



Report on Operations

Consolidated Financial Statements as at 30 June 2005 and 2004 (under IFRS)

Board of Directors of 22 September 2005

Unofficial translation of the French-language *Rapport sur la Gestion du Groupe* of PagesJaunes Groupe, for information purposes only.

PagesJaunes Groupe,
A limited liability company (Société Anonyme) having a Board of Directors
(Conseil d'Administration) and a share capital of €55,757,922
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1 Overview

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

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

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

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

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

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

- The entries of QDQ Media and Mappy on 1 January 2004 instead of 1 April 2004 and 1 May 2004 respectively;
- The entry of Kompass Belgium on 1 January 2004;
- The proportional consolidation of Editus on 1 January 2004 (this company was previously consolidated by the equity method) ;
- The acquisition of e-sama on 1 February 2004 instead of 1 February 2005.

PagesJaunes Group <i>In millions of euros</i>	Periods ending 30 June		
	Consolidated accounts	Scope effects 2004 & 2005	Constant scope 2004
	2004		
Revenues	422.3	17.5	439.8
Gross operating margin	165.6	(2.0)	163.6
Operating income	142.6	(3.1)	139.5
Consolidated net income	90.0	(4.3)	85.7

These scope effects impact the "International & Subsidiaries" segment.

2 **Commentary on the results for the periods ending 30 June 2004 and 30 June 2005**

PagesJaunes Group <i>In millions of euros</i>	Periods ending 30 June		
	2005	2004 constant scope	Change 2005/2004
Revenues	481.7	439.8	9.5%
External purchases	(145.8)	(153.0)	-4.7%
Other operating income	23.4	26.4	-11.6%
Other operating expenses	(13.6)	(16.7)	-18.8%
Salaries and charges	(142.2)	(132.9)	7.0%
Gross operating margin	203.5	163.6	24.4%
<i>as % of revenues</i>	<i>42.2%</i>	<i>37.2%</i>	
Employee profit-sharing	(14.5)	(12.9)	11.8%
Share-based payment	(4.2)	(5.4)	-23.1%
Depreciation, amortisation and impairment	(4.9)	(5.8)	-15.2%
Operating income	180.0	139.5	29.0%
<i>as % of revenues</i>	<i>37.4%</i>	<i>31.7%</i>	
Financial income	7.1	5.9	20.2%
Financial expenses	(3.0)	(0.1)	ns
Corporate income tax	(64.0)	(59.6)	7.3%
Net income	120.1	85.7	40.1%
of which attributable to the shareholders of PagesJaunes Groupe	120.1	85.7	40.1%

Revenues of the Consolidated Group rose 9.5% in the first half of 2005 compared to the first like-for-like half of 2004, and amounted to €481.7 million as at 30 June 2005. On a comparable publication basis for printed directories, the revenue growth totalled 6.9% in the first half of 2005. This growth is due to a fuller range of products in both printed directories and online services, increased average revenue per advertiser and the acquisition of new advertisers in France, as well as to an increase in rates.

The gross operating margin rose 24.4% in the first half of 2005 compared to the first half of 2004 on a like-for-like basis and amounted to €203.5 million as at 30 June 2005. On a comparable publication basis and before IPO costs in the first half of 2004, the growth in the gross operating margin was approximately 14% in the first half of 2005. The gross operating margin as a proportion of revenues rose from 37.2% in 2004 to 42.2% in 2005, reflecting a significant improvement in the profitability of the Consolidated Group. This is due to an increase in revenues and good control of overall expenses, particularly the continued optimisation of publishing costs for printed directories and a reduction of losses at QDQ Media.

External purchases (as defined in section 2.1.2 "External purchases in the PagesJaunes in France segment") declined by 4.7% in the first half of 2005 compared to the first half of 2004 at constant scope. Salaries and charges, which include in particular personnel expenses relating to the sales force, increased by 7.0% between the two periods, while revenues grew by 9.5%.

Consolidated net income amounted to €120.1 million as at 30 June 2005, compared to €85.7 million as at 30 June 2004 on a like-for-like basis, representing a rise of 40.1%. However, a correction must be applied to this growth figure to take account of several factors: the change in the publication schedule for printed directories, IPO costs and an adjustment of 2004 corporate income tax. After these corrections, the growth in net income amounts to 19%.

