



## **Report on Operations**

# ***Consolidated Financial Statements as at 30 June 2006 (under IFRS)***

**Board of Directors of 20 July 2006**

*This English-language translation of the report on operations 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.*

***PagesJaunes Groupe,***  
**A limited liability company having a Board of Directors and a share capital of**  
**€55,757,922**  
**Registered office: 7 avenue de la Cristallerie – 92317 Sèvres Cedex**  
**Commercial and Companies Register: Nanterre 552 028 425**

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## 1 Overview

The PagesJaunes Group's core business activity is the publication of directories in France and abroad. Its offering comprises a diversified range of products and services associated with this activity for the general public and businesses.

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

- **PagesJaunes in France.** These are the Group's activities in France related to the publication and distribution of directories and the sale of advertising space in printed and online directories. They also include the creation and hosting of websites, the telephone directory enquiry service (118008) and various activities such as 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.** These are the activities of the Group's various subsidiaries that are principally involved in the publication of directories for the general public outside France, the Kompass directories in Europe and developing complementary activities related to the publication of directories, such as the geographic services of Mappy and the direct marketing activities of PagesJaunes Marketing Services. This segment also includes the new online classified ads business which is currently being launched.

The data for the first half of 2005 have not been adjusted to take account of the acquisition of e-sama, which took place on 1 February 2005, and of the acquisition of Edicom, which took place on 30 June 2005, as these companies, with revenues of €0.7 million in January 2005 in the case of e-sama and €1.2 million in the first half of 2005 in the case of Edicom, have no significant impact on the Group's results.

The companies Wanadoo Data and e-sama were merged on 31 March 2006 to form PagesJaunes Marketing Services.

**2 Commentaries on the results for the periods ending 30 June 2005 and 30 June 2006**

<b>PagesJaunes Group</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/ 2005</b>
<i>In millions of euros</i>			
<b>Revenues</b>	<b>512.4</b>	<b>481.7</b>	<b>6.4%</b>
External purchases	(146.3)	(145.8)	0.4%
Other operating income	6.2	23.4	-73.5%
Other operating expenses	(11.7)	(13.6)	-13.8%
Salaries and charges	(151.4)	(142.2)	6.5%
<b>Gross operating Margin</b>	<b>209.2</b>	<b>203.5</b>	<b>2.8%</b>
<i>as % of revenues</i>	<i>40.8%</i>	<i>42.2%</i>	
Employee profit-sharing	(5.8)	(14.5)	-59.8%
Share-based payment	(2.1)	(4.2)	-49.1%
Depreciation, amortization and impairment	(6.2)	(4.8)	28.1%
Capital gains (losses) on asset disposals	(0.3)	(0.1)	na
Restructuring expenses	(0.1)	0.0	na
<b>Operating income</b>	<b>194.7</b>	<b>180.0</b>	<b>8.2%</b>
<i>as % of revenues</i>	<i>38.0%</i>	<i>37.4%</i>	
Financial income	8.6	7.1	21.8%
Financial expenses	(0.9)	(3.0)	-70.2%
Corporate tax	(70.9)	(64.0)	10.8%
<b>Net income</b>	<b>131.5</b>	<b>120.1</b>	<b>9.5%</b>
of which attributable to the shareholders of PagesJaunes Groupe	131.5	120.1	9.5%

The consolidated revenues of the Group amounted to €512.4 million as at 30 June 2006. They rose 6.4% compared to the first half of 2005. This rise is due to a broader range of products in both printed directories and online services. It is also due to an increase in the average revenue per advertiser and the recruitment of new advertisers in France and Spain, as well as an increase in rates. A final reason is the launch of the telephone directory enquiry services (118008) in France.

The gross operating margin amounted to €209.2 million as at 30 June 2006. It rose 2.8% compared to the first half of 2005. The rate of gross operating margin as a proportion of consolidated revenues consequently declined from 42.2% in the first half of 2005 to 40.8% in the first half of 2006.

Two major developments had a significant impact on the gross operating margin in the first half of 2006:

- The launch of the telephone directory enquiry service, which was reflected in a major investment in advertising throughout the first half of 2006 and the costs of implementing external call centres, although the service did not open fully until 3 April 2006.
- The overhaul of the advertising representation, production and distribution agreements for *l'Annuaire* (White Pages) between France Télécom and PagesJaunes, which resulted in the discontinuation of the fee paid to France Télécom, which amounted to €25.8 million in the first half of 2005. At the same time, France Télécom decided to entrust to PagesJaunes the operating concession for the printed universal directory, as a result of which the costs of producing and distributing *l'Annuaire* were no longer recharged to France Télécom. These costs amounted to €18.2 million in the first half of 2005. The discontinuation of these financial flows with France Télécom in the first half of 2006 did not affect the PagesJaunes 3611 service, which continues to be covered by the previous agreements (see paragraphs "6.4.2 Advertising representation agreement"; "6.4.3 Agreement relating to the production and distribution of *l'Annuaire* and the PagesJaunes 3611 alphabetical search service"; "6.4.4 Operating concession agreement for *l'Annuaire*" in the 2005 reference document of PagesJaunes Groupe).

