solocal

2018 REGISTRATION DOCUMENT

Content

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

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This Reference Document (Document de référence) was filed with the French financial markets authority (Autorité des marchés financiers — AMF) on 21 March 2019 pursuant to Article 212-13 of its General Regulations. It may be used in connection with an offering of securities if accompanied with a prospectus (note d'opération) approved by the AMF. This document was prepared by the issuer and is binding on its signatories.

This document is a free translation into English of the original French "Document de référence", referred to as the "Registration Document". It is not a binding document. In the event of a conflict of interpretation, reference should be made to the French version, which is the authentic text.

Three questions to Pierre Danon, Chairman of the Board of Directors...

How would you characterise 2018?

Pierre Danon: My feeling is that Solocal's annual financial results reflect major achievements brought about by the new management team, in line with the "Solocal 2020" strategic plan we backed and approved a year ago:

- we delivered on our target of stabilising recurring EBITDA[1] in 2018, putting a stop to nine consecutive years of decline. The jobs component was implemented faster than planned, with the departure of 1,000 people in 2018. The management team kept its commitments and reduced costs massively, which was the only way to ensure the company's profitability over the long term
- at the same time, the company's cash position was preserved (2018 ending at €82 million, compared with €86 million at the end of 2017), despite €50 million in restructuring expenses, and without increasing net debt.
- admittedly, consolidated net income in 2018 reports a net loss of €81 million however this covers all restructuring provisions, which adds up to a net amount of €164 million. This means that 2019 results will be free of the impact of further provisions related to the restructuring plan launched in 2018.

Our strategic project is based not only on rigorous management of the cost base reduction, but also on the implementation of an in-depth corporate transformation aimed at repositioning our digital offering and redeploying the sales force. The management team made very quick progress on this unprecedented transformation in 2018. We expect it to pay off in this year's sales performance, with the aim of resuming growth in digital sales and achieving moderate growth in recurring EBITDA[1] in 2019.

2018 was a new beginning for Solocal. We laid the foundations for profitable and sustainable growth in the years to come.

What role did the Board of Directors play in this transition?

Pierre Danon: As you know, I joined Solocal in September 2017 as a Director and Chairman of the Board. Since then, we've been working on our new business plan and the skills required to implement it, both within the Board of Directors and on the management team. New recruitments took place in key positions throughout 2018, giving us a management team made up of skilled and experienced professionals in their field, fully committed to the company's success.

Each director, on the Board and in its Committees, has put their skills and determination at the service of all stakeholders to ensure the company's success by putting it firmly on the path of a major and decisive transformation, allowing it to release its full growth potential.

Supported by other Board members, I have become personally involved in the relationship with our shareholders, both institutional and individual investors. Many of them have expressed to me their concerns about the company's market performance in 2018, and I wanted to take the opportunity in this period of profound transformation to deepen exchanges and explain our strategic choices, and to reconfirm my full confidence in our company's future.

Our commitment to support the company's agile governance remains strong, and I want to reassure our shareholders that Solocal is primed to deliver its full potential.

(1) Continued activities.

The company's energies are focused entirely on capturing exciting opportunities in the digital market, which is enjoying strong growth and where Solocal's strengths are so unique.

Pierre Danon
Chairman of the Board of Directors

What is your analysis for 2019?

Pierre Danon: Many shareholders, anxious of the decline in commercial performance in the second half of 2018, asked me if the company has the capacity to finance the €163 million in payments planned as part of our transformation in 2019.

I sent them a letter on 28 February 2019. Fully aware of the company's financial and commercial situation, I strongly repeated that the cash forecasts drawn up by the company show that our various sources of liquidity and resumption of sales growth in 2019 give Solocal the capacity to finance its operations in 2019, and above all to cope with the significant cash outflow resulting from the restructuring plan, expected in the third and fourth quarters of 2019.

After what promises to be a year of transition in 2019, the company should continue to generate positive operating cash flow of more than €100 million, which it will start using in 2020 and 2021 to reduce its net debt. We may also consider refinancing our bonds if market conditions permit.

As the year gets going, the company's energies are focused entirely on capturing exciting opportunities in the digital market, which is enjoying strong growth and where Solocal's strengths are so unique.

... and Éric Boustouller, Chief Executive Officer

What are Solocal's main objectives in 2019?

Eric Boustouller: 2018 was the year in which we established strong new leadership comprising many talents, and laid the foundations of the new Solocal, revisiting our products, organisation, processes, systems, culture and image. Despite this period of profound transformation and its inevitable impacts on business, we delivered on our commitment to stabilise recurring EBITDA(1). This is only a first step, but it is one that puts our strategy in a convincing light now that we have successfully halted the decline in the company's operating profitability in the space of just a year. Work on the cost base generated €60 million in savings in 2018, and we expect to deliver a saving of €100 million in 2019 on the 2017 cost base.

In addition to the work started in 2018 to reduce our cost base, all the fundamentals of the "Solocal 2020" strategic project are in place as 2019 gets into full swing thus enabling us to gain traction from growth in the digital market in France and to resume growth in our digital sales this year:

- The new digital offer, in subscription mode with automatic renewal (Presence, Websites, Social) is now available, and will be rounded out by the SEO range in July 2019. It will be rolled out progressively across our customer base and to our prospects with the intensification of our automated marketing campaigns;
- The omnichannel sales organisation is in place, with the removal of the former Business Units, the introduction of a new customer segmentation, the launching of the solocal.com website in November 2018 and the e-commerce channel in January 2019, the change in the variable compensation of our sales representatives, new tools and new equipment;
- An advertising campaign (TV, radio and web) has been launched with three waves planned in March, April and June to generate demand for our new offers and build awareness of the Solocal brand.

Has Solocal become a fully digital company?

Eric Boustouller: The aim of the "Solocal 2020" strategic project is to give the company robust operating profitability by optimising its costs (both fixed and variable), but also by creating the conditions for fresh growth in its revenue, with substantial operating leverage thanks to its new technology platforms. But it also aims to restructure the company right down to its foundations and in every part of its culture to give it the agility to continue its transformation. We operate in a constantly changing sector, and the key to success is our ability to mirror this change by tirelessly transforming and innovating.

With the end of the publication of printed directories scheduled for December 2020, Solocal is now fully focused on the digital segment, with a repositioned digital offer designed to meet the digital needs of all businesses: to be present wherever you can search the web or social networks, be referenced primarily on the sites that matter, control customer reviews, monitor and improve your digital performance, access e-commerce solutions or make appointments online and find new customers. Today, Solocal is the only company able to respond to the challenges faced by businesses, thanks to a comprehensive range of digital services, easy to use and offering effective support from our dedicated digital experts.

Solocal is resolutely full-digital and totally focused on customer satisfaction.

We operate in a constantly changing sector, and the key to success is our ability to mirror this change by tirelessly transforming and innovating.

Eric Boustouller,
Chief Executive Officer

How do you intend to resume growth in digital sales in 2019?

Eric Boustouller: All our employees are entirely focused on the successful execution of our strategy. We've already accomplished a great deal in just one year. We are now more agile, with more committed teams, reorganised structures, and new digital offers that are earning extremely positive feedback from customers and prospects.

2019 will be marked by another big step in the execution of our strategy. After stabilising it in 2018, we aim to deliver moderate growth in our recurring EBITDA[1]. Thus the rollout of our strategy will also start to pay off in our digital sales, with the return to growth, and a desire to do better in each successive quarter. In 2020, growth in digital sales will gather pace.

Also thanks to Solocal, our customers will also have a lot more visits, with new customers, and strong business growth.

(1) Continued activities.

solocal overview

THE TRUSTED LOCAL DIGITAL PARTNER
FOR ALL BUSINESSES TO ACCELERATE THEIR GROWTH

2.4 BN
visits(1)

431,000
Customers

€669 M
Revenues in 2018(2)

>40,000
campaigns per year

>540,000
websites produced(3)

4.7 M
professionals and businesses referenced

51%
reach(4)

8.1 M
reviews(5)

(1) Source AT Internet. Scope of continued activities.

(2) Continued activities.

(3) Of which 457,000 store locators.

(4) Source Médiamétrie, 2018 average, reach is defined as the number of unique visitors on a website expressed as a percentage of a reference population over a given period (scope: France).

(5) PagesJaunes.

Mission statement

Mission	With its combination of assets unique in France, **Solocal**'s aim is to become the **trusted local digital partner for all businesses** to accelerate their growth.
Strategy	Offer a **wide range of digital services** to businesses and provide **the best digital and local experience** to our users.
Ambition	**Become a recognised French leader in digital technology** in France today and in Europe tomorrow.
Culture	**Customer and user centric.** Customer focus is key. **Team spirit, entrepreneurship.**

OUR STRENGTHS

B2B
digital services

FIVE RANGES OF DIGITAL SERVICES

Solocal offers businesses of all sizes a **one-stop, unique and complete range** of services that meet all their digital needs.

solocal

Digital Presence	Websites	Digital advertising	New solutions	Print
• Visibility • Ranking • E-reputation	• Websites • Ecommerce sites	• Priority ranking • Performance • Branding	• CRM (2019)	
€131 M 2018 revenues(2)	€107 M 2018 revenues(2)	€325 M 2018 revenues(2)	€7 M 2018 revenues(2)	€98 M(1) 2018 revenues(2)

(1) Print & Voice activities

(2) Continued activities

Our service ranges seek to meet the **three key requirements** of businesses and professionals:

The Digital Presence offer

enables VSEs and SMEs to manage their digital presence across the web (several dozen media including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Waze and Instagram) in just a few clicks, in real time and independently, via a single mobile application or a web interface. Apart from setting up pages on Google, Facebook and PagesJaunes, the service allows customers to update their information, share their news, post written or visual content, invite and answer user comments, and check visit statistics under their profile on our various partner platforms. The Digital Presence offer, marketed in subscription mode with automatic renewal, also comes with a mini-website allowing VSEs and SMEs to revamp their digital presence.

Designed for VSEs and SMEs, the Digital Presence and Digital Advertising packages are also offered to large network accounts in the form of the BRIDGE platform, which offers both local and national content management and updating – essential for these companies – and tailored advertising solutions based on Solocal's proprietary technology and data.

In the **Websites** range, Solocal creates and references its customers' sites (showcase and e-commerce), in subscription mode with automatic renewal. Our websites are tailored to the specific needs and budget of any business, offering customised content creation solutions alongside site maintenance and support, with photo and video hosting, cutting-edge adaptive web design, marketing tools such as e-commerce, user reviews and online appointments, and SEO.

The Digital Advertising offer

enables businesses to increase their digital visibility beyond their natural online presence, with the aim of developing local market share. We offer a range of products covering all the needs of our customers: improved SEO (a new SEO offer is due out in the third quarter of 2019, with turnkey campaigns for professionals tailored to their activity, location and budget), an increased number of business opportunities on the web and in-store for professionals (web traffic and lead generation, with guaranteed performance and the commitment to deliver a volume of potential customers in the form of phone calls, appointments made online or requests for a quote, for a predetermined fixed price), or brand awareness on the Internet and social networks (targeted distribution across the Web and use of video formats allowing customers to benefit from the power of social networks for their recognition).

New services

In 2019, Solocal will also offer a range of new digital solutions designed to make life easier for businesses, including a Customer Relationship Management (CRM) solution in the second half of the year.

In the **Print** range, Solocal is currently looking at new solutions such as flyers for customers wishing to roll out their digital communication on paper. The aim is to offer Solocal's customers a one-stop shop for optimising their overarching branding campaigns using both digital and physical media.

User-oriented digital services

PAGESJAUNES, MAPPY AND OOREKA

1.7 billion visits

4.7 million listed professionals

The PagesJaunes.fr site is the most frequently visited digital service for Solocal users. It is consulted by nearly one in two French people every month, references 4.7 million professionals and records 21 million unique visitors per month out of a total of 1.7 billion visits per year. It is the 15th most widely used digital brand in France[1].

Whatever the service or product required, PagesJaunes offers the best way to find the right trustworthy business. In 2018 the user experience was completely revamped to simplify and broaden the scope of local searches on PagesJaunes, making it more relevant and personalised through enriched content, eight million user reviews and a host of recommendations, more conversational with chatbots and voice recognition, and more transactional with 40,000 professionals & tradespeople reachable by appointment. For businesses, PagesJaunes is the best way to introduce themselves and describe their products and service in real time, with opening hours, contact details, photos, videos, reviews, online agenda, quotes, etc.

(1) Source: Médiamétrie December 2018.

Mobile site

Android app

Mappy is a **travel assistant covering all modes of transport and all distances,** all over France. It provides maps, a multimodal comparator of 13 modes of transport, GPS navigation and local searches on more than 5 million points of interest. It was Solocal's second most widely visited platform in 2018, with 343 million visits.

Compares 13 modes of transport for your day-to-day travel,

or for more casual trips...

Navigation to your destination

Find nearby places together with crucial information (opening hours, bookings etc.)

ooreka

Ooreka offers practical advice and information on everyday topics, helping users find the right professional through **400 websites grouped into five fields:** Home & DIY, Money & Law, Life & Work, Health & Beauty, Business.

