received an average of 1,040,000 visits per month in 2004 (source: OJD www between January and September 2004 and Gallup between October and December 2004), which is an increase of 69% compared to 2003. QDQ Media's Internet directories generated about 9.6% of company revenue.

Operator Services

QDQ Media launched an operator information service in July 2004: number 11875. This service uses QDQ Media's database and has gradually been made accessible on the networks of the main telecom operators in the second half of 2004.

QDQ Media Restructuring

In 2003, the management team at QDQ Media was completely restructured. The new team took steps to correct the company's situation, particularly by making a business plan as well as clearing up customer accounts and setting up a policy to prevent and collect bad debts. The reduction in employees (about 120 persons, basically in support functions, which is about 14% of the total number of employees on 31 December 2003) was accompanied by a reorganisation intended to increase team productivity and the company's operating efficiency. In addition, measures were taken to revitalise sales. So, both the QDQ, La Guia Util printed directories and the QDQ.com sites were drastically overhauled in 2004 using the experience of the PagesJaunes Group. In addition, a new employment contract for the field sales force was introduced in 2003: it was extended in 2004 to all the sales force.



Competitive Market for QDQ Media

The Spanish directory market had total revenue of 431.0 million euros in 2002, including operator services and alphabetical directories, segments in which QDQ Media was not present. This market saw an average annual increase of 7% between 1999 and 2002. (Source: AMR International, The European Telephone Directory Market Report 2003, Autumn 2003).

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

4.2.2.1.2 PagesJaunes Liban

The PagesJaunes Liban company was created in January 1997 to publish the official directories in Lebanon, based on a contract with the Ministry of Telecommunications in Lebanon in effect until 31 December 2006. Under the terms of this contract, PagesJaunes Liban markets, publishes and distributes an alphabetical directory (Les Pages Blanches) using a database provided free of charge by the Ministry of Telecommunications, and a business directory (Les Pages Jaunes), which uses a database which is constantly updated by PagesJaunes Liban. The Ministry is responsible for part of the cost of publishing and distribution, and PagesJaunes Liban keeps most of the advertising revenue. PagesJaunes Liban is also the publisher of the on-line directory pagesjaunes.com.lb/yellowpages.com.lb, launched in 1999, which gives access to all the information in the Pages Jaunes and Pages Blanches directories, as well as the Pages Jaunes Tourisme, published for the first time in 2004. PagesJaunes Liban is the owner in Lebanon of the trademarks Pages Jaunes and Pages Blanches in three languages (French, English and Arabic). PagesJaunes Liban takes most of its income from advertising products. The company is not consolidated in the Group's accounts because of its low revenue (about 0.9 million euros).

PagesJaunes Liban is the only company publishing general public directories present in Lebanon. The company is in competition with all the local advertising media as well as local and international Internet companies. The market for general public directories is small and is changed in a generally difficult economic environment.

4.2.2.1.3 Editus Luxembourg

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

Eurodirectory and P&T Luxembourg appoint the same number of Directors, and the Chairman of the Board is someone appointed by P&T Luxembourg.

Editus Luxembourg offers users printed and on-line directories. The details of individuals and businesses listed in these directories basically come from P&T Luxembourg's databases. Editus Luxembourg's income is from sale of advertising in these printed and on-line directories to about 14,100 advertisers. Editus Luxembourg had revenue of 16.9 million euros in 2004. Editus Luxembourg's main costs are publishing costs (buying paper, printing and distributing the directories) and commercial costs.

Printed Directories

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

On-Line Services

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

Competitive Market for Editus Luxembourg

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

4.2.2.2 Developing the Kompass Directories in Europe

The Kompass concept is a world business database system using a detailed classification system with 52,000 categories, owned by the company Kompass International, and constantly updated with value-added data. Kompass information includes details about 1.8 million companies as well as information about their management, important figures, brands, products and services. Kompass is well known in Europe and particularly in France.

Kompass International, a subsidiary of Coface, owns the Kompass trademark and licenses it in 70 countries (source: kompass.com). Through its subsidiaries, the Group has the Kompass license for France, Spain, Belgium and Luxembourg. In each of these four countries, PagesJaunes Group subsidiaries have exclusive rights to use the Kompass name and trademark, publishing and marketing advertising space in Kompass directories, as well as selling these directories. Kompass International publishes the website kompass.com, which offers fee-paying access to Kompass's worldwide database, fed mostly by its licensees.

Kompass France

Kompass France, which had been owned since 1988 through Eurodirectory, became a directly-owned 100% subsidiary of

the PagesJaunes Group in 1999 and operates the Kompass trademark in France and Spain through a branch office. Kompass France has two fields of business: advertising for businesses on the one hand, which involves selling advertising space in Kompass platforms (printed directories, CD-Roms and Internet with kompass.com), and also information, which involves selling the outlets themselves and direct marketing. The database on French companies created by Kompass France contains 160,000 companies. Kompass France had revenue of 24.7 million euros in France and Spain in 2004. The advertising business represented 68% of these revenue in 2004, excluding exchanges and postage, with about 8,500 customers and a field sales force of 88 people (in France and Spain). The information business represented the balance with over 5,600 customers and a sales force of 28.

Kompass Belgium

Created in 1967, Kompass Belgium has the Kompass license for Belgium (since 1967) and Luxembourg (since 2000). Kompass Belgium was sold to PagesJaunes by Wanadoo International in April 2004 (see section 4.1 "General Presentation of the Company and the Group – History and Changes in Group Structure"). Because of its size, Kompass Belgium is not consolidated in the Group accounts for the 2004 fiscal year. Kompass Belgium's database includes 76,900 companies, about 27,600 of which are classified according to Kompass's categories. This data is used in the form of printed directories, CD-Roms and are also accessible on the Internet at the kompass.com website. Kompass Belgium also publishes the Safety-Security-Hygiene-Environment directory as well as Diamonds, the reference directory for the Antwerp diamond business. Kompass Belgium had revenue of 3.9 million euros in Belgium and Luxembourg in 2004.

Competitive Markets for Kompass France and Kompass Belgium

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

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

4.2.2.3 Businesses Which Complement Directory Publishing

4.2.2.3.1 Wanadoo Data

Created in 1999, Wanadoo Data specialises in database marketing. Wanadoo Data sells particular files to individuals and companies for multi-outlet marketing campaigns (mail, telephone, e-mails, text messaging). Wanadoo Data also offers engineering services involving marketing database processing (standardisation for mailing, removal of duplicates, removal of

expired address and adding new addresses, enhancement, statistical analysis, localised marketing and hosting). In the various markets where it operates, Wanadoo Data faces the following main competitors:

- > marketing database marketing (postal address, telephone number, e-mail, text messaging): Mediaprisme, Axciom (Claritas/Consodata), La Poste, Insee, Wegener, Ibase and Buongiorno;
 - > engineering market involving marketing database processing: Wegener, Bertelsmann (Arvato Services), Axciom (Claritas/Consodata), La Poste, Presse Informatique, DPV, Sogec Datamark Services and Uniservices Informatique.
- Wanadoo Data has about 1,400 customers, the main ones belonging to the telecommunications, banking and insurance, press and publishing, and automobile sectors. Wanadoo Data's 2004 revenue came to 11.5 million euros. Wanadoo Data's income comes from billing for the databases sold and engineering services provided. Wanadoo Data's costs come mostly from buying data and production costs, which are basically staffing costs.

4.2.2.3.2 Mappy (formerly Wanadoo Maps)

Created in 1995, Mappy is now an important player in the on-line mapping services market. Mappy was bought by the PagesJaunes Group from Wanadoo France in April 2004 (see section 4.1 "General Presentation of the Company and the Group – History and Changes in Group Structure"). The company, which was previously called Wanadoo Maps, changed its company name in June 2004. Mappy's business is based on two product lines: on-line mapping services and photographs of towns, which are natural complements to the on-line directories and contribute to developing their audience.

Mappy acquires raw map data from third parties and integrates it into its own technological platform, which enables it to create services such as map display, drawing itineraries and nearby searches. These services are marketed as "turnkey" or as part of specific projects: they enhance the pagesjaunes.fr and QDQ.com directories but also lead website users to the closest shop, let them follow fleets of vehicles on the screen or add to on-board navigation systems. Mappy also makes these services available to the general public with mappy.com, accessible on the fixed and mobile Internet as well as on Minitel. In total, about 130 million map displays, itineraries or nearby searches were generated in September 2004 on the Mappy platform (source: Mappy). Mappy also creates photographic databases of whole towns, which can display the front of the building where most addresses are located, and, connected to Mappy's on-line mapping services, makes it possible to take a virtual walk in the towns covered by the service. Mappy's photographic databases include 21 towns (17 in France and four in Spain), with 5.1 million photographs, over one million addresses and over 15,000 kilometres of roads covered. The photographs are taken on public streets by Mappy or by third-party companies from whom Mappy buys these photographs. These photographic databases enhance pagesjaunes.fr and

QDQ.com and are also marketed to companies and local authorities. In total, over 18 million photographs had been displayed in September 2004 (source: Mappy).

Mappy's revenue came to 5.5 million euros in 2004, including 2.5 million euros within the Group. Mappy's income is mostly from fees charges for using its platform of mapping services, selling rights to distribute the photographs and updating them. Mappy's costs are mostly costs for buying raw map information and the cost of producing, buying and indexing the photographs. Mappy has some major competitors in the on-line mapping services market, which includes viamichelin.com, maporama.com, webraksa.com and 1bis.com. The following table shows changes in the rate of coverage of the two biggest sites in terms of mapping services, mappy.com and viamichelin.com:

In %	December 2003	March 2004	September 2004	December 2004
mappy.com	17.4	19.8	20.1	20.3
viamichelin.com	8.3	10.1	12.7	12.9

Source: Nielsen Home and Work.

In terms of rates of coverage in France, mappy.com is the leader with a reach level of 20.3%. Of all sites taken together, mappy.com is in the 20 most consulted sites in France. (Source: Nielson Home and Work).

4.3 COMPETITIVE ADVANTAGES

The Group believes it has competitive advantages today which give it a strong position in its domestic market, which should allow it to continue its growth and improve profitability of its businesses outside France.

> **A portfolio of well-known brands.** The Group owns brands which are very well-known in their respective markets, including PagesJaunes, Les Pages Blanches, QuiDonc, Mappy and QDQ, La Guia Util. The Group believes that having a well-known brand name is essential in the information search market (see section 4.2.1.1 "General Presentation on PagesJaunes Business in France – A Well-Known Brand").

> **A large audience for all formats, directly useful for advertisers.** In France, printed or on-line directories are among the media most consulted by French users ages 15 and above looking for businesses when taking the decision to buy.

> **A significant advance in the development of on-line services.** In December 2004, the domestic coverage rate for the PagesJaunes Internet directories was 31.5% compared to 20.8% for Seat Pagine Gialle and 6.6% for Yell (source: Nielson Home and Work, December 2004). In addition, PagesJaunes on-line directories benefited from the experience acquired with PagesJaunes 3611. In addition, the advertising revenue generated from pagesjaunes.fr is one of the highest in the directory publishing sector in Europe and in the Internet advertising market in France.

> **A high capacity for innovation for simple and useful services.**

– The Group has been able to make innovations to make its services accessible to the largest number of people, whatever the technology used – printed directories, Minitel, Internet, mobile telephones, interactive television – and whatever the user's location – at home, at work or on the move.

– In addition, the Group has been able to take advantage of technological advances to provide complementary services and promote an audience for its on-line services. So, the mapping services and on-line availability of town photographs on the pagesjaunes.fr and QDQ.com websites have been able to contribute to developing the audience for these sites and have promoted the development of the advertising services.

– Finally, its association with France Télécom has allowed the Group to benefit from the technological power and capacities for research and development of one of the leading telecommunications groups in the world.

> **Outstanding business organisation.** Territorial coverage by an effective sales force enables us to optimise customer relations and the associated commercial costs. The sales staff receives regular training in our services and new technologies enabling them to market both printed products and on-line services. In addition, their means of compensation is a particular incentive for developing and retaining our customer base.

> **Many loyal customers who recognise the value provided by the Group's services.** The Group has a very high level of loyalty rate in France from its advertisers who find that PagesJaunes services bring them a major part of their business.

> **A range of attractive advertising products.** The Group offers its advertisers a wide variety of advertising products in many formats (printed directories, Minitel, Internet, mobile telephones, interactive television). This range of products and formats allows advertisers to reach the highest possible number of users and respond to changes in usage.

4.4 STRATEGY

The Group's strategy is based on three major goals:

- > developing an audience for its services;
- > increasing revenue by increasing the number of customers, the average revenue per advertiser and by developing fee-paying services for the end user, and;
- > continuing to improve profitability.

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

4.4.1 Developing the Audience

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

The Group intends to continue developing its fee-paying services for end users, responding to the special logistics of searching for information when on the move. Enhancing the content accessible to these users and developing location pinpointing services should be key differentiation elements

which the Group aims to implement.

4.4.2 Continuing Revenue Growth

The Group aims to continue to increase its revenue by a growth in the average revenue per advertiser and extending its advertising customer base, by concentrating on the following actions:

- > developing innovative advertising products, particularly multimedia products (such as audio spots, video clips or advertisers' websites), the display products available in the printed directories and on-line services as well as promotion coupons;
- > increasing marketing efficiency, particularly by training and encouraging our sales staff, sharing good marketing practices and optimal distribution of advertisers over the various sales channels. The Group believes that this should lead to an increase in the spending which advertisers allocate to printed directories, simultaneously developing their investment in on-line services, and retaining the existing base of advertisers. In addition, these measures should increase penetration in regions where current penetration is below average;
- > developing the number of advertising customers, on the one hand, in businesses open to advertising (particularly the liberal professions like lawyers, doctors, etc.) and on the other hand, in businesses which have a history of not being sought out as customers by the Group (particularly the fashion and non-food retail businesses in town centres). This should be based partly on an increase of between 20 to 25% in the sales force in France (between the end of 2003 and the end of 2006), essentially dedicated to finding new customers. In addition, the Group aims to develop its fee-paying services for the end user. As well as services associated with on the move services on the mobile Internet, the Group will launch a value-added operator information service in the last quarter of 2005 as other European directory publishers have done. These services should enable the Group to increase its revenue and also contribute to developing its audience.

4.4.3 Continuing Improvement in the Group's Operations Management

Revenue growth should contribute, as in the past, to increase the Group's profitability. In fact, publishing costs (buying paper, printing and distributing the directories) constitute a major part of the Group's costs and are not significantly affected by changes in revenue. In addition, compensation costs for sales channels, which are essentially variable, are associated with generating revenue. As well as improved profitability associated with growth, the Group aims to continue a policy of strict cost management by continuously improving the efficiency of its operating processes and optimising the contractual conditions negotiated with its key suppliers.

4.5 RELATIONS WITH THE FRANCE TÉLÉCOM GROUP

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

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

4.5.1 Agreement for Making Directory Data Available for Publication of Directories

This agreement was signed on 26 June 2000 for a period of four years, automatically renewable for one-year periods. This agreement was terminated early by amicable agreement and was replaced by an agreement signed on 11 March 2004, retroactive to 12 September 2003. This agreement is in force until 31 December 2004 and is then automatically renewable twice for one-year periods. Under the terms of this agreement, PagesJaunes received the non-exclusive and non-transferable right to use France Télécom's landline telephone subscriber database, which is updated every day as part of an obligation to provide means, for the sole purpose of information services and publishing directories, in any form, and using an amount calculated based on the rate of usage of this database (amount fixed by usage). The fees are payable according to the following terms: 50% when ordering and the balance six months after the start of the year. At the end of each year, a comparison is made between the provisional usage statement and the actual usage measured during the period. If the comparison shows that the data usage by PagesJaunes was higher than forecast, France Télécom creates a revised invoice. In the opposite case, France Télécom enters a credit which is offset against the next invoice issued to the Company. This agreement falls under the obligation incumbent on all operators (including France Télécom) to provide the list of all its subscribers to anyone who wishes to publish a directory or provide an information service, under non-discriminatory conditions and at a price reflecting the costs of the service rendered.

Under the terms of this agreement, PagesJaunes agrees to immediately inform France Télécom of any change, of any kind, affecting the structure and/or the control of its share capital, ownership or management of its Company and, but not limited to, any change in its legal form, share capital, any changes in partners or shareholders. France Télécom then has the right to terminate the contract. In a letter dated 26 May 2004, PagesJaunes informed France Télécom that its planned IPO of PagesJaunes would result in changes to the structure of the share capital and would constitute a change in the shareholders. In a letter dated 28 May 2004, France Télécom informed PagesJaunes that it did not intend to exercise its right to terminate set out in the agreement for the fraction of PagesJaunes' share capital placed on the market under terms of the PagesJaunes IPO, nor would it exercise its right to terminate if, as part of this IPO, an offering was made to employees of the France Télécom group by a capital increase. If there is any change in the control of PagesJaunes, France Télécom will do its best to allow PagesJaunes to continue to use France Télécom's landline subscriber database at market terms.

4.5.2 Advertising Representation Agreement

Under the terms of this advertising representation agreement, France Télécom has given PagesJaunes sole responsibility for finding new customers and gathering the advertising to be placed in l'Annuaire and on the alphabetical PagesJaunes



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

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

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

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

4.5.3 Agreement on Manufacturing and Distributing l'Annuaire and PagesJaunes 3611 Alphabetical Search

Under an agreement dated 26 June 2000, France Télécom has made the Company responsible for carrying out on its behalf all the tasks required for the manufacture, distribution and promotion of l'Annuaire and PagesJaunes 3611 alphabetical search. France Télécom, as the publisher of l'Annuaire, sets the parameters for the database list of telephone subscribers to be inserted, the type of information regarding each subscriber's entry and the parameters for the distribution list. France Télécom approves the suggestions made by PagesJaunes in relation to the design of l'Annuaire, the publication schedule for the paper l'Annuaire and the availability of the electronic l'Annuaire, promotion campaigns for l'Annuaire, the advertising products to be inserted in l'Annuaire and their prices, and also decides on any changes in l'Annuaire. France Télécom provides to PagesJaunes all items relating to the content of l'Annuaire which concern France Télécom. This agreement is in effect until 31 December 2004 and is then automatically renewable for the same period as the first one, unless either of the parties has notified the other of its desire not to renew in a registered letter with return receipt, sent at least twelve months before the expiration of the current term. If France Télécom, on its own initiative or based on the text of a law or regulation or a decision (administrative or judiciary), has to change the features of l'Annuaire or the conditions for its manufacture or

distribution, the parties have agreed to meet to assess the possibilities of continuing the contract bearing in mind these changes to be made to it. If continuing this contract is not possible for any reason whatever, it will be terminated as of right and neither of the parties may claim any compensation from the other.

Under the terms of this agreement, PagesJaunes charges all the costs of internal and external means needed to produce l'Annuaire and PagesJaunes 3611 alphabetical search to the publishing fees owed to France Télécom. Law No. 2003-1365 of 31 December 2003 provides for a call for applications to appoint the operator responsible for the general information service and the general directory. The procedures for this call for applications were set out in an opinion issued by the Ministry of the Economy, Finance and Industry published in the *Journal Officiel* on 25 November 2004 ("*Opinion on a call for applications to appoint an operator in charge of providing the general electronic communications service component set out in point 2 of article L. 35-1 of the Postal and Electronic Communications French Code*").

The France Télécom group made an application and stated that responsibility for providing the general printed directory would be given to PagesJaunes. In a decree of 3 March 2005 by the Ministry of the Economy, Finance and Industry, France Télécom was appointed the operator in charge of the general information service and the general directory for a two-year period. France Télécom and the Company, on the date of this document, are currently examining the consequences of this appointment, with the reminder that in the agreement dated 26 May 2004, France Télécom and PagesJaunes agreed that:

- > if at the end of this call for applications France Télécom is appointed the supplier for the general directory and advertising representation agreement and the agreement on manufacturing and distributing l'Annuaire and PagesJaunes 3611 alphabetical search will be continued, subject to any amendments which the parties may make to them by joint agreement as well as changes to their expiration dates to bring them into line with the expiration date of the provision of the general directory by France Télécom if this date is earlier than the expiration date of those agreements;
- > if at the end of this call for application, PagesJaunes receives the appointment to provide the general directory, or if neither PagesJaunes nor France Télécom nor any other company in the France Télécom group receives the appointment to do so:

- France Télécom will sell PagesJaunes the "l'Annuaire" trademark for 7.2 million euros as part of an agreement to be signed by the parties (the price of 7.2 million euros was set using the actualisation method for the additional cash flow to be generated for PagesJaunes by the acquisition of this trademark), with the stipulation that if the general directory appointment occurs after 30 June 2005, France Télécom and PagesJaunes have agreed to negotiate in good faith the terms and conditions to sell the "l'Annuaire" trademark, especially the price, and;
- (i) France Télécom and PagesJaunes will terminate immediately and with no compensation payable for any reason the advertising representation agreement and the

agreement for manufacturing and distributing l'Annuaire and PagesJaunes 3611 alphabetical search, (ii) France Télécom agrees until 31 December 2009 not to compete with PagesJaunes in its business of publishing an alphabetical printed directory in France and (iii) as far as the usage, distribution, availability and promotion of PagesJaunes 3611 alphabetical search is concerned, of which France Télécom will remain the owner because it cannot legally sell it, these activities will continue under the terms of a new contract to be negotiated in good faith by France Télécom and PagesJaunes: the terms of this contract must be in large measure the same as those in the advertising representation agreement and the manufacturing and distribution agreement for these activities.

4.5.4 Agreement for Making the Directory Data of France Télécom Available for Direct Marketing or Marketing Research

This contract was signed by France Télécom and Wanadoo Data on 11 March 2004, retroactive to 12 September 2003, and ends on 11 September 2004. It is then automatically renewable for additional one-year periods. Under the terms of this contract, Wanadoo Data has the right to use France Télécom's directory data, a weekly update and a redistribution credit of 10 million addresses, for an annual amount, excluding tax, of 200,000 euros. This contract stipulates that Wanadoo Data must inform France Télécom immediately of any change, of any kind, affecting the structure and/or control of its share capital, ownership or management of its company, including but not limited to any change in its form, share capital, any change in partners or shareholders. France Télécom then has the right to terminate the contract.

4.5.5 Cash Management Agreements

Since 1999, based on agreements renegotiated each year, the Group invests almost all the Consolidated Group's liquid assets in France Télécom. In a contract dated 12 December 2003, the Company invested 480 million euros with France Télécom. This investment, which expired on 12 March 2004, was automatically renewed for additional three-month periods until 12 December 2004. This cash flow agreement was renewed for the period between 12 December 2004 and 12 December 2005. The 480 million euros will now be paid back at a variable interest rate of EURIBOR 3 months plus a margin of 0.10%. The bonus paid by France Télécom to the Company is equal to the difference between 2.80% and the interest rate which will have been applied during each three-month period: this bonus will be applicable for each three-month period only on the part of the debt which is still on loan between 12 December 2004 and 12 December 2005. The Company is also associated with France Télécom by a cash flow agreement as part of the cash flow management of the France Télécom group, and this agreement is the same as the standard one between France Télécom and its subsidiaries. As the creditor, the Company's current account under this agreement is paid back at the EONIA (formerly TMP) rate plus a margin of 0.05%: this agreement also provides a possibility for the Company to borrow money from France Télécom.

Just like the way a current account works, the amounts invested (or, respectively, all amounts borrowed), may be withdrawn (or paid back) at any time.

4.5.6 Leases and Subleasing Agreements

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

4.5.7 Profit Sharing and Company Savings Plans

The Group benefits from the current profit-sharing agreement in effect at the France Télécom group (see section 6.3.1 "Profit Sharing and Company Savings Plan Agreements").

4.5.8 Assistance Agreements

In an agreement signed on 26 May 2004 for a period of one year starting on 1 January 2004, automatically renewable, France Télécom agreed to provide assistance and advice to PagesJaunes Group particularly in the legal, accounting and strategy areas and to provide its expertise on the selection of methods of financing and financial management decisions. The services rendered by France Télécom under this agreement are billed at 0.49% of Group external revenue, excluding tax, for French companies and at 0.22% of Group external revenue, excluding tax, for subsidiaries in other countries. France Télécom's policy is to review these revenue percentages each year based on the type and volume of services provided and to change them if they no longer reflect the costs incurred, with the stipulation that, in accordance with application regulations, if these percentages no longer reflect market conditions, the agreement will be subject to advance permission from the Board of Directors or the Supervisory Committee of the Company, pursuant to the provisions of article L. 255-38 or article L. 255-86 of the French Commercial Code. In addition, in an agreement signed on 26 May 2004 for a period of one year (1 July to 31 December 2004 for the first year), automatically renewable, France Télécom gave PagesJaunes Group a non-exclusive licence for the France Télécom brand names in exchange for an annual fee of 0.06% of the external revenue, excluding tax, of the Group companies receiving the licence.

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

Finally, in an agreement signed on 1 January 2002, PagesJaunes Group agreed to provide Wanadoo International (and now Atlas Services Belgium, its successor) with advice and assistance particularly in administrative and financial matters relating to managing Wanadoo International's international directory subsidiaries in exchange for a fee based on actual costs plus a margin. As this *Document de référence* goes to



press, this agreement involves the Télécontact (Morocco) and Jordan Yellow Pages companies.

This agreement was signed for an initial period of two years and is automatically renewable for additional one-year periods.

4.5.9 Non-Competition Agreement

In an agreement dated 26 May 2004, France Télécom agreed not to compete with PagesJaunes until 31 December 2008 in France and Spain in its business as a publisher of printed business directories (mainly the PagesJaunes and QDQ, La Guia Util directories). For its business publishing alphabetical directories, France Télécom agreed not to compete with PagesJaunes until 31 December 2009 only in France and only if PagesJaunes is assigned as the supplier of the general directory, or if neither PagesJaunes nor France Télécom nor any other company in the France Télécom group is assigned (see section 4.5.3 "Agreement on Manufacturing and Distributing l'Annuaire and PagesJaunes 3611 Alphabetical Search").

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

4.5.10 France Télécom Group Holding in the Company's Share Capital

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

4.6 GROUP'S RELIANCE ON CERTAIN FACTORS

4.6.1 Dependence on Patents and Licences

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

Therefore the Group owns all the marks used in its business, except for the "l'Annuaire" mark which is held by France Télécom, the "Kompass" mark held by Kompass International and the "France Télécom" mark held by France Télécom. The "PagesJaunes" mark has been subject to appeals to have it cancelled for various reasons, particularly based on the lack of distinctiveness. The Paris Court of Grand Instance confirmed the validity of the trademark "PagesJaunes" on 14 May 2003, and the case is currently pending before the Paris Court of Appeal. An unfavourable outcome of this lawsuit could have a significant negative effect on the Group's financial position, results and goals (for more on the lawsuit involving the "PagesJaunes" trademark, see section 4.9.4 "Legal Risks – Lawsuits and Arbitration"). The "l'Annuaire" trademark is owned by France Télécom and is used by PagesJaunes only for the proper execution of the tasks given to PagesJaunes by France Télécom under the terms of the agreement on l'Annuaire signed by the companies on 26 June 2000 (see section 4.5.3 "Agreement on Manufacturing and Distributing l'Annuaire and PagesJaunes 3611 Alphabetical Search"). The "Kompass" trademark which is owned by Kompass International is covered by separate licensing agreements signed with Kompass France for the French and Spanish

markets and Kompass Belgium for the Belgian and Luxembourg Markets.

Under the terms of these licensing agreements, the licensor, Kompass International, requires exclusive use of its nomenclature "Kompass nomenclature" and in exchange allows the use of the international "Kompass" trademark. These contracts stipulate therefore that the licensees have an exclusive right to use the Kompass trademarks in each country involved. In addition, the licensees have co-ownership of the Kompass system with Kompass International, and the latter agrees not to give a licence to anyone else during the term of the licensing agreement.

For France, Kompass International signed a licensing agreement with Kompass France on 21 September 1983. For Spain, in a contract dated 21 October 1998, Kompass France took over the licence which was previously given to Ibericom by Kompass International. In addition, on 26 April 1984, Kompass International signed a licensing agreement with Kompass Belgium for Belgium. Finally, in a trademark licensing agreement dated 4 February 2000, Kompass Belgium took over the license given to Editus Luxembourg by Kompass International for Luxembourg.

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

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

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

4.6.2 Dependence on Supply Contracts and Industrial Contracts

4.6.2.1 Paper Purchases

As part of a centralised purchasing programme and based on PagesJaunes' experience, France Télécom has signed framework agreements with a certain number of major paper suppliers including UPM Kymmene France, Holmen Paper AB, Kruger, Norske Skog Canada, Katahdin Paper Company and M Real France. The terms and conditions of these framework agreements apply to all companies where France Télécom owns over 20% of the share capital, particularly including PagesJaunes and QDQ Media. Under the terms of these framework agreements, each company sends its orders directly to the suppliers and is solely responsible for the resulting obligations. Contracts for supplying paper include commitments to purchase particular amounts. They are in effect until 31 December 2004, except for the contracts signed with Kruger and Katahdin Paper Company which are in effect until 31 December 2005, and do not include any automatic renewal clauses. If PagesJaunes would like to make substantial changes to their terms, the supplier must inform France Télécom, who,

if it finds it necessary, will open negotiations for this purpose with the supplier and PagesJaunes. For the risks involving the contractual relations with France Télécom, see section 4.9.3 "Risks Relating to Group Relations With the France Télécom Group".

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

4.6.2.2 Printing

PagesJaunes has signed four major contracts with the following printers in order of size and in terms of cost to the Company for 2003: Imprimerie nationale (France), EINSA (Spain), RR Donnelley UK Directory (United Kingdom) and Elanders Tryckeri AB (Sweden). These contracts were all signed to print the 2003, 2004 and 2005 directories, except for the contract signed with Imprimerie nationale which only covers the 2003 and 2004 editions. The prices negotiated with the printers are fixed for the term of these contracts but the order amounts set out in the contracts are only provisional. PagesJaunes remains the owner of the paper provided and the printer assumes the risks of depositary in terms of the paper delivered to it for the purpose of providing its services. Under the terms of the contract signed between PagesJaunes and EINSA, QDQ Media signed an agreement with EINSA on 26 September 2003 to print directories starting in September 2003. This agreement expires on 31 December 2005 and also covers the 2004 and 2005 editions. It includes set prices for the term of the contract and order amounts which are only provisional.

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

4.6.2.3 Distribution

PagesJaunes has signed four major contracts for distributing the PagesJaunes and l'Annuaire directories. In order of size, these contracts were signed with the following companies:

Adrexo, Spass Diffusion, Intra Muros Communications and Solys. All these contracts cover the distribution of PagesJaunes directories between 1 January 2004 and 31 December 2004, and include provisional order amounts. PagesJaunes does not consider itself dependent on any of these distributors.

4.6.2.4 Access to Directory Data

The Company has signed an agreement to make the directory data available for directory publishing purposes between PagesJaunes and France Télécom, described in section 4.5.1 "Agreement for Making Directory Data Available for Publication of Directories".

In addition, the Company has signed agreements with various operators (T. Systems, Tiscali, Kaptech, Louis Dreyfus Communication, 9 Télécom Entreprises, MFS Communication, Estel, UPC Phone Systems & Network, Afone) allowing it to access their subscriber databases. These agreements are usually signed for a period of one year automatically renewable for additional one-year periods. Based on these contracts, the overall cost for the Group in relation to accessing operators' databases came to 2.5 million euros in 2004.

4.7 HUMAN RESOURCES

The concept of Consolidated Group employees used in this Section covers all employees in the Consolidated Group companies except for those in Editus Luxembourg, a consolidated company using the equity method.

4.7.1 Employees

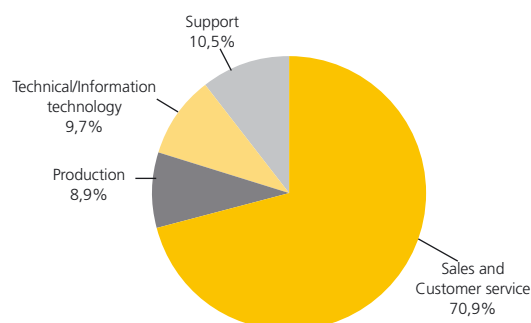
On 31 December 2004, the Consolidated Group had 4,762 employees (including those sales staff with the status of sales representative-travelling salesman (French acronym "VRP") compared to 4,689 on 31 December 2003 and 4,787 on 31 December 2002. The following table shows changes in the geographical distribution of employees in the Consolidated Group since 2001:

	2004		2003*		2002*		2001*	
France	3,973	83%	3,827	82%	3,763	79%	3,697	80%
of which Île-de-France	1,839		1,811		1,827		1,901	
outside Île-de-France	2,134		2,016		1,936		1,796	
Spain	789	17%	862	18%	1,024	21%	909	20%
Total Consolidated Group	4,762	100%	4,689	100%	4,787	100%	4,606	100%

* Registered employees as of 31 December of that year.

In addition, PagesJaunes Outre-Mer, PagesJaunes Liban and Kompass Belgium (non-consolidated subsidiaries) employed 16, 41 and 38 workers respectively on 31 December 2004. The number of employees of the Consolidated Group has not changed a great deal over the last three years: it had 4,606 employees on 31 December 2001, 4,787 employees on 31 December 2002, 4,689 employees on 31 December 2003 and 4,762 employees on 31 December 2004. The drop in employees in 2003 is mostly due to QDQ Media. On 31 December 2004, the average age of employees in the Consolidated Group was about 38 and a half, and the number of female employees was about 50%.

The number of employees in the Consolidated Group on 31 December 2004 can be broken down as follows:





The Group is characterised by a large number of sales staff compared to the total number of employees (about 2,200 field sales staff and telephone sales staff). In France at PagesJaunes and Kompass France, the field sales staff (about 1,110 people) has the status of *VRP* and is basically paid based on commissions for sales and how they increase.

On 31 December 2004, 4,491 people, which is about 94% of the Consolidated Group's employees, were employees under private law (42 of whom had fixed-term contracts) and 271 people, which is about 6% of the employees, were employees on detachment or made available to the Group by France Télécom (see section 4.7.4 "Employees on Detachment or Temporary Transfer Within the Group").

Only PagesJaunes is subject to the obligation to produce an employment statement. This is presented each year for an opinion by the Company Committee and is sent to the Employment Inspection Office. A summary of the employment statement is sent to all employees at PagesJaunes.

The employee turnover rate at PagesJaunes was 12.1% in 2004 compared to 10.1% in 2003, 13.3% in 2002 and 13.9% in 2001 (the employee turnover rate is the number of people with an open-ended employment contract who left the Company during the fiscal year compared to the annual average number of people who have an open-ended employment contract).

Most Group employees have a portion of their compensation related to their individual performance. For the sales force, this can be up to 100% of their annual compensation. For executives, this portion can be up to 15% of their annual compensation, and up to 30% for senior management. In addition, employees of PagesJaunes and its subsidiaries in France benefit from profit-sharing agreements in place for the France Télécom group and employee shareholding agreements in some companies (see section 6.3.1 "Profit Sharing and Company Savings Plan Agreements").

4.7.2 Highlights of 2004

In France, PagesJaunes decided to accelerate the deployment of additional human resources intended to develop the potential for growth in attracting customers. Since 2004, a team of 36 sales staff has been deployed to work on prospects in Lille, Toulouse, Lyon and Île-de-France. In addition, a new Televente agency was set up in October in Marseille (40 employees).

Also, PagesJaunes has continued to optimise its resources and the Company organisation, particularly by grouping together its administrative, technical and sales staff together at a single site (Eysines in Gironde), who were previously spread over three separate geographical sites.

It should also be noted that staffing and technical resources at Mappy have been strengthened to support its growth (13 additional employees, which is a 50% increase).

In Spain, the restructuring plan started at QDQ Media in the second half of 2003 continued with a staff reduction of 81 in 2004.

4.7.3 Employee Relations

The Company believes that employee relations are calm in most companies in the Group.

At PagesJaunes in France, consultation procedures with staff representatives associated with the IPO in the first half of the year and then the creation of the holding structure nevertheless created some tensions with our employees.

However, the signature of an agreement with adjustments to the change in classifications in the Sector Collective Agreement with five unions (out of six) enabled us to end the year in a peaceful atmosphere.

4.7.4 Employees on Detachment or Temporary Transfer Within the Group

On 31 December 2004, the Group had 271 France Télécom employees whose status is governed by the law of 2 July 1990 in relation to the public service organisation of the post office and France Télécom, amended, particularly by the law of 31 December 2003. Of these 271 employees, 113 are on detachment and 158 are on temporary transfer to PagesJaunes by France Télécom. In fact, the law of 2 July 1990, as amended by the law of 31 December 2003, states that employees of France Télécom may be temporarily transferred, detached or seconded, to carry out duties within the Group companies and their subsidiaries. The definition of the concept of "subsidiary" as well as the procedures for transfer back to France Télécom, particularly in cases where the company involved in the detachment is no longer a France Télécom subsidiary, were set by decree No. 2004-981 dated 17 September 2004, relating to temporarily transferring France Télécom staff members, detaching or seconding them to carry out other duties in the company or in its subsidiaries. This law states that France Télécom subsidiaries means companies where France Télécom owns a majority of the share capital, either directly or indirectly, as well as companies where France Télécom owns at least 40% of the voting rights either directly or indirectly over two consecutive fiscal years as long as no other shareholder in that company owns a percentage of voting rights which is 40% or above.

Compensation for detached employees is paid directly by the Company and compensation for temporarily transferred employees is paid by France Télécom and is then rebilled to the Company. If the Company were no longer a subsidiary of France Télécom in the sense of this decree, and if, on that date, the Company is not considered to be fulfilling a task in the public interest, the 271 employees detached or temporarily transferred would then legally have to be transferred back to France Télécom according to procedures which would have to be defined. The Company cannot exclude the fact that such a massive transfer would have a negative effect on its business, its financial position, its results or the Group's goals. However, in this circumstance, any employees who wanted to could continue to work for the Company as employees on temporary transfer (for a maximum period of 10 years).