Furthermore, good control of all expenses, in particular publishing costs for printed directories, in a context of rising paper prices and delivery costs, and the reduction in losses at QDQ Media, had a favourable effect on the results in the first half of 2006.

Taking into account these various effects, external purchases (as defined in Section "2.1.2 External purchases in the PagesJaunes in France segment") increased by 0.4% in the first half of 2006 compared to the first half of 2005.

Salaries and charges, which include in particular personnel expenses relating to the sales force, increased by 6.5% between the two periods. Revenues rose 6.4% at the same time.

Operating income amounted to €194.7 million, a rise of 8.2% compared to the first half of 2005. This rise, which was greater than that of the gross operating margin, is explained in particular by the significant reduction in the employee profit-sharing expense, which fell from €14.5 million to €5.8 million due to the implementation of a pooled legal profit-sharing agreement covering the companies of the PagesJaunes Group, instead of the France Télécom pooled profit-sharing agreement which was in force up to the end of 2005.

Consolidated net income amounted to €131.5 million in the first half of 2006, compared to €120.1 million in the first half of 2005, a rise of 9.5%.

It should be noted that for reasons of cost optimisation the publication dates of the printed directories (which determine the recognition of revenue and related costs) may vary from one half year to the next, since each printed directory

appears only once each year. However, there is no publication timing difference between the first half of 2005 and the first half of 2006.

Information is provided below on the revenues, the operating result and certain intermediate management balances for each of the two segments of the consolidated Group, 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 shows the revenues and operating income of the PagesJaunes in France segment for the periods ending 30 June 2005 and 30 June 2006:

<b>PagesJaunes in France</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
<b>Revenues</b>	<b>464.4</b>	<b>437.9</b>	<b>6.1%</b>
External purchases	(126.3)	(127.1)	-0.6%
Other operating income	4.3	22.1	-80.4%
Other operating expenses	(10.4)	(11.4)	-8.2%
Salaries and charges	(123.7)	(117.5)	5.3%
<b>Gross operating margin</b>	<b>208.3</b>	<b>204.0</b>	<b>2.1%</b>
<i>as % of revenues</i>	<i>44.9%</i>	<i>46.6%</i>	
Employee profit-sharing	(5.8)	(14.3)	-59.3%
Share-based payment	(1.7)	(3.7)	-54.3%
Depreciation, amortization and impairment	(4.2)	(2.9)	44.3%
Capital gains (losses) on asset disposals	(0.3)	(0.0)	na
<b>Operating income</b>	<b>196.3</b>	<b>183.0</b>	<b>7.2%</b>
<i>as % of revenues</i>	<i>42.3%</i>	<i>41.8%</i>	

The PagesJaunes in France segment comprises the activities related to the publication and distribution of directories and the sale of advertising space in printed and online directories. It also includes the creation and hosting of websites and other activities (mainly the 118008 telephone directory enquiry services, 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 table below shows the breakdown of the consolidated revenues of the PagesJaunes in France segment by product line for the periods ending 30 June 2005 and 30 June 2006 and the trend in the percentage of these lines between these two periods:

<b>PagesJaunes in France</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
<b>Printed directories</b>	<b>296.4</b>	<b>285.9</b>	<b>3.7%</b>
PagesJaunes	234.5	231.8	1.2%
<i>L'Annuaire</i>	61.9	54.2	14.3%
<b>Online services</b>	<b>153.2</b>	<b>140.7</b>	<b>8.9%</b>
Internet	132.8	110.5	20.2%
Minitel	20.4	30.2	-32.4%
<b>Other businesses</b>	<b>14.8</b>	<b>11.2</b>	<b>32.4%</b>
Directory enquiries	5.2	0.0	-
Others	9.6	11.2	-14.0%
<b>Revenues</b>	<b>464.4</b>	<b>437.9</b>	<b>6.1%</b>

The revenues of the PagesJaunes in France segment totalled €464.4 million as at 30 June 2006. They rose 6.1% compared to the first half of 2005. This trend was due to growth in revenues from printed directories, buoyed by the success of the new *L'Annuaire* (White Pages) offering, and online services, with the sustained development of Internet activities. It was also due to the launch of a telephone directory enquiry service.