Partnerships

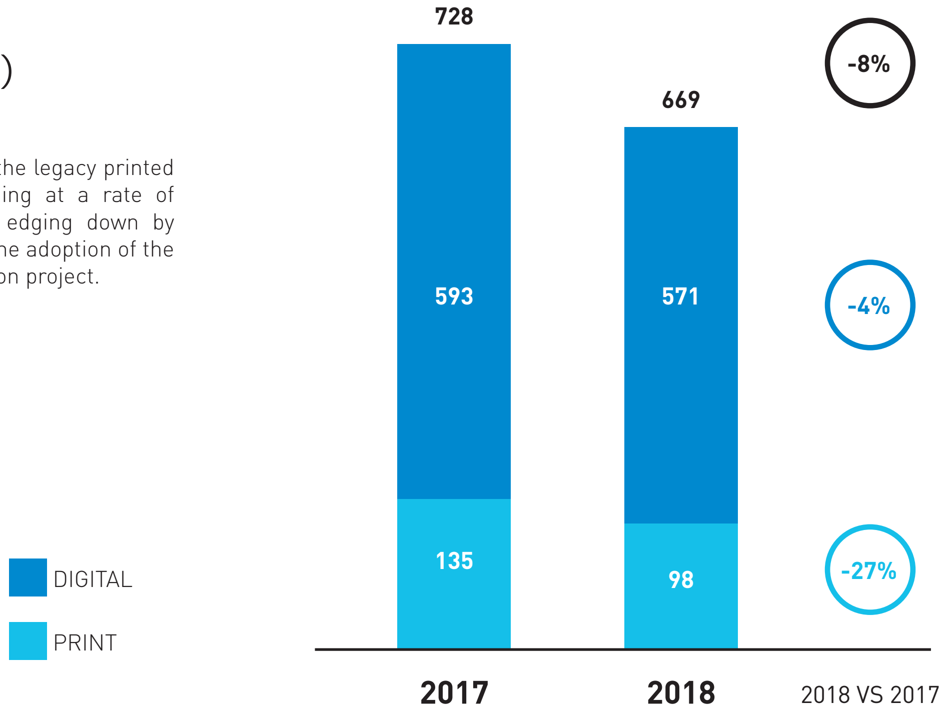
	Content / Presence	Advertising
Google	• Privileged access to Google My Business API and support team for Presence offer	• Ads partnership since 2013 around Booster offers – renewed in 2018 for two years • Local agency status • Google Premier Partner label
Apple	• Audience partnership signed in 2015: PagesJaunes content used on Apple devices in Maps, Siri, Safari, Spotlight	
Facebook	• Access to Facebook Pages API and support for Presence offer	• Ads partnership since 2016 around Social offers – renewed in October 2018
amazon	• PagesJaunes skill (voice app) on Amazon Alexa	
Microsoft	• Audience partnership signed in 2011, renewed in 2015: PagesJaunes content used in local search on Bing and Cortana	• Ads partnerships since 2011 for Booster offers • Elite Channel Partner label • Four Global Bing Partner awards attributed to Solocal in May 2018 (inc. Global Channel Partner Award)

Content / Presence – Pros for Solocal	Content / Presence – Pros for partner	Advertising – Pros for Solocal	Advertising – Pros for partner
• Additional audience for customers – Full web promise delivered	• Unique PagesJaunes content for better use experience	• Collaboration with partner on marketing and commercial approaches	• Coverage et knowledge of Solocal customers

2018 Key figures

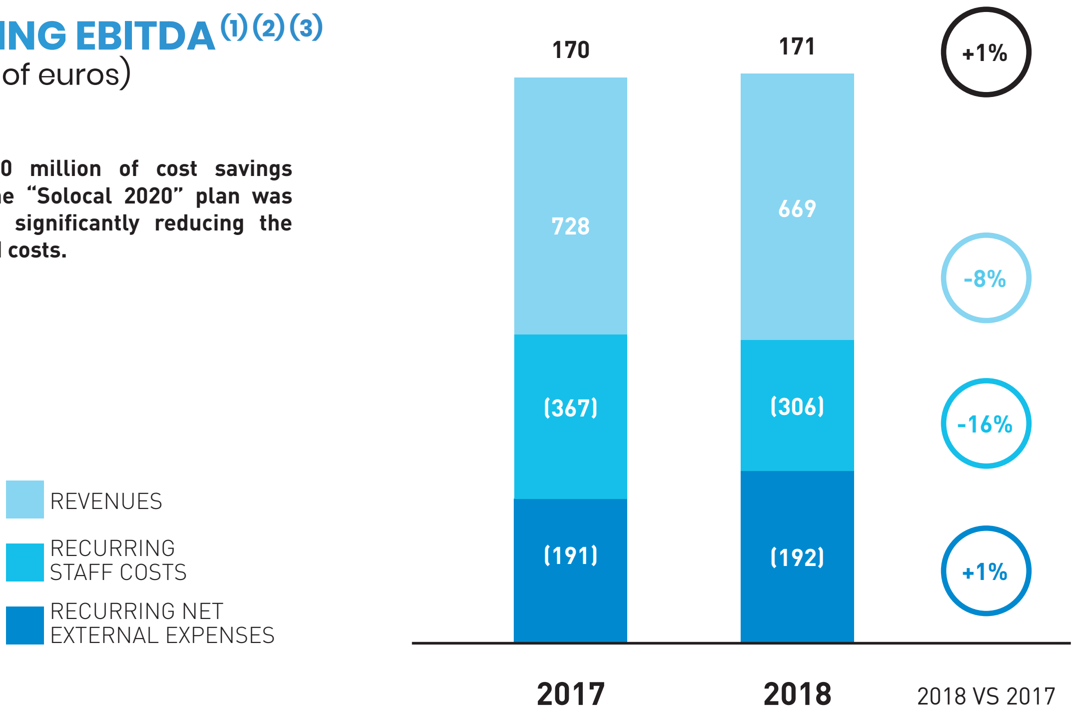
REVENUES (1) (2)
(in millions of euros)

Revenues fell in 2018, with the legacy printed directories business declining at a rate of 27% and Digital revenues edging down by 4%, a trend that motivated the adoption of the "Solocal 2020" transformation project.



RECURRING EBITDA (1) (2) (3)
(in millions of euros)

A total of €60 million of cost savings contained in the "Solocal 2020" plan was made in 2018, significantly reducing the company's fixed costs.

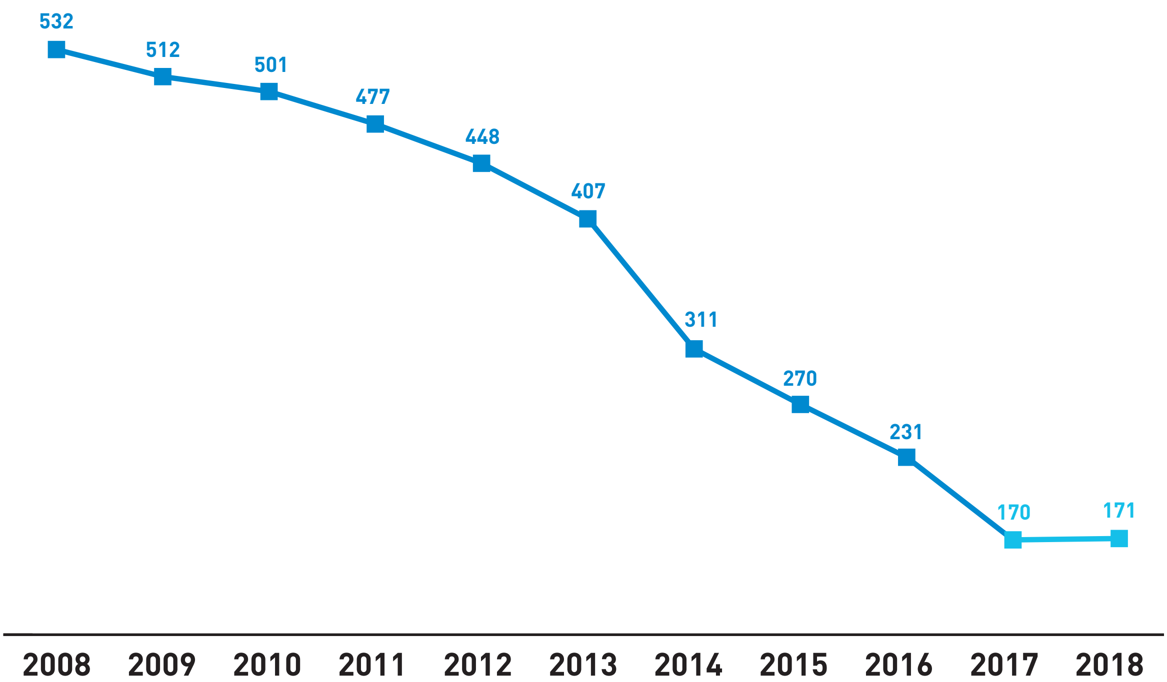


(1) Continued activities.

(2) 2017 financial data restated in accordance with IFRS 15.

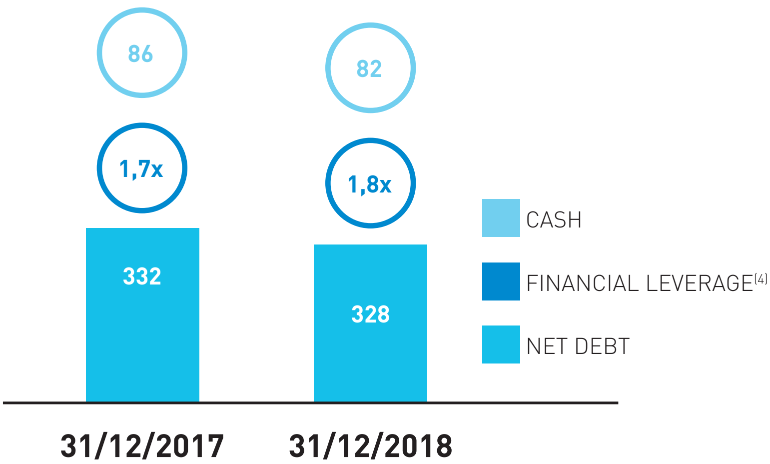
(3) EBITDA calculated as revenues less external expenses and personnel expenses. Recurring EBITDA corresponds to EBITDA before taking account of exceptional items such as restructuring costs.

CHANGE IN RECURRING EBITDA (1) (2) (3)
(in millions of euros)



NET DEBT AND CASH POSITION
(in millions of euros)

Solocal's net debt has eased greatly since its financial restructuring in early 2017, closing in 2018 at €328 million. Net cash now stands at €82 million and financial leverage ended the year below 2x, as it did in 2017.



[4] Calculated according to the documentation of the Solocal bond maturing in March 2022.

INVESTMENTS FOCUSED ON THE COMPANY'S KEY CHALLENGES

OTHER

IT & CLOUD

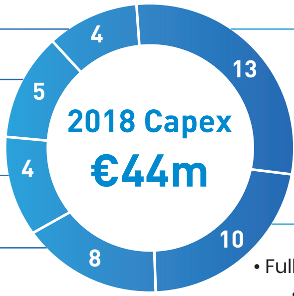
Modernising IT infrastructure and moving to cloud

DATA

Big Data and artificial intelligence

DIGITAL SERVICES

- Presence
- Digital advertising
- Websites



MEDIA PLATFORMS

Investments in the Group's media

- PagesJaunes
- Search engine
- Voice search
- Mappy MaaS (mobility as a service)

SALES, CRM AND MARKETING

Launching new services range and sales

- Full web Presence and Digital Advertising in subscription mode
- Adapting and modernising sales tools, CRM and marketing

NEW OPERATIONAL KPIS TO MEASURE BUSINESS PERFORMANCE BY CUSTOMER SEGMENT

2018 Solocal customer base[1]: 431,000

Total churn rate[4]: 20%

CUSTOMER SEGMENTS	CLIENT BASE	DIGITAL ARPA[2]
Micro-enterprises **ARPA from €0 to €500**	Approx. 155,000	Approx. €155
VSE **ARPA from €500 to €3,000**	Approx. 150,000	Approx. €1,100
SME **ARPA > €3,000**	Approx. 35,000	Approx. €5,900
Large network accounts[3]	Approx. 35,000	Approx. €2,400
TOTAL	APPROX. 375,000	APPROX. €1,300
Scope excluding non-material subsidiaries, i.e. 92% of revenue		

(1) Group scope – calculation based on consolidated revenues.

(2) Calculation – based on sales.

(3) Customers attached to network retailers, unit franchisees or network heads.

(4) Churn is the rate of customers lost over a period in relation to the number of customers at the beginning of the period.

2019 OBJECTIVES

The company is aiming to achieve:

- **Moderate growth in recurring EBITDA[1] in 2019**
- **Growth in Digital sales[1] in 2019**

(1) Continued activities.

Markets

Solocal provides **digital marketing and advertising services,** as well as **transactional** and **digital content production services** that help connect local businesses with consumers by using data that can target relevant user needs.