4.8 INVESTMENT POLICY

4.8.1 Research and Development

The Group is characterised by a strong culture of innovation which does not require major investments in basic research and development. Therefore, the major part of research and

development costs are not booked under "Investments" but under "Charges". However, to cope with changes in technology, the Group plans to increase these investments over the next few years.

4.8.2 Main Investments Made Over the Last Three Fiscal Years

The Consolidated Group devotes between 1% and 2% of its revenue each year to investment costs, mostly in the computer technology area (operations, networks and office automation), and, to a lesser extent, to set up the installations in the premises occupied for its operations.

In terms of buying holdings or business assets, the Group did not carry out any significant investments in 2001.

In January 2002, the Company bought the sale of on-demand access business from the Intelmatique company (a subsidiary of France Télécom) for an initial price of 3.964 billion euros. Following a decision by the Competition Commission (see section 4.2.1.4 "Other Businesses – Selling On-Demand Access") the Company depreciated all the business assets in its corporate accounts for 2003 (with a charge booked at 2.165 billion euros). In May 2004, the Company proceeded to pay an additional price for this purchase in the amount of 4.1 million euros, which was provided for in the 2003 accounts of the Group and the Company.

In April 2004, the Company bought QDQ Media and Kompass Belgium from Wanadoo International for transaction prices of 106.719 and 1.799 billion euros respectively, as well as the Wanadoo Maps company (now Mappy) from Wanadoo France for a transaction price of 10.048 billion euros.

PagesJaunes Group bought 50% of the Luxembourg company Eurodirectory for a total of 13.5 million euros on 14 October 2004. This operation now gives it 100% control of this company which owns 49% of Editus Luxembourg, the company which publishes telephone directories in Luxembourg, in addition to Luxembourg Posts and Telegraph. This purchase is part of the policy of buying complementary companies, announced when PagesJaunes had its IPO. This company is consolidated by the equity method in the pro forma accounts of 31 December 2004.

4.9 RISK FACTORS

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

4.9.1 Cautionary Notes Regarding Forward-Looking Statements

This *Document de référence* contains information about the Group's goals, particularly in the section 7.2 "Future Prospects" and other statements about outlook. These indications and statements are sometimes identified by using the future tense, the conditional tense and terms such as "aim to", "believe", "expected to", "could", "estimate", "anticipate", "plan" and "should", as well as other similar terms. The reader is therefore warned that these indications and statements on prospects depend on circumstances or facts which could occur in the future. These indications or statements are not historical facts

and should not be interpreted as guarantees that the facts and data given will occur or that the goals will be achieved. By their nature, these goals may not be achieved, and the projections on which they are based may prove to be wrong. Apart from the information contained in this *Document de référence*, investors are asked to carefully consider the risks described below before taking any decision to invest. Any or all of these risks could have a negative effect on the Group's business, financial position or results. In addition, other risks, which have not yet been identified or are considered insignificant by the Group could have the same negative effect and investors could lose all or part of their investment. The facts which could mean that results are different from the Group's goals are manifold and varied and include:

- > changes in the advertising market, particularly local advertising;
- > a reduction in revenue;
- > changes in technology and changes in users' preferences;
- > the effects of integrating entities already purchased or past or future investments and the ability to realise anticipated profits;
- > the inability to recruit capable and qualified sales staff;
- > customers' and suppliers' financial or operating conditions and relations with them;
- > fluctuations in costs and the availability of paper in the world market;
- > risks of disputes over rights to the intellectual property needed for the business;
- > economic, regulatory and political factors in the countries where the Group operates;
- > factors relating to the Group's business, particularly lawsuits, employee relations, collective bargaining agreements and tax regulations;
- > in general, all the risks described in this section.

The Group's ability to achieve its goals and generally its future results could be affected by many factors and particularly by the factors described below and in the rest of this *Document de référence*. The risks associated with the Group, the risks associated with the directories and Internet sectors, and the risks associated with the financial markets are presented in each of these categories, in decreasing order of importance, according to the Company's current opinion of them. The occurrence of events inside or outside the Group is likely to change the future of this order of importance.

4.9.2 Risks Relating to the Group's Business and its Strategy

Changes in Technology and Users' Preferences – Reduction in the Use of the Printed and Minitel Directories

The development of new technologies and widespread use of the Internet in the workplace, at home and on the move has meant that consumers' preferences and habits have changed. This has had a particularly negative effect on the use of Minitel services and could have a long-term significant influence on the use of the printed directories, and it should be noted that a reduction in the audience of a particular format leads over time to a reduction in advertising revenue for that format. So, the Paris region is distinguished from the rest of France by a lower use of printed directories and higher use of on-line

directories. Even if this can be explained by the fact that the place of usage is often not the home of the person concerned and by a historically higher use of on-line services (Minitel and Internet), there is no guarantee that this is not a precursor of the long-term audience situation in France.

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

Uncertainty About the Business Model of On-Line Advertising

The Group must deal with its competitors in the Internet market for the services it offers. Various pricing models are used to sell advertising on the Internet and it is hard to predict which of these models will turn out to be the industry standard, if any. Although the Group has managed to increase its profitability due to a reasonable increase in the price of its advertising products on the Internet, an increase in the number of competitors in the on-line advertising market sector could lead to a drop in the rates in effect on the market and a change in the Group's business model. Based on the factors described above, no assurances can be given that the Group will be able to maintain or increase its prices in the future. These factors could have a significant negative impact on the Group's business, financial position or results, or in its ability to achieve its goals.

Loss of Staff in Key Positions

The Group and how it performs depend on having qualified staff with the experience and technical or business abilities needed to develop its business. The Group's ability to adapt its advertising products and formats to changes in technology, whether in the area of printed directories or its Internet-based business, is closely linked to the presence of employees in the areas of forecasting, innovation and computers. The Group's ability to maintain its presence in the local advertising market is closely linked to the presence of competent, qualified sales staff in its various markets. The market for qualified professionals in the sales and technology areas is competitive and the Group may not be able to hire or keep staff that are sufficiently well qualified to maintain its competitive edge and its profitability. This inability could have a significant negative impact on the Group's business, financial position or results. The Group's performance also depends significantly on the abilities and services provided by its management team. The management team has a lot of experience and knowledge of the directory industry and its potential. The loss of key members of management staff could have a significant negative effect on the Group's ability to implement its strategy.

Inability to Handle Competition

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

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

Sensitivity to the Economic Circumstances;

Group's Inability to Adapt its Cost Structure

The Group's income could drop significantly if the countries where the Group generates major advertising revenue experienced a deterioration in their economic conditions. The Group's inability to adapt its cost structure if faced with a downturn in the economy or increased competition could also have a significant negative impact on the Group's business, financial position or results.

Risks From the Business in Spain

The Group is present in Spain through QDQ Media, the second largest directory publisher in the Spanish market. QDQ Media suffered heavy operating losses up to 2003. The Group took restructuring measures in 2003 (see section 4.2.2.1.1 "QDQ Media") intended to correct the situation at QDQ Media and enable it to reach a breakeven EBITDA at the end of 2006. The Spanish directory market is very competitive and there can be no assurances given that the Group will manage to make QDQ Media profitable. The Group's inability to make QDQ Media profitable may have a significant negative impact on the Group's business, financial position or results.

Increase in the Price of Paper or Other Production Factors

If the price of paper or the cost of other production factors goes up, operating costs could increase significantly. An increase in the price of paper or a shortage of paper over a long period could have a significant negative impact on the Company's business, financial position or results. The price of paper when this document goes to press is at a historic low, so it is possible that the price could go up significantly in the future. As an example, based on the volumes of paper purchased by PagesJaunes in 2004, a 10% increase in paper price per ton on the world market leading to an equivalent increase in the cost of paper under the paper supply contracts signed by the PagesJaunes would have meant an increase in paper costs of 4.6 million euros in 2004 (i.e. 0.47% of PagesJaunes' revenue for 2004). The Company has no mechanisms to cover variations in the price of paper. Starting on 1 January 2005, under the terms of article L. 541-10-1 of the French Environmental Code, the Company will have to contribute to the collection, valuation and elimination of waste products from its printed directory business. If the Company does not pay this contribution, it will be liable for paying the printed matter tax stipulated by point 9 in paragraph I of article 266 sexies of the French Customs Code. The increase in the Company's costs or charges because of this contribution or tax could have a significant negative impact on the Group's business, financial position or results. The Company sub-contracts most of the jobs involved in printing and binding the directories. An increase in the cost of these jobs could have a significant negative impact on the Group's business, financial position or results.

In addition, PagesJaunes has outsourced the distribution of the directories to a certain number of sub-contractors. An increase in distribution costs or the occurrence of any

distribution problems could have a significant negative impact on the Group's business, financial position or results.

Amendment to Collective Agreements

The representatives of the *FNP* (National Advertising Federation) branch have signed an amendment including major changes to the collective advertising agreement with the Company and *Kompass France*, excluding *VRPs* and employees not covered by these provisions. These changes involve a revision of the minimum pay levels by employment level, a revision of the seniority bonus (valid only for non-executive employees), a change in employment classification (12 levels have been created based on "benchmark positions" and lead to the removal of current seniority weightings). These changes will have an impact on human resources management policy. In particular, pay policy over the next five years will have to take into account an increase in the cost of seniority bonuses for non-executive employees. These changes could have a significant negative impact on the Group's business, financial position or results. The inter-profession training agreement, signed at the end of 2003 on a national level by the union, employer and employee organisations, was the subject of a major change in the law of 4 May 2004 and led to a branch agreement signed on 29 November 2004 (amendment No. 16 to the *CCNP*). All of these provisions on training set out the new rights and procedures for employees. Companies such as *PagesJaunes* and its subsidiaries in France will have to define the application procedures in co-operation with their employees. These application procedures may have a significant negative impact on the Group's business.

Risks Associated With Customer Service Payments

Advertisers can be billed on an instalment basis when their advertising products actually appear. There can be no assurances that these payment plans and the Group's current levels of uncollected debts can be maintained in the future, which could have a significant negative impact on the Group's financial position and cash flow.

Risk of a Dropping Off in the Content of Published Directories; Inability to Improve the Technical Features and Functionalities in the Services Offered by the Group

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

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

Damage to Information, Production or Distribution Systems

A major part of the Group's business depends on the efficient, continuous operation of its information, production and distribution systems. These systems could be damaged due to a range of causes, including fire, widespread power cuts, damage to communications networks, intrusions into the computer systems, vandalism or any other cause which could affect operations. As far as the activities which the Group sub-contracts are concerned, the Group cannot respond to these types of events and must rely on the ability of the sub-contracting companies to react quickly and effectively. Any inability by sub-contractors to respond to these problems could have an impact on the Group's business. As far as the activities where the Group has full control are concerned, no assurance can be given that the Group will have the technical and financial capacity to alleviate all the damage caused. The Group's business could be significantly affected.

Risk Associated With Kompass Activities

The Group publishes the *Kompass* directories in France, Spain, Belgium and Luxembourg based on contracts with *Kompass International*, which has assigned it the use of the "Kompass" trademark in each of these four countries. Because of changes in technology and users' preferences, the *Kompass* publishing companies' business is more and more geared towards the Internet with marketing advertising space and selling fee-based access to the *kompass.com* website. The *kompass.com* website is published by *Kompass International* and the *Kompass France* and *Kompass Belgium* companies, Group subsidiaries and publishers of a *Kompass* service, which are therefore more and more dependent on a service over which they have no editorial control. This situation could reduce the Group's ability to develop its business associated with *Kompass* services in a profitable manner and could have a significant negative impact on the Group's business, financial position or results.

Fluctuations in the Group's Quarterly and Six-Month Results

The various editions of the Group's printed directories are published and distributed throughout the year, and so the business of printed directories does not go through any major cycles.

However, unlike on-line directories, publishing and distributing printed directories can take place irregularly. From a bookkeeping point of view, income from selling advertising space in the printed directories is taken into account in results when they are published. Therefore revenue and costs can be irregular from one quarter to the next and the result for one quarter may not be representative of the Group's annual results. In addition, if the publication of one or more directories is brought forward or delayed, determining revenue as well as the associated costs of publication and distribution could be delayed or brought forward. Finally, the time delay between determining income and costs on the one hand, and the actual payment of the costs and billing advertisers on the other hand could have an influence on operating results, EBITDA or other financial indicators generally used by investors to evaluate the financial performance of a company and not reflect the Group's actual liquidity level.

Effect of Investments or Divestments

The Group may decide to carry out acquisitions or investments in one of its businesses. No assurances can be given that the Group will manage to successfully integrate the acquired companies, to realise the anticipated synergies, maintain uniform standards, controls, procedures and policies, maintain good relations with the staff at the acquired companies following a change in management, or that the additional income generated by each acquisition will justify the price paid for the acquisition. A failure in any of these integration steps could have a negative on the Group's business, financial position or results. A part of these acquisitions and investments could involve payment by issuing shares in the PagesJaunes Group, which could have a diluting effect for the PagesJaunes Group shareholders. These acquisitions and investments, whether paid for in cash or shares, could have an unfavourable effect on the Group's business, financial position or results. The Group could also decide to divest itself, sell or close down any of its businesses. No assurance can be given that the Group could find potential buyers or that the price received for the sale of these businesses or the cost reductions associated with the sale or closing of these businesses could offset any drop in the Group's results.

Presenting Pro Forma Information

The pro forma financial information included in this *Document de référence* is taken mostly from the business results of companies which were sold to PagesJaunes Group since the beginning of 2004. To prepare this information, a certain number of assumptions and adjustments have been made. Therefore, this financial information is not necessarily an indication (i) of the operating results the Group would have had if it had been autonomous in the periods being analysed, or (ii) of the Group's operating results in the future.

Changeover to IFRS Standards

The Group will have to apply the new accounting standards in 2005, which could have a significant impact on its accounts and make comparison between fiscal years difficult. In June 2002, the European Union adopted new regulations requiring all companies to apply "IFRS" (International Financial Reporting Standards, previously known as International Accounting

Standards or IAS) in their accounting, starting on 1 January 2005. These regulations will apply to the Group after its IPO. IFRS standards are likely to have a significant impact on major sections of the Group's accounts and balance sheet. For more information about the effect of the IFRS standards, see section 5.1.7 "Implementation of the IFRS Standards at the Group". The list of standards identified in this section is neither exhaustive nor limiting, and other IFRS standards could have a significant impact on sections in the Group's income statement or balance sheet.

4.9.3 Risks Relating to Relations Between the Group and the France Télécom Group

Control of the France Télécom Group

Because of the amount of the Company's share capital it owns, France Télécom is in a position to have a decisive influence on most of the Group's corporate decisions, particularly those requiring approval from the shareholders (electing and dismissing members of the Board, distributing dividends, changing the by-laws and deciding to undertake major Group operations, including new securities). This means that control of the France Télécom group could have a significant impact on the Group's recruiting or compensation policy.

Conflicts of Interest and Competition With the France Télécom Group

The France Télécom group could exercise control over the PagesJaunes Group's operations and strategy. Although France Télécom agreed not to compete with PagesJaunes in France and Spain until 31 December 2006 in the area of publishing printed business directories, the Group's financial goals and those of France Télécom may not always be in agreement. In addition, France Télécom owns majority or minority holdings in other companies in the telecommunications sector in a large number of countries in Europe and other countries in the world. Through these holdings, France Télécom could find itself in competition with the Group's business. As a result of the consolidation and convergence which are expected in the telecommunications sector, it is possible that other parts of the France Télécom group could become Group competitors.

Competitive Difficulties Associated With Relations With France Télécom

For strategic reasons, the Group may not be able to tie up business relations with competitors of the France Télécom group. It is also possible that these competitors choose not to enter into a relationship with the Group because it belongs to the France Télécom group. Some commitments which France Télécom has made or may make in the future to its partners could limit the Group's ability to compete with international partners of the France Télécom group. These factors could reduce the Group's ability to develop and have a negative impact on the Group's business, financial position or results.

Contractual Relations With France Télécom

The Group has historically had a certain number of contractual relations with the France Télécom group (see section 4.5 "Relations With the France Télécom Group"). No assurance can be given that if these contractual relations are stopped or

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

4.9.4 Legal Risks

Lawsuits and Arbitration

In the normal course of business, companies in the Group may be involved in a certain number of legal, arbitration or administrative proceedings. The charges which may result from these proceedings are not provided for unless they are likely and can be quantified or estimated within a reasonable range. The amount of provisions made is based on an assessment of the risks on a case-by-case basis and depends in large measure on factors other than how far the proceedings have progressed, and it should be noted that the occurrence of events during the proceedings could mean that the risk has to be reassessed. Except for the proceedings described below, neither PagesJaunes Group, nor any of its subsidiaries, is a party to any lawsuit or arbitration proceeding of any kind where the PagesJaunes management believes that the result could reasonably have a significant negative impact on its results, business or consolidated financial position.

(i) The Prodis company, which operates a website at the address www.pagesjaunes.com and is the owner of the domain names pagesjaunes.com and pagejaunes.net, sued France Télécom on 26 September 2000 and PagesJaunes on 20 April 2001 mainly seeking to get the PagesJaunes trademarks cancelled. In the lawsuits, Prodis claims that filing the name "PagesJaunes" as a trademark is fraudulent because it is nothing more than the translation of the phrase "Yellow Pages" which has described the same concept of a business directory in the United States since 1886 and the plaintiff therefore claims that this is a generic term used indiscriminately in various countries. In a ruling dated 14 May 2003, the Paris Court of Grand Instance confirmed the validity of the "PagesJaunes" trademarks. The Prodis company filed an appeal against this ruling by repeating the same claims which also involve cancelling the trademarks "PagesBlanches", "l'Annuaire" and "l'Annuaire des Pages Blanches". In a ruling issued on 30 March 2005, the Paris Court of Appeal stated that: "these trademarks have acquired through long and intensive use which has given them a strongly distinctive character" that PagesJaunes and France Télécom had justified "by many official notifications entered into argument, that it had reacted against all illicit use of their trademarks by regularly defending the rights associated with them", and that "the contradictory nature of the argumentation by the Prodis company (...) is enough to establish its bad faith in initiating and conducting this case", The Paris Court of Appeal therefore confirmed the ruling handed down on 14 May 2003 by the Paris Court of Grand Instance, declared the new claims by Prodis inadmissible and denied all the claims made by Prodis and ordered it to pay PagesJaunes and France Télécom 20,000 euros each in damages and interest for bringing a nuisance lawsuit and 10,000 euros based on article 700 of the French New Code of Civil Procedure.

(ii) PagesJaunes implemented a plan at the beginning of 2002 to make changes in its marketing which particularly

included changing 930 employment contracts for sales staff. This change is intended to bring these contracts into line with a new competitive environment. About one hundred employees refused to sign the new contract offered to them and were dismissed during the second quarter of 2002. As of this date, almost all of the dismissed employees have sued PagesJaunes contesting the validity of the grounds for dismissal. Although a certain number of rulings favouring the Group have been issued in the first instance, no assurance can be given that the outcome of these lawsuits will be in the Group's favour. The total amount of these lawsuits comes to about 24 million euros and the risk associated with these lawsuits has been the subject of a provision of 7.3 million euros. An unfavourable outcome could have a significant negative effect on the Group's business, financial position and results or goals.

(iii) PagesJaunes was subjected to a tax audit in the years 2001 and 2002 for the 1998 and 1999 fiscal years. The only corrections which are still in dispute represent a risk of about 6.6 million euros (including interest). The Company believes it has powerful arguments to counter these corrections in dispute and has therefore not made any provisions to cover these corrections as of 31 December 2003. To make its case, the Company has initiated a dispute procedure by filing a preliminary claim with the tax administration in July 2004.

(iv) On 26 June 2002 the Company was sued by an advertising agency (FAC) in the Nanterre Business Court. This advertising agency claims that PagesJaunes has engaged in unfair practices, such as stealing customers, disparagement and door-to-door selling. It is therefore asking for 1 million euros in damages and interest. This case was argued on 14 September 2004 and the ruling was issued on 21 December 2004. Our opponents did not win their case. In fact, PagesJaunes Group, although this ruling was in its favour and it has arguments on its side, cannot exclude the possibility at this stage that the dispute will continue with an appeal and a possible sentence.

(v) PagesJaunes sued an advertising agency (LSM) on 10 June 2003 in the Cannes Business Court. PagesJaunes, supported by numerous statements by customers, is suing this agency for unfair competitive practices aimed at causing confusion between LSM and PagesJaunes in the minds of customers contacted by LMS to insert advertisements in the PagesJaunes directory. The Cannes Business court, in a ruling dated 19 February 2004, denied PagesJaunes' claims. PagesJaunes has appealed this ruling, which if it is confirmed in appeal, could encourage the development of this kind of competitive practices by other advertising agencies, and create difficulties for PagesJaunes when it is prospecting for new customers. Although it believes it has a solid case in this affair, PagesJaunes cannot exclude the possibility that this ruling will be confirmed in appeal.

(vi) On 4 October 2004, the Company was informed of a claim filed with the Competition Commission on 11 May 1998 by the Minister of the Economy relating to practices implemented by the former Office des Annonces (now PagesJaunes) in the advertising insertion market in telephone directories in mainland France and on Réunion.



PagesJaunes has so far not received any information about this claim and so cannot make any assessment about this case. In addition, like other companies in this sector, the Group is frequently sued in the courts as part of cases brought based on errors in the publication of the directories and other formats. In general, the financial risk represented by each of these cases is relatively small. However, a multiplication in the number of them could pose a significant risk for the Group. The number of these cases has consistently gone down since 2001. On 31 January 2005, there were 27 of these cases, for a total amount of damages and interest of 2 million euros. When dealing with these cases, the Group tries to negotiate an amicable settlement, which leads to a significant drop in the final overall cost of these cases. However no assurances can be given that these cases will not have a significant negative impact on the Group's financial position. To the best of the Company's knowledge, there are no other lawsuits, arbitration cases or exceptional events likely to have, or which has had in the recent past, a significant effect on the financial position, results, business and assets of the Company and the Group.

Changes in the Regulations Affecting the Group's Markets

The communications industry where the Group operates is subject to many regulations (see section 4.11 "Regulation"). Changes in policy or regulations by the European Union (particularly the directive entitled "Privacy and Electronic Communications"), in France or in other European countries where the Group has operations could have a significant unfavourable effect on its business in these countries, particularly if the said changes increase the cost and regulatory constraints associated with providing the Group's products and services. These changes could have a negative impact on the Group's business, financial position or results. In particular, the Group's marketing organisation is based in part on a structure of field vendors with the status of travelling sales staff. This organisation enables it to optimise its sales efficiency by encouraging flexibility, recruitment and training of the Group's sales force. Changing the status of these field sales staff could have a significant unfavourable effect on the Group's business, results, financial position or its ability to achieve its goals.

Legal Risks Associated With Uncertainty About the Existing Regulations

The application of the existing laws and regulations covering the directory and Internet sector is being clarified in France and in the European Union, and a certain number of draft laws are being examined, particularly in relation to protecting personal information, confidentiality, responsibility for content, e-commerce, encryption and electronic signatures. These future developments in regulations could have a significant unfavourable effect on the Group's business, results, financial position or its ability to achieve its goals.

Legal Risks Associated With the Application of Several National Regulations

The global nature of the Internet means that the laws of several countries can apply to the Group. Although the Group is established mainly in France, some States or national jurisdictions may require the Group to be subject to their national regulations. The potential simultaneous applicability of several sets of regulations as well as the cost and regulatory uncertainty which may result could have a significant unfavourable effect on the Group's business, results, financial position or its ability to achieve its goals.

Intellectual and Industrial Property Rights

The Group cannot be certain that steps taken in France and in other countries to protect its intellectual and industrial property rights, particularly its trademarks, domain names, software and patents, will be adequate, or that third parties will not be able to counterfeit, misappropriate or have its intellectual and industrial property rights cancelled.

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

Users' Personal Information

If third parties were able to penetrate its network or somehow appropriate personal information about the users or their credit cards, the Group could be found liable. This liability could be invoked based on a breach of their right to privacy and to have their information kept confidential. Investigating these claims and preparing defence against them could be expensive even if the Group is not found liable, and the existence of these claims could damage the Group's reputation.

Restrictions on the Group's Right to Collect Personal Information

The Group must abide by privacy protection laws, including European directive No. 95/46/CE of 24 October 1995, which limits its right to collect and use personal information about its users (see section 4.11.1.2 "Protecting Personal Information"). In particular, any restrictions on using software installed on an Internet user's computer when he looks up information on the Internet showing how he uses the Internet (cookies), or the obligation to allow users to object to the use of these cookies could weaken the effectiveness of advertising as part of the Group's business. An increased awareness by the public of these questions of privacy and changes in the laws to which the Group must adapt could limit its ability to use such personal information for its business, and more generally affect the perception of the Internet by the public as a market for goods and services. Each of these developments could have an impact on the Group's business, financial position or results.

Using Domain Names

The regulations governing the assignment of domain names are regularly changed and leave the possibility open of disputes between those registering domain names and holders of domain names, or the holders of trademarks or other prior rights. Although the policies for assigning domain names and guidelines were adopted by the regulatory authorities involved for the purpose of limiting the risks of lawsuits, a third party could gain the right to use domain names similar to those registered by the Group, or the Group's use of its domain names could be limited based on prior intellectual property rights held by third parties. These situations could have an unfavourable effect on the Group's business, operating results, financial position or its ability to achieve its goals.

4.9.5 Market Risks

Exchange Rate Risks

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

Liquidity Risk

Historically, the Group has financed its growth principally by self-financing, and Group has not had to use any debt mechanisms except on a one-time basis. On 31 December 2004, the Consolidated Group net cash in hand was 613.5 million euros, compared to 578.1 million euros on 31 December 2003 and 556.7 million euros on 31 December 2002.

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

The Group does not securitise its customer receivables.

Interest Rate Risk

At the time of this *Document de référence* going to press, the Group is not exposed to any significant risk of variations in interest rates. In fact, the Group's companies do not have any significant loans with any entities which are not members of the Group. In the future, the Group could be exposed to variations in the interest rate if it borrows money from third parties. In addition, a drop in interest rates could reduce the income received by the Group for its investments with France Télécom (see section 4.5.5 "Cash Management Agreements").

Share Risks

As the Company does not own any holding or portfolio securities representing significant amounts, there is no significant risk associated with a change in the value of its securities or holdings.

4.9.6 Industrial and Environmental Risks

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

In terms of the activities which the Group carries out directly, the environmental impact is basically of two types. On the one hand, the risks associated with producing and putting such a large quantity of paper into circulation, and on the other hand, the risks associated with so-called "office" activities, to which comparable companies are subject. The main environmental impact for the Group comes from producing and putting such a large number of printed directories into circulation. To limit this impact, the Group has put in place a certain number of measures aimed on the one hand at reducing the amount of paper needed for its business, and on the other hand, encouraging recycling of the paper which is used.

Reducing the Quantity of Paper Consumed

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

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

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

The level of paper consumption for the publication of the PagesJaunes directory and l'Annuaire came to 67,141 metric tons of paper for 2004, 69,900 metric tons of paper for 2003, compared to about 71,600 metric tons in 2002 and 75,300 in 2001.

Directory Recycling

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

On the one hand, a part of the paper paste used is composed of recycled paper, and on the other hand, a part of the purchased paper is recovered during manufacture and printing of the directories for later recycling. In addition, various recovery and/or recycling actions have also been implemented. The Group has also adopted the so-called "drop-off/pick-up" system which makes directory distributors responsible in the most densely-populated urban areas for collecting old directories when the new ones are dropped off. And finally, the surplus directories are subject to recovery/recycling in the same way as the old recovered directories. All the directories so recovered are recycled by companies specialising in waste management. In total, over 25% of the paper purchased can be recycled today.

Environmental Impacts Associated With So-Called "Office" Activities

The companies in the Group have implemented a number of internal measures to ensure protection of the environment, particularly by reducing consumption of resources. Generally, in terms of all the risks described above, although the Company has adopted a policy of identifying and voluntarily managing risks relating to the environment, health and safety, it cannot guarantee that it will not suffer any environment-related losses, or any resulting from the application of the regulations in this area. No assurances can be given that the Group's business, financial position or results will not be unfavourably affected by these losses. In addition, any possible amendments to the legal and regulatory provisions on the environment, national or international, could affect the Group's business, financial position or results.

4.10 INSURANCE AND RISK COVERAGE

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

- > damage to assets and operating losses including damage to goods being transported;

- > civil liability associated with operations and business activities in general, both in terms of customers and third parties (including the liability of corporate officers), and;

- > automobile risks.



The cost of coverage for France Télécom came to about 32.5 million euros on 31 December 2004. To this cost borne by France Télécom is added the cost assumed by its subsidiaries belonging to the programme, for the amount of 10.14 million euros, for a total for the France Télécom group of 42.64 million euros for 2004.

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

So, as far as insurance coverage for civil liability is concerned, the preliminary premium paid by the Company for the 2004 fiscal year came to 94,000 euros including tax.

In relation to the Damage to Assets and Operating Losses policy, the premium paid by the Company came to about 286,000 euros including tax for 2004.

For the automobile risk, the Company is covered by the Automobile Fleet insurance programme, especially for subsidiaries of the France Télécom group: the share of the premium to be paid by each subsidiary is determined based on the number of vehicles they have and their claims history, and also depends on the guarantee options taken by each of them. So, for 2004 the Company paid about 46,000 euros including tax based on its own fleet of vehicles.

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

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

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

4.11 REGULATION

Apart from the regulations generally applicable to companies in the countries where the Group operates, PagesJaunes is specifically subject to laws on the information services corporations relating to its directory business. PagesJaunes is mostly present in Europe and more specifically in France, and so the discussion below involves European and French laws and regulations.

4.11.1 Information Services Company Regulation

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

4.11.1.1 Content Regulation and Responsibilities of Internet Companies

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

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

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

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

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

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

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

The liability of the hosting companies indicated above is therefore only invoked if the content or information involved is manifestly illicit.

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

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

4.11.1.2 Protecting Personal Information

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

The goals of this directive include:

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

Law No. 2004-801 of 6 August 2004 on protecting individuals in the way their personal information is handled and amending law No. 78-17 of 6 January 1978 in relation to computers, computer files and freedoms, completes the enactment of

directive 95/46/CE. This law strengthens individuals' rights over their information, helps to simplify the reporting formalities for handling information at risk and gives the CNIL greater powers to intervene. The new law on computers and freedoms gives individuals greater rights over their information, and now makes those in charge of handling the information responsible for giving more detailed information about the terms of use of this information. The right to object to being subject to marketing prospecting is now embodied in the law and the conditions for exercising the right to access and correct information are now stipulated. In relation to simplifying the formalities, reporting falls under common law, with previous control by the CNIL being limited only to handling which presented special risks attacking individuals' rights and freedoms. Finally the CNIL's powers to intervene have increased (stipulations have been added in relation to the procedures for on-site control, and the CNIL now has a wide range of powers to intervene (court order to stop using the information, or a request for temporary suspension, blocking information, removing authorisation, etc.). The CNIL can now issue monetary fines, up to 150,000 euros for the first reported infringement and 300,000 euros or 5% of the revenue, excluding tax, of the last fiscal year if it involves a company. Finally, the warnings issued by the CNIL may be made public, and notices of the warnings issued may be ordered inserted in any publications, newspapers or formats it decides, and the costs must be paid by the individuals being penalised.

In its course of business, the Group has to record and process statistical data, particularly in relation to use of its sites. Technical methods which can identify, on a global statistical basis, Internet users' main interests and their on-line habits have also been developed to optimise the services we provide and increase the income generated. In the same way, and to enable us to offer personalised services, the Group also collects and handles personal information and markets it to third parties. The new European Sector directive relating to handling personal information and protecting privacy in the electronic communications sector, which has a deadline of 31 October 2003 for enactment by the Member States, expands its field of application to electronic communications and makes some amendments to the current provisions. The new provisions are as follows:

- > traffic-related information now covers all traffic-related information, regardless of technology, and therefore includes information relating to Internet communications;
- > cookies are only allowed if clear and complete information is given to the subscriber or user, particularly about how it will be used, and if the cookies can be refused. However, this provision does not cover cookies intended solely to effect or facilitate transmitting a communication, or those strictly necessary for providing a service expressly requested by the user (article 5.3 of the directive). These provisions were enacted by law No. 2004-801 of 6 August 2004 on protecting individuals in the way their personal information is handled (article 32 of the consolidated version of the law on Computers and Freedom);
- > location information apart from that relating to traffic can only be handled after it has been made anonymous, or with the consent of the subscribers or users, who have been properly



informed in advance, for the purpose of providing them with an added-value service. They have the option of withdrawing their consent at any time and must have the option of temporarily refusing to have this information used each time they connect to the network or each time they send a message, easily and free of charge. These provisions were enacted in law No. 2004-669 of 9 July 2004 on electronic communications and audiovisual communications services (article L. 34-1, IV of the Postal and Electronic Communications French Code).

> in relation to directories, subscribers have the option of deciding if their information, and in some cases which parts of this information, should appear in a public directory. Being unlisted is free, as is any correction or removal. Member States may require consent from subscribers for any public directory used for anything but an ordinary search for contact details about people based on their name. These provisions were adopted in decree No. 2003-752 of 1 August 2003 on general directories and general information services, amending the Postal and Electronic Communications French Code;

> in relation to unsolicited communications (or spamming), direct prospecting by e-mail is forbidden unless it is sent to subscribers who have given their consent in advance. However, if someone has directly obtained the e-mail addresses from its customers, it can use them for direct prospecting purposes for similar products or services which it provides itself, as long as customers can refuse when their information is collected and at each message. These provisions were enacted into French law by the law on Confidence in the Digital Economy and by the law on Electronic Communications, which makes customer prospecting by electronic means opt-in, therefore requiring the prior consent of the people being prospected (new article L. 34-1, III of the Postal and Electronic Communications French Code).

4.11.2 The Directories

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

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

This obligation applies to any entity owning numbers, on a land network or on a mobile network. It will then be possible to publish a general directory, which means a directory containing all telecommunications service subscribers. The Group, which produces both print and on-line directories, is

giving full consideration to this change in the regulations which would enable it to acquire permits for directory information from all telecommunications operators and thereby enrich its content. This decree is currently being reviewed.

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

4.11.3 Database Regulation

On 11 March 1996 European Directive 96/9/CE was adopted as legal protection for databases. The main innovation made by this directive is the creation of a "sui generis" right, in addition to copyright, intended to protect an investment in obtaining, verifying or presenting the contents of a database for the limited time the right exists, which states this investment may consist of employing financial means and/or using time, effort and energy. This directive was enacted into French law by a law dated 1 July 1998, containing a "sui generis" right which protects database producers, regardless of the protection offered by copyright (articles L. 112-3 and L. 122-5 of the Intellectual Property French Code, as well as the whole of Title IV of Book III of the Intellectual Property French Code, i.e. articles L. 341-1 to L. 343-4 of the said Code).

The benefit of protection is afforded to the database content "when its creation, verification or presentation demonstrates a substantial financial, material or human investment". This protection is separate from and without prejudice to the protection provided for database content by copyright since article L. 341-1 of the Intellectual Property French Code states that a database producer, understood to mean the person who takes the initiative and risk involved in the corresponding investments, benefits from protection for the database content when the creation, verification or presentation of it demonstrates a substantial financial, material or human investment. This protection is separate from and exercised without prejudice to that resulting from copyright or any other rights over the database or one of its component parts. Under the law, a database producer has the right to prohibit any substantial extractions of content from his database as well as any reuse. Therefore article L. 342-1 of the Intellectual Property French Code states that a database producer has the right to prohibit:

> the extraction, by permanent or temporary transfer, of all or a qualitatively or quantitatively substantial part of the contents of a database onto another platform, by any means or in any form whatsoever;

> the reuse, by making it available to the public, of all or a qualitatively or quantitatively substantial part of the contents of a database by any means or in any form whatsoever.

This protection is afforded even when the database is made available to the public, to the extent that it involves the extraction of a substantial part of the database.

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

4.11.4 Secure Electronic Signature

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

Law No. 2000-230 of 13 March 2000, on adapting laws on proof to cover information technology and relating to electronic signatures, goes beyond simple legal recognition of electronic signatures and gives legal validity to electronic documents, which are closely related. It creates two types of electronic signature with different legal effects: a simple signature and a secure signature. The latter has the full force and probity in law of a handwritten signature because it is presumed to be true unless proven otherwise.

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

4.11.5 Domain Names

The Group has registered a large number of domain names in France and in other countries (see section 4.6.1 "Dependence on Patents and Licences"). Domain names are terms assigned to the digital addresses of servers connected to the Internet (Internet addresses) to make Internet sites easier to identify and remember. Therefore, domain names represent major marketing tools for companies doing business on the Internet. Domain names are made up of two distinct elements: the top-level domain name or "TLD" and the second-level domain name. The top-level domain names can be either generic (generic top-level domain names or gTLDs), such as ".com" for companies, ".net" for companies providing Internet services, ".org" for public interest organisations, or ".edu" for education institutions, or correspond to a particular geographical area (country code top-level domain names or "ccTLDs") such as ".fr" for France, ".de" for Germany or ".es" for Spain. Second-level domain names are the names chosen by each person or company to identify their website. The registration of domain

names in the ".com", ".net" and ".org" domains performed by a certain number of companies accredited by the Internet Corporation for Assigned Names and Numbers ("ICANN"), an international non-profit organisation. Registries such as Verisign for ".com" and ".net" are responsible for managing the extensions. Only these registrars are accredited by ICANN to file domain names. Registration of geographical domain names is overseen by a national authority appointed in each State, which keeps a central registry and approves private companies as accredited registrars. Nordnet, a subsidiary of the France Télécom group is a "registrar" accredited by ICANN to register domain names as ".com", ".net", ".biz" and ".info". As a general rule, domain names are assigned based on the rule of "first come, first served" and most registrars, whether for generic or geographical domain names, consider that the registrant assumes sole responsibility for making sure that no prior rights are being infringed by using a domain name he is registering. Because each national authority can, up to a point, define its own policy for assigning domain names, the registration requirements for geographical domain names can differ from the requirements which apply to generic domain names and can also vary from one country to another. In particular, registrars can be more or less strict when they verify, in some cases, that the registration of a domain name does not infringe on prior rights held by others, whether intellectual property rights or others. In France, the French Co-operative Association for Internet Names [French acronym: *AFNIC*] is responsible for registering domain names with the ".fr" extension. A certain number of Internet service providers, including several France Télécom group subsidiaries, have been accredited by *AFNIC*, according to the recommendations issued by ICANN, to handle requests for registering domain names. Although the French courts have now admitted that using a term on a website or as a domain name can infringe on prior rights to a trademark, the outcome of a lawsuit in this area remains unclear. This is particularly due to the fact that the scope of trademark rights can be limited to a geographical area or based on classes of products and services covered by the registration, while use of a term on the Internet by another could create the risk of confusion or lead to acts of unfair competition well beyond these limits.