The following discussion presents revenues, operating income and certain intermediate balances for each of the two segments of the Consolidated Group, namely the PagesJaunes in France segment and the International & Subsidiaries segment.

2.1 Analysis of revenues and operating income of the PagesJaunes in France segment

The following table presents the revenues and operating income of the PagesJaunes in France segment for the periods ending 30 June 2004 and 30 June 2005:

PagesJaunes in France	Periods ending 30 June		
	2005	2004	Change 2005/2004
<i>In millions of euros</i>			
Printed directories	285.9	266.4	7.3%
Online services	140.7	122.8	14.6%
Other businesses	11.2	8.1	39.3%
Revenues	437.9	397.3	10.2%
External purchases	(127.1)	(132.6)	-4.1%
Other operating income	22.1	25.0	-11.2%
Other operating expenses	-11.4	-13.7	-16.9%
Salaries and charges	(117.5)	(107.9)	8.8%
Gross operating margin	204.0	168.1	21.4%
<i>as % of revenues</i>	<i>46.6%</i>	<i>42.3%</i>	
Employee profit-sharing	(14.3)	(12.7)	12.4%
Share-based payment	(3.7)	(4.9)	-23.4%
Depreciation, amortisation and impairment	(3.0)	(3.7)	-18.6%
Operating income	183.0	146.9	24.6%
<i>as % of revenues</i>	<i>41.8%</i>	<i>37.0%</i>	

The PagesJaunes in France segment incorporates the activities related to the publication and distribution of directories, the sale of advertising space in printed and online directories, the creation and hosting of websites and other activities (mainly the publication of the PagesPro directories, the sale of online access to databases, the reverse directory QuiDonc and the advertising representation for Europages).

2.1.1 Revenues of the PagesJaunes in France segment

The following table analyses the consolidated revenues of the PagesJaunes in France segment by product line for the periods ending 30 June 2004 and 30 June 2005 and the percentage changes per product line between these two periods:

PagesJaunes in France	Periods ending 30 June		
	2005	2004	Change 2005/2004
<i>In millions of euros</i>			
Printed directories	285.9	266.4	7.3%
PagesJaunes directory	231.8	215.3	7.6%
The <i>Annuaire</i>	54.2	51.1	6.0%
Online services	140.7	122.8	14.6%
Internet	110.5	79.8	38.5%
Minitel	30.2	43.1	-29.8%
Other businesses	11.2	8.1	39.3%
QuiDonc	3.2	3.9	-18.6%
Others *	8.1	4.2	93.0%
* including PagesPro, sale of online access to databases, Europages			
Revenues	437.9	397.3	10.2%

The revenues of the PagesJaunes in France segment rose 10.2% in the first half of 2005 compared to the first half of 2004 and amounted to €437.9 million as at 30 June 2005. This rise was due to increased revenues from printed directories and online services on the Internet, while revenues from online services on Minitel showed a substantial decline. The increase in revenues from printed directories and the dynamic growth of Internet activities offset the decrease in Minitel revenues by a factor of almost four, thanks in particular to an increase in the number of customers on the printed and online platforms.

Printed directories

Revenues from printed directories, resulting mainly from the sale of advertising space in the PagesJaunes directory and the *Annuaire*, increased by 7.3% in the first half of 2005 compared to the first half of 2004 and amounted to €285.9 million as at 30 June 2005. On a comparable publication basis, the revenues from printed directories grew 2.8% between the two periods. The difference in the publication basis relates to a change in the publication schedule of printed directories in the Haut Rhin and Hautes Pyrénées *départements*, which were published in June in 2005, whereas they were published in July in 2004.

Between these two periods, the revenues from the PagesJaunes directory grew 7.6% to €231.8 million, while those of the *Annuaire* grew 6% to €54.2 million. On a comparable publication basis, the revenues of the PagesJaunes directory grew 3.3%, while those of the *Annuaire* grew 0.7% between the two periods. This rise is explained by the combined effect of higher rates and the development of advertising products comparable to local outdoor advertising.