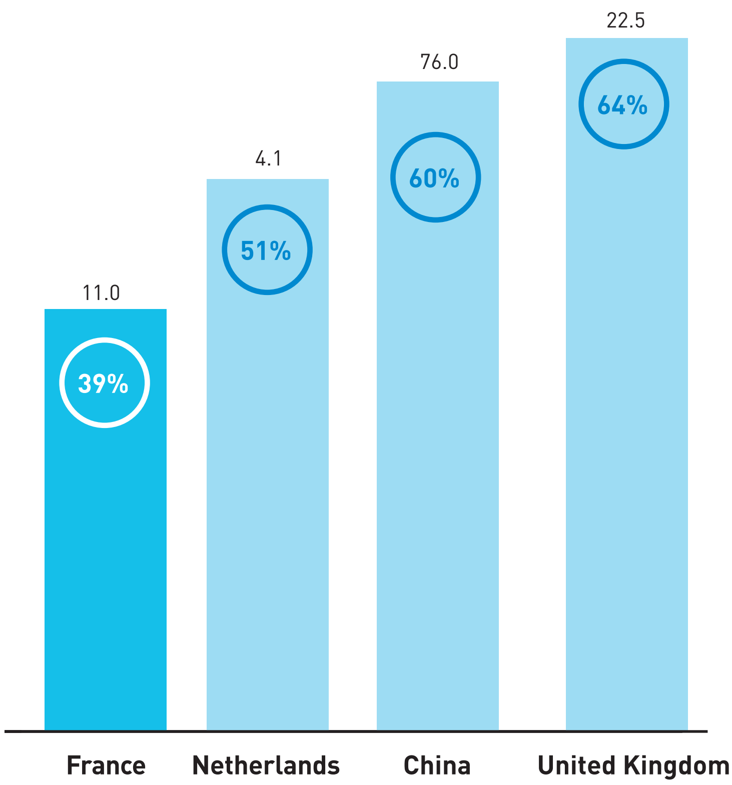
Solocal is expanding thanks to the implementation of technologies and marketing software that position it as a **major player in the French MarTech**(1) universe.

A UNDERDEVELOPED FRENCH DIGITAL ADVERTISING MARKET

Internet advertising accounts for approximately 39% of total advertising expenditure in France (Source: Zenith December 2018). By virtue of being less developed than in other countries, the French online advertising market presents an attractive opportunity with significant growth potential.

Solocal wishes to take advantage of this potential by offering innovative digital advertising and marketing services as well as transactional services to VSEs/SMEs and large network accounts in order to enable French businesses to accelerate their developments thanks to digital technology.

Share of Internet expenses in total advertising spend 2018 (in €bn)



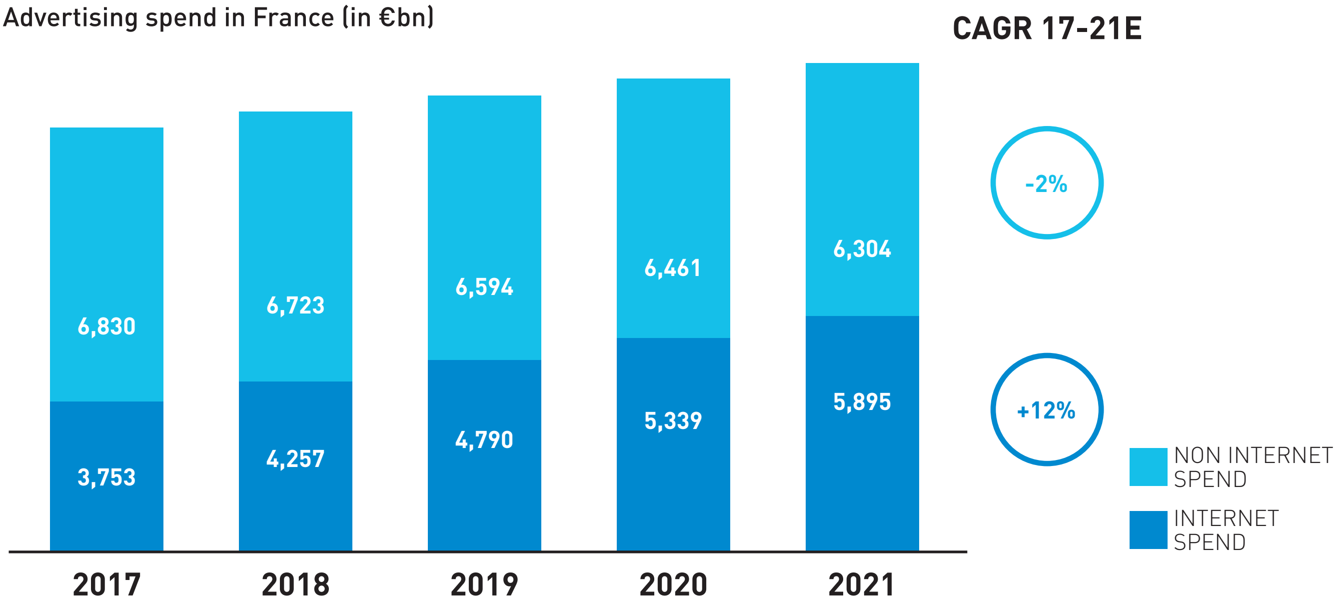
Source: Zenith December 2018.

(1) MarTech: marketing companies whose services are primarily related to technology or marketing software developments.

A RAPIDLY GROWING DIGITAL ADVERTISING MARKET

Total advertising expenditure in France in 2018 was estimated at approximately €10.98 billion (Source: *Zenith December 2018*). Advertising spend in France is being driven by online channels as usage and media undergo significant changes. The French Internet advertising market is projected to grow at an average of approximately 12% per annum between 2017 and 2021 (Source: *Zenith December 2018*), with growth driven mainly by increasing consumption of video, mobile and social media content.

Advertising spend in France (in €bn)



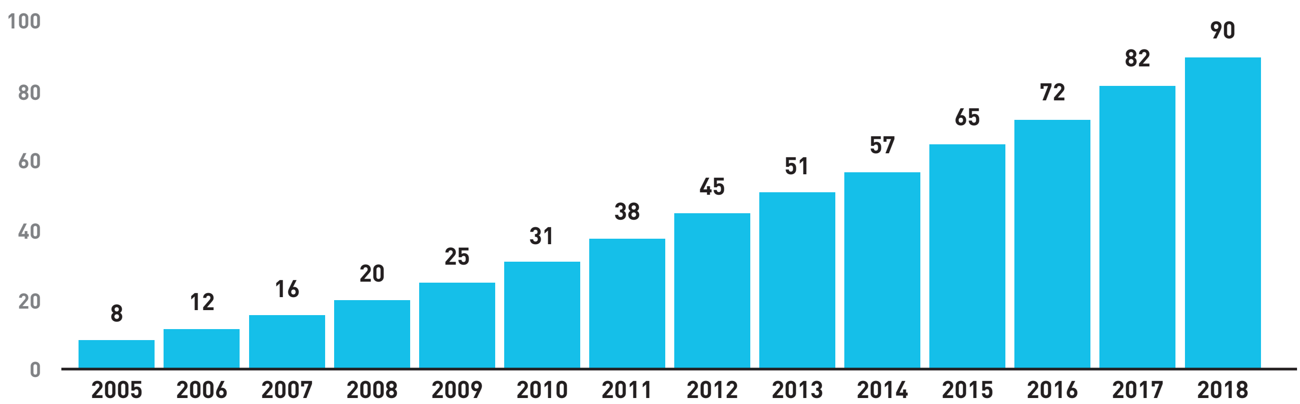
Source: Zenith December 2018.

NEW DIGITAL SOLUTIONS WITH HIGH GROWTH POTENTIAL

To round out its range of business-oriented digital services, Solocal offers digital marketing solutions in markets with high growth potential.

- **Potential for growth in the number of Internet sites for businesses,** bearing in mind that only 32% of VSEs have a website in France *(INSEE, ICT in micro-enterprises in 2016, March 2018)*.
- **Development of e-commerce in France**, with growth of 10% over the 2017-2018 period, driven by the growing adoption of online shopping (increasingly via mobile devices) and by the expansion of major platforms and marketplaces for products and services.

Annual e-commerce sales in France from 2005 to 2018 (in €bn)



Source: Statista December 2018.

Competitive position

Solocal is faced with a number of strong competitors:

- **Global tech firms like Google, Apple, Facebook and Amazon** offer specific media solutions based on their own platforms. Solocal believes that its local presence, especially its local sales forces, as well as its customer base of VSEs and SMEs, make it a valuable service provider alongside the tech giants;
- **Web agencies** like Geolid offer a large range of media solutions such as websites or AdWords campaigns. Solocal believes that its large media audience, geolocation intent data and proprietary products and services allow it to compete with such agencies;
- **AdTech firms** like YEXT, Criteo and Teads offer specific digital media solutions such as presence management, retargeting and real-time bidding for advertising inventory. Solocal has a considerable amount of proprietary data on the consumption intentions of Internet users, and unique proximity with local professionals, allowing it to offer more efficient offers better adapted to the needs of customers;
- **SaaS companies** offer digital Do It Yourself (DIY) and Do It With Me (DIWM) solutions comprising a very wide range of services such as web hosting (e.g. OVH), website building (e.g. Oxatis, Prestashop), digital tools marketplaces (e.g. WIX), and CRM (e.g. Hubspot). Solocal believes that its local presence, which meets the needs of companies throughout the country, gives it additional legitimacy for effective assistance in digitalisation of VSEs and SMEs;
- **Vertical media firms** are specialised in a well-defined sector, such as health, beauty and home, and offer B2B services (e.g. La Fourchette for restaurants, Doctolib for health and Treatwell for beauty). Solocal believes that its massive audience and special partnerships with the main players in the digital realm enable it to offer both an exhaustive presence on the internet crossroads, and a user pathway optimised and well suited to local business sectors.

GAFA	WEB AGENCIES	ADTECH PURE PLAYS	SaaS PLAYERS	(Multi-) VERTICALISED PLAYERS
• Web giants capturing the lion's share of market growth • Massive audience • Ecosystem encompassing (e.g. FB: Messenger, Instagram, Whatsapp)	• Web marketing agencies • Consulting, strategy, local SEO, site creators	• Tech players specialised in digital marketing • High-value technological and innovative solutions (PM, prog., Bot, etc.)	• Players from different core businesses (hosting, site, CRM, etc.) • SaaS platforms with DIY digital services	• B2B by business sector • Powerful directly owned media in its sector • Offer tailored to the specific needs of professionals from a given vertical

Solocal's competitive advantages

Solocal is the local digital partner for businesses of all sizes in supporting their growth. It is betting the success of its restructuring, started in 2018, on **six key advantages**, some of which are unmatched in France: user-oriented digital services with massive audiences, powerful geolocation data, scalable technology platforms, a sales force across France, privileged partnerships with global tech firms, and a deep talent pool (data analysts, software developers and digital marketers, etc.).

1

Many talents with strong digital expertise
led by a highly qualified and experienced management team.

- **2,110 employees close to customers**[1]
  (field, telesales, e-commerce, large accounts and customer relationships)

2

Popular digital services for users with massive audience

- **2.4 billion visits in 2018** (around 2 million users a day)
- **Reach rate**[2] **of 51%**: more than one in two French people use Solocal's user services every month

mappy ooreka

3

Exclusive and rich proprietary data.

- Intent and geolocation data.
- Local content with **4.7 million listed professionals**
- Over **40,000 advertising campaigns** generated each year for our customers

4

Scalable technology platforms

- **User-oriented service platforms:** PagesJaunes and Mappy
- **Business service platforms:** presence management (Solocal app), programmatic platform, website development
- **Integrated platform** serving large accounts and international firms: Bridge

5

An acute knowledge of the local economic fabric

- Thanks to Solocal's territorial network throughout France
- **27 regional offices**
- **431,000 business customers** throughout the country

6

Privileged, mutually beneficial partnerships with global tech and media giants (Google, Apple, Facebook, Amazon and Microsoft).

Google facebook amazon Microsoft

(1) *Field salespeople, telesales, customer relations and sales support staff registered as of 31 December 2018 integrating departures linked to the redundancy plan.*

(2) *Source Médiamétrie, average 2018, reach is defined as the number of unique visitors of a website expressed as a percentage of a reference population over a given period (scope: France).*

Key value drivers

A MAJOR DIGITAL SERVICES FIRM WITH A STRONG MARKET POSITION

The French digital advertising market is underdeveloped compared with other countries, accounting for only 39% of total advertising spend against 64% in the UK (Source: *Zenith*), making it an attractive opportunity. Similarly, only 32% of VSEs (businesses with fewer than 10 employees) (source *INSEE*) had a website in 2016, creating a growth opportunity in the digital marketing market.

The digital advertising market, in which the Company operates, is growing at a brisk pace in France, with growth projected at an average of 12% per annum between 2017 and 2021 (Source: *Zenith*).

According to its own estimate, Solocal is the number three digital services firm in France in terms of revenues, behind Google and Facebook.

It has a robust position in its growth markets:

- a strong audience for its digital services for users, with 2.4 billion visits in 2018, growth compared with 2017;
- a very significant reach; 51% of all Internet users in France (on all devices) consuming Solocal media every month (Source: *Médiamétrie*);
- substantial market share: approximately 10% of VSEs and SMEs are customers of the company.

THE ONLY FRENCH DIGITAL TECHNOLOGY FIRM TO OFFER BUSINESSES OF ALL SIZES A ONE-STOP, COMPLETE RANGE OF SERVICES THAT MEET ALL THEIR DIGITAL NEEDS

Solocal believes it is the only firm in its market in France to offer its customers a complete range of digital services across the web in line with the new digital environment and customer expectations.