4.11.6 Law Relating to Public Telecommunications Service Obligations and France Télécom

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

The France Télécom group made an application, stating that the job of producing the printed general directory would be given to PagesJaunes. In an order of 3 March 2005 by the Ministry of the Economy, Finance and Industry, France Télécom was appointed the operator in charge of the general information service and the universal directory (see section 4.5.3).

Chapter 5 – Financial Position – Results

5.1 GROUP MANAGEMENT REPORT

5.1.1 General Presentation

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

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

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

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

The Consolidated Group's scope of consolidation, on 31 December 2004, results from a series of internal reclassifications of some companies in the France Télécom group. These reclassifications were carried out in the first half of 2004 prior to the Company's IPO and consisted of the sale to the Company, which already owned Kompass France and Wanadoo Data of:

> QDQ Media, the second largest directory publisher in Spain, incorporated in April 2001 into the Wanadoo directory division. This company was sold to the Group in April 2004 by Wanadoo International for a transaction price of 106.7 million euros and is fully included in the Group's consolidated pro forma results as of 1 January 2003.

The pro forma consolidated financial statements relating to the 2002, 2003 and 2004 fiscal years referred to in this report were drawn up to present all the information about the Consolidated Group's business, its financial position, its business results and changes in its liquidity as if the Consolidated Group had existed throughout these fiscal years, based on the methods set out below. The pro forma Consolidated financial statements reflect the consolidation of QDQ Media and Mappy (formerly Wanadoo Maps) starting from when they entered the France Télécom group. The pro forma consolidated financial statements also reflect the transaction prices for QDQ Media and Mappy, charged to the Company's cash resources at about 117 million euros in 2001. However, it does not include the results for some Group business considered insignificant due to their size or business. These are PagesJaunes Outre-Mer (3.6 million euros in revenue in 2003 retained for its advertising representation

business, giving an EBITDA of 0.6 million euros), PagesJaunes Liban (about 1 million euros in revenue in 2003 for a break even EBITDA) and Kompass Belgium (3.8 million euros in revenue in 2003, for an EBITDA of 0.3 million euros).

PagesJaunes bought 50% of the Luxembourg company Eurodirectory for the sum of 13.5 million euros on 14 October 2004. This operation now gives the Company 100% ownership of this company which owns 49% of Editus Luxembourg, a company publishing telephone directories in Luxembourg together with Luxembourg Posts and Telecommunications. Editus Luxembourg, which employs 96 people, had revenue of 17.3 million euros in 2003 and an EBITDA of 7.3 million euros, representing 42% of revenue. This purchase is part of the policy of buying complementary companies, announced when PagesJaunes had its IPO. It should be noted that this company is consolidated by the equity method in the pro forma accounts of 31 December 2004.

The General Shareholders' Meeting of PagesJaunes held on 23 December 2004 approved the changes to the Group organisation. This change in PagesJaunes organisation is intended to put the two operating segments in the Group "PagesJaunes in France" and "International and subsidiaries" in a holding company responsible for managing and overseeing the Group as a whole.

To do this, PagesJaunes' operations were transferred to a new subsidiary by an asset transfer executed at its real value. This new organisation now provides:

> rationalisation of Group structure, with separation of management responsibility for the Group from the operations responsibility, giving a better grasp of the operating performance of each of the two segments;

> more efficient management and control of the different parts of the Group.

The pro forma consolidated financial statements were prepared mostly based on the individual accounts of the consolidated companies and were reexpressed based on the conventions described in note 3.1 "Pro Forma Information on the Results Statements" of document 5.2.1 "Consolidated Accounts – Fiscal Years Ending on 31 December 2004, 2003 and 2002".

The comments below have been drawn up based on the pro forma consolidated financial statements for the Group for the 2002, 2003 and 2004 fiscal years.

These pro forma consolidated financial statements are not necessarily representative of the financial position, business results and changes liquidity as they would have appeared in the financial statements if the Consolidated Group had been created prior to 1 January 2001 and had operated autonomously. In addition, this information is not necessarily indicative of what the financial position, business results and changes in liquidity of the Group will be in future years.

The table below shows the changeover between the consolidated 2004 accounts and the pro forma consolidated financial statements for 2004, taking into account the transfer of QDQ Media and Mappy (formerly Wanadoo Maps), starting on 1 January 2004. In the consolidated accounts, these two entities are included starting on 1 April 2004 and 1 May 2004, respectively.

PagesJaunes Group	Consolidated accounts	Transfer 2004	Pro Forma accounts
(in millions of euros)	2004		2004
Revenues	973.1	11.0	984.1
EBITDA	416.0	(2.6)	413.4
Operating income	405.9	(2.8)	403.1
Consolidated net income of the Group	233.4	(5.2)	228.2

5.1.2 Comments on the Results for the Fiscal Years Ending on 31 December 2003 and 31 December 2004

PagesJaunes Group	Fiscal years ending on 31 December		Change as a %
	2004	2003	
(in millions of euros)			
PagesJaunes in France	908.4	847.5	7.2
International and subsidiaries	75.7	69.8	8.4
Revenue	984.1	917.3	7.3
Costs of services and products sold	(213.2)	(234.9)	-9.3
Commercial costs	(301.1)	(292.4)	3.0
Administrative costs	(55.3)	(54.0)	2.4
Research and development costs	(1.1)	(1.7)	-37.6
EBITDA	413.4	334.2	23.7
as a % of revenue	42.0	36.4	
Amortisation allowance (excluding goodwill)	(10.3)	(12.6)	-18.1
Operating income	403.1	321.7	25.3
as a % of revenue	41.0	35.1	
Net non-operating income (charges)	18.5	19.1	-3.3
Other net non-operating income (charges)	(9.6)	(3.1)	n/a
Corporate tax	(148.8)	(123.4)	20.5
Employee profit sharing	(29.9)	(26.9)	11.4
Equity method companies part of results	0.8	1.2	n/a
Earnings before amortising goodwill and minority interests	234.1	188.5	24.2
Goodwill amortisation	(5.9)	(5.9)	-
Minority interests	-	-	-
Net consolidated income of the Group	228.2	182.6	25.0

The Consolidated Group's pro forma revenue increased by 7.3% between 31 December 2003 and 31 December 2004, and came to 984.1 million euros in 2004. This increase is explained by an expanded range of products both for the printed directories and the on-line services, by an increase in the average revenue per advertiser and by attracting new advertisers in France and by raising prices.

The EBITDA rose by 23.7% between the two fiscal years and came to 413.4 million euros on 31 December 2004. The EBITDA margin over revenue went from 36.4% in 2003 to 42.0% in 2004, which is a significant increase in the profitability of the Consolidated Group. This improvement is the result of an increase in revenue and good control over costs as a whole, particularly in optimising publishing costs for the printed directories and reducing the losses of QDQ Media. The EBITDA after employee profit sharing rose by 24.8% to 383.5 million euros in 2004, compared to 307.4 million euros in 2003.

So, the costs of services and products sold (as defined in section 5.1.2.1.2 "Cost of Services and Products Sold of the PagesJaunes in France Segment [Pro Forma]") dropped sharply by 9.3% between 2003 and 2004. Commercial costs, which mainly include the staffing costs in relation to the sales force, went up by 3.0% over the two periods, while revenue went up by 7.3%. Administrative costs, which particularly include costs for support functions, went up slightly by 2.4% over the two periods to 5.6% of revenue.

The Group share pro forma net consolidated results come to 228.2 million euros on 31 December 2004 compared to 182.6 million euros in 2003, which is an increase of 25.0%. The discussion below presents the revenue, operating results and well as some pro forma intermediate management balances for each of the segments in the Consolidated Group, the PagesJaunes in France segment and the International and subsidiaries segment.



5.1.2.1 Analysis of the Pro Forma Revenue and Operating Results for the PagesJaunes in France Segment

The following table shows the changes in revenue and the operating results for the PagesJaunes in France segment for the fiscal years ending on 31 December 2003 and 31 December 2004:

PagesJaunes in France (in millions of euros)	Fiscal Years ending on 31 December		Change as a % 2004/2003
	2004	2003	
Printed directories	618.9	595.0	4.0
On-line services	254.5	208.2	22.2
Other businesses	34.9	44.3	-21.2
Revenue	908.4	847.5	7.2
Cost of services and products sold	(188.8)	(207.1)	-8.8
Commercial costs	(253.5)	(233.8)	8.4
Administrative costs	(40.6)	(37.6)	8.0
Research and development costs	(1.1)	(1.7)	-37.6
EBITDA	424.3	367.2	15.5
<i>as a % of revenue</i>	46.7	43.3	
Amortisation allowance (excluding goodwill)	(6.7)	(8.4)	-20.5
Operating income	417.6	358.8	16.4
<i>as a % of revenue</i>	46.0	42.3	

The PagesJaunes in France segment includes all activities involved in publishing and distributing the directories, selling advertising space in the paper and on-line directories, the business of creating and hosting websites, as well as other businesses (mostly publishing the PagesPro directories, selling on-demand access, the reverse directory QuiDonc and the Europages advertising representation).

5.1.2.1.1 Pro Forma Revenues for the PagesJaunes in France Segment

The following table shows how the pro forma consolidated revenue for the PagesJaunes in France segment is divided by product line for the fiscal years ending on 31 December 2003 and 31 December 2004 and changes in percentages in these lines between these two fiscal years:

PagesJaunes in France (in millions of euros)	Fiscal Years ending on 31 December		Change as a % 2004/2003
	2004	2003	
Printed directories	618.9	595.0	4.0
PagesJaunes directory	505.2	482.4	4.7
l'Annuaire	113.8	112.6	1.0
On-line services	254.5	208.2	22.2
Internet	147.0	94.8	55.1
Minitel	85.0	92.5	-8.2
Sites	22.6	20.9	7.7
Other businesses	34.9	44.3	-21.2
QuiDonc	7.3	8.1	-10.4
Other ⁽¹⁾	27.6	36.2	-23.6
Revenue	908.4	847.5	7.2

(1) Including PagesPro, access, Europages.

Revenues in the PagesJaunes in France segment increased by 7.2% between 2003 and 2004 and came to 908.4 million euros on 31 December 2004, mostly due to an increase in the number of advertisers combined with a rise in the average revenue per advertiser which went from 1,477 euros in 2003 to 1,533 euros in 2004. At the same time, apart from a price increase, the range of advertising products expanded, not only for on-line services especially with the launch of "Totem" display advertising on pagesjaunes.fr, but also in the printed directories with the introduction of new display products such as the publication in May 2004 for the Paris area of two new publishing products (PagesJaunes pocket edition and more widespread distribution of the "compact" format in May 2003 in the 15th district of Paris).

In 2004, the PagesJaunes in France segment had 583,836 advertisers compared to 561,180 advertisers in 2003. So, the number of new advertisers gained in 2004 was 98,365, an increase of over 16,000 compared to 2003, when the figure was 82,080.

Finally, in terms of sub-segments, the increase in revenue was fed both by a rise in the revenue from printed directories and by growth in Internet business, where the additional revenue volume was seven times higher than the reduction in revenue from PagesJaunes 3611.

Pro Forma Revenue From Printed Directories

Revenue from the printed directories grew by 4.0% between 31 December 2003 and came to 618.9 million euros on 31 December 2004. This was mostly the result of marketing advertising space in the PagesJaunes directory and l'Annuaire. Between 2003 and 2004, revenue for the PagesJaunes directory has grown by 4.7% to 505.2 million euros and revenue for l'Annuaire grew by 1.0% to 113.8 million euros. These increases were basically due to a rise in the number of advertisers (550,504 advertisers on 31 December 2004, compared to 532,041 advertisers on 31 December 2003), combined with the growth in average revenue per advertiser (from 1,118 euros in 2003 to 1,124 euros in 2004) facilitated by the joint effect of the price increase and development in advertising products comparable to local display.

Pro Forma Revenue From On-Line Services

Revenue from on-line services has grown by 22.2% between 2003 and 2004 and came to 254.5 million euros on 31 December 2004. Revenue from on-line services comes mostly from selling advertising products on on-line services (pagesjaunes.fr and PagesJaunes 3611) as well as the business of creating and hosting websites.

The number of advertisers in on-line services grew from 401,610 in 2003 to 420,941 in 2004. The 22.2% increase in revenues from on-line services is mostly due to growth in revenues generated by pagesjaunes.fr, growing from 52.2 million euros to 147.0 million euros on 31 December 2004. The 55.1% increase in revenues from pagesjaunes.fr was due mostly to a 15% increase in the number of advertisers on pagesjaunes.fr between 31 December 2003 and 31 December

2004 (307,953 advertisers on 31 December 2004 compared to 267,175 advertisers on 31 December 2003), and an increase in the average revenue per advertiser on pagesjaunes.fr (511 euros in 2004, compared to 380 euros in 2003). This increase in revenue is due in large part to an increased range of products, with the development of multimedia impact products on pagesjaunes.fr (launch of "Totem" display products on pagesjaunes.fr) and advertising products similar to local display, and a price increase at the same time as an increase in the audience.

Revenue from PagesJaunes 3611 went down by 8.2% between the fiscal years ending on 31 December 2003 and 2004, coming to 85.0 million euros on 31 December 2004 compared to 92.5 million euros on 31 December 2003, confirming the downward trend already noted in 2003 and reflecting in part a drop in the audience for PagesJaunes 3611 during 2004.

Revenue from the business of creating and hosting websites went up by 7.7% between 31 December 2003 and 31 December 2004. One third of this revenue figure results from the business with associated designing and creating websites. The other two thirds come from marketing service packages which include updating, hosting and on-line assistance. In addition, the introduction of innovative products (such as e-visit – 360 degree vision – or site update or audience tracking options) launched in April 2003 contributed to continuing repeat business and an increase in revenue in 2004 in a scattered and highly competitive market.

Pro Forma Revenue From Other Businesses

Revenue from the other businesses in the PagesJaunes in France segment went down by 21.2% between 2003 and 2004, coming to 34.9 million euros in 2004, which is 3.8% of the revenue in the segment. This revenue is mostly from the PagesPro business on Internet platforms, but also on-demand access sales to French and foreign operators, the reverse directory QuiDonc lookups by the Internet, Minitel and Audiotel, and the Europages business on print and Internet platforms. The drop in revenue from these businesses of 21.2% is mostly explained by the drop in sales of on-demand access (6.0 million euros in 2004 compared to 10.4 million euros in 2003). The drop in on-demand access revenue is a result of a substantial drop in retail prices imposed by a new legal environment, because of a court decision in September 2003 on retail prices for data by France Télécom. The cost of these services is now tied to the actual cost plus a reasonable margin for the capital invested. Revenue from the reverse directory QuiDonc dropped by 10.4% and came to 7.3 million euros on 31 December 2004. This reduction is explained by the drop in revenue from the reverse directory QuiDonc on Minitel (together with a drop in the audience for PagesJaunes 3611) which has not been offset by a significant increase in QuiDonc sales on the Internet.



5.1.2.1.2 Cost of Services and Products Sold in the PagesJaunes in France Segment (Pro Forma)

PagesJaunes in France (in millions of euros)	Fiscal years ending on 31 December		Change as a %
	2004	2003	2004/2003
Cost of services and products sold	(188.8)	(207.1)	- 8.8
as a % of revenue	-20.8	-24.4	

The cost of services and products sold in the PagesJaunes in France segment came to 188.8 million euros on 31 December 2004 and went down by 8.8% compared to 31 December 2003, while revenue in the segment went up by 7.2%. The cost of services and products sold basically involves publishing costs (buying paper, printing and distributing the printed directories), costs of hosting and distributing on-line directories as well as costs for buying, creating and updating databases and producing the advertisements. The cost of services and products sold represented 20.8% of revenues on 31 December 2004, compared to 24.4% on 31 December 2003. Costs for paper, printing and distribution represented 97.4 million euros in 2004, including 42.7 million euros for paper, compared to 106 million euros on 31 December 2003,

including 49 million euros for paper. This overall drop in the cost of services and products sold is basically due to better management of paper, storage and printing costs, resulting mostly from a reduction in volumes of paper due to optimised pagination, but also to better negotiated prices with paper manufacturers and the cyclical drop in the price of paper. Costs for buying and creating databases went down following a renegotiation of the annual cost for database access contract with France Télécom at the start of 2004, and a drop in the cost of buying on-demand access, imposed by a new legal environment following a court decision in September 2003. In addition, up to and including 2003, PagesJaunes was paying Havas an annual fee of 9.1 million euros, payment of which stopped in 2004.

5.1.2.1.3 Commercial, Administrative and Research and Development Costs for the PagesJaunes in France Segment (Pro Forma)

PagesJaunes in France (in millions of euros)	Fiscal years ending on 31 December		Change as a %
	2004	2003	2004/2003
Commercial costs	(253.5)	(233.8)	8.4
Administrative costs	(40.6)	(37.6)	8.0
Research and development costs	(1.1)	(1.7)	-37.6
Commercial, administrative and R & D costs	(295.2)	(273.2)	8.1
as a % of revenue	-32.5	-32.2	

Commercial costs for the PagesJaunes in France segment came to 253.5 million euros on 31 December 2004, an 8.4% increase of 31 December 2003, which is similar to the increase in revenue, which went up by 7.2% in the same fiscal year. Commercial costs also represented 27.9% of revenue on 31 December 2004 compared to 27.6% on 31 December 2003. These commercial costs comprise salaries and training and administrative costs for the sales force, communication costs, commercial costs and costs for business premises, as well as administrative costs and a provision for bad debts. Salaries and direct training for the sales force represented 13.4% of revenue on 31 December 2004, compared to 12.7% in 2003. The salaries of the sales force, mostly made up of commissions, are tied to the results reported for 2004. An increase in commercial costs management demonstrates the Group's desire to work more on attracting new customers by hiring new dedicated sales representatives, particularly in the second half of 2004, new telephone sales branches, the effect of which will be seen in revenue for 2005.

In addition, costs for premises used by the sales staff have slightly increased on 31 December 2004 compared to 31 December 2003 following the creation of new marketing branches at the end of 2003 and beginning of 2004, together with an increase in the number of sales staff and the creation of a new sales channel to develop new customers.

This strengthening of the sales teams constitutes an investment in future revenue.

The administrative costs for the PagesJaunes in France segment came to 40.6 million euros on 31 December 2004, which is an increase of 8.0% compared to 31 December 2003. As a percentage of revenue, administrative costs remain almost stable and represent 4.5% of revenue for 2004, compared to 4.4% in 2003.

These administrative costs are made up of the costs for support functions, some provisions for risks and charges as well as costs for assistance and trademark fees paid to the France Télécom group. In addition, 1.1 million euros was devoted to research and development on 31 December 2004. Research and development costs are mostly made up of staffing costs for the teams in charge of developing platforms and associated products, as well as external charges for research services from France Télécom R & D. The purpose of these services is to develop functionalities and product and service prototypes. PagesJaunes in France research and development costs went down by 0.6 million euros on 31 December 2004 compared to 31 December 2003. It should be noted that work on new products and services is also performed by the operations departments but is not classified with research and development.

5.1.2.1.4 Pro Forma EBITDA for the PagesJaunes in France Segment

The EBITDA for the PagesJaunes in France segment went up by 15.5% between 2003 and 2004 and came to 424.3 million euros on 31 December 2004. The EBITDA margin for this segment went from 43.3% to 46.7% between 2003 and 2004, which is an increase of 3.4 points in the EBITDA margin for the fiscal year. This performance is mostly the result of an increase in revenue and cost control, and to a lesser extent, to the charge for the Havas fee paid in 2003 which was no longer paid in 2004.

5.1.2.1.5 Amortisation Allowance for the PagesJaunes in France Segment (Pro Forma)

The amortisation allowance went down by 20.5% between 2003 and 2004 and came to 6.7 million euros in 2004, which

is less than 1% of revenue for the segment. This reduction is explained by a lower level of investments reported between 2003 and 2004 following rationalisation and optimisation of computer equipment purchases.

5.1.2.1.6 Pro Forma Operating Results for the PagesJaunes in France Segment

The operating results for the PagesJaunes in France segment went up by 16.4% between 2003 and 2004 and came to 417.6 million euros in 2004.

5.1.2.2 Analysis of the Pro Forma Revenue and Operating Results for the International & Subsidiaries Segment

The following table shows the change in pro forma revenue and pro forma operating results for the International & Subsidiaries segment for the fiscal years ending on 31 December 2003 and 31 December 2004:

International & Subsidiaries (in millions of euros)	Fiscal years ending on 31 December		Change as a % 2004/2003
	2004	2003	
QDQ Media	36.5	32.0	13.9
Other subsidiaries	39.3	37.8	3.8
Revenue	75.7	69.8	8.4
Cost of services and products sold	(24.3)	(27.8)	-12.6
Commercial costs	(47.6)	(58.5)	-18.8
Administrative costs	(14.7)	(16.4)	-10.4
Research and development costs	-	-	-
EBITDA	(10.9)	(33.0)	67.0
as a % of revenue	-14.3	-47.2	
Amortisation allowance (excluding goodwill)	(3.6)	(4.2)	-13.1
Operating results	(14.5)	(37.1)	-61.0
as a % of revenue	-19.1	-53.2	

5.1.2.2.1 Pro Forma Revenue for the International & Subsidiaries Segment

The following table shows how the pro forma consolidated revenue for the International & subsidiaries segment are divided by product line for the fiscal years ending on 31 December 2003 and 31 December 2004 and changes in percentages in these lines between these two fiscal years:

International & subsidiaries (in millions of euros)	Fiscal years ending on 31 December		Change as a % 2004/2003
	2004	2003	
QDQ Media	36.5	32.0	13.9
Other subsidiaries	39.3	37.8	3.8
Kompass France	24.7	24.2	2.1
Wanadoo Data	11.5	11.0	4.9
Mappy (formerly Wanadoo Maps)	3.0	2.6	15.4
Revenue	75.7	69.8	8.4



Revenue for the International & subsidiaries segment has grown by 8.4% compared to 31 December 2003 and comes to 75.7 million euros in 2004.

QDQ Media

QDQ Media revenue grew by 13.9% in 2004 compared to 2003 to come to 36.5 million euros. This revenue is from selling advertising space in the QDQ Media printed and on-line directories (QDQ.com).

The increase in revenue is the result of a rise in the average revenue per advertiser in 2004 compared to 2003, and a significant reduction in credit for past issues resulting from an improvement in the quality of the platforms.

The share of revenue from on-line business doubled to represent 9.6% of revenue in 2004 compared to 5.5% in 2003. The number of on-line advertisers on QDQ.com went from 11,200 on 31 December 2003 to 24,685 on 31 December 2004.

Other Subsidiaries

Kompass France

Kompass France's revenue went up by 2.1% compared to 2003 and came to 24.7 million euros in 2004. Kompass France's revenue comes from marketing the Kompass information

system which covers sales of advertising space and data in print, on CD-Rom, Minitel and the Internet. The increase in revenue in 2004 is the result of a rise in the number of advertisers. The audience for the Kompass.com website has also grown sharply over the fiscal year.

Wanadoo Data

Wanadoo Data's revenue went up by 4.9% in 2004 compared to 2003 and came to 11.5 million euros. This mostly comes from selling customer prospect files and providing computer services for restructuring and enhancing files created from more than one database.

Mappy (formerly Wanadoo Maps)

Mappy's revenue went up by 15.4% compared to 2003 and came to 3.0 million euros in 2004. Mappy's revenue mostly comes from fees charged for using its mapping services platform, selling the distribution rights for its photographs and updating them, and selling advertising space on its website mappy.com.

5.1.2.2.2 Cost of Services and Product Sold for the International & Subsidiaries Segment (Pro Forma)

International & subsidiaries (in millions of euros)	Fiscal years ending on 31 December		Change as a % 2004/2003
	2004	2003	
Cost of services and products sold	(24.3)	(27.8)	-12.6
<i>as a % of revenue</i>	-32.1	-39.9	

The cost of services and products sold basically covers publishing costs (buying paper, printing and distributing the printed directories), costs for hosting and distributing on-line directories as well as costs for buying, creating and updating databases and producing advertisements.

The cost of services and products sold has sharply decreased by 12.6% in 2004 compared to 2003. This significant drop is

the result of major savings on paper purchases and printing costs at QDQ Media, because it was able to get pricing similar to that of PagesJaunes France. These cost savings were increased by gains in productivity thanks to the partial transfer to in house production, to a change in the format of the printed directories, optimising the page layout of QDQ Media's printed directories and a cyclical drop in the price of paper.

5.1.2.2.3 Commercial and Administrative Costs for the International & Subsidiaries Segment (Pro Forma)

International & subsidiaries (in millions of euros)	Fiscal years ending on 31 December		Change as a % 2004/2003
	2004	2003	
Commercial costs	(47.6)	(58.5)	-18.8
Administrative costs	(14.7)	(16.4)	-10.4
Commercial and administrative costs	(62.3)	(74.9)	-16.9
<i>as a % of revenue</i>	-82.2	-107.3	

Commercial costs comprise salaries and training and administrative costs for the sales force, communication costs, commercial costs and costs for business premises, as well as administrative costs and a provision for bad debts. Commercial costs went down by 18.8% between 2003 and 2004 and came to 47.6 million euros in 2004. This drop is mainly the result of better collection from customers in 2003 at QDQ Media, which led to a significant drop in old debts, as well as drop in communications costs for QDQ Media. Administrative costs went down by 10.4% in 2004 compared to 2003 and came to 14.7 million euros in 2004. This drop is mostly due to a reduction in salaried staff as the result of a restructuring plan carried out at QDQ Media and completed at the start of 2004.

5.1.2.2.4 Pro Forma EBITDA for the International & Subsidiaries Segment

The EBITDA shows a loss of 10.9 million euros in 2004, compared to a loss of 33.0 million euros in 2003. The losses were divided into three parts over the two periods, or into three if we exclude exceptional depreciation for debts in 2003 at QDQ Media. The improvement in the EBITDA comes from

an increase in revenue in all companies in the International & subsidiaries segment, combined with a significant improvement in QDQ Media's profitability as a result of its restructuring plan. In addition, the other subsidiaries in the segment have overall positive EBITDAs.

5.1.2.2.5 Amortisation Allowance for the International & Subsidiaries Segment (Pro Forma)

The amortisation allowance has dropped between 2003 and 2004 and came to 3.6 million euros in 2004.

5.1.2.2.6 Pro Forma Operating Results for the International & Subsidiaries Segment

The operating results for the International & subsidiaries business show a loss of 14.5 million euros in 2004, compared to a loss of 37.1 million euros in 2003. This improvement basically comes from an improvement in the profitability of QDQ Media.

5.1.2.3 Analysis of the Pro Forma Consolidated Net Results

The table below shows the consolidated net results for the Consolidated Group generated by all its business in the fiscal years ending on 31 December 2003 and 31 December 2004:

PagesJaunes Group consolidated pro forma results statement (in millions of euros)	Fiscal Years ending on 31 December		Change as a %
	2004	2003	2004/2003
Operating income	403.1	321.7	25.3
Net non-operating income (charges)	18.5	19.1	-3.3
Other net non-operating income (charges)	(9.6)	(3.1)	n/a
Corporate tax	(148.8)	(123.4)	20.5
Employee profit sharing	(29.9)	(26.9)	11.4
Share in results of equity method companies	0.8	1.2	n/a
Results before amortisation of goodwill and minority interests	234.1	188.5	24.2
Amortisation of goodwill	(5.9)	(5.9)	-
Minority interests	-	-	-
Net consolidated income of the Group	228.2	182.6	25.0

5.1.2.3.1 Net Pro Forma Non-Operating Income

Net non-operating income went down slightly by 3.3% between 2003 and 2004 and came to 18.5 million euros in 2004. This reduction is mainly due to a reduction in salaries. This non-operating income is mostly made up of investments products with France Télécom at market rates (see section 4.5.5 "Cash Management Agreements").

5.1.2.3.2 Other Non-Operating Income and Charges (Pro Forma)

On 31 December 2004, other non-operating income and charges came to -9.6 million euros, compared to -3.1 million euros in 2003. This line includes the costs associated with the Company's IPO set at 8.1 million euros on 31 December 2004, made up of fees and advertising and communications costs associated with this operation. In 2003, other non-operating income and charges came to -3.1 million euros and included a provision for securities of 2.4 million euros for securities of the Lebanese subsidiary and restructuring costs for QDQ Media of 1.1 million euros.

5.1.2.3.3 Corporate Tax (Pro Forma)

On 31 December 2004, the Consolidated Group showed a corporate tax charge of 148.8 million euros, an increase of 20.5% over 2003.

Because of the distribution by the Company of 236.0 million euros before the IPO, 24.9 million euros of which were taken from the special reserve for long term gains, and therefore carried over to the taxable results for 2004, the Company booked an additional corporate tax of 4.6 million euros in 2004. In 2004, the Company decided to adopt the tax integration plan set out in articles 223A and following of the French General Tax French Code. This option allows the creation of a consolidated group from a tax point of view, which comprises, in addition to the Company, all its French subsidiaries meeting the conditions required for membership. This option will go into effect starting on 1 January 2005 for a period of five fiscal years.

5.1.2.3.4 Employee Profit Sharing (Pro Forma)

Employee profit sharing in the French consolidated companies, mutualised in the France Télécom group, and implemented in accordance with current regulations, resulted in a charge of 29.9 million euros in 2004, compared to 26.9 million in 2003.

5.1.2.3.5 Share of Results From Companies Using the Equity Method (Pro Forma)

The results from companies using the equity method is made up of the contribution from Eurodirectory, whose share comes to 0.8 million euros in 2004. Eurodirectory, which owns 49% of the Editus company in Luxembourg, was 50% owned

by the Company until 14 October 2004, and then 100% thereafter.

5.1.2.3.6 Amortisation of Goodwill (Pro Forma)

Amortisation of goodwill comes to 5.9 million euros for 2004, the same amount as that reported for 2003. It is basically made up of amortisation of goodwill for the QDQ Media and Mappy companies.

5.1.2.3.7 Net Income (Pro Forma)

The net results Group share came to 228.2 million euros on 31 December 2004 compared to 182.6 million euros on 31 December 2003.

5.1.3 Comparison Between the Fiscal Years Ending on 31 December 2003 and 31 December 2004

The table below shows the changes in pro forma revenue and in the pro forma operating results of the Consolidated Group between the fiscal years ending on 31 December 2002 and 2003:

PagesJaunes Group (in millions of euros)	2003	2002	2003/2002 Change as a %
PagesJaunes in France	847.5	797.6	6.3
International & subsidiaries	69.8	73.5	-5.0
Revenue	917.3	871.1	5.3
Cost of services and products sold	(234.9)	(239.4)	-1.9
Commercial costs	(292.4)	(289.7)	0.9
Administrative costs	(54.0)	(61.6)	-12.3
Research and development costs	(1.7)	(2.4)	-28.2
EBITDA	334.2	278.0	20.2
<i>as a % of revenue</i>	<i>36.4</i>	<i>31.9</i>	
Allowance for amortisation (excluding goodwill)	(12.6)	(14.9)	-15.8
Operating income	321.7	263.0	22.3
<i>as a % of revenue</i>	<i>35.1</i>	<i>30.2</i>	
Net non-operating income (charges)	19.1	15.8	21.3
Other net non-operating income (charges)	(3.1)	39.6	-107.9
Corporate tax	(123.4)	(121.5)	1.6
Employee profit sharing	(26.9)	(24.6)	9.2
Share in results of equity method companies	1.2	1.0	17.2
Results before amortisation of goodwill and minority interests	188.5	173.3	8.7
Amortisation of goodwill	(5.9)	(4.1)	42.9
Minority interests	-	-	-
Consolidated net income of the Group	182.6	169.2	7.9

The pro forma revenue for the Consolidated Group went up by 5.3% between 2002 and 2003 and came to 917.3 million euros in 2003. This change is mostly explained by an increase in the average revenue per advertiser in France, which was achieved partly thanks to a marketing development plan started at the beginning of 2002 which gave results for the 2003 edition, marketing for which started in April 2002. The EBITDA went up by 20.2% between 2002 and 2003 and came to 334.2 million euros in 2003. The EBITDA margin compared to revenue went from 31.9% in 2002 to 36.4% in 2003, resulting in a significant improvement in the profitability of the Consolidated Group. This improvement results from an increase in revenue and good cost control, particularly by optimising publishing costs for the printed directories. Also, the cost of services and products sold went down by 1.9%

between 2002 and 2003. Commercial costs which include salaries for the sales staff remained stable during the period, while revenue went up by 5.3%. Administrative costs for the 2002 fiscal year, which include costs for support functions, included an exceptional provision of 7.3 million euros for lawsuits stemming from the marketing reorganisation. Apart from this provision, administrative costs remained stable. The pro forma consolidated net income of the Group came to 182.6 million euros at the end of 2003 compared to 169.2 million euros at the end of 2002. The 2002 results include the sale of buildings owned by the Company in Sèvres to a consortium of property investors, for a price of about 86 million euros, which gave a gain after the lease option was exercised, of an after-tax amount of 24.7 million euros. The result before amortisation of goodwill and minority interest

came to 188.5 million euros in 2003, which is an increase, excluding the sale of the buildings in Sèvres, of 26.8% between 2002 and 2003.

The discussion which follows shows the revenue, operating results as well as some pro forma intermediate management

balances for each of the two segments of the Consolidated Group, the PagesJaunes in France segment and the International & subsidiaries segment.

5.1.3.1 Analysis of Pro Forma Revenue and Operating Results for the PagesJaunes in France Segment

The following table shows changes in revenue and the operating results for the PagesJaunes in France segment between the fiscal year ending on 31 December 2003 and the fiscal year ending on 31 December 2002:

PagesJaunes in France (in millions of euros)	2003	2002	2003/2002 Change as a %
Printed directories	595.0	564.7	5.4
On-line services	208.2	185.3	12.4
Other businesses	44.3	47.6	-6.9
Revenue	847.5	797.6	6.3
Cost of services and products sold	(207.1)	(211.7)	-2.2
Commercial costs	(233.8)	(227.3)	2.9
Administrative costs	(37.6)	(45.1)	-16.6
Research and development costs	(1.7)	(2.4)	-28.2
EBITDA	367.2	311.1	18.0
<i>as a % of revenue</i>	43.3	39.0	
Allowance for amortisation (excluding goodwill)	(8.4)	(9.4)	-10.2
Operating income	358.8	301.7	18.9
<i>as a % of revenue</i>	42.3	37.8	

5.1.3.1.1 Pro Forma Revenue for the PagesJaunes in France Segment

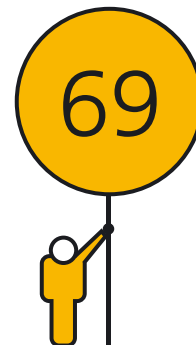
The following table shows how the pro forma consolidated revenue for the PagesJaunes in France segment is divided up by product line for the fiscal years ending on 31 December 2003 and 2002 and changes in the percentage of these lines between these two fiscal years:

PagesJaunes in France (in millions of euros)	2003	2002	2003/2002 Change as a %
Printed directories	595.0	564.7	5.4
PagesJaunes directory	482.4	455.4	5.9
l'Annuaire	112.6	109.2	3.1
On-line services	208.2	185.3	12.4
Internet	94.8	64.6	46.6
Minitel	92.5	100.1	-7.6
Sites	20.9	20.6	1.9
Other businesses	44.3	47.6	-6.9
QuiDonc	8.1	8.3	-1.5
Other ⁽¹⁾	36.2	39.3	-8.0
Revenue	847.5	797.6	6.3

(1) Including PagesPro, access and Europages.

Revenue for the PagesJaunes in France segment went up by 6.3% between 2002 and 2003 and came to 847.5 million euros in 2003, mostly thanks to an increase in average revenue per advertiser from 1,384 euros in 2002 to 1,477 euros in 2003. In fact, actions aimed at increasing marketing efficiency were undertaken in 2002 together with the plan for marketing changes, particularly in a different division of existing advertisers over the sales channels, which led to an increase in the average revenue per advertiser. At the same time, apart from a price increase, the range of advertising products was expanded, not only for on-line services but also for printed

directories with the introduction of new display products. In 2003, the PagesJaunes in France segment had 561,180 advertisers, which was just about stable compared to 2002 (560,453 advertisers). This stability is explained by the fact that number of new advertisers gained in 2003 was lower than that in 2002, because the plan for marketing changes affected the balance for 2003 between the various sales channels to the detriment of Prospects Telephone Sales. So, the number of new advertisers gained in 2003 was 82,080, compared to 89,083 in 2002.



Finally, in terms of sub-segments, the increase in revenue was fed both by the increase in revenue for the printed directories and the growth of Internet business, which more than offset the reduction in revenue for PagesJaunes 3611.

Pro Forma Revenue From the Printed Directories

Revenue from the printed directories grew by 5.4% between 2002 and 2003 and came to 595.0 million euros in 2003. This is mainly the result of marketing advertising space in the PagesJaunes directory and l'Annuaire. Between 2002 and 2003, revenue from the PagesJaunes directory went up by 5.9% and those of l'Annuaire by 3.1%. These increases are explained essentially by the increase in average revenue per advertiser (from 1,063 euros in 2002 to 1,118 euros in 2003), due to the joint effect of a price increase and the introduction of new advertising products similar to local display advertising.