The increase in revenues from printed directories and Internet businesses results mainly from the increase in the number of advertisers on the printed and online media, and from an increase in the average revenue per advertiser.

With regard to the online services, the increase in revenues from Internet businesses (particularly pagesjaunes.fr) was more than twice as large as the decrease in revenues from the Minitel service.

The revenues from the 118008 business were not significant in the first half of 2006, since the telephone directory enquiries market did not fully open until 3 April 2006.

#### *Printed directories*

Revenues from printed directories, resulting mainly from the sale of advertising space in the PagesJaunes directory and in *L'Annuaire* (White Pages), amounted to €296.4 million as at 30 June 2006. They rose 3.7% compared to the first half of 2005.

Between these two periods, the revenues from the PagesJaunes directory rose 1.2% to €234.5 million, while those of *l'Annuaire* rose 14.3% to €61.9 million. This strong rise in *l'Annuaire* is explained by the repositioning of the 2006 edition, thanks to a new editorial and advertising offering combining a new format, a switch to four-colour printing, increased distribution and a new geographic breakdown in the major population centres (Paris, Ile de France, Rhône and Bouches du Rhône).

The current enriching of subscriber lists with unbundled and mobile numbers should increase the usage value of *l'Annuaire*, and lead to an increase in print runs and distribution from 2007, which should also result in an increase in publishing costs in 2007.

### *Online services*

Revenues from online services amounted to €153.2 million in the first half of 2006. They rose 8.9% compared to the first half of 2005. These revenues came principally from the sale of advertising products on online services (pagesjaunes.fr and PagesJaunes 3611) and from the creation and hosting of websites.

The strong growth in revenues from Internet services, which rose 20.2% to €132.8 million as at 30 June 2006, is explained on the one hand by an increase of 8.3% in the number of advertisers on pagesjaunes.fr (355,900 advertisers as at 30 June 2006 against 328,700 advertisers as at 30 June 2005) and on the other hand by growth in average revenue per advertiser.

This growth in average revenue per advertiser results from the combined effects of improved monetisation of the audience, a strengthening of the existing offerings and the launch of new advertising products.

The launch of new online content in the first half of 2006 allowed a significant increase in the audience for pagesjaunes.fr, with a 33% increase in the number of visits between June 2005 (48 million) and June 2006 (64 million). The new homepage of pagesjaunes.fr includes "Ville en Direct", strengthening the value of pagesjaunes.fr as a local resource. Furthermore, the inclusion of weather forecasts, real-time traffic information and webcams, as well as the partnerships entered into with Allociné (information on cinema programmes, bookings), FNAC (information on shows) and IGN (aerial photographs) are having a major impact on the audience growth of pagesjaunes.fr

The value of this audience growth is being enhanced through changes of rates and advertising products. The full rollout of the free call service enables users to call advertisers free of charge (as at 30 June 2006 almost 50,000 "module pagesjaunes.fr" advertisers were equipped with this service). The "En savoir +" product range (as at 30 June 2006, almost 24,000 advertisers had signed up) has been enhanced with new options: product catalogue, 360°, Clip+, Audio Flash, English version. Finally, the advertising offering has been expanded, with the opening of new spaces to provide a more effective response to the demands of advertisers.



All these innovations in content and advertising products help to secure customer loyalty, raise revenues and increase the number of new customers.

The revenues of PagesJaunes 3611 (Minitel) amounted to €20.4 million in the first half of 2006. They decreased by 32.4% compared to the first half of 2005, reflecting the natural decline in the audience of the Minitel service, with 9.8 million consultations in June 2006 against 13.7 million in June 2005.

#### *Other businesses*

The revenues of the telephone directory enquiry services (118008) amounted to €5.2 million in the first half of 2006.

It should be reminded that the telephone directory enquiries market was opened in two stages, with the new 118 XYZ numbers appearing on 2 November 2005 and the short numbers only being withdrawn on 3 April 2006. Only 10-15% of traffic had migrated from the old numbers to the new numbers by that date. Consequently, the revenues from the telephone directory enquiry service in the first half of 2006 actually comprise only one quarter of activity.

The remainder of the revenues from the other businesses in the PagesJaunes in France segment amounted to €9.6 million in the first half of 2006. They decreased by 14.0% compared to the first half of 2005. These other businesses, which only represented 2.0% of the revenues of the segment in the first half of 2006, essentially related to the PagesPro offerings on printed and Internet media, the sale of online access to databases to French and foreign operators, consultations of the QuiDonc reverse directory via the Internet, Minitel and Audiotel media and the advertising representation for Europages on printed and Internet media.

