

# **PAGESJAUNES GROUPE**

## **CONSOLIDATED FINANCIAL STATEMENTS For the periods ending December 31, 2004, 2003 and 2002**

*This English-language translation of the consolidated financial statements prepared in French has been provided solely for the convenience of English-speaking readers. Despite all the efforts devoted to this translation, certain errors, omissions or approximations may subsist. PagesJaunes Groupe, its representatives and employees decline all responsibility in this regard.*

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**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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	<b>PAGES</b>
Consolidated statement of income for the periods ending December 31, 2004, 2003 and 2002	3
Consolidated balance sheet as at December 31, 2004, 2003 and 2002	4
Consolidated statement of change in shareholders' equity for the periods ending December 31, 2004, 2003 and 2002	5
Consolidated cash flow statement for the periods ending December 31, 2004, 2003 and 2002	6
Notes to the consolidated financial statements	7
note 1 - Description of business	
note 2 - Accounting methods	
note 3 - Changes in scope of consolidation	
note 4 - Segment information	
note 5 - Personnel expenses	
note 6 - Financial income (expenses), net	
note 7 - Other non-operating income (expenses), net	
note 8 - Corporate income tax	
note 9 - Goodwill related to consolidated subsidiaries	
note 10 - Other intangible fixed assets	
note 11 - Tangible fixed assets	
note 12 - Investments accounted for using the equity method	
note 13 - Investment securities	
note 14 - Other long-term assets	
note 15 - Trade accounts receivable, net of provisions	
note 16 - Prepaid expenses and other current assets	
note 17 - Deferred income	
note 18 - Provisions for asset impairment	
note 19 - Gross financial debt, cash and cash equivalents and marketable securities	
note 20 - Provisions and other liabilities	
note 21 - Shareholders' equity	
note 22 - Related-party transactions	
note 23 - Off-balance sheet commitments and risks	
note 24 - Subsequent events	
note 25 - Remuneration of directors	
note 26 - Scope of consolidation	

## CONSOLIDATED STATEMENTS OF INCOME

(Amounts are in thousands of Euros, except share information)

	Notes	Year ending Dec. 31		
		2004	2003	2002
<b>Revenues</b>	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)
<b>EBITDA (Earnings before interest, tax, depreciation and amortisation)</b>	4	<b>415 984</b>	<b>368 390</b>	<b>313 076</b>
Depreciation and amortisation (excluding Goodwill)		(10 066)	(9 661)	(11 940)
<b>Operating income</b>		<b>405 918</b>	<b>358 729</b>	<b>301 136</b>
Financial income (expenses), net	6	19 990	25 763	20 893
Foreign exchange gain (loss), net		(53)	(200)	(116)
<b>Current income of consolidated companies</b>		<b>425 855</b>	<b>384 292</b>	<b>321 913</b>
Other non-operating income (expenses), net	7	(9 817)	(2 149)	39 732
Corporate income tax	8	(149 300)	(125 174)	(123 047)
Employee profit-sharing		(29 926)	(26 934)	(24 608)
<b>Net income of consolidated companies</b>		<b>236 812</b>	<b>230 035</b>	<b>213 990</b>
Share in net income of companies accounted for using the equity method	12	774	1 175	1 003
Goodwill amortisation	9	(4 168)	(599)	(599)
<b>Net income of the consolidated whole</b>		<b>233 418</b>	<b>230 611</b>	<b>214 394</b>
Minority interests		0	0	0
<b>Consolidated net income of the Group</b>		<b>233 418</b>	<b>230 611</b>	<b>214 394</b>

### Earnings per share (in euros)

Number of shares		278 789 610	182 700	182 700
Net income before goodwill amortization and minority interests				
- historical		0,85	1 265,52	1 176,75
- comparable basis		0,85	0,83	0,77
Net income of the Group				
- historical		0,84	1 262,24	1 173,48
- comparable basis		0,84	0,83	0,77

## CONSOLIDATED BALANCE SHEET

(Amounts in thousands of Euros)

	Notes	Year ending		
		2004	Dec. 31 2003	2002
<b>ASSETS</b>				
Goodwill, net	9	73 307	1 198	1 797
Other intangible assets	10	2 092	558	823
Net tangible assets (property, plant and equipment)	11	23 143	18 370	21 003
Investments accounted for using the equity method	12	15 493	2 504	2 353
Investment securities (net)	13	2 263	388	2 169
Other long-term assets, net	14	1 521	1 352	1 733
Deferred income taxes, net	8	9 016	6 508	6 354
<b>Total long-term assets</b>		<b>126 835</b>	<b>30 878</b>	<b>36 232</b>
Inventories		12 373	7 112	11 127
Trade accounts receivable, net of provisions	15	430 793	371 791	349 799
Deferred income taxes, net	8	17 128	18 034	12 816
Prepaid expenses and other current assets	16	84 924	102 745	98 786
Marketable securities	19	264	11 600	11 409
Cash and cash equivalents	19	644 077	581 935	577 909
<b>Total current assets</b>		<b>1 189 559</b>	<b>1 093 217</b>	<b>1 061 846</b>
<b>TOTAL ASSETS</b>		<b>1 316 394</b>	<b>1 124 095</b>	<b>1 098 078</b>
<b>LIABILITIES</b>				
Share capital		55 758	54 810	54 810
Additional paid-in capital		52 610	42 249	42 249
Reserves		41 589	4 688	38 398
Net income		233 418	230 611	214 394
Foreign currency translation adjustment		0	0	0
Treasury shares		0	0	0
<b>Shareholders' Equity</b>	21	<b>383 375</b>	<b>332 358</b>	<b>349 851</b>
<b>Minority interests</b>		<b>0</b>	<b>0</b>	<b>0</b>
Long- and medium-term financial debts	19	32	0	3
Other long-term liabilities	20	30 391	24 805	24 213
<b>Total long-term liabilities</b>		<b>30 423</b>	<b>24 805</b>	<b>24 216</b>
Current portion of long- and-medium-term debt (maturing in less than on	19	3 822	3 822	3 822
Bank overdrafts and other short-term borrowings	19	10 730	11 559	28 771
Trade accounts payable		107 026	107 312	98 890
Accrued expenses and other short-term provisions	20	241 543	177 247	177 188
Other current liabilities		4 104	1 654	2 911
Short term deferred taxes, net	8	0	0	0
Deferred income	17	535 371	465 338	412 429
<b>Total current liabilities</b>		<b>902 596</b>	<b>766 932</b>	<b>724 011</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1 316 394</b>	<b>1 124 095</b>	<b>1 098 078</b>

## CONSOLIDATED STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

(Amounts in thousands of Euros, except figures related to shares)

	<i>Number of shares issued</i>	<i>Share capital</i>	<i>Issue Premium</i>	<i>Reserves</i>	<i>Total shareholders's equity</i>
<b>Balance at January 1, 2002</b>	<b>182 700</b>	<b>54 810</b>	<b>42 249</b>	<b>190 040</b>	<b>287 098</b>
Net income 2002				214 394	214 394
Dividends paid				(151 641)	(151 641)
<b>Balance at December 31, 2002</b>	<b>182 700</b>	<b>54 810</b>	<b>42 249</b>	<b>252 793</b>	<b>349 851</b>
Net income 2003				230 611	230 611
Dividends paid				(248 104)	(248 104)
<b>Balance at December 31, 2003</b>	<b>182 700</b>	<b>54 810</b>	<b>42 249</b>	<b>235 300</b>	<b>332 358</b>
Division of share value nominal	273 867 300				0
Capital increase	4 739 610	948	52 610		53 558
Net income for the period				233 418	233 418
Dividends paid			(42 249)	(193 710)	(235 959)
<b>Balance at December 31, 2004</b>	<b>278 789 610</b>	<b>55 758</b>	<b>52 610</b>	<b>275 008</b>	<b>383 375</b>