In 2003, the printed directory sub-segment had 532,041 advertisers, which was almost stable compared to 2002 (531,270 advertisers). This stability is explained by the fact that the number of new advertisers gained in 2003 was lower than that in 2002, because the plan for marketing changes affected the balance for 2003 between the various sales channels to the detriment of Prospects Telephone Sales.

Pro Forma Revenue From On-Line Services

Revenue from on-line services went up by 12.4% between 2002 and 2003 and came to 208.2 million euros in 2003. Revenue from on-line services mostly came from selling advertising space on on-line services (pagesjaune.fr and PagesJaunes 3611) as well as creating and hosting websites. The number of advertisers on these on-line services went up from 391,842 in 2002 to 401,610 in 2003.

The 12.4% increase in revenue from on-line services between 2002 and 2003 is mostly the result of an increase in revenue generated by pagesjaunes.fr. The 46.6% increase in revenue for pagesjaunes.fr is a result of an increase of 15.3% in the number of advertisers on pagesjaunes.fr between 2002 and 2003 (267,175 advertisers on 31 December 2003 compared to 231,806 advertisers on 31 December 2002) and an increase in the average revenue per advertiser on pagesjaunes.fr

(380 euros in 2003, compared to 297 euros in 2002). This increase in average revenue per advertiser is especially due to an enhanced range of products, with the development of multimedia impact products on pagesjaunes.fr (audio spots, video clips) and advertising products similar to local display, and a price increase at the same time as a larger audience. Revenue from PagesJaunes 3611 went down by 7.6% between 2002 and 2003, and came to 92.5 million euros in 2003 compared to 100.1 million euros in 2002, confirming a downward trend noted between 2001 and 2002, reflecting the drop in audience for PagesJaunes 3611. Revenue from creating and hosting websites went up by 1.9% between 2002 and 2003 and came to 20.9 million euros on 31 December 2003. A third of this revenue came from activities relating to designing and creating websites. The other two thirds came from marketing service packages including updates, hosting and on-line assistance. In addition, the introduction of innovative services (such as e-visit – 360 degree viewing – or site update management options or audience tracking) have contributed to repeat business and maintaining revenue in 2003 in a scattered and highly competitive market.

Pro Forma Revenue From Other Businesses

Revenue from other businesses in the PagesJaunes in France segment went down by 6.9% between 2002 and 2003, coming to 44.3% million euros in 2003, which is 5.2% of revenue in the segment. This revenue mostly comes from the PagesPro business in printed and Internet format, selling on-demand access to French and foreign operators, the reverse directory QuiDonc searches on the Internet, Minitel and Audiotel, and the Europages business in printed and Internet format. The drop in revenue for these businesses by 6.9% is mostly explained by the drop in revenue for selling on-demand access (10.4 million euros in 2003 compared to 13.6 million euros in 2002). This is the result of a significant drop in retail prices imposed by a new legal environment, due to a court decision in September 2003. The cost of these services is now set at the actual cost plus a reasonable margin for capital invested. Revenue from the PagesPro, QuiDonc and Europages remained stable in 2003 compared to 2002.

5.1.3.1.2 Cost of Services and Products Sold in the PagesJaunes in France Segment (Pro Forma)

PagesJaunes in France (in millions of euros)	2003	2002	2003/2002 Change as a %
Cost of services and products sold	(207.1)	(211.7)	-2.2
as a % of revenue	-24.4	-26.5	

The cost of services and products sold in the PagesJaunes in France segment came to 207.1 million euros in 2003 and went down by 2.2% compared to 2002, while the revenue for the segment went up 6.3%. The cost of services and products sold represented 24.4% of revenue in 2003, compared to 26.5% in 2002. Costs for paper, printing and distribution represented 106.0 million euros in 2003, including 49.0 million euros for paper, compared to 119.2 million euros in 2002, of which 54.7 million euros was for paper.

This overall drop in the cost of services and products sold is basically due to better cost management for paper, printing and distribution, resulting from the implementation of new software to optimise pagination, and negotiated prices with paper manufacturers and directory distributors. These costs also went down due to the cyclical drop in the price of paper. In addition, up to and including 2003, PagesJaunes was paying Havas an annual fee of 9.1 million euros. This charge will no longer be paid starting in 2004.

5.1.3.1.3 Commercial, Administrative and Research and Development Costs for the PagesJaunes in France Segment (Pro Forma)

PagesJaunes in France (in millions of euros)	2003	2002	2003/2002 Change as a %
Commercial costs	(233.8)	(227.3)	2.9
Administrative costs	(37.6)	(45.1)	-16.6
Research and development costs	(1.7)	(2.4)	-28.2
Commercial, administrative and R & D costs	(273.2)	(274.8)	-0.6
<i>as a % of revenue</i>	-32.2	-34.5	

Commercial costs for the PagesJaunes in France segment came to 233.8 million euros in 2003, an increase of 2.9% over 2002, which is a slower increase than in revenue, which went up by 6.3% over the same fiscal year. Commercial costs represented 27.6% of revenue in 2003, compared to 28.5% in 2002.

Salaries and direct training for the sales force represented 12.7% of revenue in 2003, compared to 13.5% in 2002. The salaries of the sales force, mostly made up of commissions, mostly depend on sales results. An increase in commercial costs management demonstrates the Group's desire to optimise its revenue and commercial costs, without changing its goal of increasing the number of new advertisers. This desire was put into practice especially at the beginning of 2002 by setting up a new organisation for field sales teams and changing the contracts for sales staff as part of the new marketing plan, which had a measurable effect on the 2003 edition.

Administrative costs in the PagesJaunes in France segment came to 37.6 million euros in 2003, which is a reduction of 16.6% compared to 2002. Administrative costs represented 4.4% of revenue in 2003, compared to 5.7% in 2002. The accounts closed on 31 December 2002 particularly include a provision of 7.3 million euros for lawsuits associated with the application of the new marketing plan. Apart from this provision, administrative costs as a percentage of revenue went down in 2003, going from 4.7% to 4.4% of revenue. They include fees for assistance and trademark fees paid to the France Télécom group for 8.5 million euros in 2003. Because of the upcoming transfer to PagesJaunes of a certain number of support functions, these costs will be reduced starting in 2005 to about 6 million euros.

In addition, 1.7 million euros in 2003 were devoted to research and development. The goal of these services is to

develop new functionalities and prototypes for products and new service offerings. Apart from purchases of editorial content, booked under research and development costs in 2002 for 0.8 million euros, research and development costs for PagesJaunes in France went up by 0.1 million euros in 2003. It should be noted that work on new products and services is also performed by the operations departments but is not classified with research and development.

5.1.3.1.4 Pro Forma EBITDA for the PagesJaunes in France Segment

The EBITDA for the PagesJaunes in France segment went up by 18.0% between 2002 and 2003 and came to 367.2 million euros in 2003. The EBITDA margin for this segment went from 39.0% to 43.3% between 2002 and 2003. This performance is a result of increased revenue and cost control, and to a lesser extent, to the exceptional provision for lawsuits associated with the new marketing plan booked in 2002.

5.1.3.1.5 Amortisation Allowance for the PagesJaunes in France Segment (pro Forma)

The amortisation allowance (excluding goodwill) went down by 10.2% between 2002 and 2003 and came to 8.4 million euros in 2003, which is less than 1% of the revenue for the segment.

5.1.3.1.6 Pro Forma Operating Income for the PagesJaunes in France Segment

The operating results for the PagesJaunes in France segment went up by 18.9% between 2002 and 2003 and came to 358.8 million euros in 2003. The increase of about 57.1 million euros compared to 2002 is a result of the increase in revenue and cost control, and to a lesser extent to the exceptional provision taken in 2002 for litigation relating to the commercial development plan.

5.1.3.2 Analysis of Pro Forma Revenue and Operating Results for the International & Subsidiaries Segment

The following table shows changes in the pro forma revenue and pro forma operating results for the International & subsidiaries segment between the fiscal year ending on 31 December 2003 and the fiscal year ending on 31 December 2002:

International & subsidiaries (in millions of euros)	2003	2002	2003/2002 Change as a %
QDQ Media	32.0	38.8	-17.4
Other subsidiaries	37.8	34.8	8.8
Revenue	69.8	73.5	-5.0
Cost of services and products sold	(27.8)	(27.7)	0.4
Commercial costs	(58.5)	(62.5)	-6.3
Administrative costs	(16.4)	(16.5)	-0.6
Research and development costs	-	-	-
EBITDA	(33.0)	(33.1)	-0.5
as a % of revenue	-47.2	-45.0	
Allowance for amortisation (excluding goodwill)	(4.2)	(5.6)	-25.1
Operating income	(37.1)	(38.7)	-4.1
as a % of revenue	-53.2	-52.6	

5.1.3.2.1 Pro Forma Revenue for the International & Subsidiaries Segment

The following table shows how the pro forma consolidated revenue for the International & subsidiaries segment is divided by product line for the fiscal years ending on 31 December 2003 and 31 December 2002 and changes in the percentages for these lines between these two fiscal years:

International & subsidiaries (in millions of euros)	2003	2002	2003/2002 Change as a %
QDQ Media	32.0	38.8	-17.4
Other subsidiaries	37.8	34.8	8.8
Kompass France	24.2	23.7	2.3
Wanadoo Data	11.0	11.1	-1.0
Wanadoo Maps	2.6	-	-
Revenue	69.8	73.5	-5.0

Revenue for the International & subsidiaries segment went down by 5.0% between 2002 and 2003, and came to 69.8 million euros in 2003.

Apart from Wanadoo Maps, the change in revenue shows a drop of 8.6% which is mostly the result of a drop in revenue for QDQ Media.

QDQ Media

Revenue for QDQ Media went down by 17.4% between 2002 and 2003, coming to 32.0 million euros in 2003. This revenue comes from the sale of advertising space in QDQ Media's printed and on-line directories (QDQ.com). The drop in revenue for QDQ Media between 2002 and 2003 is mostly due to the results of the efforts made to improve its sales, which led to some customers not being approached again who had a history of non-payment or questionable solvency. In particular, contracts signed with some "major accounts" were not renewed in 2003 after it was difficult or even impossible to collect from them. Following these non-renewals, the revenue for "major accounts" went from about 11 million euros in 2002 (which is 28% of revenue) to about 2 million euros in 2003 (which is 6% of revenue), and this drop was

partially offset by an increase of 8% in revenue in the other categories of advertisers. These decisions resulted in a significant increase in the allowance for provisions for depreciating customer receivables over the year. The number of QDQ Media advertisers increased slightly from 81,355 in 2002 to 82,517 in 2003. The average revenue per advertiser dropped between 2002 and 2003, mostly due to the non-renewal of certain "major account" advertisers. The shares of revenue from on-line business represented 5.5% of revenue in 2003, compared to 1.8% in 2002. This percentage continues to grow thanks to the combined efforts of our sales and marketing staff.

Other Subsidiaries

Kompass France

Revenue for Kompass France went up by 2.3% between 2002 and 2003 and came to 24.2 million euros in 2003. Kompass France's revenue comes from marketing the Kompass information system plus direct marketing services. The audience for the website Kompass.com, calculated based on the number of visits, increased significantly in 2003.

Wanadoo Data

Revenue for Wanadoo Data remained stable between 2002 and 2003 and came to 11.0 million euros in 2003. In 2003, the marketing database business, which went up by 1.0 million euros compared to 2002, offset the drop in the marketing of prospective customer files, which was subjected to competitive pricing pressure.

Wanadoo Maps

Wanadoo Maps came under the scope of the Consolidated Group on 1 January 2003. Revenue from Wanadoo Maps comes mainly from the fees charged for using its range of mapping services, selling distribution rights to its photographs and updating them. In 2003, Wanadoo Maps revenue was 2.6 million euros, of which nearly a third came from Wanadoo.

5.1.3.2.2 Cost of Services and Products Sold in the International & Subsidiaries Segment (Pro Forma)

International & subsidiaries (in millions of euros)	2003	2002	2003/2002 Change as a %
Cost of services and products sold	(27.8)	(27.7)	0.4
<i>as a % of revenue</i>	-39.9	-37.7	

In spite of the inclusion of Wanadoo Maps in the scope of the Consolidated Group as of 1 January 2003, which contributed 2.3 million euros to the cost of services and products sold, the costs of services and products sold remained stable between 2002 and 2003. Apart from this inclusion, the cost of services and products sold went down by 7.9% between 2002 and 2003, particularly due to the reduction in costs for QDQ

Media. This drop in costs at QDQ Media is the result of negotiations carried out by QDQ Media with all its suppliers, using a lighter weight paper, and increased productivity achieved by partial in-house production of advertisements and optimising the design of the printed directories. QDQ Media was also able to take advantage of pricing similar to that given to PagesJaunes by its paper suppliers and printers.

5.1.3.2.3 Commercial and Administrative Costs for the International & Subsidiaries Segment (Pro Forma)

International & subsidiaries (in millions of euros)	2003	2002	2003/2002 Change as a %
Commercial costs	(58.5)	(62.5)	-6.3
Administrative costs	(16.4)	(16.5)	-0.6
Commercial and administrative costs	(74.9)	(78.9)	-5.1
<i>as a % of revenue</i>	-107.3	-107.3	

Commercial costs went down by 6.3% between 2002 and 2003 and came to 58.5 million euros in 2003. However, the amount of commercial costs in 2002 reflects an additional cost of 6 million euros resulting from the depreciation of an asset entry created in 2001 for advances on salaries paid during this fiscal year. In addition, the amount of commercial costs in 2003 includes an allowance for a provision for depreciating customer receivables of 11.5 million euros (compared to 1.9 million euros in 2002). The 11.5 million euro allowance is part of the effort to clean up customer receivables not only for the 2003 fiscal year but also for previous fiscal years. Apart from these items, commercial costs went down by 13.9% between 2002 and 2003. This drop is mainly the result of a significant reduction in purchases of advertising space by the "major account" media clients, with whom revenue has decreased.

In 2003, administrative costs remained stable.

Apart from the inclusion of Wanadoo Maps, included in the scope of the Consolidated Group's business starting on 1 January 2003, administrative costs went down by 4.6% compared to 2002. This reduction is the result of actions to reduce structuring costs carried out throughout the France Télécom group.

5.1.3.2.4 Pro Forma EBITDA for the International & Subsidiaries Segment

In 2003 the EBITDA showed a loss of 33.0 million euros, stable compared to the loss of 33.1 million euros reported in 2002. This level of losses is mostly due to the non-renewal of the revenue generated by the "major account" customers at QDQ Media. The other subsidiaries maintained a positive EBITDA.

5.1.3.2.5 Amortisation Allowance for the International & Subsidiaries Segment (Pro Forma)

The amortisation allowance went down by 25.1% between 2002 and 2003, coming to 4.2 million euros in 2003. There was no significant accelerated amortisation in 2003. The amortisation allowance of 5.6 million euros in 2002 included accelerated amortisation of the marketplace marketing portal of Kompass.fr for 1.4 million euros. This amortisation was accelerated following an evaluation and analysis of the outlook for this asset.

5.1.3.2.6 Pro Forma Operating Results for the International & Subsidiaries Segment

The operating results for the International & subsidiaries segment in 2003 showed a loss of 37.1 million euros, compared to a loss of 38.7 million euros reported in 2002. These losses mostly come from the negative results of QDQ Media.

5.1.3.3 Analysis of the Pro Forma Consolidated Net Income

The table below shows the net consolidated results for the consolidated Group generated by all businesses during the fiscal years ending on 31 December 2002 and 31 December 2003:

PagesJaunes Group pro forma consolidated results statement (in millions of euros)	Fiscal years ending on 31 December		Change as a %
	2003	2002	2003/2002
Operating income	321.7	263.0	22.3
Net non-operating income (charges)	19.1	15.8	21.3
Other net non-operating income (charges)	(3.1)	39.6	–
Corporate tax	(123.4)	(121.5)	1.6
Employee profit sharing	(26.9)	(24.6)	9.2
Share in the results of companies using the equity method	1.2	1.0	17.2
Results before amortisation of goodwill and minority interests	188.5	173.3	8.7
Amortisation of goodwill	(5.9)	(4.1)	42.9
Minority interests	–	–	–
Net consolidated income of the Group	182.6	169.2	7.9

5.1.3.3.1 Net Pro Forma Non-Operating Income

Net non-operating income went up by 21.3% between 2002 and 2003 and came to 19.1 million euros in 2003. This increase is mostly due an improvement in rates of return. This non-operating income is mostly made up investment products with France Télécom at market rates.

5.1.3.3.2 Other Non-Operating Income and Charges (Pro Forma)

In 2003, other non-operating income and charges came to –3.1 million euros (particularly including a securities provision of 2.4 million euros for securities of the Lebanese subsidiary and restructuring costs for QDQ Media of 1.1 million euros) compared to +39.6 million euros in 2002. In fact this amount included in 2002 the income from selling property in Sèvres belong to the Company for a price of 86 million euros which gave a gain of nearly 39.0 million euros before tax, before the lease option was exercised, which is 24.7 million euros after tax.

5.1.3.3.3 Corporate Tax (Pro Forma)

In 2003, the Consolidated Group reported corporate tax of 123.4 million euros, an increase of 1.9 million euros compared to 2002. It should be noted that in 2002 corporate tax included 14.3 million euros resulting from gains from the sale of the property in Sèvres. Because of the distribution by the Company of 236.0 million euros before the IPO, 24.9 million euros of which were taken from the special reserve for long term gains, and therefore carried over to the taxable results for 2004, the Company would be liable to an additional corporate tax of 4.6 million euros in 2004. The Company has decided to adopt the tax integration plan set out in

articles 223A and following of the French General Tax Code by 31 March 2005. This option allows the creation of a consolidated group from a tax point of view, which comprises, in addition to the Company, all its French subsidiaries meeting the conditions required for membership. This option will go into effect starting on 1 January 2005 for a period of five fiscal years.

5.1.3.3.4 Employee Profit Sharing (Pro Forma)

Employee profit sharing in the French consolidated companies, implemented in accordance with current regulations, resulted in a charge of 26.9 million euros in 2003, compared to 24.6 million euros in 2002.

5.1.3.3.5 Share of Results From Companies Using the Equity Method (Pro Forma)

The results from companies using the equity method are made up of the contribution from Eurodirectory, which was 50% owned by the Company and whose share in 2003 came to 1.2 million euros, compared to 1.0 million euros in 2002.

5.1.3.3.6 Amortisation of Goodwill (Pro Forma)

Amortisation of goodwill came to 5.9 million euros for 2003, the same amount, compared to 4.1 million for 2002. This increase of 1.8 million euros between 2002 and 2003 is a result of the five-year amortisation of the goodwill of 8.8 million resulting from the purchase of Wanadoo Maps by the Company in 2003.

5.1.3.3.7 Net Income (Pro Forma)

The net income of the Group came to 182.6 million euros in 2003 compared to 169.2 million euros in 2002.

5.1.4 Pro Forma Consolidated Liquid Assets, Capital Resources and Investment Expenses

The following table shows pro forma changes in liquid assets for the Consolidated Group for the fiscal years ending on 31 December 2004, 31 December 2003 and 31 December 2002:

Pro forma net consolidated cash in hand (in millions of euros)	Fiscal years ending on		
	31/12/2004	31/12/2003	31/12/2002
Investment securities	0.3	11.6	11.4
Cash in hand	627.8	461.1	498.1
Total investment securities and cash in hand	628.0	472.7	509.5
Shareholder advances	3.3	3.3	3.3
Lease debts	–	–	0.3
Other non-operating debts	11.3	12.9	31.9
Gross non-operating debt	14.6	16.2	35.5
Under one year	14.6	16.2	35.4
Over one year	–	–	0.1
Net liquid assets	613.5	456.5	474.0

The Consolidated Group's pro forma liquid net assets on 31 December 2004 came to 613.5 million euros, compared to 456.5 million euros on 31 December 2003 and 474.0 million euros on 31 December 2002.

Since 1999, based on agreements renegotiated each year, the Consolidated Group has placed almost all its liquid assets with France Télécom.

The table below shows the pro forma fluctuations in liquid assets for the fiscal years ending on 31 December 2003 and 31 December 2004:

Table of pro forma consolidated fluctuations in liquid assets (in millions of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Net cash flow from operations	358.3	252.3	175.1
Net cash flow to investment operations	(12.6)	(21.9)	29.6
Net cash flow to financing operations	(179.0)	(267.1)	(139.1)
Net changes in liquid assets	166.7	(36.7)	65.6
Affect of variations in exchange rates on liquid assets	–	(0.3)	(0.8)
Liquid assets at start	461.1	498.1	433.2
Liquid assets at close	627.8	461.1	498.1

Pro forma liquid assets on 31 December 2004 came to 627.8 million euros compared to 461.1 million euros on 31 December 2003 and 498.1 million euros on 31 December 2002.

The net fluctuations in cash flow generated by operations increased by 42.0% between 2003 and 2004. This increase is associated with the improved EBITDA, which went from 334.2 million euros in 2003 to 413.4 million euros in 2004, but also to an improvement in requirements for operating funds. The significant drop in the resources needed for operating funds requirements in 2004 is explained in large measure by lower disbursements for corporate tax in 2004 compared to 2003. In 2004, the net cash flow allocated to investment operations included current investments (operations, network, office automation and refurbishing) for 8.8 million euros, purchasing the Kompass Belgium company for 1.8 million euros, as well as buying 50% of the shares in Eurodirectory for 13.5 million euros. These investments were partly offset by the fact that in May 2004 several securities matured. In 2003, this same

heading included basically the purchase of Mappy (formerly Wanadoo Maps) for 10.1 million euros as well as current investments for 11.5 million euros.

The net cash flow allocated to financing includes the distributions carried out in 2004 for 236.0 million euros compared to 248.1 million euros in 2003, the reduction between the two periods being explained by the distribution in 2003 of a carry forward. This item also includes a capital increase reserved for employees subscribed in July 2004 for 53.6 million euros.

5.1.5 Use of Estimates

Preparation of the financial statements drawn up according to generally accepted accounting standards required the Management of PagesJaunes to make some estimates and assumptions which affect the amounts appearing in these financial statements and the accompanying notes, particularly in regard to provisions for risks, deferred tax assets, and goodwill. The actual amounts could be different from the estimates.



Provisions for Risks and Depreciation

Receivables are valued at their face value, and a provision for depreciation is based on a review of the individual and collective risks, particularly taking late payments into account for customer receivables. The provisions made to date have therefore been based on past experience. However, the Group may have to adjust these provisions up or down based on the results reported.

However, an increase in the cost of bad debts of one fifth of their current amount would not have any significant effect on the Group's results.

Goodwill

Goodwill is considered a long-term asset and is amortised according to its estimated lifetime when the purchase is

made. This lifetime is estimated by Management based on the period during which these assets will generate an economic benefit. The amortisation of this goodwill may be adjusted based on any differences noted between the business plans initially created and the actual one for the period.

Deferred Tax Assets

Determining our obligations and charges for taxes requires an interpretation of the tax law. Deferred tax assets are made up mostly of non-deductible charges for the year they are booked, which become tax deductible in the year these charges are actually paid, which requires the PagesJaunes Group to recalculate the items comprising these deferred tax assets each year.

5.1.6 Off-Balance Sheet Commitments and Risks

A summary of the significant off balance sheet commitments as of 31 December 2004 is as follows:

Contractual obligations	Total	Payments due by fiscal year		
		Under one year	One to five years	Over five years
(in millions of euros)				
Simple rental contracts	44.4	13.4	30.8	0.2
Commitments to buy goods and services	64.2	59.1	5.1	-
Total	108.6	72.5	35.9	0.2

Contractual commitments	Total	Payments due by fiscal year		
		Under one year	One to five years	Over five years
(in millions of euros)				
Guarantees and security deposits	0.9	0.9	-	-
Total	0.9	0.9	-	-

Rental Contracts

The rent costs posted in the results statement for the fiscal year ending on 31 December 2004 for simple rentals came to 14.4 million euros, the same amount as for the fiscal year ending on 31 December 2003. Of these 14.4 million euros, 9.5 million were billed by France Télécom. France Télécom's share of future commitments comes to 10.1 million euros for 2005 and 24.2 million euros for 2005 to 2009.

Commitments to Buy Goods and Services

For its business requirements, PagesJaunes makes a commitment to paper manufacturers based on annual contracts with firm commitments of volume. In addition, PagesJaunes also makes a commitment to printers based on three-year or two-year contracts and with distributors based on annual contracts to distribute PagesJaunes and l'Annuaire. These latter commitments are based only on provisional volumes to be ordered with no contractual minimum. These commitments are valued at 50.5 million euros due in December 2005. These amounts may vary based on the actual volume for each year. QDQ Media also has commitments to paper suppliers, with firm commitments for volumes, and with printers. These commitments come to 12 million euros, 8 million of which is due in December 2005 and 4 million euros due in December 2006.

Securities Purchases

The Group has made a commitment for a purchase in the direct marketing sector to consolidate the business of Wanadoo Data, for a maximum amount of 13 million euros.

Individual Training Rights

For individual training rights, for non-executive staff with open-ended contracts in the French companies of the PagesJaunes Group, the volume of hours in the available portion of these rights which has not been used comes to 43,648 hours as of 31 December 2004. No hours have been claimed by any employees.

Deconsolidating Arrangements and Ad Hoc Entities

The Group has not executed any deconsolidating arrangements during the years in question. It has no contractual obligations with ad hoc entities.

Lawsuits and Arbitration Cases

The legal risks to which the Consolidated Group is exposed are described in note 23 to the consolidated accounts.

5.1.7 Implementation of the IFRS Standards (International Financial Reporting Standards) at the Group

Background to the Changeover to International Accounting Standards

In application of regulation No. 1606/2002 and pursuant to IFRS Standard 1, the adoption of IFRS standards as an accounting standard, the PagesJaunes Group's consolidated accounts for the fiscal year ending on 31 December 2005 will be drawn up based on international accounting standards with a comparison with the 2004 fiscal year using the same standards.

To publish this comparative information, PagesJaunes will have to draw up an opening balance sheet on 1 January 2004, which is the starting point for applying IFRS standards and the date on which the impact of the changeover will be recorded in shareholder equity. PagesJaunes will also have to restate all the cash flow for the 2004 fiscal year to make this comparative presentation.

Conversion Project Organisation

In this regard, as part of the measures taken by France Télécom, PagesJaunes implemented a project to convert to the international standards (IAS/IFRS) in July 2003, to identify and state the main differences in accounting methods in December 2004, to start the work to prepare the opening balance for 1 January 2004 as well as restating the monthly cash flow for the 2004 fiscal year. Because of the low implementation of some standards, the limited number of interpretations and the fact that they are not final until 31 December 2005, the analysis of some Group transactions may change.

To ensure uniformity in accounting policies and implementation within France Télécom, the IFRS conversion project is carried out by a central team that leads the whole project for the Group and its sub-groups, including PagesJaunes.

PagesJaunes is a participant in the main supervisory groups involved, to make sure the project is successful and to measure its progress. The main supervisory groups involved in ensuring the success of the Group and measuring its progress are at three levels:

- > a programme leadership committee with the main people involved in the Group and its sub-groups;
- > a technical committee in charge of preapproval of the IFRS technical points and options, containing the main people involved in the Group, the sub-groups and the Auditors;
- > a programme strategy committee, jointly for the IFRS project, the new consolidation tool and the new management reporting, containing the Executive Directors and Financial Management.

First Qualitative Analysis of the Impacts of the Implementation of the International Accounting Standards

The implementation of the international standards will not have any impact on the Company's strategy and performance, or on the distribution capacity of the PagesJaunes Group. This conversion of the Group's accounts should not have any effect on the generation of cash flow for the Company either. At this stage of the project, the Group has identified the main differences between the evaluation and presentation methods defined by the international standards and the accounting principles and methods currently applied, with the understanding that this information is produced to the best of our knowledge about the standards which will actually be applied in 2005.

The main differences identified in terms of evaluation and presentation may be summarised by the following qualitative elements:

> the application of standard IAS 18 in relation to recognising income should only have a very limited impact in terms of presentation: in fact the application of SIC 31 consists in not presenting merchandise exchanges, for similar operations in sales.

This restatement will have no impact on operating results or on net results;

> goodwill will no longer be amortised, but will continue to be subject to depreciation tests. The Group is already carrying out depreciation tests in each company for internal management purposes. At this stage, the expected impact associated with depreciation tests for goodwill as of 1 January 2004 should not be significant, because the Group has only recently been created. In the context of the formation of the Consolidated Group, acquisitions were valued at their market value and they did not result in any recognition of fixed intangible assets (IFRS 3) at this stage. The exercise of allocating goodwill for the year is in progress and may lead to identifying elements relating to marketing, the customer base or any other element allowed by the IFRS 3 standard. It should be noted that recognising these elements results in booking deferred tax liabilities and that elements with a finite lifetime result in an allowance for amortisations;

> the application of the IFRS 2 standard (payments in shares) will mean that options to subscribe or buy shares allocated by France Télécom to its employees, including PagesJaunes employees are booked as charges. The Group has decided to restate all the plans implemented prior to 7 November 2002; the impact on the consolidated operating results and on the consolidated net results Group share for 2004 of the estimate charge for stock options and share purchase or subscription offerings reserved for employees should be about 20 million euros, but should not have any effect on shareholder equity at the opening or closing, as the counterpart of this charge is shareholder equity.

The Company is still analysing the implementation of the IFRS 2 standard and the recent notice from the National Accounting Council dated 21 December 2004 in relation to company savings plans;

> as allowed by the IAS 1 standard, the Group has decided to present its results statement by type to better meet investors' expectations by bringing its results statements into line with its financial reporting. The international standards make significant changes to the presentation of the results statement, particularly by removing the concept of non-operating income and charges and by including charges associated with goodwill in ordinary business results. So, the application of this standard will involve reclassification in the results of employee profit sharing (29.9 million euros in pro forma data for 2004) and the other non-operating income (charges) (9.6 million euros in pro forma data for 2004).

The IFRS standards also require a presentation of detailed information by business sector and/or by geographical area.

The preparation of this information according to the IAS 14 standard is still being analysed;



> options used by the Group when creating the opening balance sheet on 1 January 2004:
PagesJaunes has decided to use the historical value as a basis for valuing tangible fixed assets when creating the opening balance sheet for 2004, and this decision should not have any major effect on the opening balance.

Provisional Calendar for Group IFRS Financial Reporting

To stay in step with the financial community during the changeover to international accounting standards, the Group has planned the following reporting calendar:

- > end of April 2005: first reporting of consolidated IFRS data for the fiscal year ending on 31 December 2004;
- > end of April 2005: publication of the revenue information in IFRS format for the first quarter of 2005;
- > end of July 2005: publication of the results for the first half of 2005 in a preliminary version;
- > end of September 2005: publication of the results for the first half of 2005 in the final version.

5.1.8 Events After the Fiscal Year Ended

As this report goes to press, there are no major events to be reported after the fiscal year ended.

5.1.9 Upcoming Changes

Purchase of Télécontact (Morocco)

According to the Group's intention announced at the time of IPO, PagesJaunes Group is preparing to buy the Télécontact company from France Télécom. Télécontact is the main publisher of directories in Morocco.

Operator Services

PagesJaunes Group intends to take advantage of the liberalisation of the operator services market in France, but this deployment will not occur before the fourth quarter of 2005.



5.2 CONSOLIDATED ACCOUNTS

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5.2.1 Fiscal Years Ending on 31 december 2004, 2003 and 2002

Consolidated Results Statement

(in thousands of euros, except for information on shares)		Fiscal years ending on 31 December		
	Notes	2004	2003	2002
Revenue	4	973,122	882,739	832,354
Cost of services and products sold		(209,764)	(216,552)	(222,094)
Commercial costs		(294,257)	(253,405)	(244,235)
Administrative costs		(52,033)	(42,655)	(50,530)
Research and development costs		(1,084)	(1,737)	(2,419)
EBITDA	4	415,984	368,390	313,076
Allowance for amortisations and provisions for fixed assets		(10,066)	(9,661)	(11,940)
Operating income		405,918	358,729	301,136
Net non-operating income (charges)	6	19,990	25,763	20,893
Net exchange differential		(53)	(200)	(116)
Current results for consolidated companies		425,855	384,292	321,913
Other net non-operating income (charges)	7	(9,817)	(2,149)	39,732
Corporate tax	8	(149,300)	(125,174)	(123,047)
Employee profit sharing		(29,926)	(26,934)	(24,608)
Net result for consolidated companies		236,812	230,035	213,990
Share in the results of companies using the equity method	12	774	1,175	1,003
Amortisation of goodwill	9	(4,168)	(599)	(599)
Net results for the consolidated whole		233,418	230,611	214,394
Minority interests		0	0	0
Net consolidated income of the Group		233,418	230,611	214,394
Results per share (in euros)				
Number of shares		278,789,610	182,700	182,700
Results before amortisation of goodwill and minority interests				
– basic		0.85	1,265.52	1,176.75
– published comparable		0.85	0.83	0.77
Net results Group share				
– basic		0.84	1,262.24	1,173.48
– published comparable		0.84	0.83	0.77



Consolidated Balance Sheet

(in thousands of euros)		Fiscal years ending on 31 December		
	Notes	2004	2003	2002
ASSETS				
Net goodwill	9	73,307	1,198	1,797
Other net intangible fixed assets	10	2,092	558	823
Net tangible fixed assets	11	23,143	18,370	21,003
Securities by the equity method	12	15,493	2,504	2,353
Net securities	13	2,263	388	2,169
Other long-term assets	14	1,521	1,352	1,733
Net long-term deferred taxes	8	9,016	6,508	6,354
Total fixed assets		126,835	30,878	36,232
Inventory		12,373	7,112	11,127
Net provisions for receivables	15	430,793	371,791	349,799
Net short-term deferred taxes	8	17,128	18,034	12,816
Other deferred receivables and charges	16	84,924	102,745	98,786
Investment securities	19	264	11,600	11,409
Liquid assets	19	644,077	581,935	577,909
Total current assets		1,189,559	1,093,217	1,061,846
TOTAL ASSETS		1,316,394	1,124,095	1,098,078
LIABILITIES				
Share capital		55,758	54,810	54,810
Issue bonus		52,610	42,249	42,249
Reserves		41,589	4,688	38,398
Net income of the Group		233,418	230,611	214,394
Conversion reserve		0	0	0
Self-owned shares		0	0	0
Shareholder equity	21	383,375	332,358	349,851
Minority interests		0	0	0
Long-term and medium-term non-operating debt	19	32	0	3
Other long-term debt	20	30,391	24,805	24,213
Total long-term debt		30,423	24,805	24,216
Long- and medium-term non-operating debt under one year	19	3,822	3,822	3,822
Bank overdrafts and other short-term loans	19	10,730	11,559	28,771
Suppliers debts		107,026	107,312	98,890
Charges owed and other short-term provisions	20	241,543	177,247	177,188
Other debts		4,104	1,654	2,911
Net short-term deferred taxes	8	0	0	0
Deferred income	17	535,371	465,338	412,429
Total short-term debt		902,596	766,932	724,011
TOTAL LIABILITIES		1,316,394	1,124,095	1,098,078

Table of Changes in Consolidated Shareholder Equity

(in thousands of euros except information on shares)	Number of shares issued	Share capital	Issue bonus	Reserves	Total shareholder equity
Balance on 1 January 2002	182,700	54,810	42,249	190,040	287,098
Results for the 2002 fiscal year				214,394	214,394
Dividend distribution				(151,641)	(151,641)
Balance on 31 December 2002	182,700	54,810	42,249	252,793	349,851
Results for the 2003 fiscal year				230,611	230,611
Dividend distribution				(248,104)	(248,104)
Balance on 31 December 2003	182,700	54,810	42,249	235,300	332,358
Stock split based on face value	273,867,300				0
Capital increase	4,739,610	948	52,610		53,558
Results for the 2004 fiscal year				233,418	233,418
Dividend distribution			(42,249)	(193,710)	(235,959)
Balance on 31 December 2004	278,789,610	55,758	52,610	275,008	383,375



Table of Changes in Consolidated Cash Flow

	Notes	Fiscal year ending on 31 December		
		2004	2003	2002
<i>(in thousands of euros)</i>				
CASH FLOW RELATED TO ACTIVITIES				
Consolidated net income of the Group		233,418	230,611	214,394
<i>Non-monetary items not affecting cash flow</i>				
Amortisations for fixed assets and goodwill		14,233	10,260	12,540
Losses (gains) on sales of assets		411	942	(26,025)
Changes in other provisions		(4,081)	9,576	4,482
Non-distributed income from companies using the equity method		512	(151)	(389)
Deferred taxes		(1,579)	(5,370)	4,281
Minority interests		0	0	0
Unrealised exchange differential		0	0	0
Other non-monetary items		0	0	0
<i>Changes in operating funds requirements</i>				
Decrease (increase) in inventory		(4,810)	4,014	(385)
Decrease (increase) in customer receivables		(36,325)	(23,644)	(22,811)
Decrease (increase) in other receivables		18,006	(4,378)	(4,719)
Increase (decrease) in supplier debts		(10,810)	7,977	4,475
Increase (decrease) in other debts		153,259	47,619	26,054
Net Cash Provided by Operating Activities		362,234	277,456	211,897
CASH FLOW FROM INVESTING ACTIVITIES				
Tangible and intangible fixed asset purchases net of changes in fixed asset suppliers		(8,376)	(7,416)	(11,858)
Income from sales of tangible and intangible assets		215	95	33,477
Buyback of own shares				0
Purchases of holdings and subsidiaries, net of acquired cash flow		(21,981)	(32)	0
Investments in companies using the equity method		(13,500)	0	0
Income from sales of holdings and subsidiaries, net of transferred cash flow		0	0	7,153
Other decreases (increases) in securities and other long-term assets		11,509	(430)	3,509
Net Cash Used in Investing Activities		(32,133)	(7,783)	32,281
CASH FLOW FROM FINANCING ACTIVITIES				
Increase (decrease) in long-term loans		(89,326)	(2)	(2,967)
Increase (decrease) in bank overdrafts and long-term loans		(1,167)	(17,222)	16,674
Shareholders' contributions		58,492	0	0
Dividends paid		(235,958)	(248,106)	(151,641)
Net Cash Provided by Financing Activities		(267,959)	(265,330)	(137,934)
Net change in Cash and Cash Equivalent		62,142	4,343	106,244
Effects of exchange variations on Cash and Cash Equivalent		0	(317)	(768)
Liquid assets at start		581,935	577,909	472,433
Cash and Cash Equivalent at Closing		644,077	581,935	577,909

5.2.2 Notes to Pro Forma Consolidated Accounts

Note 1. Description of Business

For over fifty years, the PagesJaunes Group has offered a diversified range of products and services to the general public and businesses, with directories in France and foreign countries as its core business. In the accounts presented, unless otherwise indicated, the term "PagesJaunes SA" refers to PagesJaunes, the terms "PagesJaunes Group" and "the Company" refer to the PagesJaunes Group Company and the terms "PagesJaunes", "the Group" and "Group PagesJaunes" refer to the PagesJaunes Group and its consolidated subsidiaries.