The trend in revenues from PagesPro on the Internet and the sale of online access to databases remains favourable. On the other hand, the revenues from the QuiDonc reverse directory are declining due to a decrease in the audience of QuiDonc on Minitel, which has not been offset by the growth in the audience of this service on the Internet.

#### *2.1.2 External purchases in the PagesJaunes in France segment*

<b>PagesJaunes in France</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
External purchases	(126.3)	(127.1)	-0.6%
<i>as % of revenues</i>	27.2%	29.0%	

External purchases in the PagesJaunes in France segment amounted to €126.3 million as at 30 June 2006, a decrease of 0.6% compared to the first

half of 2005, while the revenues of the segment rose 6.1% over the same period. External purchases represented 27.2% of revenues in the first half of 2006, against 29.0% in the first half of 2005.

The external purchases essentially include publishing costs (purchase of paper, printing and distribution of printed directories), communication expenses (purchase of space and creation expenses), IT development expenses, expenses for the hosting and distribution of online directories as well as the cost of purchasing, creating and updating databases, call centre expenses and expenses for the creation of advertisements.

In 2006, the advertising representation and production agreements for *l'Annuaire* between France Télécom and PagesJaunes have been reviewed. It has been decided to limit the scope to the PagesJaunes 3611 alphabetical search directory.

The slight decrease in external purchases therefore reflects two major developments:

- The decrease in the fee paid to France Télécom due to the amendment of the advertising representation agreement which excludes *l'Annuaire* (this fee represented an amount of €25.8 million in the first half of 2005) and the effect of the decrease of the Minitel revenues on PagesJaunes 3611, on which it is based;
- The launch of the telephone directory enquiry service, which was reflected in a major advertising investment throughout the first half of 2006 and the costs of establishing external call centres.

The costs of paper, printing and distribution amounted to €37.9 million<sup>1</sup> in the first half of 2006, against €40.6 million in the first half of 2005. The costs of the paper itself decreased, amounting to €15.6 million in the first half of 2006 against €16.9 million in the first half of 2005. This confirms the continued control of costs of paper purchases, storage and printing of directories, in spite of a rising trend in paper prices and delivery costs.

### 2.1.3 Other operating income in the PagesJaunes in France segment

<b>PagesJaunes in France</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
Other operating income	4.3	22.1	-80.4%

The other operating income of the PagesJaunes in France segment amounted to €4.3 million in the first half of 2006, a decrease of 80.4% compared to the first half of 2005. This trend is explained mainly by the discontinuation of recharging

<sup>1</sup> After deduction of €0.5 million of proceeds of paper sales accounted for in Other operating income

to France Télécom of the costs of producing and distributing *l'Annuaire*, after the awarding of the operating concession contract for the printed universal directory to PagesJaunes from 1 January 2006. This income amounted to €18.3 million in the first half of 2005. The other operating income in the first half of 2006 mainly comprised the recharging to France Télécom of the costs of the PagesJaunes 3611 alphabetical search service and other non-recurring income.

#### 2.1.4 Other operating expenses in the PagesJaunes in France segment

<b>PagesJaunes in France</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
Other operating expenses	(10.4)	(11.4)	-8.2%
<i>as % of revenues</i>	2.2%	2.6%	

Other operating expenses in the PagesJaunes in France segment amounted to €10.4 million as at 30 June 2006, a decrease of 8.2% compared to 30 June 2005. The other operating expenses represented 2.2% of revenues in the first half of 2006 against 2.6% in the first half of 2005. These other operating expenses comprise taxes and levies and certain provisions for risks and charges, as well as expenses associated with the assistance agreement in the legal, fiscal, accounting, financial and strategic areas concluded with the France Télécom Group for an amount of €2.9 million in the first half of 2006. The favourable trend compared to the first half of 2005 is explained mainly by the decrease in bad debts, with a net reversal of €0.2 million in the first half of 2006 compared to net charge of €0.4 million in the first half of 2005, and by the discontinuation of the fee for the France Télécom trademark since 1 January 2006; this fee represented an expense of €0.3 million in the first half of 2005.

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

<b>PagesJaunes in France</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
Salaries and charges	(123.7)	(117.5)	5.3%
<i>As % of revenues</i>	26.6%	26.8%	

The salaries and charges in the PagesJaunes in France segment amounted to €123.7 million as at 30 June 2006, a rise of 5.3% compared to the first half of 2005. Revenues rose 6.1% over the same period.