Its local presence and its multichannel marketing strategy, fully underway since early 2019, give it a substantial edge in its relations with local customers. They form a daunting entry barrier for both Solocal's competitors and partners in its markets.

Apart from sales support, Solocal assists its customers by means of a digital coach who helps them make the most of its services to ensure their satisfaction and loyalty and encourage a move upmarket.

Solocal's ability to create value for its customers lies among other things in its treasure trove of data which enables it to conduct highly targeted advertising campaigns.

Rich and relevant data allow Solocal to form strong partnerships with global tech giants such as Google, Apple, Facebook and Bing/Microsoft by acting as their local content provider.

Its partnerships with global Internet and social media firms, which today account for the bulk of audience growth in the world's digital ecosystem, contribute to Solocal's own audience growth on its proprietary media via derivative audiences. These partnerships also help strengthen the digital presence of Solocal's customers.

MUTUALLY BENEFICIAL PARTNERSHIPS WITH GLOBAL INTERNET PLAYERS AND SOCIAL MEDIA FIRMS

In addition to agreements with global Internet and social media firms on local content, local search and social media campaigns, Solocal has partnerships with these companies to integrate their advertising technology (Google AdWords, Bing Ads, Facebook Ads) into its range of services.

Solocal adds value to these digital solutions and to its customers by means of its in-house skills and technology platforms, with algorithm optimisation, real-time keyword selection, pricing tools and more.

These strong and mutually beneficial agreements give Solocal a significant competitive advantage in its market.

SCALABLE TECHNOLOGY PLATFORMS

Solocal also boasts the ability to produce and implement digital services for big and international firms as well as VSEs and SMEs on a large scale by meeting their specific needs through cutting edge technology platforms developed in-house or provided via SaaS (Software as a Service).

The Company's customers have access to a wide range of platforms it has developed to implement advanced digital presence, performance and advertising solutions via its media, its partners' media and local media.

Customers also have access to a complete suite of SEO tools, one of Solocal's key strengths, which enables them to appear ahead of their competitors on leading digital media.

By gradually integrating its data and systems into the cloud, Solocal should be able to further leverage its technology platforms and their scalability.

AN ATTRACTIVE FINANCIAL PROFILE BASED ON STEADY REVENUES AND HIGH GROWTH AND SAVINGS POTENTIAL

Solocal has developed new ranges of business-oriented digital services across its various business lines, many of which will be marketed from 2019 on a subscription basis with automatic renewal, and which should lead to even steadier and more sustainable revenue streams.

The Company's new range of digital services and its reorganised multichannel marketing structure should also enable it to seize the growth in its sector, thereby boosting sales and revenues.

The Solocal 2020 restructuring plan, announced in February 2018, aims to significantly reduce its fixed costs, make it more agile and return it to profitable growth from 2020 onwards. Projected cost savings are estimated at around €125-130 million (full year) from 2020 compared with the 2017 baseline. Already €60 million in costs were saved in 2018 with further savings of €100 million forecast for 2019.

The company met its 2018 targets by trimming its workforce by around 1,000 employees in the course of the year through a redundancy plan approved by most of its unions, thereby allowing it to stop the nine-year decline in its recurring EBITDA (continued activities).

The purpose of this strategic plan is to boost the productivity and efficiency of Solocal's multichannel sales force, strengthening telesales alongside its local sales force and introducing online sales on its website in January 2019.

The Company's business model is highly scalable on account of its technology platforms driven by market growth. This makes it possible to serve new customers at a marginal added cost and thus drive up business.

New growth drivers will need to be rolled out in 2019-2020, with a new strategic project to position its digital service for Mappy users in the rapidly expanding field of Mobility as a Service (MaaS) and its digital service for PagesJaunes users as an intermediation platform by creating its own digital marketplace.

TALENTED STAFF LED BY A SEASONED MANAGEMENT TEAM WITH RECOGNISED DIGITAL EXPERTISE

Operating under a completely refreshed Board of Directors and a new governance structure, the Company is run by a management team that was also revitalised in 2018 and whose interests are fully in line with those of all stakeholders.

The recognised digital expertise of recently arrived executives is proving an excellent match to the valuable experience of longstanding members of senior management.

Éric Boustouller, Solocal's Chief Executive Officer, joined the Company in October 2017. His career path as Chairman & Chief Executive Officer of Microsoft France, Vice-Chairman of Microsoft International and Vice-Chairman of Microsoft Corporation and Microsoft Western Europe has given him a solid experience in the digital sector.

Strengthened by its new hires, Solocal's senior management is well placed to further enhance the Company's products and services and thus improve its competitive position and earnings.

The Board of Directors

Corporate Governance and structure

THE BOARD OF DIRECTORS

Our Company is managed by a Board of Directors that decides on business strategy and oversees its execution by senior management.

Subject to the powers expressly reserved by law for the General Shareholders' Meetings and within the limits of the corporate purpose, the Board reviews all issues concerning the operation of the Group's activities and acts on all matters over which it has authority. It also expresses its opinion on all major decisions in relation to the Company's strategy, business development, human resources, finances and technology.

Solocal follows the principles of corporate governance of listed companies set out in the AFEP-MEDEF Corporate Governance Code in its revised version of June 2018.

In September 2017, Pierre Danon became Chairman of Solocal. Since then the Board has been working on a new business project and on the means necessary to implement it. The Board was reinvigorated by the arrival of new members with a fresh set of skills, notably Marie-Christine Levet, an Internet pioneer in France, and Lucile Ribot, a recognised financial expert, who will help steer the Company on its path to growth.

Lastly, the Board set up an Audit Committee, a Remuneration and Appointments Committee, and a Strategy and M&A Committee.

A QUICK LOOK AT THE BOARD OF DIRECTORS

10 directors,
one representing employees and eight independent*

Full renewal
of the Board of Directors since the Shareholders' Meeting of 13 June 2017

Members boasting
an impressive experience
and expertise in the digital sector

Multidisciplinary and complementary skills

More than 40% women

16 meetings
of the Board of Directors in 2018, with an average attendance rate of 94%

Principal activities

Review of results and business trends, review of strategy and the equity story, workforce restructuring, review of refinancing opportunities, review of CSR

* The criteria for qualifying an independent director are those of the AFEP-MEDEF Corporate Governance Code.

MEMBERS OF THE BOARD OF DIRECTORS

Pierre Danon • Chairman of the Board of Directors – Independent director

a civil engineer trained at Ponts et Chaussées, a law graduate and alumnus of the Institut supérieur des affaires, has held senior management and Director positions in several companies, including that of President of Xerox Europe, CEO of British Telecom Retail, Chairman & Chief Executive Officer of Numericable-Completel, and, from 2008 to 2018, Vice-Chairman and Chairman of TDC in Copenhagen. He has served as Executive Chairman of Volia, in Kiev, since 2011. In 2013, he was appointed Vice-Chairman of Agrogénération in Paris, Director of CIEL Group and Chairman of ProContact in Mauritius.

David Amar • Vice-Chairman of the Board of Directors – Independent director

joined the Amar Family Office in 2009 and assumed responsibility for its management in 2013. He specialises in long-term investment in listed companies, wine estates and wine trading companies, hotel properties and property development. He is also a Director of the Matignon Investissement et Gestion (Private Equity) investment fund. He was in charge of asset management in various major Swiss banks from 2006 to 2009. He was awarded an MBA in Geneva in 2006.

Jacques-Henri David • Independent Director

is Chairman of the Financial Activities Control Commission of the Principality of Monaco (since 2011), Director of Edmond de Rothschild Europe – Luxembourg (since 2015) and Director of SoLocal (since 2016). Between 1967 and 1985, Mr Jacques-Henri David held several positions and, in particular, Inspector of Finance at the Ministry of Economy and Finance; Deputy Director, then Director General in the Cabinet of René Monory (Minister of the Economy) and General Secretary of the National Credit Council at the Banque de France. He then joined Saint-Gobain, firstly as Financial Officer and then Chief Executive Officer (1985-1989). He then went on to hold a large number of positions: Chairman of the Stern Bank (1989-1992); Chairman of the Research Centre for the Expansion of the Economy (Rexecode) (1989-1996), Director General of the "Compagnie générale des eaux" (CGE) (1993-1995), Chairman of the Executive Committee of the "Crédit d'équipement des petites et moyennes entreprises" (CEPME) (1995-1999); Chairman of Sofaris (1996-1999); Chairman of the "Banque du développement des petites et moyennes entreprises" (BDPME); (1997-1999); Member of the Economic and Social Council (CES); Chairman of the Deutsche Bank France group (1999-2009) and Vice-Chairman of the "Global Banking" Dvision of Deutsche Bank AG (2005-2009), and then founder and Chairman of Acxior Corporate Finance (2010-2014). An alumnus of l'École polytechnique, he is a graduate of the "Institut d'études politiques" [Institute of Political Studies] in Paris and the "École nationale de la statistique et de l'administration économique" (ENSAE) [a leading French graduate school in the fields of statistics, economics, finance and acturial sciences]. Mr Jacques-Henri David is Commander of the Legion of Honor and the National Order of Merit.

Éric Boustouller • Chief Executive Officer

has been Chief Executive Officer since 11 October 2017. A graduate of the "Institut d'études politiques" in Paris, Mr Éric Boustouller was Compaq France's General Sales Manager. Microsoft France Deputy CEO (2002-2005) and then Chief Executive Officer; Vice-President of Microsoft International (2005-2012). Since 2012, he has been Corporate Vice-President of Microsoft Corporation and Area Vice-President of Microsoft Western Europe.

Delphine Grison • Independent Director

has been Director of Marketing and Business Intelligence at CBRE France since December 2015, Chair of DGTL Conseil since 2014, a company where she worked as a consultant. She was a Director of Asmodée between 2014 and 2018. She previously worked for more than 10 years in the media, holding positions in finance, strategy, marketing and digital functions. In particular, she led Lagardère Active's digital activities until 2013, as Chair of Lagardère Active Digital and a member of the Lagardère Active Executive Committee. Delphine Grison is an alumnus of the ENS (1987), has a doctorate in quantum physics (1992) and is a civil engineer (1994).

Marie-Christine Levet • Independent Director

a pioneer of the Internet in France, Ms Marie-Christine Levet has managed several major French Internet brands. In 1997, she founded Lycos to launch the French version of the search engine and developed it by buying Caramail, Spray and Multimania. From 2001 to 2007, she was head of the company Club-Internet, an Internet service provider (subsidiary of T-Online/Deutsche Telekom), where she significantly increased its ADSL market share and its range of content and services, before selling the company in 2007 to Neuf Cegetel (now known as SFR).

She then took over the management of the 01 group, the leading hi-tech information group in France (01net, 01Informatique, etc.), as well as Nextradiotv group's Internet activities (bfmtv.comn rmc.fr, etc.). In 2009, Ms Marie-Christine Levet focused her career on venture capital and helped create Jaina Capital, an investment fund specialising in seed financing and which finances approximately twenty companies (Made.com, La Ruche qui dit Oui, Mediarythmics).

In 2017, she created, her own fund, Educapital, the first investment fund dedicated to the Education and Innovative Training sectors and which she currently chairs. Ms Marie-Christine Levet is a Director of Iliad (Free), Maisons du Monde, Econocom and AFP. Ms Marie-Christine Levet is a graduate of HEC and has an MBA from the INSEAD.

Joëlle Obadia • Director representing employees

spent 10 years with the Thomson group, with 5 of these years at Thomson Brandt Armements where she looked after external public relations (press, public, events relations in France and overseas). In November 1991, she joined the PagesJaunes Sales department, responsible for sales force incentives, then for boosting sales by combining sales promotions, commercial challenges, information from the various sales channels and customer events. In 2007, Ms Joëlle Obadia joined the Sales department Management Committee, becoming Manager of Sales Growth, and also taking on the role of managing and overseeing all sales training. Today, she is the Communications and MICE Manager in the Customer Success division.

Lucile Ribot • Independent Director

a 1989 graduate of HEC, Ms Lucile Ribot began her career at Arthur Andersen where she conducted audit and financial advisory assignments for major international groups. She joined the Fives group in 1995, where she became Chief Financial Officer in 1998, a member of the Executive Committee in 2002, and supported the growth and strategic development of the company until 2017. She is a Director and member of the Audit Committees of HSBC France, Imerys and Kaufman & Broad, as well as a member of HSBC France's Risk Committee.

Sophie Sursock • Independent Director

is co-founder, CEO and shareholder of Accelero Capital, an investment and management group specialising in the TMT sector (Telecommunications, Media, Technologies). She manages its Paris office. She has conducted several transactions in the technology and media sector. In particular, she took part in the restructuring of Seat Pagine Gialle S.p.A and is a member of the Board of Directors of Italiaonline (formerly Seat Pagine Gialle S.p.A and Italia Online) and Subfero Limited. She was previously Corporate Finance Manager at Orascom Telecom Holding S.A.E/Weather Investments from 2007 to 2011. She also worked in the M&A Operations department of Deloitte's Corporate Finance department in Paris from 2005 to 2007, before becoming Junior Project Manager at PrimeCorp Finance S.A. and Junior Investment Manager at Axa Investment. Sophie Sursock has a Bachelor's Degree in Business Administration, a Masters (MSc) in International Business from the ESCP-EAP Paris business school and a Certificate in Management of Technology.