Note 2. Accounting Methods

PagesJaunes consolidated accounts were drawn up pursuant to generally accepted accounting principles in France, according to the provisions of regulation No. 99-02 from the Accounting Regulation Committee (French acronym: CRC).

2.1 First Application of the New Accounting Regulations Staff

Recommendation No. 2003-RR.01 of 1 April 2003 by the National Accounting Committee (CNC) on the rules for booking and evaluating retirement and similar benefit commitments, issued by the CNC on 22 July 2004, with instructions for the first application

This recommendation, applicable as of 1 January 2004, sets out the procedures for evaluating and booking retirement commitments. Its field of application covers benefits after employment, other long-term benefits, compensation payments after an employment contract has been broken and the corresponding social and tax contributions. PagesJaunes applied the rules for booking and evaluating its retirement and similar benefit commitments according to this recommendation on 1 January 2003.

Law No. 2004-391 of 4 May 2004 on professional training, implementing the Individual Training Right (French acronym: DIF), notice No. 2004-F of 13 October 2004 by the Emergency Committee on booking the Individual Training Right (DIF)

The Emergency Committee found that the costs incurred as a result of employees' individual right to training are compensation for future and not past services rendered by the employee and therefore constitute a short-term commitment in application of the regulation on liabilities. Therefore, in the general case of an agreement between the Company and the employee on the type of training to be given, the costs incurred for the DIF constitute a charge for the period and do not therefore result in any kind of provision, but reference is made in the attachment of the number of hours at the end of the fiscal year of the unused part of the rights available with an indication of the volume of hours which have not been requested by the employees. However, in some particular cases (request for Individual Training Leave – French acronym CIF – or in case of dismissal or resignation) where these costs cannot be considered compensation for future services, the resulting short-term commitment is provided for in the accounts for the period, pursuant to the rules on liabilities, when the obligation towards the employee becomes likely or certain.

Assets

Adoption by the CNC on 27 October 2004 of the provisions of the first application of the CRC regulations regarding defining, booking and evaluating assets

This CRC regulation will convert the provisions of CNC notice No. 2004-15 of 23 June 2004 on defining, booking and evaluating assets into regulations. The main purpose of this notice is harmonisation with IFRS standards (IAS 16 tangible assets, IAS 38 intangible assets, IAS 2 Inventory and IAS 23 lending costs). This notice is applied for the fiscal years starting on 1 January 2005 with an early application possible for the fiscal years started as of 1 January 2004. PagesJaunes has not opted for early application of this regulation (notice) in its accounts of 31 December 2004.

Regulation CRC 02-10 of 12 December 2002 on amortisation and depreciation of assets

This regulation redefines the concepts of amortisation and depreciation and stipulates the situations when a depreciation test for tangible and intangible assets must be performed. This regulation applies to fiscal years starting as of 1 January 2005 and may be the subject of a full early application as of 1 January 2002. PagesJaunes has not opted for early application of this regulation in its accounts of 31 December 2004.

Regulation CRC 03-05 of 20 November 2003 on booking costs for creating websites

As a continuation of the draft notice on defining assets and Regulation 02-10 on amortisation and depreciation of assets, this regulation describes the booking of costs for designing and developing websites, by stipulating the conditions and procedures for booking these costs under assets. This regulation applies to fiscal years starting as of 1 January 2004. However, similar provisions had already been applied by PagesJaunes, so the application of this regulation has no significant effect on its results and shareholder equity.

Recommendation 03-R-02 of 21 October 2003 by the National Accounting Council on environmental aspects

The recommendation breaks down the provisions in the European recommendation of 30 May 2001, on "taking into consideration environmental aspects in companies' accounts and annual reports: booking, evaluating and publishing information". Applicable to fiscal years as of 1 January 2004, the recommendation does not amend the rules for booking environmental liabilities but aims at a greater harmonisation in the type of information reported by the various companies.

Law on Financial Security

The law on Financial Security has been applicable since its publication in the *Official Journal* on 2 August 2003. This law contains an accounting provision removing the need to hold securities in a controlled entity to consolidate it. This provision applies as of 1 January 2004. At this time, PagesJaunes has no relations with any entities of this kind.

2.2 Presenting the Financial Statements

The consolidated financial statements are drawn up in euros. > Operating costs before amortisation of fixed assets are broken down under the following headings:

- costs of services and products, corresponding to the costs of services and goods sold and/or which appeared during the period;
 - commercial costs, reflecting the charges resulting from the actions taken by the Company to sell its products and services, particularly including compensation for the sales force;
 - administrative costs, reflecting the charges relating to support functions (management, accounting, human resources, purchasing, strategy, etc.);
 - costs for research and development are made up, for the research portion, of original work organised and performed for the purpose of acquiring an understanding and scientific knowledge or new techniques and, for the development portion, of implementing, before commercial production or internal use starts, projects to study product production, processes, systems or new services or greatly improved, in application of discoveries made or knowledge acquired.
- > Operating income are the difference between operating income and costs. Operating income before amortisation of fixed assets corresponds to the operating income before allowances for amortisations and provisions for fixed assets.
- > Employee profit sharing in the Company's results is booked on a separate line in the results accounts, after the operating income.
- > Other net non-operating income (charges) mostly includes the results of selling consolidated companies and holdings, transferring provisions to holdings and investment securities, dividends received, costs and transferring provisions for restructuring. They also include the items in the results whose relative importance exceeds the scope of current business (property assets, business receivables, IPO costs, etc.).
- > The charge for amortising goodwill covers goodwill for companies consolidated using the full integration, proportional integration and equity methods.
- > The balance sheet shows assets and debts based on their increasing degree of liquidity or enforceability and separates short-term items, which will fall due in under a year, from long-term items.
- > The cash flow table shows changes in cash flow, apart from bank overdrafts and investment securities maturing over three months from the date of acquisition, and their changes are shown in finance activities and investment activities respectively.

2.3 Consolidation Methods

A company, acquired or created, over which the Group exercises control or a major influence, is included in the scope of consolidation when the thresholds set below are reached for at least two of the following three criteria: revenue of 5 million euros, total assets of 10 million euros and net assets of 2 million euros.

The main consolidation methods are as follows:

- > subsidiaries over which PagesJaunes Group directly or indirectly exercises sole control are consolidated using the full integration method;
- > companies over which PagesJaunes Group exercise a major influence are consolidated using the equity method;

- > non-consolidated companies referred to in note 13 "Holdings" are not significant in terms of the consolidated accounts, either on their own or taken as a whole;
- > significant intragroup operations and balances are eliminated.

Booking Corporate Acquisitions and Goodwill

When a company is acquired, the cost of acquisition of the shares is allocated, based on their fair value, to identifiable assets and liabilities in the acquired company. The fair value of the identifiable intangible asset items, such as trademarks, licenses and market share, is determined by using methods generally accepted for this purpose, such as those based on income, costs or market value. The difference between the acquisition cost and the fair value of the identifiable assets and liabilities in the acquired company is recorded in the consolidated balance sheet under the heading "Goodwill" for consolidated companies. The length of amortisation for the goodwill, generally between five and twenty years, is determined by taking into consideration the specific nature of the acquired company and its strategic character. The actual value of the goodwill is subject to periodic examination, at least once a year, and when events or circumstances indicate that a reduction in value is likely to have occurred. Such events or circumstances include significant unfavourable changes which are long-term, affect the economic environment or the assumptions or goals used on the date of the acquisition.

PagesJaunes assesses the actual value of goodwill for each of the companies consolidated or valued using the equity method. The need to determine a loss value is assessed by a comparison between the consolidated book value of the businesses and its actual value. The actual value is the highest between the market value and the use value.

The market value is determined as the best estimate of the sale value net of the costs of leaving the business when it involves a transaction performed under normal market conditions. This estimate is valued based on available market information taking particular situations into account.

PagesJaunes prefers to use the actualised cash flow method when assessing the use value. This is determined based on economic assumptions and forecast operating conditions used by PagesJaunes Management as follows:

- > cash flow is that from business plans resulting from the process of strategic planning and expanded over an appropriate horizon not exceeding ten years;
 - > beyond that horizon, cash flow is extrapolated by application of a constant rate of growth specific to each business;
 - > actualisation of cash flow is performed according to the rates appropriate for that type of business.
- In cases where a sale has been decided, the actual value is determined by reference to the market value.

2.4 Other Accounting Methods

Foreign Currency Operations

Monetary balances expressed in other currencies are converted at the end of the fiscal year at the closing rate.

Underlying exchange losses and gains on monetary balances in other currencies are reported in results for the fiscal year.

Booking Income and Corresponding Charges

The main income resulting from PagesJaunes' business is booked as follows:

- > income from the sale of advertisements in the printed directories is taken into account in the results when published. Therefore, revenue from advertisements billed for directories yet to be published are presented in the balance sheet under the heading "Deferred income";
- > income from the sale of advertisements in on-line directories is scaled over the lifetime of the display which is generally twelve months;
- > charges directly allocatable to campaigns for directory publication in a fiscal year are carried over into the revenue posted for that fiscal year; these involve commissions to sales and telephone sales staff as well as publishing fees.

Advertising and Similar Costs

Costs for advertising, promotion, sponsorship and trademark notices are all booked under charges for the fiscal year during which they are incurred.

Research and Development Costs

Research and development costs are booked under charges for the fiscal year in which they are incurred.

Customer Receivables

Because it has different types of customers (individuals, major companies, business people), PagesJaunes does not consider itself exposed to a concentrated customer risk. Provisions have been made based on an assessment of the risk of non-collection of its receivables. Provisions are based on an individual or statistical assessment of this risk of non-collection.

Liquid Assets

Liquid assets are made up of assets immediately available and by short-term investments, which will mature in three months or less from the date of acquisition, and which are valued at their historical cost, which is close to their realisation value.

Investment Securities

Investment securities are booked at their purchase price. When necessary, they are subject to a provision, calculated for each line of securities of same type, to bring their value into line with the average stock price over the last month or their likely trading value for unlisted securities.

Inventory and Products in Progress

Products in progress are valued at their cost price and based on direct costs. Inventory is valued according to the weighted average unit cost method. A provision for depreciation is created when the cost price is lower than the probable realisation value.

Other Intangible Fixed Assets

The other intangible fixed assets include licences and patents. Trademarks and market share are booked at their purchase price; usually this is determined when a company's acquisition price is allocated by reference to the methods usually used in

this regard, such as those based on income, cost or market value.

Amortisation of fixed assets is calculated based on the consumption rates for the economic benefits expected for this asset. For this purpose, the linear method is usually used over a period generally between one and five years.

Tangible Fixed Assets

Tangible fixed assets are booked at their purchase price or their production cost.

Maintenance and repair costs are booked under charges for the fiscal year during which they were incurred, unless they would contribute to increasing productivity or the useful life of a fixed asset. Goods financed by a rental contract which transfers to PagesJaunes the risks and benefits associated with ownership are booked under fixed assets with a corresponding entry of a non-operating debt.

Amortisation of fixed assets is calculated based on the consumption rates for the economic benefits expected for this asset. For this purpose, the linear method is usually used over the following periods: twenty-five to thirty years for buildings, five to ten years for fixtures, between one and five years for other fixed assets.

Depreciation of Other Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are subject to depreciation when, due to events or circumstances occurring during the fiscal year (obsolescence, physical deterioration, major changes in the way it is used, performance below expectations, drop in revenue and other external indicators), their actual value appears to be lower than their net book value in the long term; their actual value is the higher value of the market value or the use value.

Depreciation tests are performed by groups of assets by comparing the actual value and the net book value (when a depreciation appears to be necessary, the amount booked is equal to the difference between the net book value and the actual value).

For assets intended to be kept and used, the actual value is usually determined based on use value, which corresponds to the value of the expected future economic benefits from its use and exit. It is assessed basically by reference to future actualised cash flows determined using preliminary economic assumptions and operating conditions used by the PagesJaunes Group management. For assets intended to be sold, the actual value is determined based on the market value which is assessed by reference to market prices.

Non-operating Fixed Assets

Holdings are booked at their historical acquisition cost by PagesJaunes Group which includes, if applicable, costs directly chargeable to the operation. A provision for depreciation is made if this value is higher than the use value, assessed by the Management of PagesJaunes Group, based on various criteria such as the market value, prospects for development and profitability, and shareholder equity, taking into account the specific nature of each holding.

Deferred Taxes

PagesJaunes Group books the deferred taxes resulting from temporary differences between the accounting basis and the tax basis, as well as those resulting from losses carried forward. Provisions for depreciation of deferred tax assets are made based on the likelihood of recovering these taxes. Deferred tax assets and liabilities are actualised when the effects of the actualisation are significant and a reliable repayment schedule can be established. No deferred tax asset or liability is booked when results from internal sale of holdings in consolidated companies are eliminated during consolidation, or provisions for depreciation and risks and charges, which are tax deductible, relating to these securities.

Provisions for Risks and Charges

Provisions are booked when, at the end of the fiscal year, the Group has an obligation to a third party which is likely or certain to cause an exit of resources to the benefit of this third party, with no equivalent compensation expected from the latter.

This obligation may be legal, regulatory or contractual. It may also be the result of Group practices, or public commitments which have created a legitimate expectation on the part of the third party concerned that the Group will assume certain responsibilities.

The estimate of the amount shown in provisions corresponds to the exit of resources which the Group will likely have to bear to wipe out its obligation. If no reliable evaluation of this amount can be made, no provision is booked; a note is then attached.

Any liabilities corresponding to an obligation which on the date the accounts are closed is neither likely nor certain, or a likely obligation for which the exit of resources is not likely, are not booked. They are described in a note as an attachment.

Commitments for Retirement and Similar Benefits

In France, the law states that compensation is paid to employees when they retire, based on their seniority and their salary at retirement age. The actuarial cost of this commitment is taken into account each year during the active lifetime of the employees. The effect of variations in assumptions is taken into account in the results over the average remaining active lifetime of the employees. The procedures for determining this provision are carried out based on an actuarial evaluation, and taking various parameters into account:

- > the *Insee* (French Statistics Institute) table for 2000-2002, male and female tables;
- > employee turnover rates vary based on seniority at the company or age;
- > the retirement age used: 62;
- > the salary increase tables are defined based on age;
- > actualisation rate: 4.5%.

Use of Estimates

The preparation of financial statements drawn up according to generally accepted accounting principles led the Management of PagesJaunes Group to make some estimates and assumptions which affect the amounts that appear in these financial statements and the accompanying notes,

particularly in regard to the provisions for risks, deferred tax assets, goodwill and holdings. The actual amounts could be different from the estimates.

Note 3. Variations in the Consolidation Basis

> 2003

No operation impacting the consolidation basis.

> 2004

The purchase of QDQ Media on 1 April 2004 for 17 million euros and the assumption of the profit sharing loan for 89 million euros generated goodwill of 69 million euros. The purchase of Wanadoo Maps on 1 May 2004, at an acquisition of price of 10 million euros produced goodwill of 7 million euros. The acquisition of the remaining 50% of the sub-group Eurodirectory for a cost of 13.5 million euros generated goodwill of 12 million euros. By buying the remaining shares in Eurodirectory, PagesJaunes Group became a 49% owner in the Editus company, a Luxembourg directory company. The Eurodirectory company, purchased at the end of the year, will be consolidated by full integration and its subsidiary Editus by proportional integration starting in 2005. For simplification purposes, this company was booked using the equity method in 2004, and the effect of this decision will not influence the accounts.

To separate the directory business from the holding items, the Group bought a company called Nedif (renamed PagesJaunes) and transferred the PagesJaunes business to it. At the same time, the PagesJaunes Company was renamed PagesJaunes Group. The two companies are consolidated by full integration.

Note 3.1. Pro Forma Information on the Results Statements

The pro forma consolidated accounts for the 2002, 2003 and 2004 fiscal years are intended to show the effect on the past consolidated statements of the Group PagesJaunes of the purchases of QDQ Media and Mappy (formerly Wanadoo Maps), Wanadoo subsidiaries purchased in the first half of 2004. These pro forma statements were drawn up based on the past consolidated statements of PagesJaunes and two of its acquired subsidiaries restated as indicated in the paragraphs below.

The main conventions used to draw up the pro forma statements are as follows:

the results statement includes:

- > the consolidated operating results for PagesJaunes combined with those of its acquired subsidiaries;
- > amortisation of the goodwill of these subsidiaries calculated on 31 December 2003 and provisionally corresponding to the goodwill on that date;
- > finance charges corresponding to the financing of the acquisition cost.

The standard tax booked in the pro forma consolidated accounts corresponds to that declared by the Group companies. It was corrected for the variation in the results associated with restating non-operating income.

The calculation of the holding was revised to take into account the items listed above.

No adjustment relating to structuring charges was booked, because the entities already take these charges into account on an individual basis.

Pro Forma Consolidated Results Statements

(in thousands of euros)	Fiscal years ending 31 December								
	2004 historical	Restated	2004 pro forma	2003 historical	Restated	2003 pro forma	2002 historical	Restated	2002 pro forma
Revenue	973,122	10,966	984,088	882,739	34,602	917,341	832,354	38,769	871,123
Cost of services and products sold	(209,764)	(3,401)	(213,165)	(216,552)	(18,381)	234,933)	(222,094)	(17,291)	(239,385)
Commercial costs	(294,257)	(6,807)	(301,064)	(253,405)	(38,980)	292,385)	(244,235)	(45,507)	(289,742)
Administrative costs	(52,033)	(3,313)	(55,346)	(42,655)	(11,388)	(54,043)	(50,530)	(11,073)	(61,603)
Research and development costs	(1,084)	0	(1,084)	(1,737)	0	(1,737)	(2,419)	0	(2,419)
Operating results before amortisation of fixed assets	415,984	(2,555)	413,429	368,390	(34,147)	334,243	313,076	(35,102)	277,974
Allowance for amortisation and provisions for fixed assets	(10,066)	(238)	(10,304)	(9,661)	(2,914)	(12,575)	(11,940)	(2,993)	(14,933)
Operating results	405,918	(2,793)	403,125	358,729	(37,061)	321,668	301,136	(38,095)	263,041
Net non-operating income (charges)	19,990	(1,466)	18,524	25,763	(6,465)	19,298	20,893	(5,037)	15,856
Net exchange differential	(53)	0	(53)	(200)	7	(193)	(116)	12	(104)
Current results for consolidated companies	425,855	(4,259)	421,596	384,292	(43,519)	340,773	321,913	(43,120)	278,793
Other net non-operating income (charges)	(9,817)	189	(9,628)	(2,149)	(995)	(3,144)	39,732	(116)	39,616
Corporate tax	(149,300)	546	(148,754)	(125,174)	1,734	(123,440)	(123,047)	1,588	(121,459)
Employee profit sharing	(29,926)	0	(29,926)	(26,934)	68	(26,866)	(24,608)	0	(24,608)
Net results for consolidated companies	236,812	(3,524)	233,288	230,035	(42,712)	187,323	213,990	(41,648)	172,342
Share in results of companies using the equity method	774	0	774	1,175	0	1,175	1,003	0	1,003
Amortisation of goodwill	(4,168)	(1,715)	(5,883)	(599)	(5,285)	(5,884)	(599)	(3,518)	(4,117)
Net results for all consolidated companies	233,418	(5,239)	228,179	230,611	(47,997)	182,614	214,394	(45,166)	169,228
Minority interests	0	0	0	0	0	0	0	0	0
Net consolidated results Group share	233,418	(5,239)	228,179	230,611	(47,997)	182,614	214,394	(45,166)	169,228

Note 4. Information by Business Segment

PagesJaunes' business is organised into two main segments:
 > **PagesJaunes France.** This involves the business in France of publishing the directories, distributing them, selling advertising space in the printed and on-line directories, the business of creating and hosting websites as well as publishing the PagesPro directory, selling on-demand access, the QuiDonc reverse directory and the Europages advertising representation.

> **International & Subsidiaries.** This is business of the various company subsidiaries which mostly consists of publishing general public directories outside France, developing the Kompass directories in Europe and developing businesses which complement the directory publishing business (such as Mappy's (formerly Wanadoo Maps) mapping services and Wanadoo Data's direct marketing).

(in thousands of euros, except for staff)	PagesJaunes France	International & subsidiaries	Group total
On 31 December 2004			
Revenue	908,358	64,764	973,122
EBITDA ⁽¹⁾	423,704	(7,720)	415,984
Amortisations	(6,670)	(3,396)	(10,066)
Operating results	417,034	(11,116)	405,918
Tangible and intangible investments	6,211	1,466	7,677
Average number of staff ⁽²⁻³⁾	3,157	1,076	4,233
On 31 December 2003			
Revenue	847,506	35,233	882,739
EBITDA ⁽¹⁾	365,913	2,477	368,390
Amortisations	(8,395)	(1,266)	(9,661)
Operating results	357,518	1,211	358,729
Tangible and intangible investments	7,278	522	7,800
Average number of staff ⁽²⁾	3,011	303	3,314
On 31 December 2002			
Revenue	797,579	34,775	832,354
EBITDA ⁽¹⁾	311,280	1,796	313,076
Amortisations	(9,351)	(2,589)	(11,940)
Operating results	301,929	(793)	301,136
Tangible and intangible investments	8,543	1,419	9,962
Average number of staff ⁽²⁾	2,975	298	3,273

(1) EBITDA: operating results before amortisation of fixed assets.

(2) Average number of staff working the equivalent of full time, excluding staff on assignment, the cost of which is rebilled to France Télécom.

(3) Taking into account the average number of staff working the equivalent of full time at QDQ Media and Mappy (formerly Wanadoo Maps) on 31 December 2004.

Analysis by Geographical Area

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Revenue			
France	946,736	882,739	832,354
Other	26,386	0	0
Fixed assets			
France	19,561	18,928	21,826
Other	5,675	0	0

Note 5. Personnel Costs

	Fiscal years ending on 31 December		
(in thousands of euros, except for staff)	2004	2003	2002
Average number of staff ⁽¹⁾	4,233	3,314	3,273
Benefits and salaries	185,114	155,189	151,642
Social costs	72,846	63,085	62,286
Total personnel costs ⁽²⁾	257,960	218,274	213,928
Capitalised production costs	0	(92)	(234)
Changes in the provision for retirement compensation	1,420	1,635	1,491
Other ⁽³⁾	6,269	5,669	5,072
Total personnel costs ⁽²⁾	265,649	225,486	220,257

(1) Average number of staff working the equivalent of full time.

(2) Excluding employee profit sharing and personnel costs associated with the TOP restructuring plan (classified as non-operating charges).

(3) Particularly tax levied on salaries.

Note 6. Non-Operating Results

Non-operating results are mainly composed of income generated by cash invested with France Télécom.

Note 7. Other Net Non-Operating Income (Charges)

On 31 December 2004, non-operating results came to (9.8) million euros and mostly include reporting costs and fees associated with PagesJaunes' IPO (-8.1 million euros).

Note 8. Corporate Tax

8.1 Group Tax Figures

The comparison between the theoretical tax at the legal rate in France and the actual tax is as follows:

	Fiscal years ending on 31 December		
(in thousands of euros)	2004	2003	2002
Results before taxes	382,718	355,785	337,441
Legal tax rate	35.43 %	35.43 %	35.43 %
Theoretical Tax	(135,597)	(126,055)	(119,555)
Amortisation of goodwill	(1,477)	(212)	(212)
Results of companies using the equity method	274	416	355
Companies with a loss	(7,456)	(323)	(902)
Tax on long-term gains reserves	(964)	0	0
Long-term gains or losses	0	0	534
Distribution of the special long-term gains reserve	(4,610)	0	0
Provisions for risks	0	0	(2,534)
Other non-taxable income and charges	530	998	(732)
Actual tax	(149,300)	(125,174)	(123,047)

8.2 Tax in the Balance Sheet

The net taxes shown in the balance sheet are as follows:

	Fiscal years ending on 31 December		
(in thousands of euros)	2004	2003	2002
Breakdown			
Retirement compensation	6,200	5,668	4,725
Exceptional amortisations	3,244	1,655	0
Provisions temporarily not tax-deductible	2,783	4,171	3,088
Losses carried forward and ARD	67,487	808	935
Provision for profit sharing	10,320	9,968	8,737
Other deferred tax assets	3,020	2,272	1,686
Provisions for depreciation of deferred tax assets ⁽¹⁾	(66,910)	0	0
Total	26,143	24,542	19,171

(1) Mostly for depreciation of deferred tax assets for QDQ Media losses carried over.

The Group's net position is shown as follows in the balance sheet:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Net deferred long-term tax assets (over one year)	9,016	6,508	6,354
Net deferred short-term tax assets	17,128	18,034	12,817
Net deferred long-term tax liabilities (over one year)	0	0	0
Net deferred short-term tax liabilities	0	0	0
Total	26,143	24,542	19,171

The deferred tax assets and liabilities for the companies have been evaluated considering the exit in 2004, with no compensation, of the companies in the fiscal integration group formed by Wanadoo SA.

PagesJaunes has opted for the fiscal integration system set out in articles 223A and following of the French General Tax Code. This option involves creating a fiscally consolidated group which includes, apart from PagesJaunes, all its French subsidiaries meeting the conditions required for membership. This option will take effect on 1 January 2005 for a period of five fiscal years.

Note 9. Goodwill for the Consolidated Companies

The main goodwill for the companies consolidated by full integration is broken down as follows:

(in thousands of euros)	Amortisation Period	Fiscal years ending on 31 December				
		2004		2003		2002
		Gross Value	Accrued Amortisation	Net Value	Net Value	Net Value
QDQ Media	20 years	68,882	(2,583)	66 299	0	0
Mappy (formerly Wanadoo Maps)	5 years	7,395	(986)	6,409	0	0
Wanadoo Data (formerly Mediatel)	5 years	2,995	(2,396)	599	1,198	1,797
Total		79,272	(5,965)	73,307	1,198	1,797

Changes in the net value of goodwill are broken down as follows:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Balance at the beginning of the fiscal year	1,198	1,797	2,396
Amortisations/revenue	76,277		
Allowance for amortisations	(4,168)	(599)	(599)
Balance at the end of the fiscal year	73,307	1,198	1,797

The main acquisitions in 2004 involve:

> the integration of QDQ Media which produced a positive goodwill of about 69 million euros, based on a purchase price for securities of 17 million euros (excluding a profit-sharing loan of 89 million euros). This was booked in April 2004 and amortised over twenty years starting from that date;

> the acquisition of Mappy (formerly Wanadoo Maps) produced goodwill of 7.3 million euros over a five-year period, based on an acquisition price of 10 million euros;

The actual value of this goodwill was subject to an examination when the annual accounts were drawn up, according to the method described in note 2 "Accounting Methods", based on business plans not exceeding ten years, at a constant rate of growth of between 2% and 3% and an actualisation rate of between 9% and 11%.

Note 10. Other Intangible Fixed Assets

(in thousands of euros)	Fiscal years ending on 31 December				
	2004		2003		2002
	Gross value	Accrued amortisation	Net value	Net value	Net value
Other intangible fixed assets	4,018	(1,926)	2,092	558	823
Total	4,018	1,926	2,092	558	823

Changes in the net value of other intangible fixed assets are broken down as follows:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Balance at the beginning of the fiscal year	558	823	1,088
Acquisitions	252	0	0
Effect of changes in consolidation scope ⁽¹⁾	1,614	0	0
Revenue	0	0	0
Allowance for amortisation	(332)	(265)	(265)
Balance at the end of the fiscal year	2,092	558	823

(1) In 2004, mostly involves the inclusion in consolidation of Mappy (formerly Wanadoo Maps).

Note 11. Tangible Fixed Assets

(in thousands of euros)	Fiscal years ending on 31 December				
	2004		2003		2002
	Gross value	Accrued amortisation	Net value	Net value	Net value
Land and buildings	632	(232)	400	0	0
Computers and terminals	68,938	(54,898)	14,040	11,919	19,365
Other	23,052	(14,349)	8,703	6,451	1,638
Total	92,622	(69,479)	23,143	18,370	21,003

Changes in the net value of tangible fixed assets are broken down as follows:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Balance at the beginning of the fiscal year	18,370	21,003	70,645
Purchases of tangible fixed assets	7,425	7,800	9,962
Effect of changes in consolidation scope	7,561	0	0
Sales and discards	(479)	(1,037)	(47,929)
Allowances for amortisation	(9,734)	(9,396)	(11,675)
Balance at the end of the fiscal year	23,143	18,370	21,003

Note 12. Securities Using the Equity Method

The heading "Securities Using the Equity Method" contains the value of the Eurodirectory company. The book value of securities using the equity method is broken down as follows:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Eurodirectory			
Balance at the beginning of the fiscal year	2,504	2,353	1,965
Share of results	774	1,175	1,003
Dividends paid	(1,285)	(1,024)	(614)
Share acquired in 2004	1,391	0	0
Goodwill	12,109	0	0
Balance at the end of the fiscal year	15,493	2,504	2,353



Note 13. Holdings

The table below shows the main non-consolidated holdings:

(in thousands of euros)	% Shareholder interest	Shareholder equity	Net results	Fiscal years ending on 31 December				
				2004		2003	2002	
				Gross value	Provision	Net book value	Net book value	Net book value
Directories and other businesses								
Kompass Belgium ⁽¹⁾	100	1,642	101	1,799	0	1,799	0	0
PagesJaunes Outre-Mer	100	484	354	76	0	76	76	76
PagesJaunes Liban	100	21	(123)	2,125	1,813	312	312	2,093
Other				76	0	76	0	0
Total				4,076	1,813	2,263	388	2,169

(1) Company purchased in 2004.

Note 14. Other Long-Term Assets

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Other long-term assets	1,521	1,352	1,733
Total	1,521	1,352	1,733

Other long-term assets basically include the long-term portion of deposits and security deposits as well as other non-operating fixed assets.

Note 15. Customer Receivables

Customer receivables have a payment date which is generally less than one year.

The breakdown into gross value and depreciation of customer accounts is as follows:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Gross customer receivables	451,259	378,359	354,398
Provisions for depreciation ⁽¹⁾	(20,466)	(6,568)	(4,599)
Net customer receivables	430,793	371,791	349,799

(1) See note 18 "Provisions for Asset Depreciation".

Note 16. Other Receivables and Deferred Charges

Other receivables and deferred charges break down as follows:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
IS advances	432	27,225	23,823
VAT to be paid	13,690	15,485	14,051
Current accounts for non-consolidated subsidiaries and accrued interest not yet due	597	857	1,277
Other receivables	12,794	4,964	7,373
Deferred charges ⁽¹⁾	39,844	54,214	52,262
Subscribed capital not called in ⁽²⁾	17,566	0	0
Total	84,923	102,745	98,786

(1) Deferred charges are mostly made up of charges for selling advertisements billed for directories yet to be published and on-line directories spaced out over the display period which is usually twelve months.

(2) Subscribed capital not called in corresponds to the balance of the 2003 capital increase for QDQ Media and which Wanadoo International has agreed to pay when requested by the Company's Board of Directors.

Note 17. Deferred Income

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Deferred income	535,371	465,338	412,429
Total	535,371	465,338	412,429

Deferred income is mostly made up of revenue from advertisements billed for directories yet to be published and on-line directories spaced out over the display period which is usually twelve months.

Note 18. Provisions for Asset Depreciation

(in thousands of euros)	Balance at the beginning of the fiscal year	Net allowances (carry over)	Other movements ⁽¹⁾	Balance at the end of the fiscal year
On 31 December 2004				
Holdings	1,813			1,813
Customer receivables	6,568	(4,892)	18,790	20,466
Other assets	1,264	(634)		630
On 31 December 2003				
Holdings		1,813		1,813
Customer receivables	4,599	1,969		6,568
Other assets	225	1,039		1,264
On 31 December 2002				
Holdings				
Customer receivables	4,881	(282)		4,599
Other assets	1,961	(1,736)		225

(1) Include exchange effects and changes in consolidation scope, basically QDQ Media for 2004.

As of December 31, 2003, provisions for asset depreciation are relative to PagesJaunes Liban.

Note 19. Gross Non-Operating Debt, Liquid Assets and Investment Securities

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Investment securities	264	11,600	11,409
Liquid assets ⁽¹⁾	644,078	581,935	577,909
Total investment securities and liquid assets	644,342	593,535	589,318
Current accounts	3,312	3,312	3,312
Leasing debts	0	0	1
Other non-operating debts	11,272	12,069	29,283
Gross non-operating debt	14,584	15,381	32,596
Under one year	14,552	15,381	32,593
Over one year	32	0	3
Net cash in hand (debt)	629,758	578,154	556,722

(1) Basically made up of current accounts and investments under three months with France Télécom.

The table below shows how other non-operating debt is divided up, by major categories:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Creditor banks, spot loans, lines of credit	9,786	11,265	28,512
Other loans	1,486	804	771
Total	11,272	12,069	29,283



Changes in PagesJaunes non-operating debt break down as follows:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Balance at the beginning of the fiscal year	15,381	32,596	56,128
Changes in consolidation scope	89,705		
Net increase (decrease)	(90,502)	(17,214)	(23,532)
Balance at the end of the fiscal year	14,584	15,381	32,596

The change in debt levels results from the inclusion of QDQ Media in the Group and its repayment to Wanadoo International, QDQ being now financed by PagesJaunes.

Note 20. Provisions and Other Debts

Provisions and other long-term debts break down as follows:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Benefits after employment	18,065	16,645	15,541
Other long-term benefits	3,997	531	0
Other provisions for risks and charges	112	0	0
Provisions for employee and tax lawsuits ⁽¹⁾	8,217	7,629	8,672
Total	30,391	24,805	24,213

(1) See note 23 "Lawsuits and Arbitration".

Provisions for risks and charges and other short-term debts are broken down as follows:

(in thousands of euros)	Fiscal years ending on 31 December		
	2004	2003	2002
Provisions for lawsuits	35	60	23
Other short-term provisions ⁽²⁾	201	4,085	20
Short-term provisions sub-total	236	4,145	43
Charges owed ⁽¹⁾	241,307	173,102	177,188
Short-term deferred tax liability	0	0	0
Total	241,543	177,247	177,231

(1) Mainly made up of employee profit sharing, provisions for changes in staff and VAT owed.

(2) Including a supplement to the Intelmatique price paid out in 2004, for which a provision was made in 2003.

Changes in provisions for short and long-term risks and charges are as follows:

(in thousands of euros)	1 January 2004	Allowance for the fiscal year	Carried over from the fiscal year (unused provision)	Carried over from the fiscal year (used provision)	Variations in consolidation scope, reclassifications and other	31 december 2004
Benefits after employment	16,645	1,420	0	0	0	18,065
Other long-term benefits	531	3,466	0	0	0	3,997
Provisions for employee and tax lawsuits	7,629	586	(3)	0	5	8,217
Other provisions for risks and charges	4,145	103	0	(4,071)	171	348
Total provisions for risks and charges	28,950	5,575	(3)	(4,071)	176	30,627
– long term	24,805	5,472	(3)	0	117	30,391
– short term	4,145	103	0	(4,071)	59	236

Changes in benefits after employment and other long-term benefits are explained by the application on 1 January 2004 of regulations for accounting and evaluating retirement and similar benefit commitments pursuant to recommendation No. 2003-RR.01 of 1 April 2003 of the CNC and the CNC notice of 22 July 2004 which sets out the procedures for the first application.

The net impact of charges incurred is broken down as follows:

(in thousands of euros)	Allowance	Carry forward (unused provision)
Operating results	2,089	(3)
Non-operating results	3,486	0
– including financial result	47	0

Note 21. Shareholder Equity

On 31 December 2004, the share capital of the PagesJaunes company was divided into 278,789,610 shares with a face value of 0.20 euro each, following a split in the face value of the share taking it to 0.20 euro.

This does not include any other security giving access to the share capital.

Note 22. Transactions With Associated Companies

Transactions and balances with associated companies, summarised below, are entered in current operations:

Receivables From Associated Companies

(in thousands of euros)	Fiscal year ending on 31 December	
	2004	2003
Associated company		
France Télécom SA	15,710	16,910
Wanadoo SA		13,466
Wanadoo international	17,613	0
Other companies in the France Télécom group	1,875	3,786
Total	35,198	34,162

To these receivables are added current accounts and investments with France Télécom which came to 581.4 million euros on 31 December 2003 and 637.6 million on 31 December 2004.