Salaries and charges represented 26.6% of revenues as at 30 June 2006, compared to 26.8% in the first half of 2005. This heading comprises wages and salaries, both fixed and variable, including profit-related bonuses, social

charges, payroll taxes, 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 14.4% of revenues in the first half of 2006, compared to 14.0% in the first half of 2005. This remuneration of the sales force, which is to a large extent variable, depends principally on the commercial results for the periods in question. The fact that the increase in the cost of the sales force was greater than that of revenues is principally due to the strengthening of the sales forces in order to accelerate the recruitment of new customers.

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

The gross operating margin of the PagesJaunes in France segment amounted to €208.3 million as at 30 June 2006. It rose 2.1% compared to the first half of 2005. The rate of the gross operating margin in this segment declined from 46.6% in the first half of 2005 to 44.9% in the first half of 2006, a decrease of 1.7 points between the two periods. This is mainly due to the investment made in the first half of 2006 for the launch of the telephone directory enquiry services, which only contributed to revenues for one quarter of activity.

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

The employee profit-sharing in the PagesJaunes in France segment amounted to €5.8 million in the first half of 2006, a decrease of 59.3% compared to the first half of 2005. This decrease was linked to the termination at the end of 2005 of the France Télécom Group pooled profit-sharing agreement. A new agreement, specifically for the French companies of the PagesJaunes Group, was negotiated in the first half of 2006. This new agreement will allow a significant increase in the amount distributed to the employees of the PagesJaunes Group.

The expense for share-based payment in the segment amounted to €1.7 million in the first half of 2006, a decrease of 54.3% compared to the first half of 2005. This decrease is mainly due to the gradual ending of amortization of France Télécom stock option plans.

The allocation of bonus shares on 30 May 2006 (see section 4) are reflected in a charge of €0.4 million in the first half of 2006.

#### *2.1.8 Depreciation and amortization in the PagesJaunes in France segment*

The depreciation and amortization charges amounted to €4.2 million in the first half of 2006. They rose 44.3% compared to the first half of 2005. This increase was mainly due to the amortization of the operating concession for *l'Annuaire*, over four years, which represents a charge of €1.4 million in the first half.

### *2.1.9 Operating income of the PagesJaunes in France segment*

The operating income of the PagesJaunes in France segment increased by 7.2% between the two periods and amounted to €196.3 million as at 30 June 2006. The rate of the margin on the operating income in this segment rose from 41.8% in the first half of 2005 to 42.3% in the first half of 2006, an increase of 0.5 points between the two periods.

## 2.2 Analysis of revenues and operating income in the International & Subsidiaries segment

The table below shows the trend in revenues and operating income in the International & Subsidiaries segment for the periods ending 30 June 2005 and 30 June 2006:

<b>International &amp; Subsidiaries</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
<b>Revenues</b>	<b>51.4</b>	<b>45.3</b>	<b>13.4%</b>
External purchases	(23.4)	(20.2)	16.1%
Other operating income and expenses	0.6	(1.0)	na
Salaries and charges	(27.7)	(24.7)	12.2%
<b>Gross operating margin</b>	<b>0.9</b>	<b>(0.5)</b>	<b>na</b>
<i>As % of revenues</i>	<i>1.7%</i>	<i>-1.2%</i>	
Employee profit-sharing	(0.0)	(0.2)	-95.0%
Share-based payment	(0.4)	(0.4)	-2.1%
Depreciation, amortization and impairment	(1.9)	(1.9)	2.7%
Capital gains (losses) on asset disposals	0.0	0.0	na
Restructuring costs	(0.1)	0.0	na
<b>Operating income</b>	<b>(1.6)</b>	<b>(3.1)</b>	<b>47.7%</b>
<i>As % of revenues</i>	<i>-3.1%</i>	<i>-6.8%</i>	

### 2.2.1 Revenues of the International & Subsidiaries segment

The breakdown of the consolidated revenues of the International & Subsidiaries segment by product line for the periods ending 30 June 2005 and 30 June 2006 and the trend in the percentages of these lines between these two periods is as follows:

<b>International &amp; Subsidiaries</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
B to C directories	23.4	19.7	18.4%
Kompass	15.9	14.2	12.2%
Direct Marketing and Geographic Services	12.2	11.4	6.3%
<b>Revenues</b>	<b>51.4</b>	<b>45.3</b>	<b>13.4%</b>

The revenues of the International & Subsidiaries segment amounted to €51.4 million as at 30 June 2006. They rose 13.4% compared to the first half of 2005 and 8.9% on a constant consolidation basis.

#### *B to C directories*

The revenues from the B to C directories businesses amounted to €23.4 million as at 30 June 2006. They rose 18.4% compared to the first half of 2005 and 11.7% on a constant consolidation basis, taking into account the addition of Edicom to the consolidated group on 1 July 2005. The revenues from the B to C directories business results from the sale of advertising space in printed and online directories and their publication and distribution, carried out by the companies QDQ Media in Spain, Editus in Luxembourg and Edicom in Morocco.