## CONSOLIDATED CASH FLOW STATEMENT

(Amounts in thousands of Euros)

Note	Year ending		
	2004	Dec. 31 2003	2002
<b>NET CASH FROM OPERATIONS</b>			
Consolidated net income of the Group	233 418	230 611	214 394
<i>Adjustments to reconcile net income to funds generated from operations</i>			
Depreciation of fixed assets and amortization of goodwill	14 233	10 260	12 540
Net loss (gains) on sale of assets	411	942	(26 025)
Change in other provisions	(4 081)	9 576	4 482
Undistributed earnings of companies accounted for using the equity method	512	(151)	(389)
Deferred income taxes	(1 579)	(5 370)	4 281
	0	0	0
	0	0	0
	0	0	0
<i>Changes in working capital requirements</i>			
Decrease (increase) in inventories	(4 810)	4 014	(385)
Decrease (increase) in trade accounts receivable	(36 325)	(23 644)	(22 811)
Decrease (increase) in other receivables	18 006	(4 378)	(4 719)
Increase (decrease) in trade accounts payable	(10 810)	7 977	4 475
Increase (decrease) in other payables	153 259	47 619	26 054
<b>Net cash from operations</b>	<b>362 234</b>	<b>277 456</b>	<b>211 897</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of tangible and intangible fixed assets, net of changes in suppliers of fixed assets	(8 376)	(7 416)	(11 858)
Proceeds from sale of tangible and intangible assets	215	95	33 477
	(21 981)	(32)	0
Acquisitions of investment securities and subsidiaries net of cash acquired			
Investments in affiliates	(13 500)	0	0
	0	0	7 153
Proceeds from sale of investments securities, net of cash			
	11 509	(430)	3 509
Other decreases (increases) in marketable securities and other long term assets			
<b>Net cash used in investing activities</b>	<b>(32 133)</b>	<b>(7 783)</b>	<b>32 281</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in long term debts	(89 326)	(2)	(2 967)
	(1 167)	(17 222)	16 674
Increase (decrease) in bank overdrafts and short term borrowings			
Shareholders contributions	58 492	0	0
Dividends paid	(235 958)	(248 106)	(151 641)
<b>Net cash flow provided by (used in) financing activities</b>	<b>(267 959)</b>	<b>(265 330)</b>	<b>(137 934)</b>
Net increase (decrease) in cash and cash equivalents	62 142	4 343	106 244
Effect of changes in exchange rates on cash and cash equivalents	0	(317)	(768)
Cash and cash equivalents at beginning of period	581 935	577 909	472 433
<b>Cash and cash equivalents at end of period</b>	<b>644 077</b>	<b>581 935</b>	<b>577 909</b>

## 1 • DESCRIPTION OF BUSINESS

For over fifty years, the PagesJaunes Group has been offering a wide range of products and services geared to the general public and professional trades. Its core business remains focused on the production of telephone directories in France and abroad.

In the context of the reporting figures presented herein, unless indicated otherwise, the terms ~~“Company”~~ and “PagesJaunes SA” refers to PagesJaunes SA, the terms “PagesJaunes Groupe” and ~~“Compagny”~~ refers to the company named PagesJaunes Groupe and the terms “PagesJaunes”, “the Group” and “PagesJaunes Group” refer to PagesJaunes Groupe and its consolidated subsidiaries.

## 2 • ACCOUNTING METHODS

PagesJaunes’ consolidated financial statements have been prepared in accordance with accounting methods which are generally accepted within France and in accordance with Regulation 99-02 of the Comité de la Réglementation Comptable (CRC) (Accounting Regulatory Committee).

### 2.1 Application of new accounting rules

#### Personnel

**Recommendation 2003-RR.01 of 1 April 2003 of the Conseil National de la Comptabilité (CNC) (National Accounting Board) concerning accounting and valuation rules for pension commitments and similar benefits and the CNC press release of 22 July 2004 specifying the conditions for the application of the new rules**

This recommendation, which is applicable on January 1, 2004, specifies the conditions governing the valuation and recognition of pension commitments. Its scope of application includes post-employment benefits, other long-term benefits, severance payments and the corresponding taxation and social security contributions. As at January 1, 2004, PagesJaunes applied accounting and valuation rules which accorded with this recommendation in respect of its pension and similar benefits.

**Law 2004 - 391 of May 4, 2004 concerning vocational training and establishing the Droit Individuel de Formation (DIF) (Individual Training Right), Opinion 2004-F of October 13, 2004 of the Urgent Issues Committee on accounting for the Individual Training Right.**

The Urgent Issues Committee considers that the expenses incurred in respect of employees’ individual rights to training remunerate future service and not the past service of the employee and thus constitute a short-term commitment by the application of the regulations on liabilities.

Consequently, in the general case of an agreement between the company and the employee on the training to be implemented, the expenditure incurred in respect of the DIF constitutes a charge for the period and therefore does not give rise to any provision. However, the notes to the accounts state the number of hours at the year-end relating to the open part of the rights, indicating the number of hours which have not yet been the subject of an employee request.

Nevertheless, in a few special cases (request for individual training leave or in the event of dismissal or resignation) in which these expenses cannot be considered as remunerating future service, the resulting short-term liability is provisioned in the financial statements for the year, in accordance with the regulations on liabilities, as soon as the obligation relating to the employee becomes probable or certain.

## **Assets**

### **Adoption by the CNC on October 27, 2004 of the provisions for the application of the new CRC regulations on the definition, recognition and valuation of assets**

This CRC regulation will convert into rules the provisions of CNC opinion 2004-15 of June 23, 2004 concerning the definition, recognition and valuation of assets. The purpose of this opinion is primarily to achieve convergence with IFRS standards (IAS 16 on property, plant and equipment, IAS 38 on intangible assets, IAS 2 on inventories and IAS 23 on borrowing costs). This opinion is applicable to all accounting periods commencing with effect from January 1, 2005 and advance application is possible in accounting periods commencing with effect from January 1, 2004. PagesJaunes has not opted to apply this regulation (opinion) in advance in its December 31, 2004 accounts.

### **Regulation CRC 02-10 of December 12, 2002 relating to amortisation, depreciation and impairment of assets**

This regulation redefines the concepts of amortisation, depreciation and impairment and specifies the situations in which a test for impairment of tangible and intangible assets must be carried out. This regulation will apply to accounting periods commencing as of January 1, 2005 and may be fully applied in advance as of January 1, 2002. PagesJaunes has not opted to apply this regulation in advance in its December 31, 2004 accounts.

### **Regulation CRC 03-05 of November 20, 2003 concerning the accounting treatment of Internet site creation costs**

Further to the draft opinion relating to the definition of assets and regulation 02-10 relating to amortisation, depreciation and impairment of assets, this regulation describes the accounting treatment of the costs of the design and development of Internet sites, specifying the conditions applying to the entry of these costs in the assets. This regulation applies to accounting periods commencing with effect from January 1, 2004. However, as PagesJaunes is already applying similar provisions, the application of this regulation has no significant effect on its income and shareholders' equity.

### **Recommendation 03-R-02 of October 21, 2003 of the Conseil National de la Comptabilité concerning environmental aspects**

The recommendation concerns the various provisions of the European recommendation of May 30, 2001 relating to the "consideration of environmental aspects in companies' financial statements and annual reports: accounting entries, valuation and publication of information". The recommendation is applicable with effect from accounting periods commencing on January 1, 2004. It does not amend the accounting rules for environmental liabilities, but does aim to achieve greater harmonisation in the nature of information provided by the various companies.

### **Loi de Sécurité Financière (Financial Security Act)**

The Loi de Sécurité Financière has been in force since it was published in the Journal Officiel (Official Journal) on August 2, 2003. This act includes an accounting provision eliminating the need to hold securities of a controlled entity in order to consolidate it. This provision applies with effect from January 1, 2004. Hitherto, PagesJaunes has not had relationships with such entities.