Online services

Revenues from online services rose 14.6% in the first half of 2005 compared to the first half of 2004 and amounted to €140.7 million as at 30 June 2005. The revenues from online services result mainly from the sale of advertising

products on the online services (pagesjaunes.fr and PagesJaunes 3611) as well as the creation and hosting of websites.

This performance is mainly due to strong growth in revenues from Internet services, which rose 38.5% to €110.5 million as at 30 June 2005. This rise is explained by the increase of 13.3% in the number of advertisers on pagesjaunes.fr between 30 June 2004 and 30 June 2005 (328,740 advertisers as at 30 June 2005, compared to 290,000 as at 30 June 2004), combined with an increase in average revenue per advertiser under the combined effect of higher rates in line with the growth in the audience and a fuller range of products, such as multimedia impact products, "totem" display products and advertising products comparable to local outdoor advertising. Furthermore, the addition to the production from November 2004 of an entry level product known as "En savoir plus" and the development of innovative products on websites (such as the "e-visite", which provides a 360 degree view, and options for managing the updating of websites or audience monitoring) launched in 2003 helped deliver further growth in customer loyalty and higher revenues in the first half of 2005. As at 30 June 2005, 9,577 customers had signed up for the "En savoir plus" service.

The revenues of PagesJaunes 3611 decreased by 29.8% in the first half of 2005 compared to the first half of 2004, amounting to €30.2 million as at 30 June 2005. This was due to the decrease in the Minitel audience.

Other businesses

Revenues of other businesses in the PagesJaunes in France segment increase by 39.3% in the first half of 2005 compared to the first half of 2004, amounting to €11.2 million in 2005, i.e. 2.6% of the revenues of the segment. These revenues result essentially from the activities of PagesPro on Internet platforms, but also from sales of online database access to French and foreign operators, the reverse directory QuiDonc on the Internet, Minitel and Audiotel platforms, as well as Europages activities on printed and Internet platforms. The revenue growth results essentially from the increase in revenues of PagesPro on Internet platforms, higher revenues from sale of online access to databases and lower revenues from the reverse directory QuiDonc. The revenues of QuiDonc declined 18.6% to €3.2 million as at 30 June 2005. This was due to a decline in the audience of QuiDonc on Minitel, which was not offset by an increase in the audience of the service on the Internet.

2.1.2 External purchases in the PagesJaunes in France segment

PagesJaunes in France	Periods ending 30 June		
	2005	2004	Change 2005/2004
<i>In millions of euros</i>			
External purchases	(127.1)	(132.6)	-4.1%
<i>as % of revenues</i>	<i>-29.0%</i>	<i>-33.4%</i>	

The external purchases in the PagesJaunes in France segment totalled €127.1 million as at 30 June 2005, a decrease of 4.1% compared to 30 June 2004,

while the revenues in the segment increased by 10.2%. External purchases essentially cover publishing costs (paper purchases, printing and distribution of printed directories), commissions on sales of advertising space under the advertising representation agreement for the *Annuaire* with France Telecom, communication expenses (purchases of space and design expenses), expenses for IT development, hosting and distribution of online directories and expenses for the purchase, creation and updating of databases and the production of advertisements. External purchases represented 29.0% of revenues as at 30 June 2005, compared to 33.4% as at 30 June 2004. The costs of paper, printing and distribution as at 30 June 2005 amounted to €40.6 million, including €16.9 million for paper, compared to €40.0 million as at 30 June 2004, including €17.5 million for paper. External purchases fell overall by 4.1% due to the combined effect of timing differences with regard to communication expenses and reduced purchases of advertising space in the QuiDonc reverse directory associated with the decline in revenues from consultations on Minitel and Audiotel. In addition, Wanadoo trademark fees and assistance charges are no longer being paid from 2005.