The revenues of QDQ Media amounted to €21.1 million as at 30 June 2006. They rose 10.5% compared to the first half of 2005. The revenue growth of QDQ Media was buoyant in online services (QDQ.com), with a rise of 45.5% to €3.9 million, while the growth of revenues from printed directories amounted to 4.2%. The proportion of sales generated by online businesses represented 18.6% of revenues in the first half of 2006, against 14.1% in the first half of 2005. The number of advertisers on QDQ.com rose 40%, from 31,500 as at 30 June 2005 to 44,200 as at 30 June 2006.

The revenues from other B to C directories amounted to €2.3 million in the first half of 2006. The revenues from Editus were not significant in the first half, since the printed directory is usually published in September.

#### *Kompass*

Revenues from the Kompass businesses amounted to €15.9 million as at 30 June 2006. They rose by 12.2% compared to the first half of 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 direct marketing services. Kompass revenues are generated in France, Spain, Belgium and Luxembourg.

#### *Direct Marketing and Geographic Services*

Revenues from Direct Marketing and Geographic Services amounted to €12.2 million as at 30 June 2006. They rose 6.3% compared to the first half of 2005 and 0.3% on a constant consolidation basis basis, taking into account the addition of e-sama to the consolidated group on 1 February 2005. These revenues result from the marketing of qualified databases of individuals and businesses for prospection campaigns and data processing services, as well as customer relationship management (CRM) services. This marketing is carried out by PagesJaunes Marketing Services, which was created by the merger of Wanadoo Data and e-sama on 31 March 2006. The revenues from this business in the first half of 2006, during which the merger was conducted, fell by approximately 5%. These revenues also come from the geographic and online city photograph services provided by Mappy. The revenues from this business increased by more than 30% in the first half of 2006.

#### *2.2.2 External purchases in the International & Subsidiaries segment*

<b>International &amp; Subsidiaries</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
External purchases	(23.4)	(20.2)	16.1%
<i>As % of revenues</i>	45.5%	44.5%	

The external purchases in the International & Subsidiaries segment amounted to €23.4 million in the first half of 2006, an increase of 16.1% compared to the first half of 2005. External purchases represented 45.5% of revenues in the first half of 2006 against 44.5% in the first half of 2005.

In the first half of 2006, these figures include the costs of the merger of Wanadoo Data and e-sama, amounting to €0.4 million, and the cost of €1.1 million for the development of the new online classified ads business, which is expected to contribute to consolidated revenues from 2007. Revenues grew 13.4% over the same period.



2.2.3 *Other operating income and expenses in the International & Subsidiaries segment*

<b>International &amp; Subsidiaries</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
Other operating income and expenses	0.6	(1.0)	na
<i>As % of revenues</i>	1.1%	-2.2%	

The other operating income and expenses in the International & Subsidiaries segment amounted to net income of €0.6 million in the first half of 2006. This was an improvement of €1.6 million compared to the first half of 2005.

The other operating income and expenses comprised management income other than sales revenues, increases in stocks and work in progress, costs of taxes and levies (excluding corporate and payroll tax), bad debts and certain provisions for risks and charges.

This trend was due to an improvement in the management of customer risk at QDQ Media, following the actions taken as part of the recovery plan for this subsidiary, which was reflected in a decrease in depreciation charges in respect of trade receivables on new editions and a recovery of bad debts for a total amount of €0.4 million in the first half of 2006.

2.2.4 *Salaries and charges in the International & Subsidiaries segment*

<b>International &amp; Subsidiaries</b>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<i>In millions of euros</i>			
Salaries and charges	(27.7)	(24.7)	12.2%
<i>As % of revenues</i>	53.9%	54.5%	

Salaries and charges in the International & Subsidiaries segment amounted to €27.7 million as at 30 June 2006, an increase of 12.2% compared to the first half of 2005. Revenues rose 13.4% over the same period.

Salaries and charges represented 53.9% of revenues in the first half of 2006 against 54.5% in the first half of 2005.

### *2.2.5 Gross operating margin of the International & Subsidiaries segment*

The gross operating margin of the International & Subsidiaries segment amounted to €0.9 million as at 30 June 2006 compared to a loss of €0.5 million in the first half of 2005.

The continuation of the recovery plan at QDQ Media resulted in an improvement in its gross operating margin, with a reduction in the loss from €2.8 million in the first half of 2005 to €0.7 million in the first half of 2006.

This improvement in the gross operating margin of QDQ Media was partly absorbed by the costs of the merger of Wanadoo Data and e-sama and the costs of developing the new online classified ads business.