## 2.2 Presentation of financial statements

The consolidated financial statements have been prepared in euros.

- Operating expenses before depreciation and amortisation are broken down by destination as follows:
  - the cost of services and products sold represents the cost of services and products sold and/or published during the accounting period;
  - commercial expenses reflect the expenses incurred from the actions undertaken to sell its products and services, including remuneration of the sales force;
  - administrative expenses reflect expenses incurred in relation to support functions (management, accounting, human resources, purchasing, strategy, etc.) ;
  - research and development expenses include, with respect to research, original work organised and conducted to gain understanding and new scientific or technical knowledge and, with respect to development, the implementation, prior to the commencement of commercial production or internal use, of plans and designs for the production of products, processes, systems or new or highly improved services, in the application of research findings or knowledge acquired.
- Operating income corresponds to the difference between revenues and operating expenses. Earnings before interest, tax, depreciation and amortisation correspond to earnings before amortisation and provisions.
- The costs resulting from the French legal employee profit-sharing plan is presented as a separate line item in the consolidated statement of income after operating income.
- “Other non-operating income (expense), net” includes mainly gains and losses on the disposal of consolidated subsidiaries and investment securities including the dilution impacts and the change in provisions against investment and marketable securities, dividends received and movements in restructuring provisions. This heading also includes income components whose relative size exceeds the scope of ordinary activity (real estate, trade receivables, flotation expenses, etc.).
- The goodwill amortisation charge concerns the goodwill relating to fully and proportionally consolidated companies as well as investments accounted for under the equity method.
- Assets and liabilities are classified on the balance sheet based on liquidity or maturity dates, with short-term balances (due within one year) presented separately from long-term balances.
- In the statement of cash flows, changes in bank overdrafts and marketable securities with maturities in excess of three months at the time of purchase are not included as part of operating activities. Changes in these items are presented under financing and investing activities.

## 2.3 Consolidation principles

A company, whether acquired or created, over which the Group exercises significant control or influence, is included in the scope of consolidation when at least two of the following three thresholds are attained: revenues of €5 million, total assets of €10 million and net assets of €2 million.

The main consolidation principles are as follows:

- Subsidiaries which PagesJaunes [Groupe](#) controls exclusively, either directly or indirectly, are fully consolidated;
- Companies over which PagesJaunes [Groupe](#) exercises significant influence are accounted for using the equity method.
- The non-consolidated entities referred to in Note 13 “Investment Securities” are not significant individually or collectively with regard to the consolidated statements.
- Material intercompany balances and transactions are eliminated.

## Accounting for acquisitions and goodwill

Upon the acquisition of a business, the purchase price of the shares is allocated on a fair value basis to the identifiable assets and liabilities of the business acquired. The fair value of identifiable intangible assets such as trademarks, licences and customer relationships is determined using generally accepted methods such as the income approach, the cost approach, or the market value approach.

The excess of the purchase price over the fair value of identifiable assets and liabilities of the business acquired is recorded in the consolidated balance sheet under the heading “Goodwill” for consolidated entities.

The amortisation period for goodwill, usually ranging from 5 to 20 years, is determined taking into consideration the specific nature of the business acquired and the strategic value of each acquisition.

The recoverable value of goodwill is subject to periodic review, at least annually, as well as whenever events or circumstances occur indicating that an impairment may exist. Such events or circumstances include significant, non-temporary, adverse changes in the business environment, or in assumptions or expectations considered at the time of the acquisition.

PagesJaunes assesses the recoverable value of goodwill on an individual basis for each company that is consolidated or accounted for using the equity method.

The assessment of whether or not an impairment loss is necessary is carried out by comparing the consolidated carrying value of the activity with its recoverable value. Recoverable value is the higher of the realisable value or the value in use.

The realisable value is determined as the best estimate of the selling price of an asset in an arm’s length transaction, adjusted for costs directly attributable to the disposal of the asset. This estimate is valued on the basis of available market information taking into account specific circumstances.

PagesJaunes gives preference to the discounted cash flow method when assessing value in use. This is determined using assumptions regarding economic conditions and forecasts of operating conditions used by the management of PagesJaunes, as follows:

- the cash flows used come from business plans resulting from the planning process, over an appropriate timeframe not exceeding 10 years
- beyond this timeframe, cash flows are extrapolated by applying a perpetual rate of growth specific to each activity
- the cash flows are discounted using rates appropriate to the nature of the activities concerned.

Where it has been decided to effect a disposal, the recoverable value is determined on the basis of the realisable value.

### **2.4 Other accounting methods**

#### Transactions in foreign currencies

Foreign currency denominated monetary balances are translated at the year-end rate.

Unrealized gains and losses on foreign currency denominated monetary balances are recognised in the statement of income for the period.

#### Recognition of revenue and expenses

PagesJaunes’ principal sources of revenue are recognised as follows:

- Revenues from advertisements in printed directories are recognised when the directories are published. As a result, the sales of advertisements invoiced in connection with directories yet to be published are presented on the balance sheet under the heading “Deferred income”.
- Revenues from the sale of advertisements in online directories are distributed over the period during which the advertisement is displayed online, which is generally 12 months.
- Costs directly related to the directory publication campaigns of a fiscal year are allocated to the corresponding sales accounted for that year. These costs include commissions to the sales staff and telesales force, as well as editorial fees.

#### Advertising and related costs

Advertising, promotion, sponsorship, communication and brand marketing costs are expensed in the same year as they are incurred.

#### Research and development

Research and development expenses are expensed in the same year as they are incurred.

#### Trade accounts receivable

Due to its different types of customers (individuals, large businesses, professionals), PagesJaunes does not consider itself to be vulnerable to a concentration of credit risk with respect to trade accounts receivable. Provisions are recorded on the basis of an evaluation of the risk of non-recovery. These provisions are based on an individual or statistical risk assessment.

#### Cash and cash equivalents

Cash and cash equivalents consist of immediately available cash and highly liquid short-term investments with maturities of three months or less at the time of purchase. They are stated at cost, which is close to their fair value.

#### Marketable securities

Marketable securities are valued at historical cost. When necessary, a provision is recorded on an investment-by-investment basis to adjust this value to the average market value over the month prior to the period-end or their probable negotiable value in the case of securities not publicly traded.

#### Inventories and work-in-progress

Work-in-progress is valued at cost price and on the basis of direct costs. Inventories are determined using the weighted-average method. A provision for depreciation is made when the cost price is less than the probable realisable value.

#### Other intangible assets

Other intangible assets include licences and patents.

Trademarks and customer relationships are recorded at cost, which is usually determined at the time of the goodwill allocation using generally accepted methods, such as those based on revenues, costs or market value.

Depreciation of fixed assets is calculated on the basis of the rate of consumption of the economic benefits expected from each asset. On this basis, the straight-line method is generally used, with a useful life generally between 1 and 5 years.

#### Tangible fixed assets

Tangible fixed assets are recorded at historical cost of acquisition or at production cost.

Costs of repairs and maintenance are expensed in the year in which they are incurred, except where they increase productivity or extend the useful life of an asset.

Assets financed under leases which transfer the risks and rewards of ownership to PagesJaunes are recorded under property, plant and equipment with a corresponding entry in the liabilities side of the balance sheet for the related debt.

Depreciation of property, plant and equipment is calculated on the basis of the rate of consumption of the economic benefits expected from each asset. On this basis, the straight-line method is generally used, with the following useful lives: 25 to 30 years for buildings, 5 to 10 years for improvements and 1 to 5 years for other property, plant and equipment.

#### Impairment of long-lived assets

An impairment charge is recorded for property, plant and equipment or intangible assets when, due to events and circumstances arising in the period (obsolescence, physical damage, significant changes in usage, performance below forecast, decreasing revenues and other external indicators, etc.) their recoverable value appears durably lower than their carrying value. Recoverable value is the higher of realisable value or value in use.