Debts Owed to Associated Companies

(in thousands of euros)	Fiscal year ending on 31 December	
	2004	2003
Associated company		
France Télécom SA	30,280	26,068
Wanadoo SA		11,385
Wanadoo international		0
Other companies in the France Télécom group	2,197	9,113
Total	32,477	46,566

Major Transactions With Associated Companies

(in thousands of euros)	Fiscal year ending on 31 December	
	2004	2003
Transactions		
Téléétel	6,028	7,595
Publishing costs	48,264	52,759
Audiotel	1,395	1,468
Directory access	2,664	4,504
Assignment of staff	(7,631)	(9,043)
Pages Blanches fees	(58,622)	(64,770)
Property and rental fees	(10,085)	(9,652)
Databases	(7,640)	(6,099)
Management fees	(5,464)	(6,980)
Trademark fees	(1,066)	(1,490)
Telephony – hosting	(5,438)	(4,184)
Other operating services	(6,353)	(6,095)
Total	(43,948)	(41,987)

The main agreements signed with the France Télécom group relate to:

- > availability of directory data for directory publishing purposes;
- > prospecting and collecting advertisements to be inserted in l'Annuaire and 3611 alphabetical search as well as the technical design, production and page layout of this advertising;
- > performance on behalf of France Télécom of the tasks required to produce, distribute and promote l'Annuaire and 3611 alphabetical search;
- > trademark fees and management fees.

To these transactions are added the non-operating income generated by the cash invested with France Télécom which is 19.9 million euros, as well as PagesJaunes' contribution to employee profit sharing mutualised with the France Télécom group.

Note 23. Off-Balance Sheet Commitments and Risks

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

Contractual obligations	Total	Payments due by fiscal year		
		Under one year	One to five years	Over five years
Simple rental contracts	44,389	13,348	30,812	229
Commitments to buy goods and services	64,224	59,121	5,103	0
Total	108,613	72,469	35,915	229

Conditional commitments	Total	Payments due by fiscal year		
		Under one year	One to five years	Over five years
Guarantees and security deposits	853	853	0	0

Rental Contracts

PagesJaunes has rented land, buildings, vehicles and equipment. These contracts expire on various dates over the next ten years.

Management estimates that these contracts will be renewed or replaced at expiration by other contracts under normal operating conditions.

The charge for rent entered in the results statement under simple rentals came to 14.4 million euros. 9.5 million are billed by France Télécom. France Télécom's share in future commitments comes to 10.1 million in December 2005 and 24.2 million for 2005 to 2009.

Commitments to Buy Goods and Services

Producing the Directories

As part of its business, PagesJaunes makes commitments to paper suppliers based on contracts which are usually annual, with commitments to firm volumes. In addition, PagesJaunes makes commitments to printers based on three-year or two-year contracts, and with distributors based on annual contracts to produce and distribute PagesJaunes and l'Annuaire. These commitments only contain provisional order volumes

with no contractual minimum. These commitments are valued at 50.5 million euros falling due in December 2005. These amounts may vary based on the actual volume for each year. QDQ Media also has commitments to paper suppliers, with similar commitments for firm volumes and printers. These commitments come to 12 million euros, including 8 million euros for December 2005 and 4 million euros for December 2006.

Deconsolidating Arrangements and Ad Hoc Entities

The Group has not executed any deconsolidating arrangements during the years in question.

It has no contractual obligations with ad hoc entities.

Securities Purchases

The Group has made a commitment to buy a direct marketing file hosting company for a maximum amount of 13 million euros.

Individual Training Rights

For individual training rights, for non-executive staff with open-ended contracts in the French companies of the PagesJaunes Group, the volume of hours in the available portion of these rights which has not been used comes to 43,648 hours as of 31 December 2004. No hours have been claimed by any employees.

Retirement and Other Staff Benefit Commitments

(in thousands of euros)	End of contract benefits			Benefits after employment			Total
	CFC	Other end of contract compensation	Pension plans	Capital plans	Other benefits after employment	Long-term benefits	
Changes in value of commitment							
Total value of commitments at the beginning of the fiscal year	0	0	0	19,513	872	2,870	23,255
Cost of services rendered			0	1,139	51	188	1,378
Cost of actualisation	0	24	0	1,020	46	149	1,239
Contributions paid by employees			0	0	0	0	0
Change in plan			0	0	0	0	0
Reductions/liquidations			0	0	0	0	0
Actuarial (gains) or losses	0	0	0	6,701	58	969	7,728
Benefits paid	0	0	0	(512)	0	(162)	(674)
Change in scope	0	0	0	0	0	0	0
Other (conversion differentials)	0	0	0	0	0	0	0
Total value of commitments at the end of the fiscal year (A)	0	24	0	27,861	1,027	4,014	32,926
Commitments at the end of the fiscal year relating to plans fully or partly financed		24	0	27,861	0	3,997	31,882
Commitments at the end of the fiscal year relating to plans not financed	0	0	0	0	1,027	17	1,044
Changes in coverage assets							
Fair value of coverage assets at the beginning of the fiscal year		0	0	1,566	0	0	1,566
Non-operating income from coverage assets		0	0	66	0	0	66
Contributions paid by the employer		0	0	800	0	0	800
Contributions paid by employees		0	0	0	0	0	0
Reductions/liquidations		0	0	0	0	0	0
Benefits paid by the fund		0	0	(512)	0	0	(512)
Changes in scope		0	0	0	0	0	0
Other (conversion differential)		0	0	0	0	0	0
Fair value of the coverage assets at the end of the fiscal year (B)		0	0	1,920	0	0	1,920
Financial coverage							
Plan situation (A) – (B)	0	0	0	25,941	1,027	4,014	30,982
Unrecognised actuarial gains or (losses)			0	(8,979)	(58)		(9,037)
Cost of past unrecognised services			0	0	0		0
Adjustment associated with levelling off the assets			0	0	0	0	0
Provisions (assets)							
(Asset) provision: short term	0	0	0	0	0	0	0
(Asset) provision: long term	0	60	0	17,019	969	4,014	22,062
Retirement charge							
Cost of services rendered			0	344	51	188	583
Cost of actualisation	0	24	0	1,020	46	149	1,239
Yield expected from plan assets		0	0	(66)	0	0	(66)
Amortisation of actuarial (gains) or losses	0	0	0	0	0	3,292	3,292
Amortisation of cost of past serviced	0	0	0	0	0	0	0
Effect of reductions/liquidations	0	0	0	0	0	0	0
Adjustment associated with levelling off the assets			0	0	0	0	0
Total retirement charge	0	24	0	1,298	97	3,629	5,048
Changes in provisions (assets)							
Provision (assets) at the beginning of the fiscal year	0	36	0	15,721	872	547	17,176
Retirement charge	0	24	0	1,298	97	3,629	5,048
Contributions paid by the employer		0	0	0	0	0	0
Benefits paid directly by the employer	0	0	0	0	0	(162)	(162)
Changes in scope	0	0	0	0	0	0	0
Other (goodwill)	0	0	0	0	0	0	0
Provision (assets) at the end of the fiscal year	0	60	0	17,019	969	4,014	22,062
Assumptions ⁽¹⁾							
Actualisation rate (as a %)							
Expected long-term inflation rate (as a %)				2.0%	2.0%	2.0%	
Rate of increase in salaries expected in the long term (as a %)							
Revaluation rate for pensions expected in the long term (as a %)							
Rate of change in medical costs (as a %)							
Expected yield from plan assets (as a %)				5.0%	5.0%	5.0%	
Expected change in obligatory plans (as a %)							
Average expected remaining lifetime				19	16	16	
Amount booked as charges for the fiscal year	0	24	0	1,298	97	3,629	5,048



Lawsuits and Arbitration

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

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

(i) The Prodis company, which operates a website at the address www.pagesjaunes.com and is the owner of the domain names pagesjaunes.com and pagesjaunes.net, sued France Télécom on 26 September 2000 and PagesJaunes on 20 April 2001 mainly seeking to get the "PagesJaunes" trademarks cancelled, on various grounds, particularly the lack of distinctiveness and degeneration. In the lawsuits, Prodis claims that filing the name "PagesJaunes" as a trademark is fraudulent because it is nothing more than the translation of the phrase "Yellow Pages" which has described the same concept of a business directory in the United States since 1886 and the plaintiff therefore claims that this is a generic term used indiscriminately in various countries (Pagine Gialle, etc.). In a ruling dated 14 May 2003, the Paris Court of Grand Instance confirmed the validity of the "PagesJaunes" trademarks. The Prodis company filed an appeal against this ruling by repeating the same claims which also involve cancelling the trademarks "PagesBlanches," "l'Annuaire" and "l'Annuaire des Pages Blanches". This case is currently pending before the Paris Court of Appeal; the hearing of arguments is set for 21 February 2005. No assurance can be given about a favourable outcome of this lawsuit for the Group. An unfavourable outcome could have a negative effect on the Group's business, financial position, results or goals (see section 4.9.4 "Legal Risks – Lawsuits and Arbitration").

(ii) At the beginning of 2002 PagesJaunes implemented a business development plan which particularly included changing 930 employment contracts for sales staff. This change is intended to bring these contracts into line with a new competitive environment. About one hundred employees refused to sign the new contract offered to them and were dismissed during the second quarter of 2002. As of this date, almost all of the dismissed employees have sued PagesJaunes contesting the validity of the grounds for dismissal. Although a certain number of rulings

favouring the Group have been issued in the first instance and in appeal, no assurance can be given that the outcome of these lawsuits will be in the Group's favour. The total amount of these lawsuits comes to about 24 million euros at this stage of the proceedings and the risk associated with these lawsuits has been the subject of a provision of 7.3 million euros.

(iii) PagesJaunes was subjected to a tax audit in the years 2001 and 2002 for the 1998 and 1999 fiscal years. The Company believes it has powerful arguments to counter these corrections in dispute. Lawsuits will be initiated, during which the Company intends to plead its case.

(iv) On 26 June 2002, the Company was sued by an advertising agency (FAC) in the Nanterre Business Court. This advertising agency claims that PagesJaunes has engaged in unfair practices, such as stealing customers, disparagement and door-to-door selling. It is therefore asking for 1 million euros in damages and interest. This case was argued on 14 September 2004 and the ruling was issued on 21 December 2004. Our opponents did not win their case. In fact, PagesJaunes Group, although this ruling was in its favour and it has arguments on its side, cannot exclude the possibility at this stage that the dispute will continue with an appeal and a possible sentence.

(v) PagesJaunes sued an advertising agency (LSM) on 26 June 2003 in the Cannes Business Court. PagesJaunes, supported by numerous statements by customers, is suing this agency for unfair competitive practices aimed at causing confusion between LSM and PagesJaunes in the minds of customers contacted by LMS to insert advertisements in the PagesJaunes directory. The Cannes Business Court, in a ruling dated 19 February 2004, denied PagesJaunes' claims. PagesJaunes has appealed this ruling, which if it is confirmed in appeal, could encourage the development of this kind of competitive practices by other advertising agencies, and create difficulties for PagesJaunes when it is prospecting for new customers. At this stage, this case is still in the pre-argument phase. Although it believes it has a solid case in this affair, PagesJaunes cannot exclude the possibility that this ruling will be confirmed in appeal.

(vi) On 4 October 2004, the Company was informed of a claim filed with the Competition Commission on 11 May 1998 by the Minister of the Economy relating to practices implemented by the former "Office des Annonces" (now PagesJaunes) in the advertising insertion market in telephone directories in mainland France and on Réunion. PagesJaunes has so far not received any information about this claim and so cannot make any assessment about this case.

Note 24. Events After the Accounts Were Closed

As of this date, there are no significant events after the accounts were closed.

Note 25. Directors' Compensation

The total amount of compensation allocated to the CEO of the PagesJaunes Group came to 354,650 euros (including

3,900 euros of in kind benefits), and his retirement payment is valued at 140,463 euros.

Note 26. Scope of Consolidation

2004 Consolidation

Directories

Companies consolidated by full integration

Company	Country	Entry date	% interest	% controlled
PagesJaunes Groupe (ex-PagesJaunes)	France	2001	100	100
PagesJaunes	France	2004	100	100
Kompass France	France	2001	100	100
Wanadoo Data	France	2001	100	100
Mappy (ex-Wanadoo Maps)	France	2004	100	100
QDQ Media	Spain	2004	100	100

Companies consolidated by the equity method

Company	Country	Entry date	% interest	% controlled
Eurodirectory	Luxembourg	2001	50	50

2003 Consolidation

Directories

Companies consolidated by full integration

Company	Country	Entry date	% interest	% controlled
Kompass France	France	2001	100	100
PagesJaunes	France	2001	100	100
Wanadoo Data	France	2001	100	100

Companies consolidated by the equity method

Company	Country	Entry date	% interest	% controlled
Eurodirectory	Luxembourg	2001	50	50



Auditors' Report

Consolidated Accounts – Fiscal year ending on 31 December 2004

Dear Shareholders,

In execution of the task given to us by your General Shareholders' Meeting, we performed an audit of the consolidated accounts of the PagesJaunes Group for the fiscal year ending on 31 December 2004, as they are attached to this report.

The consolidated accounts were drawn up by the Board of Directors. Based on our audit, it was our task to express an opinion on these accounts.

I. Opinion on the Consolidated Accounts

We performed our audit according to professional standards applicable in France; these standards require implementation of procedures to obtain a reasonable assurance that the consolidated accounts do not contain any significant anomalies. An audit consists of examining, by taking samples, the supporting items justifying the data contained in these accounts. It also consists of assessing the accounting principles used and the major estimates used for drawing up the accounts and of assessing the presentation of the whole. We believe that our audits provide a reasonable basis for the opinion expressed below.

We certify that the consolidated accounts, in terms of French accounting regulations and principles, are proper and accurate and give a true picture of the assets, financial position, as well as the results for the Group constituted by all the companies included in the consolidation.

II. Support for Opinions

In application of the provisions of article L. 225-235 of the French Commercial Code relating to support for our opinions, we would like to bring the following to your attention:

As stated in note 2.4 in the attachment to the consolidated accounts, the Management of PagesJaunes Group has made some estimates and assumptions affecting the amounts appearing in its financial statements and the accompanying notes. This note also states that the results achieved may be different from the estimates. In the framework of our audit of the consolidated accounts for 31 December 2004, we have found that among the accounts subject to significant accounting estimates, subject to support for our opinions are goodwill, deferred tax assets and provisions for risks.

According to French professional standards applicable to accounting estimates, we have:

- > in regard to the assets referred to above, assessed the data and assumptions on which the estimates are based, particularly the forecasts for cash flow drawn up by the Company's operations management, reviewed the calculations made by the Company and the sensitivity of the main commonly used values, compared the accounting estimates in prior fiscal years with the corresponding results and examined the procedure for approving these estimates by the Management,
- > in regard to the provisions for risks, we assessed the basis on which these provisions were created, reviewed the information in relation to the risks contained in the attachment to the consolidated accounts and examined the procedure for approving these estimates by the Management.

The assessments so made fall under the framework of our audit of the consolidated accounts of PagesJaunes Group on 31 December 2004 taken as a whole, and have therefore contributed to forming our unconditional opinion, expressed in the first part of this report.

III. Specific Verification

In addition, we also proceeded to verify the information given in the Group's Management Report, according to professional standards applicable in France.

We have no comments to make on their accuracy and their agreement with the consolidated accounts.

Neuilly-sur-Seine and Paris – La Défense, 7 March 2005

The Auditors

DELOITTE & ASSOCIÉS
Jean-Paul Picard, Éric Gins

ERNST & YOUNG Audit
Christian Chiarasini

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Balance Sheet

ASSETS

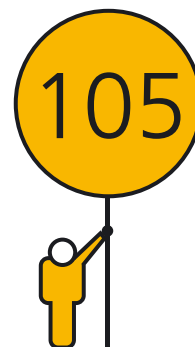
(in thousands of euros)	31/12/2002 net	31/12/2003 net	Gross	Amortisations provisions	31/12/2004 net	2004/2003
Intangible fixed assets	7,121,496	2,541,302	0	0	0	(2,541,302)
Other	7,121,496	2,541,302	0	0	0	(2,541,302)
Tangible fixed assets	14,563,624	13,777,153	0	0	0	(13,777,153)
Other tangible fixed assets	14,563,624	13,777,153	0	0	0	(13,777,153)
Non-operating fixed assets	50,256,491	34,691,017	4,187,076,754	17,385,379	4,169,691,375	4,135,000,358
Holdings	46,236,487	29,455,369	4,168,410,531	16,813,138	4,151,597,393	4,122,142,023
Receivables from holdings ^{(1) (2)}	3,395,235	4,219,472	18,666,223	572,241	18,093,982	13,874,511
Other fixed securities	15,395	15,395	0	0	0	(15,395)
Loans ^{(1) (2)}	50,087	412,819	0	0	0	(412,819)
Deposits and security deposits paid	559,287	587,962	0	0	0	(587,962)
FIXED ASSETS – TOTAL I	71,941,611.06	51,009,471.38	4,187,076,754	17,385,379	4,169,691,375	4,118,681,904
Inventory and work in progress	10,698,711	6,660,315	0	0	0	(6,660,315)
Down payments and advances	3,630,653	6,469,247	0	0	0	(6,469,247)
Operating Receivables	379,962,529	406,162,599	80,488,201	0	80,488,201	(325,674,398)
Customer receivables	334,798,213	355,045,814	2,429,715	0	2,429,715	(352,616,099)
Supplier receivables	2,547,266	2,205,642	0	0	0	(2,205,642)
Tax and employment contribution receivables	42,617,050	48,911,143	78,058,486	0	78,058,486	29,147,343
Other receivables	98,873	98,062	2	0	2	(98,060)
Investment securities	11,030,015	11,600,174	0	0	0	(11,600,174)
Liquid assets	578,542,191	582,393,877	0	0	0	(582,393,877)
Deferred charges	902,465	21,032,205	0	0	0	(21,032,205)
CURRENT ASSETS – TOTAL II	984,865,437	1,034,416,478	80,488,203	0	80,488,203	(953,928,275)
Conversion differential assets – Total III	0	83,849	130,619	0	130,619	46,770
GRAND TOTAL (I + II + III)	1,056,807,047	1,085,509,799	4,267,695,576	17,385,379	4,250,310,197	3,164,800,398

LIABILITIES

(in thousands of euros)	31/12/2002	31/12/2003	31/12/2004	2004/2003
Share capital	54,810,000	54,810,000	55,757,922	947,922
Issue bonus	0	0	52,609,671	52,609,671
Share premium	42,249,364	42,249,364	0	(42,249,364)
Reserves	70,178,703	70,178,703	44,545,179	(25,633,524)
Legal reserve	5,481,000	5,480,999.76	5,480,999.76	0
Other reserves	739,812	739,812	0	(739,812)
Long-term gains reserves	63,957,891	63,957,891	39,064,179	(24,893,712)
Carried forward	42,149,815	149,788	0	(149,788)
Result for the fiscal year	206,106,573	167,924,373	3,948,522,039.08	3,780,597,666
SHAREHOLDER EQUITY – TOTAL I	415,494,456	335,312,229	4,101,434,811	3,766,122,582
Provisions for risks	9,753,620	11,761,366	130,620	(11,630,746)
Provisions for charges	14,677,738	16,198,738	734,427	(15,464,311)
PROVISIONS FOR RISKS – TOTAL II	24,431,358	27,960,105	865,047	(27,095,058)
Non-operating debt ^{(1) (2)}	38,566,474	19,469,871	139,764,577	120,294,706
Current bank loans	27,541,648	11,210,699	139,764,577	128,553,878
Other loans and non-operating debt	11,024,826	8,259,172	0	(8,259,172)
Operating debts	236,840,266	249,037,680	3,635,666	(245,402,014)
Debts with suppliers and similar accounts	93,847,358	101,248,662	2,266,800	(98,981,862)
Customer creditors	624,326	574,349	0	(574,349)
Tax and employment contribution debts	142,368,582	147,214,669	1,368,866	(145,845,803)
Other debts	23,761,506	1,391,784	4,610,097	3,218,313
Debts on fixed assets and similar accounts	332,614	793,541	0	(793,541)
Other	2,066,147	598,243	0	(598,243)
Tax debts (corporate tax)	21,362,744	0	4,610,097	4,610,097
Deferred income	317,672,824	452,338,130	0	(452,338,130)
DEBTS – TOTAL III	616,841,069	722,237,466	148,010,339	(574,227,126)
Conversion differential liability – Total IV	40,163	0	0	0
GRAND TOTAL (I + II + III + IV)	1,056,807,047	1,085,509,799	4,250,310,197	3,164,800,398

Results Statement

(in thousands of euros)	31/12/2002	31/12/2003	31/12/2004	2004/2003
Operating income				
Services provided	804,578,949	846,453,811	4,970,649	(841,483,161)
Sales of merchandise	1,067,098	1,156,584	0	(1,156,584)
Associated products	5,383,085	3,442,692	79,647	(3,363,045)
Work in progress	300,941	20,400	0	(20,400)
Operating subsidies received	108,860	(6,757)	0	6,757
Carry forward to provisions and transferred charges	5,986,332	3,727,100	0	(3,727,100)
Receivables recovered	207,342	204,169	0	(204,169)
Other income	59,758,378	55,000,005	5,600	(54,994,405)
TOTAL I	877,390,986	909,998,003	5,055,896	(904,942,106)
Operating charges				
Purchases of services (advertising)	67,441,355	69,338,605	10,000	(69,328,605)
Sub-contracting purchases (technical purchases)	138,656,360	115,072,747	(10,128)	(115,082,875)
Changes in inventory	(522,393)	4,464,975	0	(4,464,975)
Other purchases and outside charges				
Non-inventories purchases, materials and supplies	3,237,709	2,889,743	705	(2,889,038)
Outside services	24,194,051	23,949,389	23,326	(23,926,063)
Other outside services	101,118,367	101,522,115	3,977,228	(97,544,888)
Taxes, fees and similar payments	17,859,691	16,458,954	(23,647)	(16,482,602)
Salaries	139,381,969	141,457,187	2,074,602	(139,382,585)
Employment contribution charges	56,844,684	57,112,939	1,125,463	(55,987,476)
Other charges	3,524,474	1,035,668	5,145	(1,030,523)
Allowances for amortisations and provisions				
To fixed assets: allowance for amortisations	9,086,332	7,992,436	0	(7,992,436)
To current assets: allowance for provisions	3,756,105	4,666,742	0	(4,666,742)
For risks and charges: allowance for provisions	10,732,205	1,521,000	102,298	(1,418,702)
TOTAL II	575,310,909	547,482,501	7,284,991	(540,197,510)
1. OPERATING RESULTS (I – II)	302,080,077	362,515,501	(2,229,095)	(364,744,596)
Non-operating income				
Income from holdings	1,451,383	2,234,710	2,635,569	400,859
Non-operating income from securities and receivables from fixed assets	22,261,799	26,165,512	73,713	(26,091,800)
Income from sales				
Positive exchange differentials	8,058	10,521	0	(10,521)
Provision carried forward	1,891,096	0	47,568	47,568
TOTAL III	25,612,337	28,410,743	2 756,850	(25,653,893)
Non-operating charges				
Negative exchange differentials	11,095	8,785	0	(8,785)
Interest for debts	576,601	345,435	38,124	(307,311)
Other investment charges	662,609	15,638	0	(15,638)
Losses from non-operating receivables	1 891,096			
Allowance for provisions		17,516,796	46,770	(17,470,026)
TOTAL IV	3,141,401	17,886,655	84,894	(17,801,761)
2. NON-OPERATING RESULT (III – IV)	22,470,936	10,524,088	2,671,956	(7,852,133)
3. CURRENT RESULT (1 + 2)	324,551,013	373,039,589	442,861	(372,596,729)



(in thousands of euros)	31/12/2002	31/12/2003	31/12/2004	2004/2003
Exceptional income				
From management operations	74,494	283,832	391,286	107,454
From capital operations	93,525,074	73,763	3,959,321,134	3,959,247,371
Other				
Carried forward to provisions	500,000	1,082,205	0	(1,082,205)
TOTAL V	94,099,569	1,439,799	3,959,712,420	3,958,272,621
Exceptional charges				
For management operations	30,447	90	0	(90)
For capital operations	67,471,984	1,002,775	0	(1,002,775)
Allowance for provisions		7,318,183	0	(7,318,183)
Other		64,300,000	7,023,145	(57,276,855)
TOTAL VI	67,502,432	72,621,047	7,023,145	(65,597,903)
4. EXCEPTIONAL RESULTS (V-VI)	26,597,137	(71,181,248)	3,952,689,275	4,023,870,523
Employee profit sharing	24,440,209	26,778,461	0	(26,778,461)
Profit tax	120 601,368	107,155,507	4,610,097	(102,545,410)
TOTAL INCOME	997,102,891	939,848,544	3,967,525,166	3,027,676,621
TOTAL CHARGES	790,996,319	771,924,172	19,003,127	(752,921,045)
PROFIT	206,106,573	167,924,373	3,948,522,039	3,780,597,666

5.3.2 Appendix

Introduction

The reorganisation of PagesJaunes Group decided by the General Shareholders' Meeting of 23 December 2004, retroactive to 1 January 2004 leads us to present here the accounts for the PagesJaunes company for 2003. PagesJaunes operations in France have been transferred to a subsidiary previously called *NEDIF*, which is now called PagesJaunes. The holding's business is now kept to PagesJaunes which has become PagesJaunes Group. The accounts for the 2004 and 2003 fiscal years are therefore not comparable. The transfer may be summarised as follows:

(in euros)	31 December 2003
Goodwill	3,959,321,134
Intangible fixed assets	2,541,302
Tangible fixed assets	13,777,153
Non-operating fixed assets	1,012,176
Inventory and work in progress	6,660,315
Down payments and advances	6,469,247
Operating receivables	394,625,484
Other receivables	98,060
Investment securities and liquid assets	341,427,686
Adjustment accounts	21,032,205
Assets transferred	4,746,964,761
Provisions for risks	11,677,517
Provisions for charges	15,566,609
Non-operating debt	13,730,748
Operating debt	247,259,973
Other debt	1,391,784
Adjustment accounts	452,338,130
Liabilities transferred	741,964,761
NET ASSETS TRANSFERRED	4,005,000,000

The operation was placed under the legal regulations for spin-offs as set out in article L. 236-10 of the French Commercial Code, and it is in accordance with regulation CRC 04-01.

Note 1. Description of Business

The PagesJaunes Group company is a holding company and therefore owns the subsidiaries whose business has been offering a diversified range of products and services to the general public and businesses for over fifty years with the directories in France and foreign countries as their core business.

Note 2. Accounting Regulations and Methods

The annual accounts for the PagesJaunes Group have been drawn up according to legal requirements and generally accepted practice in France.

The main methods are described below. The figures are given in thousands of euros.

2.1 Principles Used for Income and Charges

Income and charges are booked according to the General Accounting Plan.

2.2 Intangible Fixed Assets

Intangible fixed assets include software or computer packages, amortised over one to four years *prorata temporis*, as well as goodwill booked under acquisition cost, for which the length of amortisation usually depends on the useful life of the goodwill; in addition, provisions may be made, particularly in case of a loss of value in the goodwill.

2.3 Tangible Fixed Assets

Tangible fixed assets are valued at their acquisition cost. Amortisations for depreciation are calculated using the linear method based on the probable useful life. The main amortisation periods used are as follows:

> Fixtures and installations	5 – 8 years
> Computer equipment	3 – 4 years
> Production equipment	3 – 4 years
> Furniture and office equipment	5 – 10 years
> Vehicles	4 years

2.4 Holdings, Other Fixed Securities

Holdings are booked at their historical acquisition cost by PagesJaunes Group which includes, if applicable, costs directly chargeable to the operation. A provision for depreciation is made if this value is higher than the use value, assessed by the management of PagesJaunes Group, based on various criteria such as the market value, and development and profitability forecasts, and shareholder equity, taking into account the specific nature of each holding.

2.5 Inventory and Work in Progress

Inventory is valued using the average weighted unit cost method.

Work in progress is valued at cost and based on direct costs. A provision for depreciation is made when the cost price is lower than the likely realisation value.

2.6 Customer Receivables

Because it has different types of customers (individuals, major companies, business people), PagesJaunes does not consider itself exposed to a concentrated customer risk. Provisions are made based on an assessment of the risk of non-collection of its receivables. Provisions are based on an individual or statistical assessment of this risk of non-collection.

2.7 Liquid Assets

Liquid assets on 31 December 2004 are made up of liquid assets immediately available and by short-term investments, maturing in three months or less from the acquisition date.

2.8 Provisions for Risks and Charges

In France, the law states that compensation is paid to employees when they retire, based on their seniority and their salary at retirement age. The actuarial cost of this commitment is taken into account each year during the active lifetime of the employees. The effect of variations in assumptions is taken into account in the results over the average remaining active lifetime of the employees. The procedures for determining this provision are carried out based on an actuarial evaluation, and taking various parameters into account:

> the *Insee* (French Statistics Institute) table for 2000-2002, male and female tables;

- > employee turnover rates vary based on seniority at the Company or age;
- > the retirement age used: 62;
- > the salary increase tables are defined based on age;
- > actualisation rate: 4.5%.

2.9 Non-Operating Result

The non-operating result is mainly made up of income generated by dividends.

Note 3. Additional Information on the Balance Sheet and Results Statement

3.1 Non-Operating Fixed Assets

Changes in non-operating fixed assets are broken down as follows:

(in thousands of euros)	% interest	Gross value	Fiscal years ending on 31 December		2003 Net book value
			2004	2004	
			Provision	Net book value	
Holdings					
PagesJaunes Outre-Mer	100	76	0	76	76
PagesJaunes Liban	100	2,125	(1,813)	312	312
Eurodirectory	100	14,707	0	14,707	1,207
Kompass France	100	40,585	(15,000)	25,585	25,585
Kompass Belgium	100	1,799	0	1,799	–
Wanadoo Data	100	2,275	0	2,275	2,275
QDQ Media	100	91,719	0	91,719	–
Mappy	100	10,048	0	10,048	–
Cristallerie 1	100	38	0	38	–
PagesJaunes	100	4,005,038	0	4,005,038	–
TOTAL		4,168,410	(16,813)	4,151,597	29,455
Similar receivables					
PagesJaunes Liban		572	572	0	0
Kompass France		2,792	0	2,792	4,219
QDQ Media		15,000	0	15,000	–
Kompass Belgium		302	0	302	–
TOTAL		18,666	(572)	18,094	4,219

The movements in the fiscal year are as follows:

- > acquisition of NEDIF (renamed PagesJaunes). The operations in France were transferred to this subsidiary, thereby generating a gain of 3,959,321,000 euros with a corresponding capital increase of 4,005,000,000 euros;
- > acquisition of Kompass Belgium for 1,799,000 euros, and Mappy for 10,048,000 euros and QDQ Media for 17,362,000 euros;
- > inclusion of QDQ's debt in equity shares for 74,357,000 euros, which brings the PagesJaunes Group's holding in QDQ to 91,718,000 euros on 31 December 2004 and the debt to 15,000,000 euros;

- > reimbursement by Kompass of 1,500,000 euros out of a debt of 4,219,000 euros on 31 December 2003, bringing it to 2,792,000 euros after inclusion of interest on 31 December 2004;
- > cash advance of 300,000 euros made to Kompass Belgium;
- > provisions for depreciation for the following subsidiaries:
 - PagesJaunes Liban for 1,813,000 euros. In addition, a provision was made for similar debts for 572,000 euros.
 - Kompass France for an amount of 15,000,000 euros.

3.2 Customer Receivables and Provisions for Depreciation of Receivables

(in thousands of euros)	Fiscal years ending on 31 December	
	2004	2003
Gross customer receivables	2,429	360,132
Provisions for depreciation		(5,085)
Net customer receivables	2,429	355,047

3.3 Receivables Over and Under One Year

All receivables are under one year.

3.4 Liquid Assets

Liquid assets include cash invested with PagesJaunes for three months or less.

(in thousands of euros)	Fiscal years ending on 31 December	
	2004	2003
Investment securities	0	11,600
Liquid assets	0	582,394
Total investment securities and liquid assets	0	593,994
Current Accounts	139,764	8,259
Lease debts	–	–
Other non-operating debts	0	11,211
Gross non-operating debt	139,764	19,443
Under one year	139,764	19,433
Over one year		
Net liquid assets (debt)	139,764	574,551

3.5 Income Payable Included in the Balance Sheet

On 31 December 2004 there is no income payable.

3.6 Share Capital and Changes in Shareholder Equity

The share capital of PagesJaunes Group on 31 December 2004 comes to 55,757,922 euros, made up of 278,789,610 shares of 0.20 euro each.

Date	Description	Number	Unit value	Capital
01/01/2004	Starting capital	182,700	300.00	54,810,000
27/05/2004	Stock split	274,050,000	0.20	54,810,000
30/07/2004	Capital increase reserved for employees	4,739,610	0.20	947,922
31/12/2004	Capital	278,789,610	0.20	55,757,922

Changes in shareholder equity		(in euros)
Shareholder equity on 01/01/2004		335,312,229
Dividend paid		(235,957,050)
Capital increase		53,557,593
Result on 31/12/2004		3,948,522,039
Shareholder equity on 31/12/2004		4,101,434,881

3.7 Provision for Risks and Charges

(in thousands of euros)	1 January 2004	Balance after transfer	Allowance for the fiscal year	Carried forward for the fiscal year (provision used)	31 December 2004
Retirement and similar commitments	16,199	632	103	0	735
Provisions for exchange risks	84	84	131	(84)	131
Other provisions	11,678				
Total provisions for risks and charges	27,960	716	233	(84)	866
– long term	27,876	632	102	0	735
– short term	84	84	131	(84)	131

Provisions changed as follows:

(in thousands of euros)	Fiscal years ending on 31 December	
	2004	2003
Retirement and similar commitments	735	16,199
Provisions for exchange risks	131	84
Other provisions		11,678
Total	866	27,960

The net impact of charges incurred breaks down as follows:

(in thousands of euros)	Allowance for the fiscal year	Carry-forward
Operating results	102	
Non-operating results	131	(84)
Financial results	0	

Provisions for charges include rights acquired for retirement compensation (French acronym: "IFC") and the employment medal.

The total level of commitments on 31 December 2004 breaks down as follows:

IFC: actuarial value of rights acquired	k€679
Employment medal: actuarial value of rights acquired	k€56
Total	k€735

3.8 Non-Operating Debt

Our non-operating debt is comprised of: current accounts with our subsidiaries, PagesJaunes SA, Wanadoo Data and PagesJaunes Outre-Mer.

(in thousands of euros)	Fiscal years ending on 31 December	
	2004	2003
PagesJaunes SA	134,391	0
PagesJaunes Outre-Mer	3,754	4,103
Wanadoo Data	1,619	1,619
Total	139,763	5,722

3.9 Debt Maturity Statement

(in thousands of euros)	Gross amount	Maximum of one year
Current bank loans	0	0
Other loans and non-operating debts	139,764	139,764
Debts with suppliers and similar	2,267	2,267
Tax and employment contribution debt	1,369	1,369
Other	0	0
Total	143,400	143,400

3.10 Charges Payable Included in the Balance Sheet

Debts with suppliers and similar, invoices not yet received	k€801
Tax and employment contribution debt, VAT, taxes, salaries and employment contributions payable	k€1,369
Other debts payable	k€0
Total	k€2,170

3.11 Sales Breakdown

(in thousands of euros)	Gross amount
Management fees	3,841
Staff rebilling	1,209
Total	5,050

3.12 Non-Operating Results

The non-operating results basically cover:

> dividends from subsidiaries for k€2,635

3.13 Exceptional Results

The exceptional results cover:

> tax relief k€391

> IPO-related costs k€7,023

> exceptional income from capital operations k€3,959,321

3.14 Profit Tax Breakdown

The profit tax breakdown between the ordinary results and the exceptional results is as follows:

(in thousands of euros)	Results before tax	Tax	Net
Ordinary results	442	(4,610)	(4,167)
Exceptional results and profit sharing	3,952,522		3,952,522
Book results on 31/12/2004	3,953,132		3,948,522

Note 4. Other

4.1 Taxes

Underlying and Deferred Tax Situation

Reduction of the future tax debt:

(in thousands of euros)	Gross
Employee profit sharing	0
Provision for retirement compensation	679
Other	0
Total	679

Which is a reduction in future taxes of k€240

4.2 Off Balance Sheet Commitments

Individual Training Rights - DIF

For the year 2004, any employee with at least one year's seniority on 6 May 2004 has 14 hours of DIF up to 31 December 2004, which may be used starting on 1 January 2005. The commitment for 2004 came to 238 hours.

Commitment to Pay up QDQ SAU Capital

When QDQ Media SAU was acquired from Wanadoo International SA (WI), WI transferred to PagesJaunes Group (PJ) the obligation to pay up the capital. However, the parties agreed that when the Company made appeals for capital not yet paid up, the seller (WI) would pay the necessary funds to the buyer (PJ), to enable it to meet its commitment to pay up the capital to the Company.

On 31 December 2004, this obligation came to 17,567,000 euros.

Commitment to Contribute to Current Account

The Board of Directors of PagesJaunes Group authorised the Company on 30 September 2004 to make any contribution

to the current account of Wanadoo Data in the context of the acquisition of another company by Wanadoo Data.

The planned amount is k€13,000

4.3 Directors' Attendance Fees and Payments to the Advisor Allocated for the Board of Directors

Directors' attendance fees and payments to the Advisor allocated for the Board of Directors for 2004 k€60

4.4 Staff

	2004	2003
Executives	15	705
Supervisors and technicians	2	2,224
Employees	0	41
Total	17	2,970

The staff numbers correspond to the average monthly number of staff present.

4.5 Associated Companies

The main entries in the balance sheet and results statement concern:

France Télécom

> Management fees and trademark fees for 2,571,000 euros and the corresponding supplier debt, which is 3,075,000 euros.

> Reporting costs for the IPO for 3,435,000 euros and the corresponding supplier debt, which is 1,465,000 euros.

Other Companies in the PagesJaunes Group

Company (in thousands of euros)	Income		Charges	Receivables	Debts
	Management fees	Other income			
PagesJaunes SA	1,173	857	255	2,429	305
Kompass	34			41	
Wanadoo Data	16			19	
Mappy	0			0	
QDQ	49			49	
Total	1,272	857	255	2,538	305

4.6 Consolidation

PagesJaunes Group is consolidated by full integration into the accounts of France Télécom.

4.7 Tax Integration

PagesJaunes Group has been a member of the Wanadoo tax integration group since 1 January 2001.