2.1.3 Other operating income in the PagesJaunes in France segment

PagesJaunes in France	Periods ending 30 June		
	2005	2004	Change 2005/2004
<i>In millions of euros</i>			
Other operating income	22.1	25.0	-11.2%
<i>as % of revenues</i>	5.1%	6.3%	

The other operating income in the PagesJaunes in France segment totalled €22.1 million as at 30 June 2005, a decrease of 11.2% compared to 30 June 2004. The other operating income represented 5.1% of revenues as at 30 June 2005, compared to 6.3% as at 30 June 2004. This other operating income mainly comprised income from the recharging to France Telecom of the cost of internal and external resources relating to the production and distribution of the *Annuaire* and PagesJaunes 3611 alphabetical search service and to a lesser extent non-recurrent operating income. Excluding the favourable effect in 2004 of a tax credit of €1.8 million, the other operating income decreased slightly because of lower recharging to France Telecom of charges associated with the production and distribution of the *Annuaire* due to continued control of the costs of paper and the printing of directories.

2.1.4 Other operating expenses in the PagesJaunes in France segment

PagesJaunes in France	Periods ending 30 June		
	2005	2004	Change 2005/2004
<i>In millions of euros</i>			
Other operating expenses	(11.4)	(13.7)	-16.9%
<i>as % of revenues</i>	-2.6%	-3.4%	

Other operating expenses in the PagesJaunes in France segment amounted to €11.4 million as at 30 June 2005, a decrease of 16.9% compared to 30 June 2004. Other operating expenses represented 2.6% of revenues as at 30 June 2005, compared to 3.4% as at 30 June 2004. These other operating expenses comprised tax expenses and levies and certain provisions for risks and charges, as well as assistance charges and trademark fees paid to the France Telecom Group. Excluding the effects of non-recurrent charges relating to the initial public offering of the PagesJaunes Group and the increase in trade tax associated with the increase in revenues, the other operating expenses remained almost unchanged between the two periods.

2.1.5 *Salaries and charges in the PagesJaunes in France segment*

PagesJaunes in France	Periods ending 30 June		
	2005	2004	Change 2005/2004
<i>In millions of euros</i>			
Salaries and charges <i>as % of revenues</i>	(117.5) -26.8%	(107.9) -27.2%	8.8%

The salaries and charges in the PagesJaunes in France segment amounted to €117.5 million as at 30 June 2005, a rise of 8.8% compared to 30 June 2004. Salaries and charges grew at a slower rate than revenues, which grew by 10.2% over the same period.

Salaries and charges represented 26.8% of revenues as at 30 June 2005, compared to 27.2% as at 30 June 2004. This heading comprises wages and salaries, both fixed and variable, including bonus & incentive plans, social charges, payroll tax, provisions for paid leave, post-employment benefits and various benefits paid to employees in the sales force and support functions. The remuneration of the sales force and its immediate supervisory personnel represented 14% of revenues as at 30 June 2005, compared to 13.8% as at 30 June 2004. This remuneration of the sales force, which is to a large extent variable, depends principally on the commercial results recorded in the first half of 2005. It should be noted that on a comparable publication basis for printed directories the growth in salaries and charges would have been less than 8%.

2.1.6 *Gross operating margin in the PagesJaunes in France segment*

The gross operating margin of the PagesJaunes in France segment grew 21.4% between the two periods and amounted to €204.0 million as at 30 June 2005. In percentage terms, the gross operating margin of this segment increased from 42.3% in the first half of 2004 to 46.6% in the first half of 2005, a rise of 4.3pp between the two periods. Stripping out the effect of publication timing differences for printed directories and the IPO expenses recorded in the first half of 2004, the growth in gross operating margin was around 12%. This performance resulted essentially from revenue growth and cost control.

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

Employee profit-sharing in the PagesJaunes in France segment amounted to €14.3 million as at 30 June 2005, an increase of 12.4% compared to 30 June 2004. It represented 3.3% of revenues as at 30 June 2005, compared to 3.2% as at 30 June 2004. This increase is in line with the growth in gross operating margin. The expenses for share-based payment in the segment amounted to €3.7 million as at 30 June 2005, a decrease of 23.4% compared to 30 June 2004. This decline was due to the progressive ending of amortisation of stock option plans.