Impairment tests are performed on groups of assets by comparing the recoverable value to the carrying value. (When an impairment charge appears necessary, the amount recorded is equal to the difference between the carrying value and the recoverable value.)

For assets which are to be held and used, the recoverable value is most often determined on the basis of the value in use, representing the value of expected future economic benefits from their use and disposal. Recoverable value is assessed notably by reference to discounted future cash flows determined using economic assumptions and forecast operating conditions calculated by the management of PagesJaunes or by reference to the replacement cost for used equipment or to the cost of alternative technologies.

For assets which are to be disposed of, the recoverable value is determined on the basis of the realizable value, which in turn is assessed on the basis of market value.

#### Investment securities

Investment securities are stated at historical cost of acquisition to PagesJaunes, including any direct acquisition expenses. A provision for impairment is recorded when the value in use, based upon the analysis of PagesJaunes' management, appears to be less than the carrying value, on the basis of various criteria such as market value, the outlook for development and profitability and the level of shareholders' equity, taking into account the specific nature of each investment.

#### Deferred income taxes

Deferred income taxes are recorded on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, as well as those arising from loss carry-forwards. A valuation allowance is recorded for deferred tax assets to the extent that the recovery of those assets is considered improbable. Deferred tax assets and liabilities are discounted when the impact is material and when reversals can be reliably scheduled.

No deferred tax liability or asset is recorded as a result of the elimination of internal gains on disposal of shares of consolidated companies or the elimination of tax-deductible provisions for impairment or provisions for risk and charges related to these shares.

#### Provisions for risks and charges

Provisions are recorded when, at the period-end, PagesJaunes has an obligation with respect to a third party for which it is probable or certain that there will be an outflow of resources, without at least an equivalent return expected from that third party.

This obligation may be legal, regulatory or contractual in nature. It may also result from the practices of the Group or from public commitments having created a legitimate expectation on the part of such third parties that the Group will assume certain responsibilities.

The estimate of the amount of the provision corresponds to the expenditure that PagesJaunes will probably have to bear to settle its obligation. If no reliable estimate of the amount can be made, no provision is recorded; a disclosure is then provided in the notes to the financial statements.

Contingent liabilities, representing obligations which are neither probable nor certain at the period-end, or probable obligations for which a cash outflow is not probable, are not recorded. Information about such contingent liabilities is presented in the notes to the financial statements.

#### Pension commitments and similar benefits

In France, legislation requires that lump-sum retirement benefits be paid to employees at certain periods based upon their years of service and salary level at retirement. The actuarial cost of this commitment is charged annually to income over the employees' service lives.

The effect of changes in actuarial assumptions is accounted for in the consolidated income statement over the average remaining service lives of employees.

The recorded provision corresponding to an actuarial measurement of the liability takes into account various parameters:

- INSEE 2000-2002 tables for men and women.
- Total retained turnovers vary according to age or length of service with the company.
- Retirement age: 62.
- Tables of salary increases are defined according to age;
- Discount rate: 4.5%.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires PagesJaunes' management to make estimates and assumptions that affect the amounts that appear in these financial statements and notes thereto, in particular with respect to provisions for risks, deferred tax assets, goodwill and investment securities. The actual amounts could prove to be different from the estimates made.

### **3 • CHANGES IN SCOPE OF CONSOLIDATION**

- **2003**

No transaction affecting the scope of consolidation.

- **2004**

Entry on April 1, 2004 of QDQ Media for €17 million and an equity loan for €89 million. This acquisition added €69 million in goodwill.

Entry on May 1, 2004 of Wanadoo Maps, for the purchase price of €10 million. This led to €7 million in goodwill.

The acquisition of the remaining 50% of the Eurodirectory sub-group, for a price of €13.5 million, added goodwill of €12 million. As a result of acquiring the remaining interest in Eurodirectory, PagesJaunes now holds 49% of the shares of Editus, a Luxembourg directory publisher. Eurodirectory, which was acquired at the end of the year, will be fully consolidated and its subsidiary Editus will be proportionally consolidated with effect from 2005. To simplify matters, the company will continue to be accounted for by the equity method in 2004. This decision has no impact on the financial statements.

In order to separate the directories activity from the holding company assets, the Group acquired a company named Nedif (renamed PagesJaunes SA), to which it has transferred the activity of PagesJaunes. The PagesJaunes company previously changed its name to PagesJaunes Groupe. The two companies are fully consolidated.

### 3.1 • PRO FORMA INFORMATION RELATING TO THE INCOME STATEMENTS

The pro forma consolidated statements of income for the 2002, 2003 and 2004 periods reveal the effect, on the PagesJaunes Group's consolidated accounts, of the acquisitions of QDQ Media and Mappy (formerly Wanadoo Maps), subsidiaries of Wanadoo which were acquired during the first half of 2004.

These pro forma accounts have been prepared on the basis of the historic consolidated financial statements of PagesJaunes and those of its subsidiaries, adjusted as indicated in the paragraphs below.

The main principles applied in the preparation of the pro forma financial statements are as follows:

The income statement includes:

- the consolidated operating income of PagesJaunes, combined with that of acquired subsidiaries
- the amortisation of goodwill of these subsidiaries, calculated as of December 31, 2003 and equating provisionally to the goodwill on such date; and
- the financial expenses related to the financing of these acquisitions.

The current tax reported in the pro forma consolidated financial statements corresponds to the tax declared by the companies of the Group. This value was adjusted to take into account the variation in income related to the adjustment of investment income.

The calculations for investment interests were revised to take into account the elements described above.

No adjustment related to fixed charges has been recorded, insofar as the entities account for these expenses individually.

#### CONSOLIDATED STATEMENTS OF INCOME

(Amounts are in thousands of Euros)

	2004		2004		Year ending Dec. 31			2002		2002		
	Historical	Adjustments	Pro forma	Historical	Var. de Adjustments	Pro forma	Historical	Adjustments	Pro forma	Historical	Adjustments	Pro forma
Revenues	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)			
<b>EBITDA (Earnings before interest, tax, depreciation and amortisation)</b>	<b>415 984</b>	<b>(2 555)</b>	<b>413 429</b>	<b>368 390</b>	<b>(34 147)</b>	<b>334 243</b>	<b>313 076</b>	<b>(35 102)</b>	<b>277 974</b>			
Depreciation and amortisation (excluding Goodwill)	(10 066)	(238)	(10 304)	(9 661)	(2 914)	(12 575)	(11 940)	(2 993)	(14 933)			
<b>Operating income</b>	<b>405 918</b>	<b>(2 793)</b>	<b>403 125</b>	<b>358 729</b>	<b>(37 061)</b>	<b>321 668</b>	<b>301 136</b>	<b>(38 095)</b>	<b>263 041</b>			
Financial income (expenses), net	19 990	(1 466)	18 524	25 763	(6 465)	19 298	20 893	(5 037)	15 856			
Foreign exchange gain (loss), net	(53)	0	(53)	(200)	7	(193)	(116)	12	(104)			
<b>Current income of consolidated companies</b>	<b>425 855</b>	<b>(4 259)</b>	<b>421 596</b>	<b>384 292</b>	<b>(43 519)</b>	<b>340 773</b>	<b>321 913</b>	<b>(43 120)</b>	<b>278 793</b>			
Other non-operating income (expenses), net	(9 817)	189	(9 628)	(2 149)	(995)	(3 144)	39 732	(116)	39 616			
Corporate income 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)			
<b>Net income of consolidated companies</b>	<b>236 812</b>	<b>(3 524)</b>	<b>233 288</b>	<b>230 035</b>	<b>(42 712)</b>	<b>187 323</b>	<b>213 990</b>	<b>(41 648)</b>	<b>172 342</b>			
Share in net income of companies accounted for using the equity method	774	0	774	1 175	0	1 175	1 003	0	1 003			
Goodwill amortisation	(4 168)	(1 715)	(5 883)	(599)	(5 285)	(5 884)	(599)	(3 518)	(4 117)			
<b>Net income of the consolidated whole</b>	<b>233 418</b>	<b>(5 239)</b>	<b>228 179</b>	<b>230 611</b>	<b>(47 997)</b>	<b>182 614</b>	<b>214 394</b>	<b>(45 166)</b>	<b>169 228</b>			
Minority interests	0	0	0	0	0	0	0	0	0			
<b>Consolidated net income of the Group</b>	<b>233 418</b>	<b>(5 239)</b>	<b>228 179</b>	<b>230 611</b>	<b>(47 997)</b>	<b>182 614</b>	<b>214 394</b>	<b>(45 166)</b>	<b>169 228</b>			