Starting in July 2004 and retroactive to 1 January 2004, PagesJaunes Group is now liable for paying its taxes directly to the Major Corporations Office. The advances already paid to Wanadoo will be paid by France Télécom to the Major Corporations Office.

4.8 Events After the Fiscal Year Ended

No significant event after the fiscal year ended.



5.4 FEES FOR THE AUDITORS AND MEMBERS OF THEIR NETWORK ASSUMED BY THE GROUP

Amount of Fees Paid by the Group to Auditing Companies for the 2004 Accounts (Pro Forma Scope of Consolidated Companies)

(in thousands of euros)	Ernst & Young	As a % of fees	Deloitte & Associés	As a % of fees
Audit				
Auditing, certification, inspection of individual and consolidated accounts	284	53%	355	60%
Other associated tasks and other auditing tasks	252	47%	240	40%
Sub-total	536	100%	595	100%
Other services				
Legal, fiscal, social				
Information technologies				
Internal audit				
Other	-	-	-	-
Sub-total	-	-	-	-
TOTAL	536	100%	595	100%

Amount of Payments Made by the Group to Auditing Companies for the 2003 Accounts (Pro Forma Scope of Consolidated Companies)

(in thousands of euros)	Ernst & Young	As a % of fees	Deloitte Touche Tohmatsu	As a % of fees
Audit				
Auditing, certification, inspection of individual and consolidated accounts	47	100%	352	100%
Other associated tasks and other auditing tasks	-	-	-	-
Sub-total	47	100%	352	100%
Other services				
Legal, fiscal, social				
Information technologies				
Internal audit				
Other	-	-	-	-
Sub-total	-	-	-	-
TOTAL	47	100%	352	100%

General Auditors' Report

Annual accounts – fiscal year ending on 31 December 2004

Dear Shareholders,

In execution of the task given to us by your General Shareholders' Meeting, we present to you our report for the fiscal year ending on 31 December 2004, on:

- > an audit of the annual accounts of the PagesJaunes Group, as they are attached to this report,
- > the justification for our assessments,
- > the specific verification and the information required by law.

The annual accounts were drawn up by the Board of Directors. Based on our audit, it was our task to express an opinion on these accounts.

I. Opinion on the Consolidated Accounts

We performed our audit according to professional standards applicable in France; these standards require implementation of procedures to obtain a reasonable assurance that the annual accounts do not contain any significant anomalies. An audit consists of examining, by taking samples, the supporting items justifying the data contained in these accounts. It also consists of assessing the accounting principles used and the major estimates used for drawing up the accounts and of assessing the presentation of the whole. We believe that our audits provide a reasonable basis for the opinion expressed below.

We certify that the annual accounts, in terms of French accounting regulations and principles, are proper and accurate and give a true picture of the assets, financial position, as well as the financial position and assets of the Company at the end of this fiscal year.

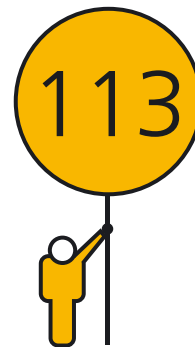
II. Justification for Opinions

In application of the provisions of article L. 225-235 of the French Commercial Code relating to justification for our opinions, we would like to bring the following to your attention.

The Management of PagesJaunes Group has made some estimates and assumptions affecting the amounts appearing in its financial statements and the accompanying notes. The results achieved may turn out to be different from the estimates. In the framework of our audit of the annual accounts for 31 December 2004, we have found that among the accounts subject to significant accounting estimates, and subject to justification for our opinions are equity shares.

According to French professional standards applicable to accounting estimates, we have:

- > in regard to the assets referred to above, assessed the data and assumptions on which the estimates are based, particularly the forecasts for cash flow drawn up by the Company's operations management, reviewed the calculations made by the Company and the sensitivity of the main commonly used values, compared the accounting estimates in prior fiscal years with the corresponding results and examined the procedure for approving these estimates by the Management. The assessments so made fall under the framework of our audit of the annual accounts of PagesJaunes Group on 31 December 2004 taken as a whole, and have therefore contributed to forming our unconditional opinion, expressed in the first part of this report.



III. Specific Verification and Information

In addition, we also proceeded to perform the specific verifications required by law, according to professional standards applicable in France.

We have no comments to make on the accuracy of the information given in the Board's Management report and in the documents sent to the shareholders on the financial position and annual accounts and their agreement with the annual accounts.

In application of the law, we have made sure that the various information relating to the acquisition of holdings and control and the identity of the owners of the capital and voting rights has been reported to you in the Management report.

Neuilly-sur-Seine and Paris – La Défense, 7 March 2005

The Auditors

DELOITTE & ASSOCIÉS
Jean-Paul Picard, Éric Gins

ERNST & YOUNG Audit
Christian Chiarasini

Special Auditors' Report
on the regulated agreements

Dear Shareholders,

In our capacity as Auditors for your Company, we herewith present to you our report on the regulated agreements.

In application of article L. 225-40 of the French Commercial Code, we have been advised of an agreement which was the subject of prior authorisation from your Board of Directors.

It is not our task to research the possible existence of other agreements, but to report to you, based on the information provided to us, on the characteristics and basic procedures of those of which we have been informed, without needing to give an opinion as to their usefulness and merit. It is your task, according to the terms of article 92 of the decree of 23 March 1967 to make an assessment of the interest attached to signing this agreement before approving it.

We have performed our work according to professional standards accepted in France; these standards require the implementation of procedures intended to verify the agreement between the information which has been provided to us and the *Document de référence* from which it was taken.

With Wanadoo SA and a Group of Financial Institutions

Directors involved: Messrs. Michel Combes, Frank Dangeard and Rémy Sautter.

Type and purpose

This is a guarantee contract signed between Wanadoo SA, PagesJaunes SA and a group of financial institutions, relating to the placement of shares following PagesJaunes IPO.

Procedures

The contract was approved by the Board of Directors of Wanadoo SA on 21 June 2004 and by the Supervisory Board of PagesJaunes on 7 July 2004.

Neuilly-sur-Seine and Paris – La Défense, 7 March 2005

The Auditors

DELOITTE & ASSOCIÉS
Jean-Paul Picard, Éric Gins

ERNST & YOUNG Audit
Christian Chiarasini

Chaper 6 – Corporate Governance and Internal Control

Pursuant to the decisions taken by the General Shareholders' Meeting on 27 May 2004, the Company has set up new governing structures at PagesJaunes Group, effective on 23 September 2004, consisting mainly of:

- > a changeover from the dual structure (Supervisory Board and Management Board) to a Board of Directors;
- > the decision to separate the functions of Chairman of the Board and the Chief Executive Officer (CEO);
- > the creation of ad-hoc committees.

On 23 September 2004, the Board of Directors of the Company decided to separate the functions of Chairman of the Board and CEO. From its members, it elected Mr. Michel Combes, previously Chairman of the PagesJaunes Supervisory Board, as the Chairman of the Board of PagesJaunes and Mr. Michel Datchary, previously Chairman of the Management Board of PagesJaunes as the CEO of PagesJaunes.

The members of the Board of PagesJaunes Group, whose appointments went into effect on 23 September 2004, are:

- > Michel Combes, Chief Officer of France Télécom;
- > Olivier Barberot, Chief Officer of France Télécom;
- > François de Carbonnel, Senior Advisor of the Global Corporate and Investment Bank of Citigroup;
- > Élie Cohen, Director of Research at CNRS, Vice-President of the Public Sector High Council and member of the Prime Minister's Economic Analysis Council;
- > Patricia Langrand, Chief Officer of France Télécom;
- > Jean-Hervé Lorenzi (co-opted by the Board on 23 September 2004 following the resignation of Frank E. Dangeard), Advisor to the Management Board of La Compagnie Financière Edmond de Rothschild Banque;
- > Stéphane Pallez, Chief Officer of France Télécom;
- > Rémy Sautter, Chairman of the Supervisory Board of RTL;
- > Marcel Roulet "*censeur*", Honorary Chairman of France Télécom and Board Member of France Télécom.

The Board of Directors has decided to create an audit committee chaired by Rémy Sautter as well as a Compensation and Appointments Committee chaired by François de Carbonnel. The audit committee is responsible for assisting the Board of Directors in carrying out its tasks and responsibilities in the financial area. The Compensation and Appointments committee is responsible for assisting the Board of Directors in appointing and compensating Company officers.

6.1 COMPOSITION AND FUNCTIONS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

6.1.1 Composition and Functions of the Board of Directors

The Company is administered by a Board of Directors made up of between three and eighteen members (subject to legal

derogations in case of a merger). The Board currently has eight members, as well as an "*censeur*".

The Board members are elected by the shareholders at ordinary general shareholders' meetings. Each Board member must own at least one share in the Company. According to the Company's by-laws, each Board member is elected for a period of five years. The Board members may be re-elected with no restrictions. The Board chooses a Chairman from its members. The Chairman is elected for the whole term of his appointment as a Board member and may be re-elected. At its Meeting on 23 September 2004, the Board appointed Mr. Michel Combes as Chairman of the Board.

The Board of Directors holds a meeting when called to do so by its Chairman, who may use any means to announce the meeting, even orally in an emergency, and at any time he deems fit, at the company's main offices or at any other place indicated in the notice of meeting. When the Board of Directors has not met for more than two months, at least a third of the members of the Board of Directors can ask the Chairman at any time to call a meeting to discuss a pre-set agenda. The CEO may also ask the Chairman at any time to call a Board meeting for a pre-set agenda. The Board is only validly in session if at least half of its members are present. Decisions are taken if approved by the majority of the members present or represented. If there is a tied vote, the Chairman of the meeting casts the deciding vote.

Subject to the legal and regulatory provisions, the meetings of the Board of Directors may be held by videoconference or by any other means of telecommunication, and any Board members who take part by means of telecommunication are considered to be in attendance for calculating the quorum and the majority.

The Board of Directors determines the direction of the Company's business and oversees its implementation. Subject to the powers expressly delegated to the general shareholders' meetings, and staying within the limits of the business purpose, the Board handles any questions involving the proper operation of the Company and by its deliberations regulates the matters concerning it.

The Board of Directors carries out any controls and verifications it deems fit.

The Chairman or the CEO of the Company must give to each board member all the documents and information needed to carry out their tasks. The Company's by-laws also state that the ordinary general shareholders' meeting may appoint one or more advisors, selected from the shareholders or outside them, based on their standing or experience.

The advisors are responsible for giving advice, suggestions, and opinions to the Company's committees which are self-governing, and assisting the Board of Directors in determining

the directions the Company's business should take. They may be members of the Company's committees. The advisors have access to the same information as the Board members. The advisors may be invited to meetings of the Board of Directors, but their absence does not affect the validity of the deliberations. They have the right to speak in an advisory capacity but not the right to vote on decisions. They are appointed for three years. Their appointments are up at the end of the ordinary general shareholders' meeting which votes on the accounts for the previous fiscal year and held in the year during which the appointment of the advisor(s) comes to an end. The advisors may be re-elected with no restrictions. They may be dismissed at any time by a decision by the ordinary General Shareholders' Meeting.

The General Shareholders' Meeting held on 27 May 2004 appointed Mr. Marcel Roulet as a "censeur" to the Board of Directors. In case of death, resignation or if an advisor leaves his post for any reason, the Board of Directors may at any time appoint a successor, and this provisional appointment is subject to the ratification of the next General Shareholders' Meeting. The advisors may receive compensation which is set by the Ordinary General Shareholders' Meeting. The compensation set for Mr. Marcel Roulet is described in under section 6.2.1 "Overall Total of Compensation and Benefits in Kind".

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

Name	Date of appointment	Position	Other positions and primary functions exercised in all other companies
Michel COMBES	27 May 2004	Chairman of the Board	<ul style="list-style-type: none"> – Chief Officer of Financial Balance and Value Creation at France Télécom – Senior Vice-President for Finance at France Télécom – Member of the Supervisory Board of Equant – Member of the Supervisory Board of Procapital – Chairman of the Supervisory Board of Assystem Brime
Olivier BARBEROT	27 May 2004	Board member	<ul style="list-style-type: none"> – Chief Officer in charge of Development and Optimisation of Human Skills at France Télécom – Executive Director in charge of Network Management and Internal Communication at France Télécom
François de CARBONNEL	27 May 2004	Board member	<ul style="list-style-type: none"> – Senior Advisor of the Global Corporate and Investment Bank of Citigroup – Board member of the Ecofin Hedge Fund
Élie COHEN	27 May 2004	Board member	<ul style="list-style-type: none"> – Chairman of the Scientific Board of Vigeo and Board member – Director of Research at CNRS, Professor at Sciences-Po, Vice-President of the Public Sector High Council and member of the Prime Minister's Economic Analysis Council – Member of the Supervisory Board of the Steria Group (SSII) – Board Member of Orange
Patricia LANGRAND	27 May 2004	Board member	<ul style="list-style-type: none"> – Chief Officer of the Content Aggregation Division at France Télécom
Jean-Hervé LORENZI	Co-opted by the Board of Directors Meeting of 23 September 2004 to replace France E. DANGEARD, co-opting ratified by the General Shareholders' Meeting of 23 December 2004	Board member	<ul style="list-style-type: none"> – Advisor to the Management Board of La Compagnie Financière Edmond de Rothschild – Professor at Paris Dauphine – Member of the Economic Analysis Council and President of the Economists' Circle
Stéphane PALLEZ	27 May 2004	Board member	<ul style="list-style-type: none"> – Chief Officer to the Executive Director of Financial Balance and Value Creation at France Télécom – Member of the Supervisory Committee at Equant NV



Rémy SAUTTER	27 May 2004	Board member	<ul style="list-style-type: none">– Chairman and Managing Director of Bayard d'Antin– Chairman of the Supervisory Board of Édiradio/RTL– Chairman of Sicav Multimedia et Technologies– Board member of Insert– Board member of M6– Board member of M6 Publicité– Board member of Partner Re (USA)– Board member of Duke Street Capital (UK)– Board member of Taylor Nelson Sofres (UK)
Marcel ROULET	27 May 2004	Advisor	<ul style="list-style-type: none">– Honorary President and Board member of France Télécom– Board member of Thomson– Permanent Representative of Thomson SA on the Thales Board– Board member of the CCF– Chairman of the Supervisory Board of GIMAR Finances SCA– Member of the Supervisory Board of Eurazeo– Business Consultant

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

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

The Board of Directors has decided to make a proposal to the Mixed General Shareholders' Meeting of 12 April 2005, to amend article 12 of the Company by-laws to regulate representation of PagesJaunes Group employees on the Board, and then to appoint a Board member who represents the employees of the PagesJaunes Group.

The Board of Directors also decided to make a proposal to the Mixed General Shareholders' Meeting of 12 April 2005, to appoint Mr. Jean-Claude Marceau as a Board Member, for a five-year term, expiring at the end of the General Shareholders' Meeting approving the accounts for the fiscal year ending on 31 December 2009. Mr. Jean-Claude Marceau came to PagesJaunes in 1973 as a marketing consultant and is now head of marketing relations with advertising agencies. **Olivier Barberot** was appointed Chief Officer of France Télécom in March 2003, responsible for Development and Optimisation of Human Competence in connection with the Ambition FT 2005 plan, and in March 2004 he was made head of Management Networks and Internal Communications Development. After holding several engineering positions up to 1985, Olivier Barberot was General Secretary of Futuroscope in Poitiers from 1985 to 1991, and the General Secretary of the CGI until 1993. From 1993 to 1997, he was General Secretary of the Léonard de Vinci University (Paris). Since 1997, he has been a member of the Executive Committee for Human Resources at Thomson. Born in 1954, Olivier Barberot is a graduate of the Paris *École des mines*.

François Carbonnel joined Citigroup at the end of 1999 as Managing Director for the Global Corporate and Investment Bank, of which he is now a Senior advisor. After ten years spent at the Boston Consulting Group (Boston, Paris, Chicago), from 1971 to 1981, from 1981 to 1990 he was Chairman of Strategic Planning Associates (Washington, DC) which

is now Mercer Management Consulting. After it was bought by Marsh McLennan, he went to General Electric (USA) as President of GE Capital Europe and Vice-President of General Electric. In 1993, he was appointed Vice-President of Booz-Allen and Hamilton in Paris, and then in 1994 he was made Chairman-Managing Director of Midial SA, which position he held until 1998. He was also Chairman of the Supervisory Board of GE Capital-SNC between 1996 and 1998. Born in 1946, François de Carbonnel is a graduate of the *École centrale de Lyon, faculté de Sciences économiques*, and the Business School of Carnegie-Mellon University.

Élie Cohen has pursued dual careers both as a researcher and university professor. A student researcher at the Paris *École des mines* and then head of research at the *Centre de sociologie de l'innovation de l'École des mines*, he subsequently joined the CNRS as Research Director of the *Groupe d'analyse des politiques publiques* in Paris I and then as Research Director at the National Centre for Scientific Research (FNRS).

As an associate professor, then full professor, Mr. Cohen has taught at the *Institut d'études politiques de Paris*, the *École supérieure* in Ulm, the *École nationale d'administration* and the Harvard School of Engineering. Author of a number of articles in scientific journals, Mr. Cohen has published several books on business economics and public policy in France and other countries. As an economist,

Mr. Cohen has been a member of numerous parliamentary and executive commissions. He was a member of the France Télécom Board of Directors from 1991 to 1995 and has been a member of Orange's Board of Directors since 2003. He is a member of the *Conseil scientifique de l'institut du Développement durable et des Relations internationales*. Born in 1950, Mr. Cohen is a graduate of the *Institut d'études politiques* de Paris and as PhDs in Management and Political Science.

Michel Combes is an Chief Officer at France Télécom, in charge of Financial Balance and Value Creation since February 2005. He was name Executive Director in charge of the Finance Group in January 2003. He started his career in 1986

at France Télécom at the External Networks Division and then went to the Industrial and International Affairs Division. He was appointed a Technical Advisor to the Minister for Postal Services, Telecommunications and Space in 1991, and to the Minister of Equipment, Transport and Tourism. Mr. Michel Combes rejoined France Telecom in 1995 as Deputy Managing Director of TDF, a position which he held from June 1996 until the end of 1999 while also serving as Chairman and Managing Director of Globecast. He then served as Executive Vice-President of the Nouvelles Frontières Group from December 1999 until the end of 2001, when he moved to the position of Managing Director of ASSYSTEM, a company specialising in technical assistance. Born in 1962, Michel Combes is a graduate of the *École nationale supérieure des télécommunications*.

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

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

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

Rémy Sautter began his career at the Caisse de Dépôts et Consignations (1971-1981) before being appointed a Technical Advisor at the Office of the Minister of Defence for Financial

and Budget Affairs (1981-1983). He was then Finance Director for the Havas Agency from 1983 to 1985 and Vice-Chairman-Managing Director of RTL until 1996. Rémy Sautter was the Managing Director of the CLT-UFA until 2000 before holding the position of Chairman-Managing Director at RTL until 2002. Since December 2002, he has been Chairman of the Supervisory Board at RTL. Born in 1945, Rémy Sautter has a law degree and graduated from the *Institut d'études politiques* Paris and the *École nationale d'administration*.

Marcel Roulet is the Honorary Chairman of France Télécom and served as its Chairman from 1991 to 1995. Then Marc Roulet was the Chairman-Managing Director of Thomson SA between February 1996 and March 1997 and of Thomson CSF (now Thales) between February 1996 and January 1998. A telecommunications engineer, who has been retired since 1 January 1999, Marcel Roulet works as a business consultant.

Marcel Roulet is also a Board member of Thomson and Thales (as the representative of Thomson SA), a Board member of CCF and Chairman of the Supervisory Board of Gimar Finances. He is a member of the Supervisory Board of Eurazeo. Born in 1933, Marcel Roulet is a graduate of the *École nationale supérieure des télécommunications*.

During the 2004 fiscal year, the Supervisory Board met nine times and the Board of Directors met four times. On average, six members out of nine attended each meeting of the Supervisory Board, and seven board members out of eight attended each meeting of the Board of Directors during that year. The average length of a meeting of the Board of Directors is two hours. The Supervisory Board met five times in 2001, four times in 2002 and four times in 2003, with an attendance rate of 64.5% in that fiscal year.

Internal Regulations

The internal regulations for the Board of Directors, in line with the guidelines set out by the Bouton Report, were approved by the Board of Directors at its meeting held on 23 September 2004. The main provisions of these internal regulations are set out in the section 6.5 "The Board of Directors' Internal Regulations".

Professional Ethics Charter

The General Shareholders' Meeting held on 27 May 2004 also recommended the adoption by the Board of Directors of a Professional Ethics Charter similar to that adopted by the Supervisory Board. The Board of Directors thus adopted a Professional Ethics Charter on 23 September 2004 (available on the PagesJaunes Group website at <http://www.pagesjaunesgroupe.com>). This Charter sets out the values of the Group and states its principles for its dealings with its customers, shareholders, employees, suppliers and competitors, as well as in regard to the environment and the countries where the Group has operations. It also refers to a certain number of principles of personal conduct, which each employee, Board member and manager at the Group must adhere to, which encourage honest and ethical conduct on their part, and accurate, full and timely reporting of published information.

The Professional Ethics Charter also repeats the principles and rules in effect in relation to professional ethics in securities



and exchange matters and the need for them to be followed scrupulously. It imposes certain preventive measures, particularly the existence of blackout periods for trading in the Company's shares for "permanent initiates", particularly members of the Board of Directors and the other managers. The Professional Ethics Charter applies to each member of the Board of Directors, manager and employee at the Group.

6.1.2 Committees Created by the Board of Directors

The Board of Directors can decide to create committees from within itself, for which it sets the membership and powers, and which perform their tasks under its responsibility, but the powers attributed to a committee cannot be for the purpose of delegating to a committee the powers which are vested in the Board of Directors by law or the by-laws, or for the purpose of reducing or limiting the powers of the Chairman, the CEO or the Deputy Managing Directors. The Board of Directors, at its Meeting on 23 September 2004, set up two committees at the Company, i.e. an Audit Committee and a Compensation and Appointments Committee.

6.1.2.1 Audit Committee

Membership of the Audit Committee

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

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

- > Mr. Remy Sautter, Chairman,
- > Mr. Elie Cohen,
- > Mrs. Stéphane Pallez.

Tasks of the Audit Committee

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

- > to examine the Company and consolidated accounts, both half-yearly and annual, as well as the management reports and business and results statements;
- > to make sure that the accounting standards adopted to draw up the Company and consolidated accounts are respected;
- > to verify that the internal procedures for collecting and checking the information are properly applied;
- > to control the quality and accuracy of the information given to shareholders;
- > to examine the procedure for selecting the Company's Auditors, particularly looking at their choice and terms of compensation to make observations;
- > to study each year the inspection procedures for the Auditors and the internal Auditors, to examine the internal auditing report for the year just past and the schedule of tasks for the year in progress;
- > to examine each year the report by the Chairman of the Board on the Group's exposure to risks, particularly for financial and legal matters, and the significant off-balance sheet commitments.

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

The Audit Committee meets as often as it deems fit and considers all questions falling under the scope of its responsibility. It met twice in the 2004 fiscal year.

The Audit Committee can ask the Company to provide it with any document or information needed to perform its tasks and perform any internal or external audit on any subject it believes relates to it. When examining the drafts of the annual and half-yearly accounts, it can question the Auditors without the presence of the Company managers. Any irregularities in accounting or auditing matters are brought to their attention.

6.1.2.2 Compensation and Appointments Committee

Membership of the Compensation and Appointments Committee

This committee has at least three members, appointed by the Board of Directors upon recommendation by the Chairman. The committee appoints its Chairman itself.

The membership of the Compensation and Appointments Committee on the registration date of this *Document de référence* is as follows:

- > Mr. François de Carbonnel, Chairman,
- > Mr. Olivier Barberot,
- > Mr. Jean-Hervé Lorenzi,
- > Mr. Marcel Roulet.

Tasks of the Compensation and Appointments Committee

The committee is responsible for submitting proposals to the Board of Directors for the appointment of members of the Board, the Chairman of the Board of Directors, the CEO and the members of the Board committees. It is also kept informed by the Chairman of the Board of the appointments of the other managers in the Group.

In addition, the committee makes a recommendation to the Board for the amount of attendance fees to be submitted to the General Shareholders' Meeting as well as how this amount should be divided between the members of the Board. The Committee also makes proposals to the Board on compensation for Company officers and may, if so requested by the Chairman of the Board, give an opinion on the procedures for setting compensation for the Company managers.

The Compensation and Appointments Committee met twice during the 2004 fiscal year.

6.1.2.3 Committee Membership and Operation

The operating rules are set by the Board of Directors based on the following principles:

- > the committee meetings are called by the Chairman at least five days in advance and immediately in an emergency;
- > the committee meetings may be held anywhere and attendance may be by videoconference or conference telephone (except for strictly confidential matters, which are defined as such when brought before the committee Chairman);

> the committees may invite outside or internal experts to look at particular questions, and the costs for any external experts are paid by the Company.

The committees are collegial bodies with a consultative role. They have no powers of their own as their role consists of providing information to the Board or the Chairman.

The members of the committees who are members of the Board of Directors cannot receive any permanent compensation for their membership in the committees. They can, however, receive exceptional payments for special, temporary tasks and can also receive a higher share than the other members of the Board of the attendance fees.

The members of the committees who are not members of the Board may receive compensation set by the Board of Directors, paid by the Company.

6.1.3 Chairman of the Board and Position of Chief Executive Officer

The Chairman of the Board of Directors, who must be an individual, is appointed by the Board of Directors from its membership. In addition, the Board of Directors has the option of deciding to separate or combine the appointments of Chairman of the Board and the CEO. If the decision is made to separate these appointments, the CEO is appointed by the Board of Directors.

At its meeting on 23 September 2004, the Board of Directors decided to separate these appointments, and appointed Mr. Michel Combes as the Chairman of the Board, and Mr. Michel Datchary as CEO.

The CEO, subject to the powers which the law expressly vests in the General Shareholders' Meeting and the Board of Directors, and within the limits of the business purpose, has the widest powers to act on behalf of the Company under all circumstances, with the stipulation that:

- (i) the CEO must present a draft strategic plan each year to the Board of Directors, which defines the medium-term direction of the Group's business, and particularly includes

projections for the main operating and financial indicators of the Group, as well as a draft annual budget;

(ii) the following decisions must be given prior approval by the Board of Directors:

- > any transfer of all or part of the Company's assets to a company already created or to be created;
- > any investment or divestment of an amount over 5 million euros in an operation, when the operation involves external growth or a sale;
- > any investment or divestment involved in an external growth operation or sale which is not included in the Company's strategic planning;
- > any commitment for an amount over 5 million euros which is exceptional and is not included in the Company's budget.

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

6.1.4 Deputy Managing Directors

Upon the recommendation of the CEO, the Board of Directors can appoint one or more individuals to assist the Chairman, with the title of Deputy Managing Director. The maximum number of the Deputy Managing Directors is five.

In agreement with the CEO, the Board of Directors determines the scope and term of the powers vested in the Deputy Managing Directors.



6.2 MANAGERS' COMPENSATION AND HOLDINGS

6.2.1 Overall Total of Compensation and Benefits in Kind

In application of the provisions of article L. 225-102-1 of the French Commercial Code, all the compensation and benefits in kind individually paid by the Company to the Company officers during the fiscal year ending on 31 December 2004 at the PagesJaunes Group are summarised in the table below:

Company officers of PagesJaunes Group	Fixed compensation paid during the fiscal year		Variable compensation and other bonuses paid during the fiscal year		Profit-sharing and Company savings plan paid during the fiscal year		Benefits in kind given during the fiscal year		Attendance fees earned during the fiscal year	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
François de Carbonnel	-	-	-	-	-	-	-	-	€12,900	-
Élie Cohen	-	-	-	-	-	-	-	-	€12,900	-
Michel Datchary, CEO	€200,000	€215,385	€146,176	€58,720	€6,020	€5,344	€3,900	€3,900	€4,573*	€4,573*
Jean-Hervé Lorenzi	-	-	-	-	-	-	-	-	€6,300	-
Rémy Sautter	-	-	-	-	-	-	-	-	€12,900	-
Marcel Roulet (advisor)	-	-	-	-	-	-	-	-	€15,000	€5,000

* Compensation for the position of Chairman of the Management Board of PagesJaunes.

All the compensation and benefits in kind payable by the Company earned individually by the Managing Director for the 2003 and 2004 fiscal year are summarised in the table below:

Company officers of PagesJaunes Group	Fixed compensation paid for the fiscal year		Variable compensation and other bonuses paid for the fiscal year		Profit-sharing and Company savings contributions plan paid for the fiscal year		Benefits in kind given for the fiscal year		Compensation for position of Chairman of the Board of PagesJaunes for the fiscal year	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Michel Datchary, CEO	€200,000	€200,000	€111,108 (including €99,740 variable portion)	€102,747 (including €91,770 variable portion)	€5,439*	€6,020	€3,900	€3,900	€3,324 (from January to September 2004)	€4,573

* For Company savings plan contributions only, profit-sharing was not yet known on the date of this *Document de référence*.

In 2004, the CEO was eligible for a variable share, of which the target rate was 40% (which could go as high as 50%) of his base salary, which was calculated based on three indicators: sales, EBITDA and a qualitative portion based on achieving personal goals.

After the decisions were taken by the Board for the 2004 fiscal year, the total amount of the variable portion of the CEO came to 49.87% of his base salary. The Company has not created any specific additional retirement plans for its Company officers. Michel Datchary's employment contract includes clauses covering employment agreement and contractual compensation for leaving his position which cannot exceed twenty-one months.

The Chairman of the Board of the Company does not receive any compensation from the Company. No attendance fees were paid to the members of the Supervisory Board for the

2001, 2002 and 2003 fiscal years. The General Shareholders' Meeting of 27 May 2004 set the amount of attendance fees to be freely distributed to the members of the Board of Directors at the total sum of 45,000 euros for the 2004 fiscal year.

A proposal will be made to the General Shareholders' Meeting of 12 April 2005 to set the amount of attendance fees to be freely distributed among the members of the Board at 100,000 euros for the 2005 and subsequent fiscal years.

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

6.2.2 Options to Subscribe or Buy Shares Given to Each Company Officer and the Options Exercised by Each of Them

No subscription or purchase plan giving rights to PagesJaunes shares was authorised or decided on by the General Shareholders' Meeting of the Company when this *Document de référence* went to press.

The table below shows the four Wanadoo share subscription option plans which some Company officers in the Company

benefited from and which were adopted pursuant to articles L. 225-177 of the French Commercial Code (formerly articles 208-1 and following of the law of 24 July 1966) by the Extraordinary General Shareholders' Meeting of Wanadoo on 22 June 2000. It should be noted that these subscription options for Wanadoo shares were converted into subscription options for France Télécom shares because of the merger between France Télécom and Wanadoo on 1 September 2004.

	Wanadoo plan July 2000	Wanadoo plan April 2001	Wanadoo plan June 2002	Wanadoo plan November 2003
Exercise price in euros	19	6	5.4	6.48
Starting date for exercising the options	July 2005	April 2004	June 2005	November 2006
Expiration date for exercising the options and the plan	July 2010	April 2011	June 2012	November 2013
Michel Datchary				
Number of Wanadoo options allocated	18,000	10,000	60,000	60,000
Number of options exercised	0	0	n/a*	n/a*

*n/a not applicable, as the period for exercising the options had not yet started.

6.2.3 Regulated Agreements

During the fiscal year ending on 31 December 2004, the Company identified an agreement likely to fall under the scope of application of article L. 225-38 of the French Commercial Code, i.e. the investment and guarantee contract relating to the PagesJaunes Group IPO signed in July 2004, which was subject to prior approval by the PagesJaunes Supervisory Board on 7 July 2004.

6.3 EMPLOYEE PROFIT-SHARING

6.3.1 Profit-Sharing and Company Savings Plan Agreements

Company Savings Plan

The Company savings plan agreement signed by France Télécom on 19 November 1997 with four union organisations (CFDT, CFTC, CGC and FO) covers the companies in the France Télécom group owned more than 50% by France Télécom of which the Company is part. The special reserve for the Company savings plan of the France Télécom group is the amount in the special savings plan reserves calculated for each subsidiary involved using a derogation formula (derogation addendum signed on 29 June 2001).

The special savings plan reserves are divided among the beneficiaries at 20% based on their attendance and 80% in proportion to the gross annual salary received by each employee. The amounts allocated individually are put into the France Télécom group savings plan and blocked for five years.

The table below shows the key figures for the company savings plan over the last four fiscal years:

(in millions of euros)	Total Company savings plan contributions distributed by the France Télécom group	Contribution by PagesJaunes	Savings plan contributions distributed to PagesJaunes employees
2001	122	21.2	2.7
2002	100	24.4	2.4
2003	115	26.8	2.8
2004	264	29.6	7.0

Profit-Sharing

Seven profit-sharing agreements have been signed at PagesJaunes SA since 1989. Since 1999 and up to 2003, the calculation of the overall profit-sharing amount was based on the operating results for the year.

This total was made up of two amounts:

- > the first is expressed based on a percentage of the operating results;
- > the second is calculated based on a rate which varies based on the growth in revenue (the change in revenue for the year "n" compared to the year before "n-1") and is applied to the operating results.

The latest profit-sharing agreement in effect was signed on 30 June 2004 and covers the years 2004, 2005 and 2006.

To get a higher number of employees linked to the improved performance of PagesJaunes, this agreement is based on the following principles:

- > the overall amount of profit-sharing is based on the achievement of two corporate economic and strategic goals: the operating results before amortisation and revenue;
- > the overall amount of profit-sharing changes in proportion to the operating results.



The table below shows the amount of profit-sharing over the last six fiscal years:

(in thousands of euros)	1999	2000	2001	2002	2003	2004
PagesJaunes SA profit-sharing	1,706	6,557	5,702	6,099	6,677	9,417

Company Savings Plan

The company savings plan of the France Télécom group is accessible to employees (executives and private law employees) at the Company who have worked at the Company for more than three months as long as France Télécom owns over 50% of the Company. It contains several mutual investment funds, some of which are solely for shares in France Télécom and PagesJaunes Group.

6.3.2 Options to Subscribe or Buy Shares Given to the Top Ten Employee Recipients Who Are Not Corporate Officers and the Options Exercised by Them.

No subscription or purchase plan giving rights to PagesJaunes shares has been authorised or decided on by the General Shareholders' Meeting of the Company as this *Document de référence* goes to press.

The Board of Directors has decided to make a proposal to the shareholders, in the context of the 22nd resolution submitted for a vote to the Mixed General Shareholders' Meeting of 12 April 2005, to authorise, pursuant to articles L. 225-177 and following of the French Commercial Code, to grant on one or more occasions, options to subscribe or buy shares in the Company (see section 3.2.9 "Option Plans"). The table below shows the four Wanadoo share subscription option plans which some Company officers in the Company benefited from and which were adopted pursuant to articles L. 225-177 of the French Commercial Code (formerly articles 208-1 and following of the law of 24 July 1966) by the Extraordinary General Shareholders' Meeting of Wanadoo on 22 June 2000. It should be noted that these subscription options for Wanadoo shares were converted into subscription options for France Télécom shares because of the merger between France Télécom and Wanadoo on 1 September 2004.

	Total number of options granted or exercised	Exercise price in euros	Starting date to exercise the option	Expiration date for the plan	Plan
Subscription options for France Télécom shares granted during the 2004 fiscal year to the top ten employee recipients at the PagesJaunes Group who are not corporate officers	n/a	n/a	n/a	n/a	n/a
Subscription options for France Télécom shares exercised during the 2004 fiscal year by the top ten employee recipients at the PagesJaunes Group who are not corporate officers who exercised the highest number of options	120,550	15.43	2 April 2004	April 2004	Wanadoo April 2001

6.4 INTERNAL CONTROL PROCEDURES

6.4.1 Report by the Chairman of the Board on the Conditions for Preparing and Organising the Work of the Board of Directors and on the Internal Control Procedures at PagesJaunes.

In application of the provisions of article L. 225-37 of the French Commercial Code, the Chairman of your Board of Directors will describe to you in this report the conditions for preparing and organising the work of the Board; as well as the internal control procedures put in place by your Company. The Chairman has assigned the financial management of the Group for this report with the preparatory work and necessary measures. The Auditors have been informed of this work and these measures.

This report contains the conditions for preparing and organising the work of the Board of Directors of PagesJaunes Group in the 2004 fiscal year. This report also contains the internal control procedures at the PagesJaunes Group. For accounting and financial matters, PagesJaunes Group has set up an internal control organisation around its major businesses, which uses an internationally recognised methodology, based on the COSO guidelines (cf. section 6.4.1.2.2).

To guarantee the quality and reliability of the financial information produced, a process of continuous improvement in internal control is in operation at the Group.

6.4.1.1 Preparation and Organisation of the Work of the Board of Directors

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

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

PagesJaunes Group has committed to implement the recommendations in these reports, particularly through the internal regulations adopted by the Board of Directors at their Meeting on 23 September 2004, which is attached as an appendix to this report ("The Board of Director's Internal Regulations", see section 6.5). These internal regulations of the Board of Directors set the guiding principles for its operations and the procedures it uses to carry out its tasks.

Preparation and Organisation of the Work of the Board of Directors

The Board of Directors votes on all the decisions relating to the major strategic, economic, social, financial and technological policies of the Company and oversees their implementation by the General Management.

PagesJaunes Group's policy in matters of corporate governance states that (see article 1 of the internal regulations) that the CEO must receive permission from the Board to engage in any investment or divestment operations for any amounts over 5 million euros per operation, in the case of external growth or sales operations. In addition, any investment of an amount over 5 million euros which is not part of the Company's strategic plan must be approved in advance by the Board of Directors.

During the 2004 fiscal year, the Company set up new governance structures at the PagesJaunes Group, consisting mainly of:

- > the appointment of Michel Combes as Chairman of the Board of Directors;
- > the appointment of Michel Datchary as CEO;
- > the creation of ad hoc committees.