Philippe de Verdalle • Independent Director

is a partner of Weinberg Capital Partners and Managing Director of the Nobel Fund. Nobel is a long-term investor which supports the development of listed French companies. He was previously a member of the Management Committee of UBS France (2011-2015), Managing Director of HSBC France in charge of Investment Activities (2000-2011), Senior Lecturer in Corporate Finance at the Paris Institute of Political Studies (1997-2011). He is a graduate of the Institut d'études politiques de Paris, the SFAF (French Society of Financial Analysts) and earned an MBA from INSEAD Business School.

MEMBER OF COMMITTEES

Audit Committee

Jacques-Henri David (Chairman)

Lucile Ribot

Sophie Sursock

Remuneration and Appointments Committee

Philippe de Verdalle (Chairman)

David Amar

Joëlle Obadia

Strategy and M&A Committee

David Amar (Chairman)

Delphine Grison

Marie-Christine Levet

Sophie Sursock

RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

Full name (position)	Governance	Finance	Strategy	Products/digital marketing	Transformation	CSR
Pierre Danon	√	√	√	√	√	
David Amar	√	√	√	√		
Eric Boustouller			√	√	√	√
Jacques-Henri David	√	√	√			
Delphine Grison			√	√	√	√
Marie-Christine Levet			√	√	√	√
Joëlle Obadia	√			√	√	√
Lucile Ribot	√	√	√		√	
Sophie Sursock		√	√	√	√	
Philippe de Verdalle	√	√	√		√	

Executive Committee

A new management team has been recruited, through the impetus of the new Board of Directors, with the arrival of Eric Boustouller, Chief Executive Officer in October 2017, who set out to lead the group's in-depth transformation by:

- Defining of clear vision with the objective of engaging the company in a significant and decisive transformation to unlock its growth potential.
- Presenting a detailed action plan to enable Solocal to become a digital champion in France and gain competitiveness and agility by adapting its operational organisation;
- Setting up a new management team empowered to implement this strategy with the arrival of new Marketing, R&D, Commercial, Financial, Human Resources and Transformation Directors.

The company's management is based on the recently restructured management team, whose interests are fully aligned with those of all stakeholders. In addition to the expertise of the new members who have recently joined the team, the Executive Management benefits from the experience of members who have been with Solocal for a number of years.

Executive Committee

Éric Boustouller • Chief Executive Officer

A graduate of the "Institut d'études politiques" in Paris, Mr Éric Boustouller was General Sales Manager for Compaq France, Deputy CEO for Microsoft France (2002-2005) and then Chief Executive Officer and Vice-President of Microsoft International (2005-2012). Since 2012, he has been Corporate Vice-President of Microsoft Corporation and Area Vice-President of Microsoft Western Europe. Éric Boustouller's appointment as Solocal's Chief Executive Officer has been effective since 16 October 2017.

Frédéric Obala • Media, Presence & Content Director

A graduate of HEC, Mr Frédéric Obala started his career as a strategy consultant before joining Promodes (Carrefour) in 1992. In 2002, he joined PPR (Kering) as Strategy Manager and member of the Executive Committee, then as Marketing and Web Director of La Redoute. In 2008, he became CEO of Domeo, a subsidiary of Veolia and Homeserve. He was appointed CEO in 2012 of Darty's Marketing and Services Division. When he joined the SoLocal Group in 2014, Mr Frédéric Obala was appointed Chief Executive Officer of the SoLocal Network Business Unit before assuming the responsibility of the Group's digital marketing division in 2015. In 2017, he joined SoLocal's Executive Committee and was promoted to CEO of the Local Search activity, where he took charge of the development strategy for the PageJaunes, Mappy and Ooreka medias, the web-to-store solutions offered by ClicRDV and Leadformance, the audience and SEO activities, the international web marketing subsidiary with Yelster digital in Austria, and the Brand and Publicity department. Frédéric Obala's appointment as Solocal's Media, Presence & Content Director has been effective since 2 May 2018.

Amaury Lelong • Digital Advertising, Data and New Products Director

A graduate of HEC in 1999 and the London Business School, Mr Amaury Lelong began his career by participating in the creation of the e-marketing agency Nextedia (formerly Come&Stay). He then worked as a consultant at AT Kearney and Boston Consulting Group, before joining Canal+, where he held a number of positions in operational departments with significant marketing and digital responsibilities. In 2012, Mr Amaury Lelong joined the SoLocal Group as Marketing Director in the Major Accounts and Digital Marketing division. Two years later, he was promoted to Deputy CEO of this division, which had become SoLocal Network, where he initiated the development of the Group's data and programmatic offer. As part of the implementation of the product lines in 2016, he was appointed CEO of DaPSSA, a product line grouping together the Data Programmatic, Search and Social Advertising offers developed by SoLocal on the main advertising platforms on the market (Google, Bing, Facebook, programmatic). The appointment of Mr Amaury Lelong as Director of Digital Advertising, Data and New Products has been effective since 2 May, 2018.

Arnaud Defrenne • R&D Director

Arnaud Defrenne is a graduate of the École supérieure des affaires business school in Grenoble. He worked at Liberty Surf and Netbooster before co-founding LeGuide.com. He joined the Publicis group in 2005. He joined the L'Oréal group in 2015 as Chief Digital Marketing Technology Officer (CDMTO) to speed up digital transformation and develop the Group's digital business and revenue. Mr Arnaud Defrenne has been Solocal's Director of R&D since 25 April 2018.

Pascale Furbeyre • Marketing Director

Holder of an MBA from Columbia Business School, Pascale Furbeyre has worked for About.com in New York, Overture (France, Italy, Spain), and Yahoo! France and Europe. In 2009, she joined the Crédit Agricole group as Marketing and Communication Director and launched the online bank BforBank, a bank specialising in savings. She designed and developed the website, defined the positioning of the brand and supervised its launch on TV, the press and the Internet. In 2013, she was appointed Marketing Director of comparator website LesFurets.com, a subsidiary of British group BGL, imposing its use and product diversification to the general public through a robust strategy of marketing investments. Pascale Furbeyre has been Marketing Director of Solocal since 9 May 2018.

Christophe Parcot • Chief Revenue Officer

After obtaining an Advanced Master's from Essec Business School in 1990, Mr Christophe Parcot began his career at Largardère Active in the distribution business in Canada before joining Bertelsmann in Paris, working in the International department for consumer magazines. He moved to the LVMH holding company at the beginning of 1996 to take up financial and investment duties. Founding co-Director of Liberty Surf in 1999, he led the IPO process in 2000 and was then appointed Director of Strategy and Development at Tiscali France. In 2002, he launched the company Overture, inventor of sponsored links, in France, Spain and then Italy. Following the takeover of Overture and Kelkoo by Yahoo!, in 2006 he became Vice-Chairman Southern Europe of the Yahoo! group and in 2012 was appointed VP Head of EMEA of Yahoo! reporting to Marissa Mayer. In 2014, he joined the start-up Teads as Director of Operations tasked with speeding up international growth and transforming the company into a market leader for mobile and programmatic digital video advertising. Christophe Parcot has been Solocal's Chief Revenue Officer since November 2017.

Pascal Garcia • General Secretary

A graduate of the HEC Business School and having earned an MBA in Brazil and Spain, Mr Pascal Garcia has been with SoLocal since 1997. He started his career in Brazil, then moved to Wanadoo Edition, where he was, until 2008, CEO of QDQ Media in Spain, before being appointed as Manager of the advertisers division and becoming a member of the Group's Executive Committee. In 2011, he became Head of Strategy, Partnerships and External Relations, which includes the Group's international activities. Three years later, he was appointed General Secretary of Solocal and, in addition, took the responsibility of the Legal and Social Strategy department. Since October 2018, Pascal Garcia manages the Legal, Strategy, Partnerships, M&A divisions and Solocal's Institutional Relations - CSR - Ethics - Risks department

Jean-Jacques Bancel • Chief Financial Officer

Mr Jean-Jacques Bancel, a graduate of ESSEC, began his career in 1993 in consulting (Mars & Co) to join the world of banking (HSBC) in 1998, before managing the IPO of Autoroutes du Sud de la France in 2002 and taking responsibility for the Group's financial communications. He was promoted to Chief Financial Officer in 2003, a position he would occupy until the complete privatization of the Group under his watch in 2006. From 2007 to 2017, he occupied the same position in various LBO companies in construction materials (Consolis) and then in pharmaceuticals (Ethypharm and SGD Pharma). Mr Jean-Jacques Bancel has been Chief Financial Officer of Solocal since 13 February 2018.

Richard Cuif • Human Resources Director, in charge of Internal Communications

Mr Richard Cuif began his career at Rank Xerox, moved on to Disney and then Kraft Foods before joining the PepsiCo group where he was appointed Director of Human Resources-France in 1997. In that position, he played a role in the merger of the Food and Beverages activities in France. He then joined Schweppes France, participated in the creation of Orangina Schweppes before being promoted to the position of Director of Human Resources, Europe for the Group's Beverages business activity. From 2005 to 2008, he held the position of HR Director of Microsoft France, then joined the Devanlay-Lacoste group where he held the position of General Manager of Human Resources, Internal Communication and CSR. For seven years, he participated in the Group's international development headed up the Human Resources department and played a key role in the transformation of the Group. From 2016 to 2017, Mr Richard Cuif worked as a consultant, before joining Solocal in November 2017.

Philippe de Boissieu • Director of Transformation, in charge of Production/Delivery

A graduate of the "Institut d'Administration des Entreprises" in 1996, Mr Philippe de Boissieu started his career at the Générale des eaux as a financial controller before joining the consulting firms PwC and then Deloitte. He subsequently occupied financial management positions in industrial groups. Throughout his career, he had the opportunity to lead strategic transformation projects or turnaround operations. In November 2017, he joined Solocal as the transitional Chief Financial Officer. Since 2 May 2018, Mr Philippe de Boisseau has been Director of Transformation, in charge of the management of the "Solocal 2020" transformation project, and, since 18 January 2019, he has also assumed the responsibility of Production/Delivery for Solocal.

solocal 2020 : the strategic plan

Solocal announced its strategic "Solocal 2020" project on 13 February 2018, based on an **expanded offer of digital services for businesses, reinventing PagesJaunes and Mappy media platforms** to provide a new user experience, and a more streamlined organisation. This plan reflects Solocal's new ambition: to become one of the digital services champions in France.

Pillar 1 :

OFFERING A NEW DIGITAL RANGE THAT IS BOTH EFFECTIVE AND SIMPLE

Digital Presence | Websites | Digital advertising | New solutions | Print

Growing demand from VSEs, SMEs and large accounts with networks for support in building their digital presence, finding new customers and improving performance is a development opportunity for Solocal.

To meet these new needs, Solocal aims to become the trusted local digital partner for businesses in France, offering a wide range of digital services and a digital coaching service tailored to each market segment. This will require fundamental changes in the value proposition from 2018 to 2020:

- from a PagesJaunes-focused offer to a "Full Web & Apps" strategy on all devices (desktop, mobile telephones, tablets and PDAs);
- from a range of products offered each year to publishers to the widespread rollout of a range of digital services marketed in Software as a Service (SaaS) mode;
- from offers that overlap to a packaged and progressive product offer;
- from the customer "left to fend for himself" after a sale, to a digital coaching approach that provides tailored support based on a new customer experience;
- finally from 18 customer interfaces to a single "All-In-One" mobile and office customer application.

Solocal is now offering five new ranges of services on a single platform to boost the activity of professionals: the Digital Presence range (visibility and e-reputation), the Digital Advertising range (SEO, Performance and Social Media), the Websites range (showcase and e-commerce), New Services (CRM) and the Print range.

The new Websites range and the Digital Presence range were launched in the last quarter of 2018. The Digital Advertising range is to be completed in the third quarter of 2019, and CRM digital solutions are set to be rolled out in the second half of 2019.

Pillar 2 :

REINVENTING THE PAGESJAUNES AND MAPPY MEDIA FOR A NEW USER EXPERIENCE

Faced with the emergence of new needs and new uses from Internet and mobile users, PagesJaunes and Mappy are reinventing themselves to offer a new user experience via a richer and more finely differentiated customer journey that promotes lasting commitment to the brand. This is the goal of the transformation project built around a significant corporate culture change within the Company, which puts the user at the core of its user services strategy: "User First".

The reinvention of PagesJaunes has two aims:

- **Making searches on the service more relevant** through a complete revamping of user interfaces and of the customisation and pertinence of search results. PagesJaunes relies on artificial intelligence, augmented reality and other technologies, in partnership with the leaders in the tech market. By developing cognitive services (e.g. machine learning) with Microsoft/Bing, PagesJaunes' search function has evolved towards more personalised responses, thereby better meeting users' demand for customised services;
- **Developing communities and commitment** by:
  - strengthening the community culture by developing "reviews and comments" functionalities and creating business communities;
  - deploying new uses on major vertical platforms (health, housing, convenience stores, etc.) to develop a unique user experience (transactional, bookings, etc.);
  - a loyalty program launched in 2018;
  - and the development of new content that offers a higher quality, in particular video content.

By encouraging repeated use on PagesJaunes, Solocal will boost audience growth and be better able to monetise it.

Mappy will support the changes in French travelling behaviour by adding a multimodal comparison tool to its route-planning and mapping services.