#### 4 • SEGMENT INFORMATION

PagesJaunes' business is organised into two main segments:

- **PagesJaunes in France** includes the activities of PagesJaunes SA the Company itself, i.e. the activities relating to the publication of directories, their distribution, sale of advertising space in the printed and online directories, design and hosting of Internet sites as well as the publication of the PagesPro directories, the sale of online access to databases, the reverse directory QuiDonc and the Europages *régie* (advertising representation).
- **International & Subsidiaries** includes the activities of the various subsidiaries of the Company, mainly consisting of the publication of directories for the general public outside France, the development of Kompass directories in Europe and the development of activities complementary to directory publication (such as the geographic services of Mappy (formerly Wanadoo Maps) and direct marketing by Wanadoo Data).

(in thousands of Euros, except employees)	PagesJaunes in France	International & Subsidiaries	Group Total
<b>As of December 31, 2004</b>			
Revenues	908 358	64 764	973 122
EBITDA <sup>1</sup>	423 704	(7 720)	415 984
Depreciation and amortisation	(6 670)	(3 396)	(10 066)
Operating income	417 034	(11 116)	405 918
Purchases of tangible and intangible assets	6 211	1 466	7 677
Average number of employees <sup>2-3</sup>	3 157	1 076	4 233
<b>As of December 31, 2003</b>			
Revenues	847 506	35 233	882 739
EBITDA <sup>1</sup>	365 913	2 477	368 390
Depreciation and amortisation	(8 395)	(1 266)	(9 661)
Operating income	357 518	1 211	358 729
Purchases of tangible and intangible assets	7 278	522	7 800
Average number of employees <sup>2</sup>	3 011	303	3 314
<b>As of December 31, 2002</b>			
Revenues	797 579	34 775	832 354
EBITDA <sup>1</sup>	311 280	1 796	313 076
Depreciation and amortisation	(9 351)	(2 589)	(11 940)
Operating income	301 929	(793)	301 136
Purchases of tangible and intangible assets	8 543	1 419	9 962
Average number of employees <sup>2</sup>	2 975	298	3 273

<sup>1</sup> EBITDA: Earnings before interest, tax, depreciation and amortisation

<sup>2</sup> Average number of full-time equivalent employees, excluding the provision of civil servants, the costs of whom are billed to France Telecom

<sup>3</sup> Taking into account the average number of full-time equivalent employees of QDQ Media and Mappy (formerly Wanadoo Maps) as at December 31, 2004

Analysis by geographic area

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
<b>Total revenues</b>			
France	946 736	882 739	832 354
Others	26 386	0	0
<b>Fixed assets</b>			
France	19 561	18 928	21 826
Others	5 675	0	0

## 5 • PERSONNEL EXPENSES

(in thousands of euros, except for average number of employees)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Average number of employees <sup>1</sup>	4 233	3 314	3 273
- Wages and salaries	185 114	155 189	151 642
- Social charges	72 846	63 085	62 286
<b>Total personnel expenditure<sup>2</sup></b>	<b>257 960</b>	<b>218 274</b>	<b>213 928</b>
- Personnel costs included in costs of assets produced	0	(92)	(234)
- Change in provision for retirement benefits	1 420	1 635	1 491
- Others <sup>3</sup>	6 269	5 669	5 072
<b>Total personnel expenses<sup>2</sup></b>	<b>265 649</b>	<b>225 486</b>	<b>220 257</b>

(1) Average number of full-time equivalent employees

(2) Excluding employee profit-sharing and personnel expenses related to TOP plan restructuring (classified as non-operating expenses)

(3) In particular, taxes on salaries

## 6 • FINANCIAL INCOME (EXPENSES), NET

Financial income primarily consists of income generated by investments with France Telecom.

## 7 • OTHER NON-OPERATING INCOME (EXPENSES), NET

As at December 31, 2004, the company's results in this category comprised €9.8 million in charges stemming from communication costs and fees related to the initial public offering of PagesJaunes (-€8.1 million).

## 8 • CORPORATE INCOME TAX

### 8.1 Group taxation:

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

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Consolidated income before tax	382 718	355 785	337 441
Statutory tax rate	35.43%	35.43%	35.43%
<b>Theoretical tax</b>	<b>(135 597)</b>	<b>(126 055)</b>	<b>(119 555)</b>
Goodwill amortisation	(1 477)	(212)	(212)
Income from affiliates accounted for using the equity method	274	416	355
Subsidiaries' losses	(7 456)	(323)	(902)
Tax on long-term capital gains reserves	(964)	0	0
Long-term capital gains (losses)	0	0	534
Distribution of the special reserve for long-term capital gains	(4 610)	0	0
Provisions for risks	0	0	(2 534)
Other non-taxable revenues and expenses	530	998	(732)
<b>Effective tax</b>	<b>(149 300)</b>	<b>(125 174)</b>	<b>(123 047)</b>

## 8.2 Balance sheet tax position:

The net balance sheet tax position breaks down as follows:

<i>(in thousands of euros)</i>	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
<b>Detail</b>			
Early retirement plan	6 200	5 668	4 725
Exceptional amortisation	3 244	1 655	0
Temporarily non-deductible provisions	2 783	4 171	3 088
Tax loss carry-forwards and depreciation deemed deferred	67 487	808	935
Provisions for employee profit-sharing	10 320	9 968	8 737
Other deferred tax assets	3 020	2 272	1 686
Allowance for depreciation of deferred tax assets <sup>(1)</sup>	(66 910)	0	0
<b>Total</b>	<b>26 143</b>	<b>24 542</b>	<b>19 171</b>

(1) Corresponding mainly to the depreciation of deferred tax on QDQ Media loss carry-forwards.

The Group's net situation is presented in the balance sheet as follows:

<i>(in thousands of euros)</i>	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Long-term net deferred tax assets (more than 1 year)	9 016	6 508	6 354
Short-term net deferred tax assets	17 128	18 034	12 817
Long-term net deferred tax liabilities (more than 1 year)	0	0	0
Short-term net deferred tax liabilities	0	0	0
<b>Total</b>	<b>26 143</b>	<b>24 542</b>	<b>19 171</b>

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

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

## 9 • GOODWILL RELATED TO CONSOLIDATED SUBSIDIARIES

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

(in thousands of euros)	Period of amortisation	Period ending				
		December 31, 2004			December 31, 2003	December 31, 2002
		Gross value	Accumulated amortisation	Net book value	Net book value	Net book 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 Médiatel)	5 years	2 995	(2 396)	599	1 198	1 797
<b>Total</b>		<b>79 272</b>	<b>( 5 965)</b>	<b>73 307</b>	<b>1 198</b>	<b>1 797</b>

Movements in the net book value of goodwill are as follows:

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
<b>Opening balance</b>	<b>1 198</b>	<b>1 797</b>	<b>2396</b>
- Acquisitions/divestitures	76 277		
- Amortisation	(4 168)	(599)	(599)
<b>Closing balance</b>	<b>73 307</b>	<b>1 198</b>	<b>1 797</b>

The main transactions in 2004 were:

- The consolidation of QDQ Media, which provided goodwill valued at approximately €69 million, taking into account a share acquisition price of €17 million (in addition to an equity loan of €89 million). This goodwill amount was declared in April 2004 and will be amortised over a 20-year period.
- The acquisition of Mappy (formerly Wanadoo Maps), which resulted in goodwill valued at €7.3 million amortised over a period of 5 years, on the basis of an acquisition price of €10 million.