On 23 September 2004, the Board of Directors of the Company decided to separate the functions of Chairman of the Board and the CEO. From its members, it elected Mr. Michel Combes, previously Chairman of the PagesJaunes Supervisory Board, as the Chairman of the Board of PagesJaunes and Mr. Michel Datchary, previously Chairman of the Management Board of PagesJaunes as the CEO of PagesJaunes.

The members of the Board of PagesJaunes Group, who had thence been appointed by the General Shareholders' Meeting of 27 May 2004, and whose appointments went into effect on 23 September 2004, are:

- > Michel Combes, Chief Officer of France Télécom;
- > Olivier Barberot, Chief Officer of France Télécom;
- > François de Carbonnel, Senior Advisor of the Global Corporate and Investment Bank of Citigroup;
- > Élie Cohen, Director of Research at CNRS, Vice-President of the Public Sector High Council and member of the Prime Minister's Economic Analysis Council;
- > Patricia Langrand, Chief Officer of France Télécom;
- > Jean-Hervé Lorenzi (co-opted by the Board on 23 September 2004 following the resignation of Frank E. Dangeard), Advisor to the Management Board of La Compagnie Financière Edmond de Rothschild Banque;
- > Stéphane Pallez, Chief Officer of France Télécom;
- > Rémy Sautter, Chairman of the Supervisory Board of RTL.

The Board decided to create an Audit Committee chaired by Rémy Sautter as well as a Compensation and Appointments Committee chaired by François de Carbonnel. The Audit Committee is responsible for assisting the Board of Directors in the performance of its tasks and responsibilities in the financial area. The Compensation and Appointments Committee is particularly responsible for assisting the Board with the appointment and compensation of Company officers. PagesJaunes Group applies selection criteria to its Board members, particularly availability, experience and skills in the

areas associated with the operator business and the important matters in that business environment.

During the 2004 fiscal year, the Supervisory Board met nine times and the Board of Directors met four times. On average, six members out of nine attended each meeting of the Supervisory Board, and seven board members out of eight attended each meeting of the Board of Directors during this fiscal year. The average length of a meeting of the Board is two hours.

The main activities of the Supervisory Board, and so the Board of Directors, are as follows:

- > examination of the accounts and results: the Board examined and drew up the annual and half-yearly accounts, both corporate and consolidated, and the Management reports. It examined the revenue and main quarterly figures. It drew up reports and resolutions submitted to the General Shareholders' Meeting. It examined the budget for 2004;
- > examination and approval of strategic operations: the Board deliberated on the proposed IPO of PagesJaunes and on the reorganisation of the PagesJaunes Group, and deliberated on operations and proposed acquisitions, including QDQ Media, Kompass Belgium, Mappy (formerly Wanadoo Maps) as well as the acquisition of 50% of Eurodirectory which was owned by Seat;
- > corporate governance: the Board drew up its internal regulations as well as the charters for the Board committees and the Professional Ethics Charter for the PagesJaunes Group. It examined the report drawn up by the Chairman in application of article 117 of the law on Financial Security, relating to the conditions for preparing and organising the work of the Board and the internal control procedures;
- > strategic and regulatory questions: the Board paid particular attention to strategic or regulatory questions, particular deregulation of operator information services, the Group's strategy in the area of relational marketing or the impact of the new legal and regulatory provisions on the General Directory and the Group's plans in this regard.

Tasks and Operations of the Board Committees

Two committees have been set up by the Board of Directors.

The Audit Committee

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

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

- > Mr. Remy Sautter, Chairman,
- > Mr. Elie Cohen,
- > Mrs. Stéphane Pallez.

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

- > to examine the Company and consolidated accounts, both half-yearly and annual, as well as the Management reports and business and results statements;



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

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

The Audit Committee meets as often as it deems fit and considers all questions falling under the scope of its responsibility. It can ask the Company to provide it with any document or information needed to perform its tasks and perform any internal or external audit on any subject it believes relates to it. When examining the drafts of the annual and half-yearly accounts, it can question the auditors without the presence of the Company managers. Any irregularities in accounting or auditing matters are brought to their attention.

The Audit Committee met twice in 2004. It regularly questioned the managers of the Company and the Heads of the Group Finance Office and the Auditors, to examine with them their respective plans of actions and the follow-up to them. The Audit Committee particularly examined the following questions during the 2004 fiscal year:

- > half-yearly accounts on 30 June 2004;
- > revenue and main results for the third quarter of 2004;
- > the 2004 programme for the internal audit and an update on the progress on the application of the American Sarbanes-Oxley Act (because it is part of the France Télécom group, which is listed on the New York Stock Exchange) and law No. 2003-706 of 1 August 2003 on Financial Security;
- > examination of the operations to reorganise the PagesJaunes Group presented to the General Shareholders' Meeting of 23 December;
- > plans to acquire 50% of the share capital of the Eurodirectory company held by Seat.

The Compensation and Appointments Committee

This committee has at least three members, appointed by the Board of Directors upon recommendation by the Chairman. The committee appoints its Chairman itself.

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

- > Mr. François de Carbonnel, Chairman,

- > Mr. Olivier Barberot,
- > Mr. Jean-Hervé Lorenzi,
- > Mr. Marcel Roulet.

It is responsible for submitting proposals to the Board of Directors for the appointment of members of the Board, the Chairman of the Board of Directors, the CEO and the members of the Board committees. It is also kept informed by the Chairman of the Board of the appointments of the other managers in the Group. In addition, the Committee makes a recommendation to the Board for the amount of attendance fees to be submitted to the General Shareholders' Meeting as well as how this amount should be divided between the members of the Board. The Committee also makes proposals to the Board on compensation for Company officers and may, if so requested by the Chairman of the Board, give an opinion on the procedures for setting compensation for the Company managers.

The Compensation and Appointments Committee met twice during the 2004 fiscal year.

Limitations on the Powers of the CEO

Pursuant to the provisions of article L. 225-51-1 of the French Commercial Code which allow the Board of Directors to choose between having the General Management of the Company assumed, as it chooses, either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors, with the title of Managing Director, the Board of Directors of PagesJaunes Group decided on 23 September 2004 to separate the positions of Chairman of the Board and that of CEO. It elected from its members Mr. Michel Combes as Chairman of the Board and Mr. Michel Datchary as CEO of PagesJaunes.

The limitations on power are shown in the internal regulations.

6.4.1.2 Internal Control Procedures Set up at PagesJaunes Group

6.4.1.2.1 The Control Environment

The PagesJaunes Group has created a set of rules for organisation, policy, procedures and methods or bodies for evaluation and control, drawn up for the whole France Télécom group, which contributes to the efficiency of internal control.

6.4.1.2.1.1 Values, Governance and Mobilisation of Skills

The Values and Principles for the Group's Actions and Conduct

The Board of Directors of the PagesJaunes Group, in its meeting on 27 May, 2004, adopted a Group Professional Ethics Charter (available on the website

www.pagesjaunesgroupe.com). This charter sets out the values of the Group and states its principles for its dealings with its customers, shareholders, employees, suppliers and competitors, as well as in regard to the environment and the countries where the Group has operations. It also refers to a certain number of principles of personal conduct, which each employee, Board member and manager at the Group must adhere to. The principles and rules for securities and exchange ethics are contained in a specific document which is an integral part of the charter. This document intended to be read by employees and Directors of the companies in the

Group, on the principles and regulations in effect and the need for them to be followed scrupulously, as well as certain preventive measures (particularly the existence of blackout periods for trading in the Company's shares for "permanent initiates").

In addition, pursuant to the provisions of article 222-14 of the new General Regulations from the AMF (taken in applicable of article L. 621-18-2 of the French Monetary and Financial Code), PagesJaunes Group has informed its Board members of its obligation to report to the AMF and to publish in a press release, within five days of the transaction, all acquisitions, sales, subscriptions or swaps of its financial instruments as well as transactions carried out involving these instruments using financial futures, performed by the members of the Board of Directors and by those persons, under the terms to be defined by a decree from the Council of State, with close personal links to them.

Group Governance

> The Executive Committee

Under the authority of the Managing Director, an Executive Committee of the PagesJaunes Group was created, made up of the Executive Directors in charge of the divisions and functions of the Group, which defines for the Group the strategic plans contributing to the development of the Group's operational and marketing activities. The Group's Executive Committee decides on and co-ordinates the implementation of the strategic plans. It controls the execution of the goals which turn its decisions into operations and the allocation of financial resources.

> The Strategy Committee

The Strategy Committee was created when the PagesJaunes Group was reorganised in December 2004. It is made up of the CEO and the Finance Director of the PagesJaunes Group, the Directors of the three business units of PagesJaunes SA (printed directory, on-line and voice directory and services) as well as the Strategy Director of PagesJaunes Group who is the leader. Meetings of the Strategy Committee are also attended by anyone involved in the topic on the agenda as necessary. The goal is to hold approximately one meeting a month. The goal of the Strategy Committee is to analyse and examine the strategic plans and structural plans of the PagesJaunes Group and its subsidiaries, as well as leading and structuring the Group's strategic thinking.

6.4.1.2.1.2 The Internal Auditing Function

As far as the internal auditing is concerned, PagesJaunes Group depends on France Télécom's Office of Auditing and Risk Control, which was created in 1996, and has about 150 qualified Auditors who work as shared employees for all the companies in the Group and are mostly located in France, Great Britain, Poland and the USA.

The internal Auditors of the France Télécom group use the standards of the Institute of Internal Auditors (IIA); they are subject to its Code of Ethics and its professional certification. The internal auditing procedures at France Télécom were certified ISO 9001 V.2000 in October 2004.

The internal audit helps the Group to maintain appropriate control procedures by evaluating their efficiency and effectiveness and encouraging continuous improvement. Based on the results of the risk evaluation, the internal audit assesses the applicability and effectiveness of the internal control procedures by measuring the quality of the control environment in the Group, how well the internal governance bodies work, the reliability and integrity of the financial and operating information, the effectiveness and efficiency of operations, protection of assets and adherence to laws, regulations and contracts.

6.4.1.2.2 Internal Control Procedures Set up at PagesJaunes Group

For the organisation of its internal control and risk management, PagesJaunes Group has set up a certain number of internal procedures, described below, and also depends on the resources and skills of the France Télécom group in this area, guided by the COSO guidelines (Committee of Sponsoring Organisations of the Treadway Commission).

Internal control is a process performed by the Board of Directors, Management, and the employees at the Company, intended to provide reasonable assurance as to the attainment of the goals falling into the following categories:

- > execution and optimisation of operations;
- > reliability of financial information;
- > adherence to current laws and regulations.

Covering all the businesses of the PagesJaunes Group, this process is intended to provide a reasonable assurance – but not certainty – that the risks will be controlled and that the set goals will be achieved.

Internal control of accounting and financial information is organised around the following:

- > the Financial Information Committee;
- > PagesJaunes accounting and Management organisation;
- > unified accounting and Management reporting;
- > the Group's common guidelines and accounting methods;
- > planning the work to close the accounts at the Group level;
- > blending the information systems;
- > the programme for continuous improvement of the processes; of internal financial controls.

6.4.1.2.2.1 The Financial Information Committee

Financial information and its control are organised together with the managerial and Management organisation of the PagesJaunes Group. To increase the quality and reliability of the financial information, the Group has set up procedures to oversee and control financial information, which is basically dependent on the work of the Financial Information Committee.

The task of this committee is ensure the integrity, accuracy, adherence to applicable laws and regulations and to recognised practices, consistency and quality of the PagesJaunes Group's financial information.

This examination particularly relates to the press releases containing financial information, Management reports and to the *Document de référence*.

The committee is involved in drawing up and approving the financial information, defined for the whole Group. It is

chaired by the Group Finance Director and particularly includes the competent Directors in the areas of accounting, legal affairs, communications, investor relations and management control. Created in July 2004, this committee met twice in 2004.

6.4.1.2.2.2 *The Accounting and Management Function*

Under the authority of the Group Finance Director, the Financial Directors, the Management Control departments and the Accounting Departments at the Group subsidiaries perform the essential tasks to ensure consistency in the PagesJaunes Group financial information.

Thus,

- > they are responsible for producing the accounts for the PagesJaunes Group by the deadlines required by the financial markets and legal obligations;
- > they oversee the budget and forecasting process and produce the monthly Management report as soon as possible, and make sure the information is consistent;
- > they produce the documentation needed for the financial reporting of the results and the Management report summary for the Management of PagesJaunes Group;
- > they design and implement the accounting and Management methods, procedures and guidelines for the PagesJaunes group;
- > they identify and make the necessary changes in the accounting and Management information systems for the PagesJaunes Group.

6.4.1.2.2.3 *Unified Accounting and Management Reporting*

PagesJaunes is part of the Management and planning cycle of the Group which includes four basic components:

- > the forecast for at least three years ahead;
- > the budget process;
- > monthly reporting;
- > business reviews.

Each year a forecast is drawn up by PagesJaunes Group looking at the next three years or longer. This forecast is drawn up based on the strategic choices of PagesJaunes Group, in terms of changes in the market, in the business sector and the competitive environment. The budget process is broken down for PagesJaunes and its subsidiaries. The main stages in the budget process are as follows:

- > in November, the actualisation of the budget for the year in progress (end of year forecast) and producing a budget for each company for the first and second halves of the following year;
- > in May, the initial forecast is actualised for the first half of the year in progress (forecast for the end of the half year) which is compared to the initial forecast. An actualisation of the budget for the second half of the year is also drawn up on the same date.

The budgets and the re-forecasts are brought up to date each month to be used as a benchmark for reporting. The forecasts and re-forecasts provide an opportunity for early analysis of the handling of a certain number of operations for the closing of the accounts.

The monthly reporting is a major component of the control and financial information procedures. It constitutes the most important tool for tracking, control and oversight for the

Management of the PagesJaunes Group. It is made up of several documents prepared by the Management and Accounting Control departments and sent to the Management of PagesJaunes Group.

The monthly reporting contains figures, comments on changes, as well as performance measurement indicators. Apart from the internal tool Holos, the Management Control and Accounting Departments of the PagesJaunes Group use the same computer tool as the France Télécom group to produce this report on operations and the budget (CARAT). The quarterly business reviews are a key element in the oversight and control procedures of the PagesJaunes Group. Their main purpose is to make sure that the actions undertaken are in line with the Group's priorities and goals.

6.4.1.2.2.4 *Shared Guidelines and Accounting Methods in the Group*

For the process of producing the consolidated accounts, forecasts and actual, the Group uses the unification principle which provides:

- > consistency in the accounting guidelines and methods and the consolidation rules,
- > standardisation in the refund formats,
- > use of a shared computer consolidation tool at the Group (CARAT).

The Group has a single set of guidelines which standardise all the CARAT consolidated reporting headings, including those for off-balance sheet commitments. All the consolidated companies in the Group have adopted these guidelines. The PagesJaunes Group draws up its consolidated accounts using generally accepted accounting principles in France (CRC regulation No. 99-02).

The consolidation bundles are drawn up using local accounting principles and include consistency restatements to adhere to the Group standards.

Instructions from the Group Finance Office describe the process, and the schedule for closing each period are distributed within the Group. PagesJaunes and the other subsidiaries of the PagesJaunes Group breakdown these processes and these schedules to fit their organisation. The PagesJaunes Group also participates in the "new Conso" project conducted by France Télécom, and this project consists of implementing a new consolidation tool to meet the new regulatory requirements of IFRS.

In application of regulation No. 1606/2002 and pursuant to IFRS standard 1, the adoption of IFRS standards as the accounting standards, the PagesJaunes Group's consolidated accounts for the fiscal year ending on 31 December 2005 will be drawn up using the international accounting standards with a comparison for fiscal 2004 prepared using the same standards.

So far, the Group has made a preliminary identification of the main differences between the evaluation and presentation methods defined by IFRS international standards, and the accounting principles and methods currently in use, with the understanding that this information is produced to the best of our knowledge of the standards which will actually apply in 2005.

Therefore, pursuant to the recommendation by the AMF, PagesJaunes Group has indicated in its Management report the first estimate qualitative impacts for the 2004 fiscal year associated with the implementation of the IFRS standards at the Group. The Group plans to report the preliminary results for the fiscal year ending on 31 December 2004 in mid-April 2005.

6.4.1.2.2.5 Planning Closing Operations at the Group Level

To shorten the times to close the accounts, the PagesJaunes Group has implemented a programme to better formalise and plan the closing procedures. This programme is based on:

- > the budget tracking process,
- > the execution of pre-closing accounting procedures,
- > the accumulated formalisation of the closing processes,
- > the anticipation of the handling of the complex accounting operations and estimates.

Planning the co-ordination actions between the various divisions and functions of the Group, improving the quality of the forecasts and better control of the financial processes, anticipating and accelerating the process of closing the accounts have also been essential factors in the progress made by the Group in drawing up its accounts.

In the context of their legal mandate, the Auditors act on a quarterly basis to carry out the agreed procedures; at the end of the first quarter, in the form of a limited examination at the Group level, and, for the annual closing, by a review of the pre-closing procedures followed by an audit of the accounts on 31 December. They thereby provide an external evaluation benchmark which complements the process of internal evaluation.

6.4.1.2.2.6 The Programme of Continuing Improvement in the Internal Financial Control Process.

Since 2003, PagesJaunes Group has participated, as part of the whole France Télécom group, in the programme to increase the efficiency of internal control over the production of the financial and accounting information. This programme should allow the France Télécom group to satisfy the provisions of article 404 of the American Sarbanes-Oxley Act in a timely fashion, to which France Télécom is subject because it is listed on the New York Stock Exchange (article 404 particularly states that the Chairman must certify the effectiveness of the internal control procedures and that the Auditors must make a report on this certification).

This programme offers the chance to perform a systematic and consistent documented examination of all the internal financial control processes and to give each person in charge of the process the means to direct a continuous improvement in effectiveness. For all processes which make a significant contribution to the Group's financial information, this means verifying the quality and effectiveness of the internal control procedures, using a common methodology throughout the Group.

The operation of this large scale programme is taken care of by a Steering Committee at the France Télécom group level, chaired by the Executive Directors in charge of the group Finance and General Secretariat Offices, and by a Project team which defines, directs and co-ordinates the work and makes sure the project operates properly. This programme is carried out in collaboration with the Auditors.



6.4.2 Auditors' Report,

Drawn up in Application of the Last Point of Article L. 225-235 of the French Commercial Code, on the Report by the Chairman of the Board of the PagesJaunes Group SA Company, in Relation to the Internal Control Procedures Implemented to Produce and Process the Accounting and Financial Information.

Dear Shareholders,

In our capacity as Auditors for the PagesJaunes Group SA Company, and in application of the provisions of the last point of article L. 225-235 of the French Commercial Code, we herewith present you our report on the report by the Chairman of your Company pursuant to the provisions of article L. 225-37 of the French Commercial Code for the fiscal year ending on 31 December 2004.

Under the responsibility of the Board of Directors, it is the task of Management to define and implement suitable and effective internal control procedures. It is the President's job to give an account in his report of the conditions for preparing and organising the work of the Board and the internal control procedures implemented at the Company.

It is our task to report to you the comments we have to make on the information given in the Chairman's report on the internal control procedures implemented to produce and process the accounting and financial information.

We have carried out our work according to professional standards applicable in France. These require us to take measures to assess the accuracy of the information given in the Chairman's report, on the internal control procedures implemented to produce and process the accounting and financial information.

These measures consisted of:

- > finding out about the goals and general organisation of the internal control, as well as the internal control procedures implemented to produce and process the accounting and financial information presented in the Chairman's report;
- > finding out about the work underlying the information given in the report;
- > examining the assessment made of the suitability and effectiveness of these procedures, and particularly to consider the appropriateness of the evaluation process used and the tests performed;
- > performing other tests in addition to those used for our account auditing work which we deemed necessary, involving the design and functioning of these procedures, to corroborate the information given and the declarations made in this regard in the Chairman's report.

Based on this work, we have no comment to make on the information given in regard to the Company's internal control procedures implemented to produce and process the accounting and financial information, contained in the report from the Chairman of the Board, drawn up in application of the provisions of the last point of article L. 225-37 of the French Commercial Code.

Paris – La Défense and Neuilly-sur-Seine, 7 March 2005

The Auditors

DELOITTE & ASSOCIÉS
Jean-Paul Picard, Éric Gins

ERNST & YOUNG Audit
Christian Chiarasini

6.5 THE BOARD OF DIRECTORS' INTERNAL REGULATIONS

The Board of Directors of the PagesJaunes Group decided to set out the guiding principles for its operations as well as the Board members' rights and duties. These regulations were drawn up in accordance with the legal regulations and by-laws and were approved by the Board of Directors on 23 September 2004. It can only be amended by the latter based on the same procedures.

According to the decision by the Board dated 23 September 2004, the General Management of the Company is assumed by a CEO. If the Board of Directors decided to opt for another form of General Management and to give the General Management to the Chairman of the Board, the provisions in these regulations which relate to the CEO would also apply to him as far as possible.

Preparing and Organising the Work of the Board

Strategic Planning

In application of article 17 of the by-laws, the Board of Directors determines the planning of the Company's business and oversees its implementation.

It therefore decides on all matters relating to major strategic, economic, corporate, financial or technological planning of the Company and oversees its implementation.

The medium-term planning for the Group's business is defined each year by a strategic plan which is drafted and presented by the CEO and adopted by the Board of Directors. This draft includes a forecast for changes in the major Group's major operating and financial indicators. The CEO presents a draft annual budget based on this planning.

The CEO is in charge of implementing the major aspects of the strategic plan.

The following decisions must be approved in advance by the Board of Directors:

- > any transfer of all or part of the Company's assets to a company already created or to be created;
 - > any investment or divestment of an amount over 5 million euros in an operation, when the operation involves external growth or a sale;
 - > any investment or divestment involved in an external growth operation or sale which is not included in the Company's strategic planning;
 - > any commitment for an amount over 5 million euros which is exceptional and is not included in the Company's budget.
- The CEO reports to the Board any problem, or more generally, any matter which may affect any part of the strategic planning.

Board Members' Information

Apart from the agenda for each Meeting of the Board, each Board Member has documents enabling him to decide on his position on all items on the agenda, in full knowledge of the matter, in a clear manner.

At each Meeting of the Board, the CEO reports to the Board members the main facts and significant events affecting the life of the Group which have occurred since the date of the previous Meeting.

Any Board member who wishes to visit the Group's facilities to obtain the information necessary to perform his duties, makes a written request to the CEO through the Board's secretariat and states the reason for his visit.

Control by the Board of Directors

The Board of Directors may be presented with a recommendation for control or verification made by its Chairman, the CEO or by the Chairman of any of the Board committees. The Board must always deliberate on this as soon as possible. When the Board has decided there is good reason to carry out the control or verification, it must define the exact purpose and procedures in a decision, and proceed with it itself or delegate the execution to one of its committees, one of its members or someone else.

When the Board decides that the control or verification will be performed by one of its members or someone else, the task is defined according to the conditions set out below.

The Chairman of the Board sets the conditions for performing the control or verification. In particular, arrangements should be made to ensure that the operations have as little effect as possible on the proper operation of the Group's business. When necessary, interviews are arranged with Group staff members.

The Chairman of the Board or the CEO make sure that the information needed for the control or verification is provided to the person in charge of it.

Whoever carries out the control or verification is not authorised to interfere in the management of the business. A report is given to the Board when the control or verification is completed, and the Board decides on any further measures to be taken in the light of its conclusions.

Possibility of Assigning a Task to a Board Member

When the Board decides that it is a good idea to assign a task to one or more of its members or one or more third parties, it must define the main outlines of the task. When the people in charge of the project are Board members, they do not take part in the vote.

Based on this decision, at the initiative of the Chairman of the Board, a draft description of the task is drawn up which:

- > defines the purpose of the task;
- > sets the form for the report on the task;
- > sets the period for performing the task;
- > if necessary, sets the compensation to be paid to the person in charge of the task, as well as the procedures for paying any amounts owed to the person concerned;
- > if necessary, sets a cap on reimbursement of travel costs as well as other expenses incurred by the person concerned which are related to the performance of the task.

If applicable, the Chairman of the Board submits the draft description of the project for an opinion to the Board committees involved and sends the signed project description to the Chairmen of these committees.

The report on the task is sent to the Company Board members by the Chairman of the Board.

The Board decides on any further action to be taken based on the task report.



Board Committees

To prepare its work, the Board of Directors has created an Audit Committee and a Compensation and Appointments Committee.

The operating procedures and area of competence of each committee are fixed by the charter for each committee, and approved by the Board of Directors.

Meetings of the Board

Each year the Board of Directors draws up a calendar for its meetings for the coming year, as recommended by the Chairman.

This calendar sets the dates for the regular meetings of the Board of Directors (revenue figures for the first and third quarters; results for the first half of the year and the annual accounts; meeting preceding the Annual Shareholders' Meeting, etc.), and if, applicable, the dates which the Board members should keep free for any additional meetings of the Board, such dates being provisional and subject to change. The Chairman draws up the agenda for each meeting of the Board and sends it out in good time to all the members using any appropriate means.

The documents giving the Board members the information they need to form an opinion with full knowledge of all the items placed on the agenda by the Chairman are sent to the members of the Board by the Chairman at least forty-eight hours prior to the Board Meeting, apart from emergencies or if strictly confidentiality is required.

At any time, the Board may discuss questions not on the agenda previously handed out, at any of its meetings, if they are proposed by the Chairman.

The Board examines its own operations once a year.

Participation in Board Meetings by Videoconference

Subject to the legal and regulatory conditions, meetings of the Board of Directors may take place by videoconference. The Chairman of the Board makes sure that videoconferencing equipment relaying the discussions on a continuous basis is made available to Board members who wish to attend Board meetings (i) when the Meeting site is not at the Company's head offices or (ii) for members who live outside the Paris area or overseas or who are temporarily in such locations for good reason and (iii) in any other appropriate situation.

Any members who attend the Meeting by videoconference are considered in attendance for the purposes of calculating the quorum and voting majorities.

The features of the videoconferencing means used must meet the technical characteristics guaranteeing effective attendance at the Board Meeting, whose deliberations must be relayed on a continuous basis.

Failing this, the Board members involved cannot be considered in attendance, and if there is no quorum, the Board Meeting must be adjourned.

The attendance list at Board meetings must indicate attendance by videoconference by the particular Board members involved if applicable.

The minutes of the Board Meeting must give the names of any Board members attending the Meeting by

videoconference. It must also note any technical incident relating to a videoconference which disrupts the normal progress of the Meeting.

The above provisions do not apply, however, for the adoption of the decisions set out in articles L. 225-47, L. 225-53, L. 225-55, L. 232-1 and L. 233-16 of the French Commercial Code, which relate to:

- > appointing and dismissing the Chairman of the Board, or setting his compensation;
- > appointing, reappointing and dismissing the CEO;
- > appointing and dismissing one or more of the Deputy Managing Directors;
- > setting the CEO compensation;
- > setting the Deputy Managing Directors' compensation;
- > drawing up the annual accounts and the Management report;
- > drawing up the consolidated accounts and the Management report on the consolidated accounts.

Board Members' Duties and Responsibilities

Board Members' Duty to Maintain Confidentiality

Board members are bound to an absolute obligation to keep the contents of discussions and deliberations by the Board and its committees confidential, as well as any information presented to them.

In general, Board members are bound not to make any disclosure to outsiders in that capacity, particularly to the media.

The Chairman of the Board reports the information to the Board members which will be announced to the markets, as well as the text of the press releases issued for this purpose in the name of the Group.

If any Board member is found to have violated his duty to maintain confidentiality, the Chairman of the Board, after conferring with the Chairmen of the committees meeting for this purpose, will inform the Board of any further measures, which may be legal in nature, that he intends to take consequent to the violation.

Board Members' Duty to Act Independently

In the performance of the task assigned to him, each Board member must make his decisions independent of any outside interests, and based solely on the interests of the Company.

Each Board member is bound to inform the Chairman of any situation in which he is involved which could create a conflict of interest with the Company or one of the companies in the Group; if necessary the Chairman consults with the Compensation and Appointments Committee to get their opinion.

It is the responsibility of the Board member involved, after this step has been taken, to take the appropriate action based on applicable law.

Board Members' Duty in Regard to Company Shares

Each Board member must hold at least one share in the Company.

Board members put the shares in the Company in their own names which they own when they take up their positions, as well as any which they acquire during their term of office.

Each half year, the Board members report to the Chairman, at his request, information enabling him to report to the AMF any operations they have carried out involving Company shares.

The Board members are not allowed to:

- > carry out any operation involving shares in listed Group companies, if they have any privileged information;
- > proceed directly or indirectly with short selling these shares.

The first ban particularly applies during the period when the annual and half yearly results for the Group are being prepared and presented, as well as the quarterly information. It also applies during special periods when projects or operations are being prepared which justify such a ban.

The Chairman sets or confirms the starting and ending dates of the periods in question and tells the Board members of them in good time.

The Professional Ethics Charter, which contains the rules about privileged information, applies to the Board members.

The Chairman reports to the Board on the provisions made so that staff members in the Group who hold information due to their positions, and/or who participate in the operations indicated above due to their positions also respect these rules.

Board Members' Duty to Act With Diligence

When they accept the position to which they are appointed, all Board members agree to assume the position giving it their full attention, and particularly to:

- > devote all the time needed to consider the questions handled by the Board and, if applicable, by any committees of which they are members;
- > ask for all additional information which they may consider necessary;
- > make sure these regulations are applied;
- > freely form their own opinion prior to any decision being made and to vote based solely on Company's best interests;
- > actively participate in all meetings of the Board, unless prevented from doing so;
- > make any recommendations for the purpose of improving the working conditions for the Board and its committees.

The Board makes sure that the information sent to the shareholders is constantly improved. Each Board member, particularly by his contribution to the work of the Board committees, must do his part towards reaching this goal.

Each Board member agrees to offer his resignation to the Board when in good faith he feels that he is no longer able to give it his full attention.

Abiding by the Rules on Accepting Other Appointments

When accepting the appointment as a Board member and when taking up his position, each Board member agrees to meet the conditions set by the law relating to accepting other appointments.

In addition, each Board member must inform the Chairman of the Board of all the appointments and positions he has held during the past year in any company, as well as the names of the companies where such appointments and positions were held. He must report on all changes (sale, resignation, non-reappointment, dismissal, new appointments and functions) made to the list of all the appointments and functions held in any company for each of the Board members for the period, drawn up according to the requirements of article L. 225-102-1 point 3 of the French Commercial Code, and give the date when the change occurred.

Chapter 7 – Information Concerning Recent Developments and Outlook

7.1 RECENT CHANGES

7.1.1 Acquisition of Télécontact (Morocco)

In keeping with the Group's intentions announced at the time of its IPO, PagesJaunes Group is preparing to buy the Télécontact company from France Télécom. Télécontact is the leading directory publisher in Morocco and had revenue of 4.0 million euros in 2004 (unaudited figures) and an EBITDA of 0.9 million euros (unaudited figures).

7.1.2 Sales by France Télécom of 8% of the Share Capital of the PagesJaunes Group

France Télécom sold directly-owned 22,303,169 PagesJaunes Group shares, representing 8% of the share capital of the PagesJaunes Group in an accelerated placement with institutional investors on 10 February 2005.

After this placement, France Télécom owns 150,546,830 PagesJaunes shares, which is 54% of the share capital of the PagesJaunes Group.

7.1.3 Acquisition of e-sama

On 24 February 2005, PagesJaunes Group announced the acquisition of 100% of the e-sama company through its subsidiary Wanadoo Data, which specialises in hosting databases and providing Customer Relationship Management (CRM) services.

e-sama had revenue of 8.4 million euros in 2004, an increase of +22%; the company is profitable with an EBITDA margin of 20%. The incorporation of e-sama into Wanadoo Data strengthens the relational marketing division of the PagesJaunes Group, with accumulated revenue of 20 million euros in 2004.

7.1.4 Developments in the Lawsuit With the Prodis Company Over the PagesJaunes Trademark.

The Prodis company, which operates a website at the address www.pagesjaunes.com and is the owner of the domain names pagesjaunes.com and pagesjaunes.net, sued France Télécom on 26 September 2000 and PagesJaunes on 20 April 2001 mainly seeking to get the PagesJaunes trademarks cancelled. In the lawsuits, Prodis claims that filing the name "PagesJaunes" as a trademark is fraudulent because it is nothing more than the translation of the phrase "Yellow Pages" which has described the same concept of a business directory in the United States since 1886 and the plaintiff therefore claims that this is a generic term used indiscriminately in various countries. In a ruling dated 14 May 2003, the Paris Court of Grand Instance confirmed the validity of the "PagesJaunes" trademarks. The Prodis company filed an appeal against this ruling by repeating the same claims which also involve cancelling the trademarks "Pages Blanches",

"l'Annuaire" and "l'Annuaire des Pages Blanches". In a ruling issued on 30 March 2005, the Paris Court of Appeal stated that: "These trademarks have acquired through long and intensive use which has given them a strongly distinctive character" that PagesJaunes and France Télécom had justified "by many official notifications entered into argument, that it had reacted against all illicit use of their trademarks by regularly defending the rights associated with them", and that "the contradictory nature of the argumentation by the Prodis company (...) is enough to establish its bad faith in initiating and conducting this case". The Paris Court of Appeal therefore confirmed the ruling handed down on 14 May 2003 by the Paris Court of Grand Instance, declared the new claims by Prodis inadmissible and denied all the claims made by Prodis and ordered it to pay PagesJaunes and France Télécom 20,000 euros each in damages and interest for bringing a nuisance lawsuit and 10,000 euros based on article 700 of the French New Code of Civil Procedure.

7.2 FUTURE PROSPECTS

This section 7.2 contains information about the Group's goals. The reader is warned that these statements about the future are dependent on circumstances or facts which will happen in the future. These statements are not historical facts and should not be interpreted as guarantees that the facts and information given will occur or that the goals will be achieved. By nature these goals may not be achieved, and the projections on which they are based may turn out to be mistaken. Investors are asked to give due consideration to the risk factors described in the section 4.9 "Risk Factors".

7.2.1 Financial Goals

The Group reaffirms its goals announced at the time of the IPO to realise an average revenue growth of between 4 and 6% during the 2005 and 2006 fiscal years. For 2005 alone, the Group has set this goal at between 5 and 7%.

In addition, the Group intends to achieve an increase in the consolidated EBITDA for the year 2005 compared to 2004, of over 10% excluding directory enquiries service.

The Group reaffirms its goals of continuing the development of QDQ Media and to reach a break even point for this company by the end of 2006. If during 2005 the Group believes that the situation at QDQ Media is not following the required market plan, the Group will assess all its strategic options for this business.

The Group is also continuing with its goal of distributing entire net income from the Group's operating activities for fiscal 2005, with the stipulation that this distribution goal in no way constitutes a commitment by the PagesJaunes Group and that future dividends will depend on the Group's results,

its financial position and any other situation which the Board of Directors and the PagesJaunes Group shareholders believe to be pertinent.

7.2.2 Directory Enquiries Service and the Universal Directory

The regulation of Directory enquiries services should enable the Company to launch a Directory enquiries service at the end of 2005. In addition, law No. 2003-1365 of 31 December 2003 contained a call for applications particularly to appoint an operator responsible for the universal information services and the universal directory. The procedures for this call for applications were set out in an opinion by the Ministry of the Economy, Finance and Industry published in the *Official Journal* of 25 November 2004 (*“Opinion on a call for applications to appoint an operator in charge of providing the universal electronic communications service component set out in point 2 of article L. 35-1 of the Postal and Electronic Communications French Code”*). The France Télécom group made an application, and stated that responsibility for providing the universal printed directory would be given to PagesJaunes. In a decree of 3 March 2005 by the Ministry of the Economy, Finance and Industry, France Télécom was appointed the operator in charge of the universal information service and the universal directory (see section 4.5.3 of this *Document de référence*).

7.2.3 Operations of External Growth

As part of its current strategy and in the absence of strong business rationale, the Group is not intending to carry out any major acquisitions. However, the Group is attentive to changes in its business model, its competitive environment and the media environment. These changes may lead the Group to reevaluate its acquisitions policy in the future. It could also take an interest in additional acquisitions of content or technologies.



Glossary

Advertising agency: an individual or legal entity assuming responsibility for marketing advertising space with content published by a third party, the rights and obligations for which are defined in an advertising representation contract.

Azur Number: a telecommunications number, the cost of which is shared between the service provider and the caller.

Company: the PagesJaunes Group Company.

Consolidated Group: the Consolidated Group means the group of companies made up by the Company and all its subsidiaries except for PagesJaunes Outre-Mer, Kompass Belgium and PagesJaunes Liban.

Consolidated Group revenue: revenue for the Group including the revenue for PagesJaunes and all its subsidiaries, except for revenue of PagesJaunes Outre-Mer, Kompass Belgium and PagesJaunes Liban, which are not consolidated.

Directory: a directory is a compilation of lists of businesses and/or individuals, who subscribe to a fixed or mobile operator, for publication in an alphabetical list or under business headings in printed or electronic format.

EBITDA: earning before interest, taxes, depreciation and amortisation.

External Group revenue: Group revenue with third parties outside the France Télécom group.

Group: the Group means the group of companies made up of the Company and all its subsidiaries.

France Télécom Group: the France Télécom company and all its subsidiaries.

I-mode: a data exchange protocol developed by the Japanese telephony operator NTT DoCoMo enabling use of the Internet from mobile terminals.

Internet hit rate: the number of Internet users who have visited a particular site at least once in a particular period out of a total number of Internet users active during that period.

Intranet: a local network using the same protocols and technologies as the Internet, except that it uses limited access computers, which means they are not open to any other Internet users. Examples: Company Intranet, community Intranet, etc.

PagesJaunes or PagesJaunes SA: the PagesJaunes SA Company.

Publisher: an individual or entity assuming responsibility for the content it distributes.

WAP (Wireless Application Protocol): a data exchange protocol developed by various manufacturers of mobile telephones enabling Internet use from mobile terminals.

Web call-back: a telephone contact functionality with the advertiser, as requested by the customer, by means of an icon placed on the advertiser's website.



activities



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