2.1.8 Depreciation, amortisation and impairment of fixed assets resulting from the disposal of assets of the PagesJaunes in France segment

The depreciation, amortisation and impairment charge in respect of fixed assets resulting from asset disposals decreased overall by 18.6% between the two periods and amounted to €3.0 million as at 30 June 2005, i.e. less than 1% of the revenues of the segment. This decrease is explained by the lower level of investments resulting from the rationalisation and optimisation of purchases of IT equipment.

2.1.9 Operating income of the PagesJaunes in France segment

The operating income of the PagesJaunes in France segment rose 24.6% between the two periods and amounted to €183.0 million as at 30 June 2005.

2.2 Analysis of revenues and operating income of the International & Subsidiaries segment on a constant scope basis

The table below shows the revenues and operating income in the International & Subsidiaries segment for the periods ending 30 June 2004 and 30 June 2005 on a constant scope basis:

International & Subsidiaries	Periods ending 30 June		
	2005	2004 constant scope	Change 2005/2004
<i>In millions of euros</i>			
Revenues	45.3	43.6	3.9%
External purchases	(20.2)	(21.6)	-6.7%
Other operating income and expenses	(1.0)	(1.6)	-35.3%
Salaries and charges	(24.7)	(24.9)	-1.0%
Gross operating margin	(0.5)	(4.5)	-87.9%
<i>as % of revenues</i>	<i>-1.2%</i>	<i>-10.3%</i>	
Employee profit-sharing	(0.2)	(0.2)	-18.1%
Share-based payment	(0.4)	(0.5)	-20.9%
Depreciation, amortisation and impairment	(1.9)	(2.1)	-9.3%
Operating income	(3.1)	(7.3)	-58.3%
<i>as % of revenues</i>	<i>-6.8%</i>	<i>-16.8%</i>	

2.2.1 *Revenues of the International & Subsidiaries segment on a constant scope basis*

The table below shows, on a constant scope basis, the breakdown of consolidated revenues of the International & Subsidiaries segment by product line for the periods ending 30 June 2004 and 30 June 2005 and the percentage changes per product line between these two periods:

International & Subsidiaries	Periods ending 30 June		
	2005	2004 constant scope	Change 2005/2004
<i>In millions of euros</i>			
B to C Directories	19.7	18.8	5.0%
Kompass	14.2	13.6	4.3%
Relationship Marketing and Geographic Services	11.4	11.3	1.4%
Revenues	45.3	43.6	3.9%

The revenues of the International & Subsidiaries segment rose 3.9% compared to the first half of 2004 at constant scope and amounted to €45.3 million in the first half of 2005.

B to C Directories

Revenues from B to C Directories businesses rose 5.0% in the first half of 2005 compared to the first half of 2004 at constant scope and by 11.8% on a comparable publication basis. They amounted to €19.7 million as at 30 June 2005. The revenues from B to C Directories result from the supply of printed directories and online services by the subsidiaries QDQ Media in Spain and Editus in Luxembourg.

The revenues of QDQ Media increased by 5.3% in the first half of 2005 compared to the first half of 2004 and by 12.4% on a comparable publication basis, amounting to €19.1 million as at 30 June 2005. The directories for Madrid Sierra Oeste and Valladolid will be published in September 2005, whereas in 2004 they were published in the first half of the year. Conversely, the Badalona directory was published in June 2005, whereas in 2004 it was published in August.

This increase in revenues is mainly due to growth in average revenue per advertiser in the first half of 2005 compared to the first half of 2004, and to an increase in the number of customers.

The proportion of sales generated by online activities increased substantially, accounting for 14.1% of revenues in the first half of 2005 compared to 8.6% of revenues as at 30 June 2004. The number of advertisers on QDQ.com almost doubled between these two periods, rising from 15,900 on 30 June 2004 to 31,500 on 30 June 2005.

The revenues of Editus were insignificant in the first half, since the printed directory in the Grand Duchy of Luxembourg is usually published in September.

Kompass

Revenues from the Kompass businesses grew 4.3% in the first half of 2005 compared to the first half of 2004 at constant scope, amounting to €14.2 million as at 30 June 2005. The revenues from the Kompass businesses result from the marketing of the Kompass information system through the sale of advertising space and data on printed media, CD-Rom, Minitel and the Internet (Kompass.com, the global online directory of the Kompass agents). The sale of media is complemented by relationship marketing services. Kompass revenues are generated by the Group's activities in France, Spain, Belgium and Luxembourg.