The current value of the goodwill was examined during the preparation of the annual financial statements in accordance with the method described in note 2 – Accounting methods, on the basis of business plans not exceeding 10 years, a perpetual growth rate of between 2% and 3% and a discount rate of between 9% and 11%.

## 10 • OTHER INTANGIBLE ASSETS

(in thousands of euros)	Period ending				
	December 31, 2004			December 31, 2003	December 31, 2002
	Gross value	Accumulated amortisation	Net value	Net value	Net value
Other intangible fixed assets	4 018	(1 926)	2 092	558	823
<b>Total</b>	<b>4 018</b>	<b>1 926</b>	<b>2 092</b>	<b>558</b>	<b>823</b>

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

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
<b>Opening balance</b>	<b>558</b>	<b>823</b>	<b>1 088</b>
-Acquisitions	252	0	0
-Effect of changes in scope of consolidation (1)	1 614	0	0
-Divestitures	0	0	0
-Amortisation	(332)	(265)	(265)
<b>Closing balance</b>	<b>2 092</b>	<b>558</b>	<b>823</b>

(1) For 2004, this related primarily to the acquisition of Mappy (formerly Wanadoo Maps)

## 11 • TANGIBLE ASSETS

(in thousands of euros)	Period ending				
	December 31, 2004		December 31, 2003	December 31, 2003	December 31, 2002
	Gross value	Accumulated depreciation	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 assets	23 052	-14 349	8 703	6 451	1 638
<b>Total</b>	<b>92 622</b>	<b>-69 479</b>	<b>23 143</b>	<b>18 370</b>	<b>21 003</b>

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

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
<b>Opening balance</b>	<b>18 370</b>	<b>21 003</b>	<b>70 645</b>
- Acquisitions of tangible fixed assets	7 425	7 800	9 962
- Effect of changes in the scope of consolidation	7 561	0	0
- Disposals and discards	(479)	(1 037)	(47 929)
- Amortisation	(9 734)	(9 396)	(11 675)
<b>Closing balance</b>	<b>23 143</b>	<b>18 370</b>	<b>21 003</b>

## 12 • INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The item “Investments accounted for using the equity method” records the value of Eurodirectory. The book value of investments accounted for using the equity method is analysed as follows:

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
<b>Eurodirectory</b>			
Opening balance	2 504	2 353	1 965
Share in earnings	774	1 175	1 003
Dividends paid	(1 285)	(1 024)	(614)
Interest acquired in 2004	1 391	0	0
Goodwill	12 109	0	0
<b>Closing balance</b>	<b>15 493</b>	<b>2 504</b>	<b>2 353</b>

## 13 • INVESTMENT SECURITIES

The following table details the main non-consolidated investments:

(in thousands of euros)	Period ending							
	December 31, 2004				December 31, 2003		December 31, 2002	
	% interest	Shareholders' equity	Net income	Gross value	Provision	Net book value	Net book value	Net book value
<b>Directories and other activities</b>								
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
Others				76	0	76	0	0
<b>TOTAL</b>				<b>4 076</b>	<b>1 813</b>	<b>2 263</b>	<b>388</b>	<b>2 169</b>

(1) Company acquired in 2004

## 14 • OTHER LONG-TERM ASSETS

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Other long-term assets	1 521	1 352	1 733
<b>Total</b>	<b>1 521</b>	<b>1 352</b>	<b>1 733</b>

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

## 15 • TRADE ACCOUNTS RECEIVABLE, NET OF PROVISIONS

Trade receivables are generally due in less than one year.

The breakdown of the gross value and depreciation of trade receivables is provided below:

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Gross trade accounts receivable	451 259	378 359	354 398
Provisions for depreciation (1)	(20 466)	(6 568)	(4 599)
<b>Trade receivables, net</b>	<b>430 793</b>	<b>371 791</b>	<b>349 799</b>

(1) See note 18 – provisions for asset depreciation

## 16 • PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets break down as follows:

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Advance payment of corporate tax	432	27 225	23 823
VAT to be received	13 690	15 485	14 051
Current accounts of non-consolidated subsidiaries and accrued interest	597	857	1 277
Other receivables	12 794	4 964	7 373
Prepaid expenses (1)	39 844	54 214	52 262
Non-paid-up capital (2)	17 566	0	0
<b>Total</b>	<b>84 923</b>	<b>102 745</b>	<b>98 786</b>

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

(2) Non-paid-up capital corresponds to the balance of the 2003 capital increase of QDQ Media, which Wanadoo International has undertaken to release on the request of the Company's Board of Directors.

## 17 • DEFERRED INCOME

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Deferred income	535 371	465 338	412 429
<b>Total</b>	<b>535 371</b>	<b>465 338</b>	<b>412 429</b>

Deferred income consists mainly of the sale of advertising billed in respect of as yet unpublished printed directories and online directories distributed over a display period that is generally of 12 months.

## 18 • PROVISIONS FOR ASSET IMPAIRMENT

(in thousands of euros)	Opening balance	Net Allowances (releases)	Other movements (1)	Closing balance
<b>At December 31, 2004</b>				
Investment securities	1 813			1 813
Trade accounts receivable	6 568	(4 892)	18 790	20 466
Other assets	1 264	(634)		630
<b>At December 31, 2003</b>				
Investment securities		1 813		1 813
Trade accounts receivable	4 599	1 969		6 568
Other assets	225	1 039		1 264
<b>At December 31, 2002</b>				
Investment securities				
Trade accounts receivable	4 881	(282)		4 599
Other assets	1 961	(1 736)		225

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

As at December 31, 2003, the net allowance on investment securities related to the shares of PagesJaunes Liban.

## 19 • GROSS BORROWINGS, CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Marketable securities	264	11 600	11 409
Cash and cash equivalents (1)	644 078	581 935	577 909
<b>Total marketable securities and cash and cash equivalents</b>	<b>644 342</b>	<b>593 535</b>	<b>589 318</b>
Current accounts	3 312	3 312	3 312
Leasing liabilities	0	0	1
Other financial debt	11 272	12 069	29 283
<b>Gross financial debt</b>	<b>14 584</b>	<b>15 381</b>	<b>32 596</b>
Maturing in less than one year	14 552	15 381	32 593
Maturing in more than one year	32	0	3
<b>Net cash position</b>	<b>629 758</b>	<b>578 154</b>	<b>556 722</b>

(1) Essentially comprising current accounts and investments with maturities of less than three months with France Telecom.