### *2.2.6 Employee profit-sharing and share-based payment in the International & Subsidiaries segment*

The employee profit-sharing and share-based payment expense in the International & Subsidiaries segment amounted to €0.4 million as at 30 June 2006, compared to €0.6 million in the first half of 2005.

### *2.2.7 Amortization and depreciation in the International & Subsidiaries segment*

The amortization and depreciation charges amounted to €1.9 million in the first half of 2006. They remained stable compared to the first half of 2005.

### *2.2.8 Operating income in the International & Subsidiaries segment*

The operating income of the International & Subsidiaries activity as at 30 June 2006 was a loss of €1.6 million in the first half of 2006, compared to a loss of €3.1 million in the first half of 2005.

## **2.3 Analysis of the consolidated net income**

The table below shows the consolidated net income of the consolidated Group generated by all businesses during the periods ending on 30 June 2005 and 30 June 2006:

<b>Consolidated income statement of the PagesJaunes Group</b> <i>In millions of euros</i>	<b>Periods ending 30 June</b>		
	<b>2006</b>	<b>2005</b>	<b>Change 2006/2005</b>
<b>Operating income</b>	<b>194.7</b>	<b>180.0</b>	<b>8.2%</b>
Financial income	8.6	7.1	21.8%
Financial expenses	(0.9)	(3.0)	-70.2%
Corporate tax	(70.9)	(64.0)	10.8%
<b>Net income</b>	<b>131.5</b>	<b>120.1</b>	<b>9.5%</b>
of which attributable to the shareholders of PagesJaunes Groupe	131.5	120.1	9.5%

### 2.3.1 *Financial income*

Financial income amounted to €8.6 million as at 30 June 2006. It increased by €1.5 million, a rise of 21.8% compared to the first half of 2005. This was mainly due to the increase in interest rates in 2006 and an increase in the average cash position, and to the increase in dividends paid by PagesJaunes Outre-Mer, an unconsolidated subsidiary, which amounted to €0.6 million in the first half of 2006, compared to €0.4 million in the first half of 2005.

The financial income mainly comprises income from cash of PagesJaunes SA deposited with France Télécom (see paragraph "6.4.7 Treasury agreement" of the 2005 reference document of PagesJaunes Groupe).

### 2.3.2 *Financial expenses*

Financial expenses amounted to €0.9 million in the first half of 2006 against €3.0 million in the first half of 2005. The charge of €3.0 million in the first half of 2005 related mainly to the charge recorded on the assignment of the receivable in respect of the exceptional levy on the dividends paid in the first half of 2005. The financial expenses in the first half of 2006 correspond mainly to the discounting charges in relation to the provisions for retirement benefits.

### 2.3.3 *Corporate tax*

In the first half of 2006, the consolidated Group recorded a corporate tax charge of €70.9 million, a rise of 10.8% compared to the first half of 2005. This is consistent with the trend in the pre-tax result.

In 2005, the Company adopted the tax consolidation regime provided for in articles 223A 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. This option took effect on 1 January 2005 for a period of five years.

Since 9 February 2006, PagesJaunes Groupe and its subsidiary PagesJaunes SA have been the subject of a tax audit covering the years 2002, 2003 and 2004. The audit is currently ongoing.

#### 2.3.4 Net income

Net income amounted to €131.5 million in the first half of 2006, a rise of 9.5% compared to the first half of 2005.

### 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 2005 and in the first half of 2006:

<b>CONSOLIDATED NET CASH POSITION</b>	<b>Periods ending</b>		
	<b>30/06/2006</b>	<b>31/12/2005</b>	<b>30/06/2005</b>
<i>In millions of euros</i>			
Short-term investments ( > 3 months and < 1 year)	17.6	16.5	2.1
Cash and cash equivalents	474.5	549.8	489.6
<b>Total active cash position</b>	<b>492.1</b>	<b>566.3</b>	<b>491.7</b>
Bank overdrafts	9.0	7.8	8.8
Other financial debt	4.9	5.5	50.1
<b>Gross financial debt</b>	<b>13.9</b>	<b>13.3</b>	<b>59.0</b>
Due in less than one year	13.9	13.3	59.0
Due in more than one year	-	-	-
<b>Net cash position</b>	<b>478.2</b>	<b>553.0</b>	<b>432.8</b>

The net cash position of the consolidated Group amounted to €478.2 million as at 30 June 2006, against €553.0 million as at 31 December 2005 and €432.8 million as at 30 June 2005.

It does not include the medium-term loan granted to France Télécom, which amounted to €64.2 million as at 30 June 2005 and 31 December 2005 and €42.8 million as at 30 June 2006.