Relationship Marketing and Geographic Services

Revenues from Relationship Marketing and Geographic Services grew 1.4% in the first half of 2005 compared to the first half of 2004 at constant scope and amounted to €11.4 million as at 30 June 2005. The revenues from Relationship

Marketing and Geographic Services result from the marketing of qualified databases of individuals and businesses for prospection campaigns, data processing services, online geographic services and photographs of cities. The revenues from Relationship Marketing and Geographic Services comprise the activities of the subsidiaries Wanadoo Data, e-sama and Mappy.

2.2.2 External purchases in the International & Subsidiaries segment at constant scope

The external purchases in the International & Subsidiaries segment amounted to €20.2 million as at 30 June 2005, a decrease of 6.7% compared to 30 June 2004 on a like-for-like basis. External purchases represented 44.5% of revenues as at 30 June 2005, compared to 49.5% as at 30 June 2004 on a like-for-like basis. External purchases essentially comprise publishing costs (paper purchases, printing and distribution of printed directories), communication expenses (purchases of space and design expenses), expenses for IT development, hosting and distribution of online directories and expenses for the purchase, creation and updating of databases and the production of advertisements. This trend results mainly from lower commercial and communication expenses at QDQ Media and expenses incurred in 2004 relating to the increase in the capital of this subsidiary.

2.2.3 Other operating income and expenses in the International & Subsidiaries segment at constant scope

Other operating income and expenses in the International & Subsidiaries segment amounted to €(1.0) million as at 30 June 2005, against €(1.6) million as at 30 June 2004 on a like-for-like basis. Other operating income and expenses represented 2.2% of revenues as at 30 June 2005, compared to 3.6% as at 30 June 2004 on a like-for-like basis. This heading comprises operating income other than revenues, the costs of taxes and levies (excluding corporation tax and payroll tax), customer provisions, certain provisions for risks and charges, assistance charges and trademark fees paid to the Group. This trend is explained by the decrease in customer risk at QDQ Media resulting from monitoring implemented as part of the recovery plan for this subsidiary. This led to the release of the provision in respect of previous editions and lower transfers to the customer provision in respect of new editions.

2.2.4 Salaries and charges in the International & Subsidiaries segment at constant scope

Salaries and charges in the International & Subsidiaries segment amounted to €24.7 million as at 30 June 2005, a decrease of 1.0% compared to 30 June 2004 on a like-for-like basis. Salaries and charges represented 54.5% of revenues as at 30 June 2005, compared to 57.1% as at 30 June 2004 on a like-for-like basis. Salaries and charges comprise the remuneration of employees and associated taxes and social charges and the costs of termination, pension and other benefits granted to employees. The trend in the figures results mainly from the reduction in the workforce of QDQ Media in the first half of 2005 compared to the first half of 2004 following the recovery plan for this subsidiary initiated in 2004.

2.2.5 Gross operating margin of the International & Subsidiaries segment at constant scope

The gross operating margin in the first half of 2005 shows a loss of €0.5 million, compared to a loss of €4.5 million as at 30 June 2004 on a like-for-like basis. The improvement in gross operating margin results from an increase in revenues at each of the subsidiaries, combined with the continuation of the recovery plan at QDQ Media. The gross operating margin of QDQ Media was -€2.8 million in the first half of 2005, compared to -€6.8 million in the first half of 2004.

2.2.6 Employee profit-sharing and share-based payment in the International & Subsidiaries segment at constant scope

Employee profit-sharing and the expense for share-based payment in the International & Subsidiaries segment amounted to €0.6 million as at 30 June 2005, compared to €0.8 million as at 30 June 2004. Employee profit-sharing and share-based payment represented 1.4% of revenues as at 30 June 2005, compared to 1.8% as at 30 June 2004.

2.2.7 Depreciation and amortisation in the International & Subsidiaries segment at constant scope

The depreciation and amortisation charges decreased by 9.3% between the two periods and amounted to €1.9 million as at 30 June 2005. This was due to a decrease in the volume of investments made.