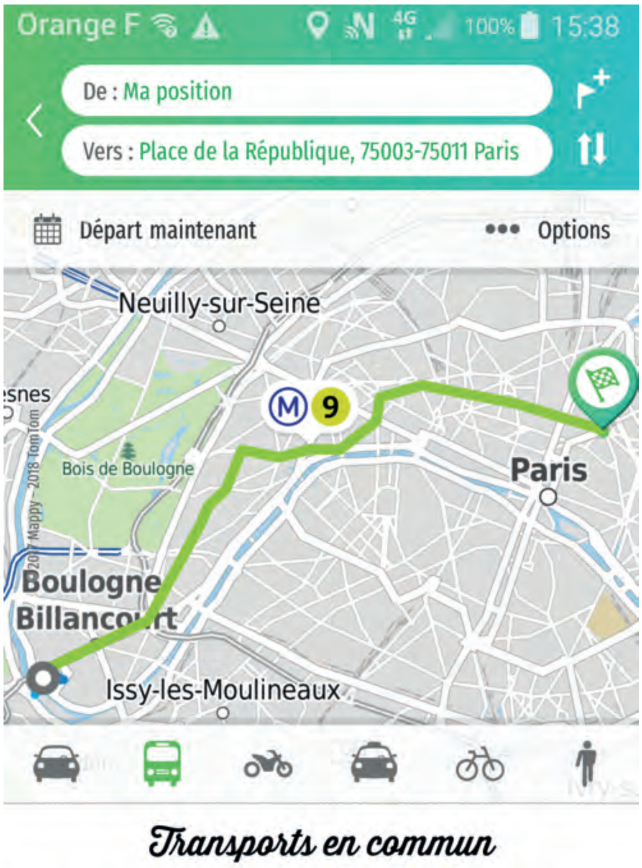
Mappy was Solocal's **second most widely visited service in 2018, with more than 343 million visits,** including nearly 54% mobile users (mobile + tablets) on iOS and Android.

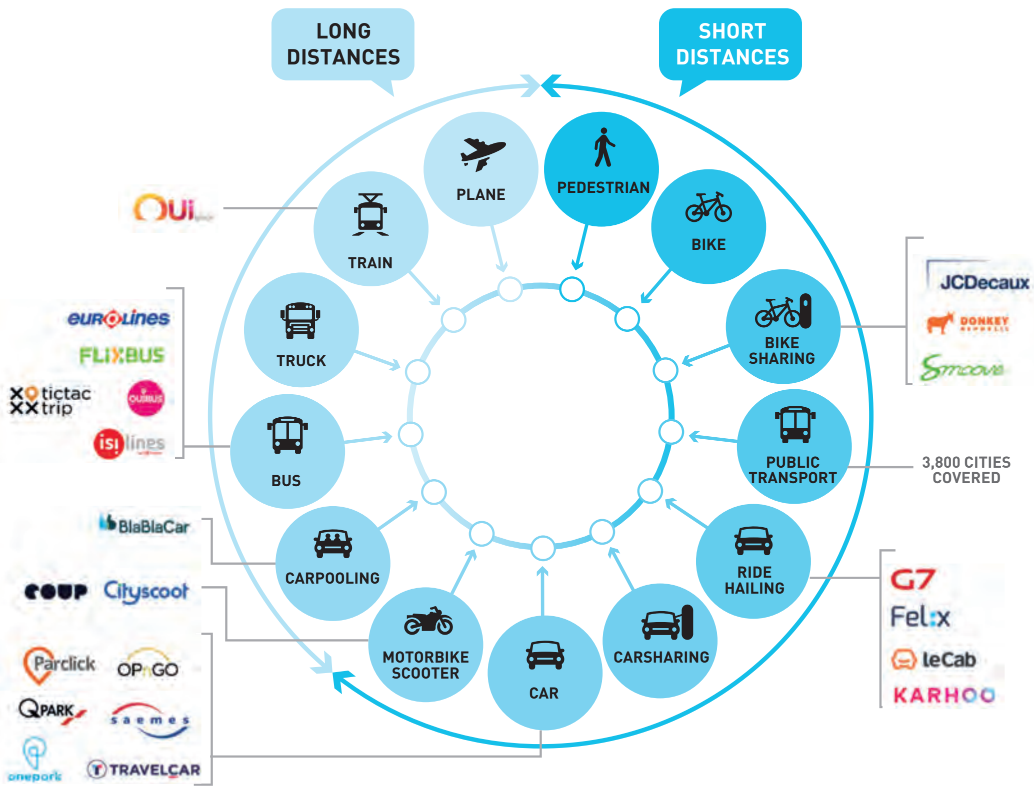
It provides:

- A localisation service for places, businesses, stores and points of interest,
- Transportation routes using 13 different modes of transport: travel by car or motorcycle, with or without tolls, taking into account real-time traffic data (including five years of historical data), long distance coaches, carpooling and trains for long-distance trips, shared vehicles (taxis and scooters), personal or self-service bicycles, public transport or on foot for short trips.
- A vector map;
- Geographic services allowing Mappy to be integrated into third-party sites;
- GPS navigation.

This comparer is a first step towards a MaaS (Mobility as a Service) service, which aims to accompany the transformations in the travel habits of French people.

Mobility as a Service (MaaS) is an emerging market, consisting of aggregating all existing modes of transportation (personal cars, public transport, bicycles, taxis/chauffeur services, shared cars, self-service scooters, etc.) in a given region to create mobility offers adapted to the consumption of individual users. The promise of MaaS is to offer a digital mobility assistant for all means of transport (public and private), in real-time with integrated payments.





Pillar 3 :

ESTABLISH A SIMPLIFIED ORGANISATION

To achieve these business and service transformations implemented since 2018, the company's organisation must be redesigned on the basis of three guiding principles:

- a **Customer & User-centric" corporate culture,** awith agile working methods and vectors of operational efficiency, based on structured and optimised processes. Each measure of the organisation's transformation project has an absolute priority: to be customer- and user-centric in order to respond to their changing expectations and needs. To meet this challenge, Solocal's transformation will require industrialisation of its tools and processes throughout the chain. Removing barriers to interactions between departments and fostering co-construction within the Company is the bedrock of the new corporate culture: more agile, more cross-disciplinary, more open. Thus, for example, significant synergies have been developed between the Product and Technology departments (in Agile mode), aimed at designing high-performance digital services and strengthening the time-to-market of offers;;
- a **new technological dynamic** to position itself at the forefront of market practices, Solocal wishes to have an R&D and IT policy consistent with its ambition. Solocal's technology, which is the growth driver for businesses, must encourage the design of innovative services for the benefit of customers and users and be adaptable to all market segments, in France and abroad, applying a powerful and scalable business model.
- a **simple, agile and efficient organisation** that enables each person to thrive and interact with co-workers in their daily activities.

Simplifying the hierarchy is also a way of improving efficiency. It has been streamlined, with fewer hierarchical levels, and with increased responsibilities. Subsidiaries have also been gradually integrated, with the aim of building more agile and cross-disciplinary teams to serve our customers. Improving operational efficiency required the removal of verticals, the consolidation of the telesales, customer support and production activities in regional hubs, and the amalgamation of marketing and operations activities within a centralised organisation.

This streamlining of locations aims to strengthen the sales and support teams' proximity to customers.

Front-line sales teams will get a top-quality working framework by being based in business centres, where they will have all the tools they need for their activities. For customers, the aim is to guarantee and maintain a strong national and local footprint – unique in the French market – through exceptional coverage.

This streamlining included the reduction of some 1,000 positions in 2018, with the implementation of a redundancy plan ("Plan de Sauvegarde de l'Emploi"). On 21 February 2018, Solocal initiated the process of informing and consulting the employee representative bodies, which was completed during the second half of the year. The result was an agreement on high-quality individual support measures offered to each employee concerned by the project, with the greatest respect and an attentive ear for all, through personalised and responsible support.

Implementation
schedule of the three pillars of the "Solocal 2020" strategy

	H1 | 2018	H2 | 2018
Pillar 1 **Platform for digital services for businesses and omnichannel salesforce**	• Partnership with Google expanded • Social media range in partnership with Facebook • Full Web Presence offer for large accounts • New customer segmentation	• Website range with e-commerce functionality • New site development platform in SaaS mode • Full Web Presence product range for VSE/SMEs with mobile app (in "test & learn" mode) • New branding and new Solocal website • Automated lead generation for marketing • Signing of the BingAds partnership
Pillar 2 **New user experience on our user-oriented digital services**	• New basic content • Appointment booking function • Loyalty program • PagesJaunes skill on Alexa (Amazon) • GDPR compliance • Mappy - improving multimodal support	• Single field tests, natural language and chatbots • User interface (UI) redesign • Recommendation and personalisation engine (in "test & learn" mode) • Vertical partnerships • Local Ads: 300 partners • Mappy - Navigation optimisation
Pillar 3 **Setting up of an agile and "customer-centric" organisation**	• New Executive Committee • Agreements with trade unions and redundancy plan (PSE) opinion • Launch of eight transformation programmes • Setting up of the "Transformation players" group	• Staff reduction (1,000 persons) • Centralisation of functions (customer relationships, marketing, etc.) • Reduction of the number of management levels • New Customer Space and ROI portal for sales representatives • Tech organisation in "Agile" mode • Cloud migration: choice of partners

IMPLEMENTATION SCHEDULE OF THE THREE PILLARS OF THE "SOLOCAL 2020" STRATEGY

H1 | 2019	H2 | 2019
• Launch of the e-commerce sales channel • Paid SEO range and migration to a new platform • Redesigned omni-channel customer experience with digital and human coaching • Intensification of automated marketing • Advertising campaigns • Diversification of full Web lead sources for performance offerings • Generalisation of the drive-to-store offer for large accounts	• "Do-It-With-Me" sites • New digital solutions: ▸ CRM Finalisation of the Digital Advertising range, offline/online contact generation and awareness (Priority Ranking)

- **Progressive and complete deployment of new digital service ranges in subscription mode**
- **Multichannel sales organisation in place**

H1 | 2019	H2 | 2019
• Single field going live • PJ Bot • PJ on Google Assistant • UI redesign of the search results • Integration of quote request • Integration of booking partners • Mappy - experiments with a custom multimodal homepage	• New search engine • Verticalised search path • New V2 search list • Service marketplace experiment • Mappy - experiments on customer experiences incorporating payment and ticketing

- **New user experience deployed for PagesJaunes and Mappy**
- **New economic models**

H1 | 2019	H2 | 2019
• New variable compensation for sales representatives • New customer segmentation • Optimised CRM tool • Simplified organisation with the elimination of the BUs and silos • Focus on training and management	• Implementation of the employee representative body (CSE) • Negotiation on the distribution of value creation • Effective cloud migration for digital services, infrastructures and applications • BI platform rollout and start of the ERP project • Simplification and consolidation of the sales tools

- **Organisation of technology platforms that are optimised to accompany and support growth**

Business model

Our resources

Finance
- **€294 M** in market capitalisation
- **€328 M** in net debt
- **€44 M** in investments

Talents
- **4,320 total registered workforce**[1] (93% in France)
- **2,847 employees**[10] **close to the customer:** field sales and TLS[2], customer relationships, commercial support
- **Experienced management team and digital expertise**

Audience
- Digital services for users: PagesJaunes, Mappy and Ooreka, with **2.4 bn visits** (reach rate of 51%[3])

Data
- Intention-based and **geolocated** data (GDPR [4] compliant)
- **Local content,** with **4.7 M professionals referenced**

Platforms
- Scalable **technology platforms**

Territorial network
- A **territorial network**, with **7 regional hubs** close to our 431,000 customers

Partnerships
- **Strong partnerships** with Google, Facebook, Apple, Amazon and Microsoft

Environment
- Energy consumption of **data centres: 4,702 MWh**
- Energy consumption of **offices: 6,241 MWh**
- Fleet of **1,054 vehicles**

Our activity

Our mission
Be the trusted local digital partner of all businesses to accelerate their growth

Our ambition
Become a recognised leader in digital technology in France today and in Europe tomorrow

Our growth drivers

Comprehensive range of digital services tailored to customer needs

Omni-channel commercial approach with the support of a digital coach

Recurring revenue

solocal

A simplified offer of digital services for our customers
(VSEs/SMEs and large network accounts)

- Digital presence
- Websites
- Digital advertising
- New services
- Print

Context

Technological and digital developments

Growing advertising and digital services markets

Regulations on data, advertising, taxation

* *Solocal estimates.*
(1) *3,391 registered employees including departures related to the redundancy plan.*
(2) *TLS: telesales.*
(3) *Reach is defined as the number of unique visitors of a website expressed as a percentage of a reference population over a given period. Médiamétrie (average 2018).*
(4) *General Data Protection Regulation.*
(5) *Harris Interactive survey of 1,200 net users: in a company/professional/business search regardless of the type of business, to find information from home or everywhere in France, how would you rate the satisfaction of each of these providers?*

Our culture

Customer and user centric
Team spirit
Entrepreneurship

Our strategy

Offer a wide range of digital services to businesses and provide the best digital and local experience to users

Partnerships with major digital players

Industrialised production and scalable platforms

solocal

Enhanced digital services for internet users/mobile users

On our platforms

- Reviews
- Content (photos, videos, etc.)
- User accounts
- Booking mgt

mappy   ooreka

And on partner media

Bing   amazon ...