Since 1999, the PagesJaunes Group has deposited almost all of its available cash with France Télécom under annually renegotiated agreements.

The table below shows the consolidated cash flows for the periods ending 30 June 2005, 31 December 2005 and 30 June 2006:

**Consolidated cash flow statement (historical data)***In millions of euros*

	Period ending		
	30/06/06	31/12/05	30/06/05
Net cash from operations	198.7	263.5	135.4
Net cash used in investing activities	(0.9)	(105.0)	(79.9)
Net cash used in financing activities	(273.1)	(252.7)	(209.9)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(75.3)</b>	<b>(94.3)</b>	<b>(154.4)</b>
Effect of changes in exchange rates on cash	0.0	0.0	0.0
Cash and cash equivalents – beginning of period	549.8	644.1	644.1
<b>Cash and cash equivalents – end of period</b>	<b>474.5</b>	<b>549.8</b>	<b>489.6</b>

The cash position as at 30 June 2006 amounted to €474.5 million against €489.6 million as at 30 June 2005 and €549.8 million as at 31 December 2005.

The net cash from operations increased by €63.3 million to €198.7 million, a rise of 46.8%, between 30 June 2005 and 30 June 2006. This increase was mainly due to:

- an increase in the cash flow of €12.8 million, including an improvement of €5.7 million in the gross operating margin;
- a deterioration of €6.3 million in the working capital requirement;
- a larger disbursement of corporate tax in the first half of 2005 than in the first half of 2006, in view of a favourable timing difference in the disbursement of the 2004 tax, creating a positive change in the cash flow of €53.3 million in the first half of 2006;
- various other favourable factors between the two periods, amounting to €3.5 million, including net interest income and dividends received.

The net cash used in investing activities decreased by €79.0 million between the first half of 2005 and the first half of 2006. This decrease is made up as follows:

- a negative impact of €14.1 million allocated to investing activities, mainly attributable to the payment of €11.0 million under the operating concession agreement for the printed directory established with France Télécom and the acquisition of "l'Annuaire" trademark for €1.0 million, as well as the price supplement paid in respect of the acquisition of e-sama in an amount of €1.9 million;
- a positive impact of €85.6 million on the flows to and from France Télécom. In the first half of 2005, the flow was negative due to the granting of a three-year loan of €64.2 million; in the first half of 2006, the flow was positive due to the repayment of the first third of this loan

by France Télécom, in an amount of €21.4 million. The balance of the loan amounted to €42.8 million as at 30 June 2006;

- various factors, in particular the decrease in the purchase of investment securities between the two periods, in an amount of €7.5 million.

The net cash used in financing activities increased by €63.2 million between the first half of 2005 and the first half of 2006. This increase is due to:

- the increase in the dividend paid, amounting to €24.7 million, between the first half of 2005 and the first half of 2006;
- the absence of recourse to short-term borrowing from France Télécom in the first half of 2006, whereas a treasury advance of €42.8 million had been provided in the first half of 2005;
- various other favourable factors between the two periods, amounting to €4.3 million, including in particular the paying up of the balance of the share capital of QDQ Media.

#### **4 Stock options and bonus shares**

On 28 June 2005, the Board of Directors of PagesJaunes Groupe granted to certain of its employees, and to employees of companies associated with it within the meaning of article L. 225-180 of the Commercial Code, 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 €19.3 per share. As at 30 June 2006, 3,728,600 options remained in circulation, 6,000 options had been exercised by that date.

In accordance with the resolutions adopted by the Extraordinary General Meeting of 19 April 2006, the Board of Directors of PagesJaunes Groupe, meeting on 30 May 2006, resolved to allocate bonus shares for certain managers and employees of PagesJaunes Groupe and its associated companies in order to involve them in the development of the Group.

The number of rights to be received in respect of the shares as a result of this allocation is 602,361. This allocation confers the right to receive shares free of charge from the company, after a two-year vesting period and subject to fulfilment of performance conditions.

#### **5 Use of estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires the Management of PagesJaunes Groupe to make estimates and 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.

## **6 Provisions for depreciation**

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 receivables. The provisions made up to the present time are therefore based on prior experience. However, the Group may increase or decrease these provision rates in future 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.

## **7 Goodwill**

Goodwill is considered to be a long-term asset and is not amortized, 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.

## **8 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 in which they are recorded, becoming deductible for tax purposes in the year in which these charges are actually paid. As a result, the PagesJaunes Group recalculates the components of these deferred tax assets annually.

## **9 Off-balance-sheet liabilities and risks**

See notes 12 and 13 to the consolidated financial statements.

## **10 Subsequent events**

Nil