2.2.8 Operating income in the International & Subsidiaries segment at constant scope

The operating income of the International & Subsidiaries segment as at 30 June 2005 shows a loss of €3.1 million, compared to a loss of €7.3 million recorded in the first half of 2004 at constant scope. The improvement in operating income is due to revenue growth at each of the subsidiaries, combined with the continuation of the recovery plan at QDQ Media.

2.3 Analysis of consolidated net income at constant scope

The table below shows the consolidated net income of the Consolidated Group generated by all activities during the periods ending 30 June 2004 and 30 June 2005:

Consolidated income statement of the PagesJaunes Group	Periods ending 30 June		
	2005	2004 constant scope	Change 2005/2004
<i>In millions of euros</i>			
Operating income	180.0	139.5	29.0%
Financial income	7.1	5.9	20.2%
Financial expenses	(3.0)	(0.1)	NA
Corporate income tax	(64.0)	(59.6)	7.3%
Net income	120.1	85.7	40.1%
of which attributable to the shareholders of PagesJaunes Groupe	120.1	85.7	40.1%

2.3.1 *Financial income (at constant scope)*

Financial income rose 20.2% in the first half of 2005 compared to the first half of 2004 at constant scope and amounted to €7.1 million as at 30 June 2005. This was mainly due to the fact that the capital invested was higher in the first half of 2005 than in the first half of 2004. The financial income mainly comprises income from investments placed with France Telecom at market conditions (see paragraph 4.5.5 "Treasury agreement" of the 2004 reference document of PagesJaunes Groupe).

2.3.2 *Financial expenses (at constant scope)*

Financial expenses amounted to €3.0 million in the first half of 2005, compared to €0.1 million in the first half of 2004 at constant scope. This was mainly due to the securitisation of an amount receivable in respect of the exceptional levy on the distributions made in 2005.

2.3.3 *Corporate income tax (at constant scope)*

As at 30 June 2005, the Consolidated Group reported a corporate income tax charge of €64.0 million, a rise of 7.3% compared to 2004.

In 2004, the Company adopted the tax consolidation regime provided for in articles 223A ff. of the French General Tax Code. The aim is to establish a group with an integrated tax system including the Company and all its French subsidiaries that fulfil the membership conditions. This option will take effect from January 1, 2005 for a period of five years.

2.3.4 *Net income (at constant scope)*

Net income amounted to €120.1 million in the first half of 2005, compared to €85.7 million in the first half of 2004 at constant scope, a rise of 40.1%. However, a correction must be applied to this growth figure to take account of several factors: the change in the publication schedule for printed directories, IPO costs and corporate income tax. The growth in the net income of

PagesJaunes Groupe thus amounted to +19% in the first half of 2005 on a comparable publication basis, after correction for IPO costs and before corporate income tax, which had an unfavourable impact of €3.2 million in the first half of 2004 and a favourable impact of €3.2 million in the first half of 2005. This difference results from the tax optimisation implemented by PagesJaunes which enabled it to recover in 2005 €3.2 million of corporate income tax reported in 2004.

3 Consolidated liquidities, capital resources and investment expenses

The table below shows the movements in the cash position of the Consolidated Group in the first half of 2004 and the first half of 2005:

CONSOLIDATED NET CASH POSITION	Period ending		
	30/06/2005	31/12/2004	30/06/2004
<i>In millions of euros</i>			
Short-term investments > 3 months and < 1 year	2.1	0.3	1.2
Cash and cash equivalents	489.6	644.1	486.4
Total marketable securities and cash	491.7	644.3	487.6
Bank overdrafts	8.8	9.8	6.9
Accrued interest			
Other financial debt	50.1	4.8	49.8
Gross financial debt	58.9	14.6	56.7
Due in less than one year	58.9	14.6	56.7
Due in more than one year	-	-	-
Net cash position	432.8	629.7	430.9

The net cash position of the Consolidated Group amounted to €432.8 million as at 30 June 2005, compared to €629.7 million as at 31 December 2004 and €430.9 million as at 30 June 2004.