Our value creation

Finance

- **No. 3** in digital marketing by revenue[11]: **€571 M**
- Recurring EBITDA[11]: **€171 M**
- Recurring operating cash flow: **€124 M**

Talents

- **Employee engagement index: 72%** (+7% vs 2017)
- **Employability: 57% of employees** surveyed agree that Solocal allows them to develop their skills and employability
- **Percentage of women executives: 32.5%**
- **3.2% of the payroll** allocated to training

Company

- **540,000 sites websites** produced (base)[9]
- **PagesJaunes satisfaction score**[5]**: 7.4/10**
- **Mappy satisfaction score**[6]**: 7.2/10**
- **CVAE**[7]**: €5 M**

Data

- **40,000** campaigns generated on Google and Facebook
- **Change in the number of leads** generated by visitors: **+1,6 %** vs 2017
- Over **8 M reviews**

Environment

- CO_2 emissions – offices: **-12 % vs 2017**
- CO_2 emissions – vehicle fleet: **-20 % vs 2017**
- **59% of rental areas certified HEQ**[8]

Changing expectations of citizens in respect of businesses

Changes in working patterns

Climate change, respect for the environment

(6) *Harris Interactive survey of 1,255 net users: in a map/plan, route calculation or GPS navigation search, how would you rate the satisfaction of each of these providers?*
(7) *Corporate value added contribution.*
(8) *High Environmental Quality.*
(9) *Of which 457,000 store locators.*
(10) *2,110 registered employees including departures related to the redundancy plan.*
(11) *Continued activities.*

Corporate social responsibility

SOLOCAL'S COMMITMENTS

In 2018, a turning point in its transformation, Solocal refined its Corporate Social Responsibility strategy to include it in its first Non-Financial Reporting declaration[1], in keeping with the spirit of the EU Directive on Non-Financial Reporting. Based on the expectations expressed by all stakeholders, the Company has identified eight priority issues in terms of governance and social, environmental and societal actions.

In 2019, Solocal will raise awareness among all of its employees about extra-financial topics and incorporate them into its corporate culture. The adherence of all levels of the Company to the need to make progress on these eight issues will strongly contribute to the good execution of the "Solocal 2020" strategic project, the number one objective for 2019.

(1) The whole Non-Financial Reporting can be found in Chapter 3.

8 priority challenges divided into 4 themes:
Governance, Social, Societal, Environmental

GOVERNANCE

PROMOTE

the respect and security of personal data

The protection of personal data is a major challenge for Solocal, which aims to contribute to a trusted Internet meeting the growing aspirations of stakeholders. Regulatory compliance, including the General Data Protection Regulation (GDPR) is fundamental to ensuring the sustainability of the business. Failure to comply with these regulations would have multiple impacts: financial (via administrative sanctions) and criminal penalties, and would also weaken Solocal's reputation.

CONSOLIDATE

ethical governance taking into account CSR aspects to ensure the company's sustainability

Beyond compliance with laws and regulations, Solocal considers that the incorporation of social, environmental and societal best practices into its governance can help it improve its economic performance and consolidate the trust in Solocal held by both its internal and external stakeholders, thereby helping to ensure the long-term viability of the Company.

EMPLOYER RESPONSIBILITY

ACCOMPANY

change in jobs and skills

Solocal's success is built primarily on the experience and expertise of its employees; ensuring the appropriateness of their skills with the changing needs of the Company's activities is a true challenge in today's competitive markets. As part of the "Solocal 2020" strategic transformation plan, the support of employees through training has become crucial to ensuring their employability, both in regards to their development within the company and to the valuing of their skills externally.

PROMOTE

the development of a pleasant work environment for everyone

In addition to individual skills, collective performance is nourished by the existence of a materially-favourable framework, an optimised organisation and positive inter-individual relationships. However, since 2013 Solocal has undergone profound transformation phases, giving rise to organisational tensions (2013 employee redundancy plan, 2015 voluntary redundancy plan, 2018 employee redundancy plan), and uncertainties for employees (changes in company governance, increased competition). This difficult situation can have consequences for the quality of life in the workplace: psychological impacts, loss of reference points, difficulties reaching objectives, etc.
Recognising that improving working conditions helps in the attainment of its social and economic objectives, Solocal pays particular attention to changing working conditions and their modes of operation, in order to promote the well-being of its employees.

STRENGTHEN

employee engagement and the attractiveness of Solocal

In order to ensure the durability and development of the Company's activities, Solocal needs to know how to attract and retain employees with specialised and complementary expertise, a challenge that is all the more difficult in the competitive field of digital technology jobs. This means providing a supportive environment in human, material and professional terms that encourages employees to express their talents to serve the company.

SOCIETAL

ACCELERATE

the digitisation of French VSEs and SMEs and the development of digital skills in the territories

The low adoption of the internet by small and medium-sized businesses creates a risk of a loss of competitiveness and therefore the decrease in economic activities throughout France. Only 67% of French SMEs have websites, compared with more than 87% in Germany and 84% in the United Kingdom [1]. This factor is even more significant with French micro-enterprises (95% of the French entrepreneurial fabric) where only one third of French VSEs have an Internet website. In order to boost the local economy through digital technology, Solocal is positioning itself as a trusted partner by offering simplified and efficient digital solutions to local economic players.

ENSURE

responsible content publication and access

In a context of ubiquitous digital communication, the trust of consumers and professionals in the Company's brands is an essential asset that Solocal wants to preserve by keeping its quality standards at the highest level. This attention concerns all the information and advertising content that Solocal produces and disseminates on its platforms or on partner medias.

ENVIRONMENTAL RESPONSIBILITY

OPTIMISE

energy consumption, use of resources and reduce carbon impact

In a context of the threat of climate change, Solocal's transformation must be accompanied by an optimisation of the resources used to develop its activities. Given that the environmental impact linked to the business of printed directories is no longer a major issue, other significant issues for the Company are: the energy-efficient management of its digital flows (data centres, applied eco-design, etc.), its car fleet and its real estate portfolio.

(1) European Commission, Digital Single Market, 2018. Business with 10 or more employees (excluding the financial sector).

(2) INSEE, ICT in micro-enterprises in 2016, March 2018

ABOUT SOLOCAL

1.1 HISTORY AND DEVELOPMENT

Originally known under the name *Office d'Annonces* **(ODA)**, the Company subsequently changed its name to *PagesJaunes Groupe* in 2000, then Solocal in 2013. The Company has been offering a diversified range of products and services to its business customers and to consumers since 1896 and the creation of the ODA. It has adapted its business model and its strategy over time, in an environment prone to major (technological) change.

In 1946, the French Postal Service, Telegraph and Telephone Ministry awarded the advertising business of French directories to the ODA. Advertising in directories had developed continuously since 1946 due to growth in consumption and in the advertising market in France but also thanks to the increase in directory distribution associated with the increase in the number of phone subscribers. The steady increase in ODA's sales was due in particular to its ability to adapt its economic model and strategy to the emergence of new technologies. The 1980's notably saw the launch of Minitel, the precursor to the advertising market on the Internet. The first advertising offers on the Internet were launched in 1996. PagesJaunes.fr, the Internet service for Solocal users, was created in 1997. In addition, the Company extended its range of advertising services beyond business directories, integrating a range of digital marketing services.

In 1998, Havas group, which had historically owned all the share capital in ODA since its creation, sold its holding to Cogecom, a subsidiary of France Télécom. Solocal has been listed since 2004 on the Euronext market and France Telecom sold its residual stake in the company in 2006 to KKR and Goldman Sachs through a leveraged buy-out. In 2014, Solocal underwent financial restructuring (including a €440 million capital increase) which enabled it to reduce its debt significantly. In 2015, the Company disposed of various non-profitable and low-growth Internet businesses. In 2017, Solocal underwent further financial restructuring, reducing by two-thirds the remainder of its debt inherited from the 2006 leveraged buy-out.

In 2010, Solocal embarked on its digital revolution and acquired several businesses to expand its digital services operations: embauche.com, AVendreALouer.fr, ClicRDV.com, Fine Media, publisher of the ComprendreChoisir.com website (renamed "Ooreka"), Chronoresto and Leadformance. More recently, in 2016, Solocal acquired Effilab, an online advertising agency specialising in the management of campaigns on search engines and social media. As part of its development strategy, some of these assets were disposed of after 2015 (notably AVendreALouer.fr and Chronoresto in 2017, and Retail Explorer and NetVendeur in 2018).

Over the same period, Solocal started developing major partnerships with global Internet players, in particular Google, Apple, Facebook, Amazon and Microsoft.

The Company's digital revenues increased from 48% of total revenues in 2010 to 85% in 2018. It has gradually progressed from the publication, distribution and sale of advertising space in printed directories (PagesJaunes and PagesBlanches) to digital communication and a comprehensive range of full web B2B digital services with the launch of the Solocal 2020 strategy in 2018.

1.2 BUSINESS OVERVIEW

1.2.1 MISSION STATEMENT

See the introductory document, section "Mission statement".

1.2.2 SOLOCAL'S COMPETITIVE STRENGTHS

See the introductory document, sections "Solocal's competitive advantages" and "Key value drivers".

1.2.3 B2B DIGITAL SERVICE OFFER

See the introductory document, section "B2B digital services".

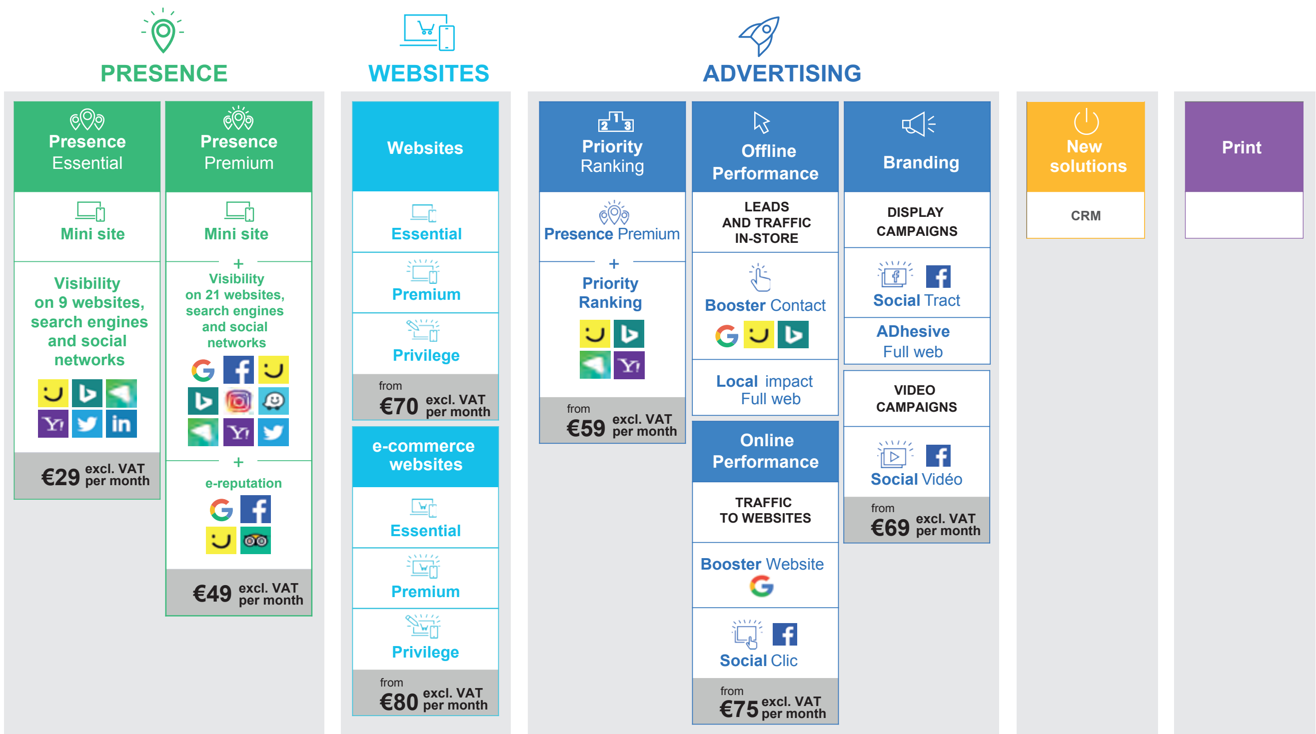
When the "Solocal 2020" strategic plan was launched in February 2018, Solocal repositioned its product offers and its brand, and now presents a broad range of digital offers to VSE, SME, and large accounts, supplying the best digital and local experience to users of PagesJaunes, Mappy and Ooreka.

The Company positions itself as the partner that accelerates the growth of local companies through digital power, with a value-creating approach for its customers on three levels: visibility everywhere on the web and apps, acquisition of new customers, and better performance through digital technologies.

With the launch of its new logo and the new website www.solocal.com in November 2018, Solocal is now positioned as a strong and recognised B2B brand, becoming the single unique commercial brand of the Company. The brand endorses all service offers proposed to small, medium, and large companies that were until present marketed under the name of different subsidiaries and business units. It also embodies the role of Solocal as a digital coach for tailored assistance in new customer experiences.

Solocal offers a unique combination of digital services to enhance the visibility and boost the activity of VSEs/SMEs and large accounts. Each offer contains several solutions designed to meet the needs of all companies.

Solocal has developed a robust range with five digital service offers for VSE/SMEs: Digital Presence, Websites, Digital Advertising, New Solutions and Print.