The following table provides a breakdown, by major category, of other financial debts:

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Creditor banks, spots and credit lines	9 786	11 265	28 512
Other loans	1 486	804	771
<b>Total</b>	<b>11 272</b>	<b>12 069</b>	<b>29 283</b>

The movements in PagesJaunes' financial debt were as follows:

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
<b>Opening balance</b>	<b>15 381</b>	<b>32 596</b>	<b>56 128</b>
- Effects of changes in scope of consolidation	89 705		
-increase (decrease)	(90 502)	(17 214)	(23 532)
<b>Closing balance</b>	<b>14 584</b>	<b>15 381</b>	<b>32 596</b>

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

## 20 • PROVISIONS AND OTHER LIABILITIES

The provisions and other long-term liabilities are analysed as follows:

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Post-employment benefits	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 litigation (1)	8 217	7 629	8 672
<b>Total</b>	<b>30 391</b>	<b>24 805</b>	<b>24 213</b>

(1) See note 23: Litigation and arbitration

Provisions for risks and charges and other short-term liabilities are analysed as follows:

(in thousands of euros)	Period ending		
	December 31, 2004	December 31, 2003	December 31, 2002
Provisions for litigation	35	60	23
Other short-term provisions (2)	201	4 085	20
Short term provisions sub-total	236	4 145	43
Accrued expenses (1)	241 307	173 102	177 188
Short-term deferred taxes	0	0	0
<b>Total</b>	<b>241 543</b>	<b>177 247</b>	<b>177 231</b>

(1) Consists mainly of employee profit-sharing, charges related to personnel and VAT payable

(2) Includes purchase price supplement paid to Intelmatique in 2004 and accrued in 2003.

Movements in long- and short-term provisions for risks and charges are as follows:

<i>(in thousands of euros)</i>	<b>January 1, 2004</b>	<b>Allowance for the period (increases)</b>	<b>Reversals (provision unutilised)</b>	<b>Reversals (provision utilised)</b>	<b>Changes in the scope, re- classifications and others</b>	<b>December 31, 2004</b>
Post-employment benefits	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 litigation	7 629	586	(3)	0	5	8 217
Other provisions for risks and charges	4 145	103	0	(4 071)	171	348
<b>Total of provisions for risks and charges</b>	<b>28 950</b>	<b>5 575</b>	<b>(3)</b>	<b>(4 071)</b>	<b>176</b>	<b>30 627</b>
- long-term	24 805	5 472	(3)	0	117	30 391
- short-term	4 145	103	0	(4 071)	59	236

The changes in post-employment benefits and other long-term benefits are explained by the application as at January 1, 2004 of accounting and valuation rules in respect of pension commitments and similar benefits in accordance with recommendation 2003-RR.01 of 1 April 2003 of the CNC and the CNC press release of July 22, 2004 specifying the conditions governing their application.

The net impact of increases and reversals of provisions on the income statement can be analysed as follows:

<i>(in thousands of euros)</i>	<b>Allowance for the period</b>	<b>Reversals (provisions unused)</b>
Operating income	2 089	(3)
Non-operating income	3 486	0
- of which financial income	47	0

## 21 • SHAREHOLDERS' EQUITY

As at December 31, 2004, PagesJaunes' share capital was divided into 278,789,610 shares with a nominal value of €0.20 each. This includes no other securities giving access to the share capital of PagesJaunes.

## 22 • RELATED-PARTY TRANSACTIONS

Transactions and balances with related parties, as summarised below, arose in the ordinary course of business:

Amounts receivable from related parties

(Amounts in thousands of Euros)	Year ending	
	Dec. 31, 2004	Dec. 31, 2003
<b>Related party</b>		
France Télécom SA	15 710	16 910
Wanadoo SA	0	13 466
Wanadoo International	17 613	0
Other companies in the France Telecom Group	1 875	3 786
<b>Total</b>	<b>35 198</b>	<b>34 162</b>

In addition to these receivables, there are current accounts and investments with France Telecom amounting to €581.4 million as at December 31, 2003 and €637.6 million as at December 31, 2004.

Accounts payable to related parties

(Amounts in thousands of Euros)	Year ending	
	Dec. 31, 2004	Dec. 31, 2003
<b>Related party</b>		
France Télécom SA	30 280	26 068
Wanadoo SA	0	11 385
Wanadoo International	0	0
Other companies in the France Telecom Group	2 197	9 113
<b>Total</b>	<b>32 477</b>	<b>46 566</b>

Material transactions with related parties

(Amounts in thousands of Euros)	Year ending	
	Dec. 31, 2004	Dec. 31, 2003
<i>Télétel</i>	3 189	7 595
Publishing costs	21 580	52 759
<i>Audiotel</i>	931	1 468
Access to directories	1 044	4 504
Employees made available	(4 010)	(9 043)
Alphabetical directory fees	(25 428)	(64 770)
Real Estate	(5 053)	(9 652)
Databases	(1 906)	(6 099)
Management fees	(4 620)	(6 980)
Trademark royalty fees	(1 200)	(1 490)
Telephone - hosting	(2 371)	(4 184)
Other operational services	(7 807)	(6 095)
<b>Total</b>	<b>(25 651)</b>	<b>(41 987)</b>

The main agreements entered into with the France Telecom Group concern:

- providing access to directory data for the publication of directories
- prospection and collection of advertising to be included in the Annuaire and PagesJaunes 3611 for alphabetic searches, as well as the technical design, execution and page layout of advertising.
- performance on behalf of France Telecom of tasks required for the production, distribution and promotion of the Annuaire and PagesJaunes 3611 for alphabetic searches; and

- trademark royalties and management fees.

In addition to these transactions, financial income generated by the cash placed with France Telecom amounted to €19.9 million. PagesJaunes also contributed to the employee profit-sharing mutualised within the France Telecom group.

## 23 • OFF-BALANCE SHEET COMMITMENTS AND RISKS

The following is a summary of the significant off-balance sheet commitments:

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

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

### Leasing contracts

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

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

The rent expense recorded in the income statement for operating leases amounted to €14.4 million as at December 31, 2004 and 2003. Of this amount of €14.4 million, €9.5 million was billed by France Telecom. France Telecom's share of future commitments amounts to €10.1 million as at December 2005 and €24.2 million for 2005 to 2009.

### Commitments to purchase goods and services

#### Production of directories

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

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

#### Deconsolidating structures and ad hoc entities

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

There are no contractual obligations towards ad hoc entities.