Since 1999 the Group has invested nearly all available cash and cash equivalents of the Consolidated Group with France Telecom under annually renegotiated agreements.

The table below shows the consolidated cash flows for the periods ending 30 June 2004 and 30 June 2005:

Consolidated cash flow statement (historical data)	First half 2005	First half 2004
<i>In millions of euros</i>		
Net cash from operations	135.4	203.1
Net cash used in investing activities	(79.9)	(16.6)
Net cash used in financing activities	(209.9)	(284.4)
Net increase (decrease) in cash and cash equivalents	(154.4)	(97.9)
Effect of changes in exchange rates on cash and cash equivalents	0.0	0.0
Cash and cash equivalents – beginning of period	644.1	581.9
Cash and cash equivalents – end of period	489.6	484.1

Cash and cash equivalents as at 30 June 2005 amounted to €489.6 million, compared to €484.1 million as at 30 June 2004.

The net cash flows from operations decreased by 33.4% between 30 June 2004 and 30 June 2005, amounting to €203.1 million and €135.4 million respectively. This substantial decrease is explained mainly by a larger payment of corporate income tax in the first half of 2005 than in the first half of 2004. The company benefited from this timing difference in 2004.

In the first half of 2005, the net cash used in investing activities included net current investments (operations, network, office automation and equipment) of €5.7 million, the acquisition of e-sama for €9.5 million (net of acquired cash) and the securitisation of a tax receivable in respect of the exceptional levy on the distributions made in 2005 ("compulsory loan") of €64.2 million. In the first half of 2004, this heading included essentially the acquisition of QDQ Media, Mappy and Kompass Belgium for €21.9 million (net of acquired cash), net current investments of €3.0 million, partially offset by the maturity in May 2004 of investment bonds amounting to €11.6 million.

The net cash flow used in financing activities mainly includes the distributions in 2005 amounting to €259.3 million, compared to €236.0 million in 2004, the balance being accounted for by the temporary increase in the current account with France Telecom (see paragraph 4.5.5 "Treasury agreements" in the 2004 reference document of PagesJaunes Groupe), and the addition of the debt of QDQ Media to the scope of consolidation as at 30 June 2004.

4 Stock options

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

5 Use of estimates

Financial statements prepared in accordance with generally accepted accounting principles require the management of PagesJaunes Groupe to make estimates and to formulate assumptions that affect the amounts shown in these financial statements and the accompanying notes, particularly in respect of provisions for risks, deferred tax assets and goodwill. The actual amounts may therefore differ from the estimates made.

Provisions for contingencies and impairment

Receivables are valued at their nominal value. A provision for impairment is made on the basis of a review of individual and collective risks, taking account in particular of delays in the payment of trade accounts receivable. The provisions made up to the present time are therefore based on prior experience. However, the Group could be forced in the future to increase or decrease these provisions as a function of the results recorded.

However, a one-fifth increase in the value of doubtful debts would not have a material effect on the Group's results.

Goodwill

Goodwill is considered to be a long-term asset and is not amortised, but is subjected to impairment tests At least once a year. The value of the goodwill may be adjusted to take account of differences between the initial business plans and the actual data for the period.

Deferred tax assets

The determination of our obligations and expenses with respect to taxes requires an interpretation of tax laws. Deferred tax assets primarily comprise expenses that are non-deductible in the year of their filing, becoming taxable in the year in which they are actually paid. As a result, the PagesJaunes Group recalculates the items making up these deferred tax assets annually.

Deconsolidating structures and ad hoc entities

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

There are no contractual obligations vis-à-vis ad hoc entities.

6 Events subsequent to 30 June 2005

Acquisition of Edicom (Morocco)

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

7 Outlook

Having regard to the results as at 30 June 2005, PagesJaunes Groupe confirms its financial targets for full-year 2005:

- Consolidated revenue growth of 5-7% in 2005,
- Growth in consolidated gross operating margin in excess of 10% excluding telephone directory enquiry services in 2005,
- Gross operating margin at breakeven at QDQ Media by the end of 2006,
- Maintained target of distributing entire net income from the Group's operating activities in respect of full-year 2005.