#### Purchases of securities

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

#### Individual training rights

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

#### Pension commitments and other personnel benefits

(en thousands of euros)	Termination benefits		Post employment plans				Total
	CFC	Other Termination Benefits	Pension plans	Retirement Indemnities	Other post-employment plans	Other long-term plans	
<b>Change in benefit obligation</b>							
Defined Benefit Obligation (DBO) at the beginning of period	0	0	0	19 513	872	2 870	23 255
Service Cost			0	1 139	51	188	1 378
Interest Cost	0	24	0	1 020	46	149	1 239
Employee contributions			0	0	0	0	0
Amendments			0	0	0	0	0
Curtailments / Settlements			0	0	0	0	0
Actuarial (Gains) or Losses	0	0	0	6 701	58	969	7 728
Benefits paid	0	0	0	-512	0	-162	-674
Scope variation : Acquisitions / Disposals	0	0	0	0	0	0	0
Others (foreign currency translation)	0	0	0	0	0	0	0
Defined Benefit Obligation (DBO) at the end of period : (A)	0	24	0	27 861	1 027	4 014	32 926
DBO at the end of period in respect of Employee Benefit Plans that are wholly or partially funded		24	0	27 861	0	3 997	31 882
DBO at the end of period in respect of Employee Benefit Plans that are wholly unfunded	0	0	0	0	1 027	17	1 044
<b>Change in plan assets</b>							
Fair value of plan assets at beginning of period		0	0	1 566	0	0	1 566
Actual return on plan assets		0	0	66	0	0	66
Employer contributions		0	0	800	0	0	800
Employee contributions		0	0	0	0	0	0
Curtailments/Settlements		0	0	0	0	0	0
Benefits paid out of plan assets		0	0	-512	0	0	-512
Scope variation : Acquisitions / Disposals		0	0	0	0	0	0
Others (foreign currency translation)		0	0	0	0	0	0
Fair value of plan assets at the end of period : (B)		0	0	1 920	0	0	1 920
<b>Reconciliation of Funded Status</b>							
Funded status of the plan (A) - (B)	0	0	0	25 941	1 027	4 014	30 982
Unrecognised actuarial Gains and (Losses)			0	-8 979	-58		-9 037
Unrecognised Prior Service Cost			0	0	0		0
Adjustment due to Assets Ceiling			0	0	0	0	0
<b>Accrued / (Prepaid) Pension Cost</b>							
Accrued/(Prepaid) Pension Cost : Short-Term Portion	0	0	0	0	0	0	0
Accrued/(Prepaid) Pension Cost : Long-Term Portion	0	60	0	17 019	969	4 014	22 062
<b>Net Periodic Pension Cost</b>							
Service Cost			0	344	51	188	583
Interest Cost	0	24	0	1 020	46	149	1 239
Expected return on plan Assets		0	0	-66	0	0	-66
Amortization of actuarial (Gains) or Losses	0	0	0	0	0	3 292	3 292
Amortization of unrecognized prior service cost	0	0	0	0	0	0	0
Effects of settlements/curtailments	0	0	0	0	0	0	0
Adjustment due to Assets Ceiling			0	0	0	0	0
Net Periodic Pension Cost	0	24	0	1 298	97	3 629	5 048
<b>Growth in Accrued/(Prepaid) Pension Cost</b>							
Accrued/(Prepaid) Pension Cost at the beginning of the period	0	36	0	15 721	872	547	17 176
Net Periodic Pension Cost	0	24	0	1 298	97	3 629	5 048
Employer Contributions		0	0	0	0	0	0
Benefits directly paid by the employer	0	0	0	0	0	-162	-162
Scope variation : Acquisitions / Disposals	0	0	0	0	0	0	0
Others (foreign currency translation)	0	0	0	0	0	0	0
Accrued/(Prepaid) Pension Cost at the end of the period	0	60	0	17 019	969	4 014	22 062
<b>ASSUMPTIONS (*)</b>							
Discount rate (%)							
Inflation rate expected over the long-term (%)				2,0%	2,0%	2,0%	
Salary growth expected over the long-term (%)							
Pension indexing expected over the long-term (%)							
Medical cost trend rates (%)							
Expected returns on plan assets (%)				5,0%	5,0%	5,0%	
Expected growth in compulsory pension plans (%)							
Expected average remaining working lives				19	16	16	
Net Periodic Pension Cost	0	24	0	1 298	97	3 629	5 048

## Litigation and arbitration

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

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

- (i) Prodis, a company which operates an Internet site at the address [www.pagesjaunes.com](http://www.pagesjaunes.com) and owns the domain names pagesjaunes.com and pagesjaunes.net, commenced legal proceedings against France Telecom and against PagesJaunes on September 26, 2000 and on April 20, 2001 respectively, primarily for nullification of the PagesJaunes trademark on various grounds, including lack of distinctiveness and dilution. In this context, Prodis intends to prove that the filing of the name Pages Jaunes as a trademark is fraudulent as it is the mere translation of the term "Yellow Pages", which has been used in the United States since 1886 for the business directory concept, and constitutes a generic term used without distinctiveness in various countries. In a judgment rendered on May 14, 2003, the *Tribunal de Grande Instance* of Paris confirmed the validity of the Pages Jaunes trademark. Prodis has filed an appeal and cites the same claims of nullity of trademarks "Pages Blanches," "L'annuaire" and "L'annuaire des Pages Blanches". The appeal is currently pending before the *Cour d'Appel* of Paris. The date for the hearing has been set for February 21, 2005. No assurance can be given on a favourable outcome of this litigation for the Group. An unfavourable outcome could have a material adverse effect on the Group's business, financial condition, results of operations or objectives.
- (ii) At the beginning of 2002, PagesJaunes implemented a commercial development plan, including, notably, the modification of the employment contracts of 930 sales representatives. This modification aims to adapt these contracts to a new competitive environment. Approximately 100 employees refused to sign the proposed new contract and were laid off during the second quarter of 2002. To date, almost all these employees have commenced legal proceedings against PagesJaunes to contest the validity of the reason for the layoff. Although a number of decisions favourable to the Group have already been rendered at first instance and on appeal, no assurance can be given on the favourable outcome of this litigation for the Group. The total amount of damages claimed is approximately €24 million at this stage of the proceedings and a provision of €7.3 million has been recorded for the risk arising from this litigation.
- (iii) During the years 2001 and 2002, PagesJaunes was subject to a tax audit for fiscal years 1998 and 1999. The Company believes that it has strong arguments for countering the adjustments still contested. Proceedings will be initiated during which the Company intends to present its arguments.
- (iv) On June 26, 2002, FAC, an advertising agency, commenced proceedings against PagesJaunes before the *Tribunal de commerce* of Nanterre. This advertising agency considers that PagesJaunes has committed acts of unfair competition, such as interference with customer relationships, disparagement and abusive sales methods. It is claiming €1 million in damages. This case was heard on September 14, 2004. Judgement was pronounced on December 21, 2004. Our opponents did not win the case. Nevertheless, even though PagesJaunes has this ruling on its side and believes it has elements in its favour, the company cannot, in the current circumstances, rule out the possibility that this case will proceed to an appeal and a possible unfavourable ruling.
- (v) PagesJaunes commenced legal action on June 26, 2003 against an advertising agency (LSM) before the *Tribunal de Commerce* of Cannes. Based on the testimony of many customers, PagesJaunes claims that this agency undertook acts of unfair competition with the aim of creating confusion between LSM and PagesJaunes in the mind of customers contacted by LSM for advertisement

insertions in the PagesJaunes directory. In a judgment rendered on February 19, 2004, the *Tribunal de Commerce* of Cannes dismissed PagesJaunes' claims. PagesJaunes has appealed this decision, which, if confirmed on appeal, would likely foster the development of this type of competition from other advertising agencies and create difficulties for PagesJaunes in its customer prospection. This case is currently still at the pre-trial stage. Even though it believes it has a strong case in these proceedings, PagesJaunes cannot exclude a confirmation of this decision on appeal.

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

## 24 • SUBSEQUENT EVENTS

**To date, there are no significant subsequent events to report.**

## 25 • REMUNERATION OF DIRECTORS

The total net amount of remuneration allocated to the Chief Executive Officer of PagesJaunes Groupe SA amounted to €354,650 (including €3,900 of benefits in kind). His pension benefits are valued at €140,463.

Except for directors' fees, the other officers of PagesJaunes Groupe received no remuneration from the Company in 2004.

## 26 • SCOPE OF CONSOLIDATION

### 2004 SCOPE

### DIRECTORIES

#### FULLY CONSOLIDATED COMPANIES

<u>Company</u>	<u>Country</u>	<u>Date of entry to scope</u>	<u>Interest</u>	<u>Control</u>
PagesJaunes Groupe (formerly PagesJaunes)	France	2001	100%	100%
PagesJaunes SA	France	2004	100%	100%
Kompass France	France	2001	100%	100%
Wanadoo Data	France	2001	100%	100%
Mappy (formerly Wanadoo Maps)	France	2004	100%	100%
QDQ Media	Spain	2004	100%	100%

**COMPANIES CONSOLIDATED BY THE EQUITY METHOD**

<u>Company</u>	<u>Country</u>	<u>Date of entry into scope</u>	<u>Interest</u>	<u>Control</u>
Eurodirectory	Luxembourg	2001	50%	50%

**2003 SCOPE**

**DIRECTORIES**

**FULLY CONSOLIDATED COMPANIES**

<u>Company</u>	<u>Countr y</u>	<u>Date of entry into scope</u>	<u>Interest</u>	<u>Control</u>
Kompass France	France	2001	100%	100%
PagesJaunes	France	2001	100%	100%
Wanadoo Data	France	2001	100%	100%

**COMPANIES CONSOLIDATED BY THE EQUITY METHOD**

<u>Company</u>	<u>Country</u>	<u>Date of entry into scope</u>	<u>Interest</u>	<u>Control</u>
Eurodirectory	Luxembourg	2001	50%	50%