DIGITAL PRESENCE

The Digital Presence offer, available as an upsell product since 2017, was launched in a new version as a socket and entry product of our new range in November 2018. This solution ensures customers presence on the Internet by managing their digital presence, by enhancing and updating their content full Web in real time and in one click on propriety websites (PagesJaunes and Mappy) and a robust network of partner broadcasters. Digital Presence comes in the form of an application that is designed for businesses of all sizes and which can be downloaded from the App Store or Google Play. The app also enables companies to liaise with their own customers by requesting their review, collecting and responding to published reviews regardless of the platform, and to have a mini-website which is included in the offer. This serves as a stepping stone to upgrade towards one of Solocal's more up-market website or e-commerce site solutions. The Digital Presence offer provides businesses with consistent and relevant SEO (Search Engine Optimisation) across all search engines, social media networks and other browser platforms (optimising SEO), and support throughout the subscription period with help from a Solocal digital coach who guides them at every stage of their business by providing the highest level of service.

- **Publish latest news**
  - Communicate on events, discounts, special menus and recent achievements on search engines and social media in just a few clicks.

- **Manage reviews**
  - Receive updates on new reviews by Internet users on PagesJaunes, Google, Facebook and Tripadvisor, and reply instantly. Request reviews through customer e-mail campaigns.

- **Update your basic info**
  - Update all of your business info, and automatically post it to the most popular websites and apps.

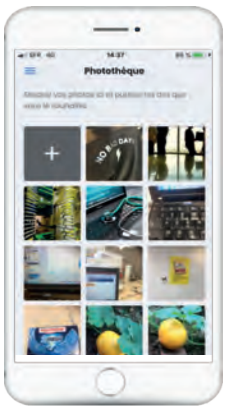
- **Monitor its stats in real time**
  - Monitor how many people have viewed the Facebook, Google or PagesJaunes page. Find out what they clicked on and what keywords they used to find what they were looking for.

- **Create a mini website**
  - Create a Webpage which showcases your business online.

The Digital Presence offer provides user-friendly turnkey solution for businesses to manage their visibility via the most relevant advertisers. Solocal develops and publishes specific media-partner web pages for its customers (Google My Business, Facebook, etc.) and enables customers to promote news about their business themselves (for example, special offers, the daily menu or pictures of their achievements) and display details concerning their opening hours, addresses and phone numbers, etc. , publish photos (related to their latest news or events, for example), and manage their online reputation (such as receiving customer feedback and being able to respond in real time). From the Presence mobile app, businesses can manage their content, which is disseminated in real time and in one click by Solocal's media partner outlets, as well as the major search engines (such as PagesJaunes, Google, Bing and Yahoo!), the social networks (e.g. Facebook, Instagram, LinkedIn, TripAdvisor and Twitter), GPS navigation and mapping websites (such as Mappy, Waze, TomTom, Navmii and Here), and national search media (e.g. 118 008).

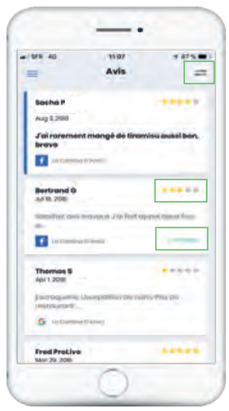
Edit profile'

Update news



Add photos

Manage reviews



Monitor dashboard

The Digital Presence offer is marketed in subscription mode with automatic renewal, payable in cash, in three instalments or on a monthly basis. The offer comprises three solutions with varying prices and services:

- The free solution allows companies to be referenced and update their information on the PagesJaunes.fr site, directly on the site without using the Presence mobile app. This solution enables Solocal to establish contact with companies and prospects, with a view to building up a source of customers who could potentially upsell towards the Company's other Digital Presence and paid ranking solutions;

- The "Presence Essentiel" solution is marketed at €29/month (upfront payment) and, via the Presence app, provides customers access to nine partner websites, search engines and social media networks and a mini-website;
- The Presence Premium solution is marketed at €49/month (upfront payment) and, via the Presence app, provides customers access to a wider network of 21 partner websites, search engines and social media networks, as well as customer reviews and the possibility of responding directly via the app, and a mini-website.

	Free	Essential	Premium
	€0	€29 per month	€49 per month
Post ads with	1 site	9 sites of which: ...	21 sites of which: ...
Mini site	✗	✓	✓
Distribution of the news	✗	✓	✓
Manage customer views			
Solicitation of reviews	✗	✗	✓

Compulsory 1-year contract.

With its Digital Presence range, Solocal aims to retain all of its current customers and acquire a large number of new customers among the millions of Very Small Enterprises (VSE) and SMEs seeking to expand their Internet presence in an optimal way. As of 31 December 2018, the Digital Presence offer sold via the e-commerce and telesales channels had approximately 65,000 customers, with Digital Presence serving as the socket for further upsell. The 2018 ARPA of the Company's Digital Presence customers was around €500 to €600. The Digital Presence range generated revenues of €131 million in 2018.

SITES

Solocal offers a range of website and e-commerce sites solutions ("Essentiel", "Premium" and "Privilège") across all types of devices (desktop, tablets, smart-phones, etc.) at competitive prices tailored to meet the needs and budgets of all businesses (whether they already have a website, wish to modify or do not have a website). The new, diversified Sites offer was launched in September 2018 in the form of 12-month or 24-month subscriptions with automatic renewal.

This offer is an extension to the mini-site offer as part of the Digital Presence offer.

Solocal's Sites offer is a comprehensive solution of customised websites for its customers with:

- a wide range of templates which can be customised or specifically tailored by expert web designers;
- increased visibility on Google and Bing: organic SEO for a better ranking on search engines and click campaigns to quickly obtain more visits;
- assistance for the lifetime of the website with ongoing and tailored counselling.

The e-commerce offers allow businesses to access online sales through useful features and assistance adapted to their marketing strategy:

- creation of an online product catalogue;
- e-commerce features allowing management of promotions, cross-sell, commercial hosting of its customer base;

- automatic inventory count and statistical tracking of order intake;
- two secure payment solutions, with negotiated fees;
- a logistical interface for accessing multiple delivery solutions (launch expected in the second quarter of 2019).

	"ESSENTIAL"	"PREMIUM"	"PRIVILEGE"
Websites	• Customisable templates • SEO optimised content • 300 SEA clicks • 2 follow up calls and updates / year • Hotline and client dashboard 24/7	• Exclusive templates, optimised design by dedicated webmaster • SEO strategy including 10 keywords • 600 SEA clicks at launch • Specific SEO calls every 4 months • Hotline and client dashboard 24/7	• Fully customised design with tailor made functionalities and pro photos • Dedicated webmaster and SEO expert • New design every 2 years • SEO strategy including 20 keywords • 1,200 SEA clicks / year for life • Optimisation calls every 3 months • Hotline and client dashboard 24/7
	Set up fees **€450** **From €70/month*** 12-month contract, automatic renewal	Set up fees **€1,500** **From €169/month*** 24-month contract, automatic renewal	Set up fees **€2,790** **From €325/month*** 24-month contract, automatic renewal
E-commerce sites	• All of the above + • 500 product catalogue, including 20 products created for the customer	• All of the above + • Product catalogue, including 40 products created for the customer	• All of the above + • Product catalogue, including 75 products created for the customer
	Set up fees **€660** **From €80/month*** 12-month contract, automatic renewal	Set up fees **fees €1,650** **From €169/month*** 12-month contract, automatic renewal	Set up fees **fees €3,540** **From €325/month*** 12-month contract, automatic renewal

* Upfront payment

The effectiveness of this offer is underpinned by robust industrial platforms, with the notable launch of the Duda white label site-creation platform, with which the "Essentiel" and "Premium" new sites are created (Q4 2018, and Q1 2019, respectively) and to which pre-existing sites with basic and medium range offers will gradually migrate in Q1 2019. This scalable Duda platform, which is a worldwide reference will enable Solocal to deliver the most technologically-advanced sites to its customers on an industrial scale.

Building on its expertise (dedicated web design and SEO teams based in Angoulême) and its experience (over 540,000 websites developed, including 457,000 store locators, and local pages of brands with networks) Solocal has become a benchmark in website creation.

The "Do It With Me" offer, to be launched in H2 2019, is designed to expand the customer base and create additional future sales opportunities.

Growth potential is significant due to the low number of VSEs/SMEs with websites and e-commerce solutions in France, compared to neighbouring European countries (two thirds of VSEs[1] and one third of SMEs[2] in France do not have a website).

DIGITAL ADVERTISING

The purpose of the Digital Advertising offer is to provide customers with more than a basic online presence, but with full web visibility via three service offers tailored to meet the needs and demands of the Company's customers:

- "Priority Ranking": priority display solutions of a business compared to others, on Solocal's media (PagesJaunes and Mappy) as well as on a network of media partners;
- "Performance": performance solutions (Solocal guarantees additional volumes of leads, be it traffic on the website, online appointments, phone calls or even store visits);
- "Branding": visibility solutions (volume of individuals targeted, advertising viewing time and advertising message repetition are privileged).

These solutions draw on Solocal's strong competitive edge in the field of digital advertising for businesses, which enables the Company to offer optimised digital advertising solutions, and at a lower cost for its customers: very high volumes of quality proprietary data (targeted local search on Solocal sites with more than 26 million unique visitors per month[3] and geo-localised data), proprietary digital advertising technology platforms, solid technological, marketing and financial partnerships forged with major global digital players (Google, Facebook Bing, Yahoo!), all enabling Solocal to establish a strong competitive position on long tails of targeted local requests, and a solid national, omni-channel footprint in France.

(1) Source: INSEE, ICT in microenterprises in 2016 (March 2018)
(2) Source : European Commission, Digital single market 2018 (companies with 10 or moreemployees, excluding the financial sector)
(3) Source : Médiamétrie

The Digital Advertising offer was sharply reinforced in 2018. Social media, as best illustration, with a "Social" range enhanced with two additional offers, Social Clic and Social Video, resulted in the creation of over 3,000 Facebook campaigns by the end of December 2018 carried out on behalf of the Company's customers. These different advanced digital advertising solutions (most of which are in subscription mode with automatic renewal) are full web; Solocal media (PagesJaunes, Mappy, Ooreka), media partners (such as Bing or Apple), large integrated advertising platforms (such as Google or Facebook) and, more generally, the entire media market (through programmatic, open-advertising platforms). With this range of digital advertising the Company helps businesses attract new customers through full web visibility i.e. covering the vast majority of Internet media in ways that are customised to the advertiser's objectives: fixed rate or by subscription, performance commitment or visibility commitment etc.

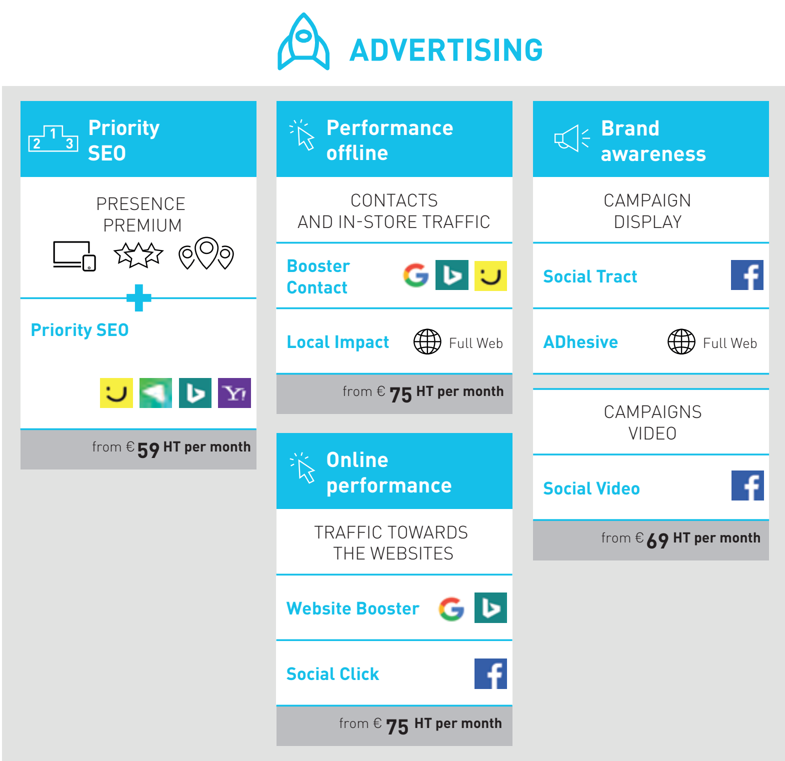
This full web visibility is the result of an approach based on multiple levers. Optimising an advertiser's visibility on Google alone requires the activation of three levers: the Google partnership which enables Solocal to update a business listing on Google My Business, the strength of Solocal's SEO, which enables a PagesJaunes customer or the owner of a Solocal website to increase SEO opportunities on Google, and the SEA (Search Engine Advertising) capabilities of Solocal which enable the Company to make its customers effectively visible at the top of Google's search results. Put together, these levers enable advertisers to be visible in all sections of Google results.

In general terms, thanks to its partnerships with Google, Bing, Yahoo! and Apple, and through the solutions developed for these advertising platforms, Solocal improves the visibility of its customers across all sections – SEO, SEA and ranking – of the main Internet players. Add to this the ranking solutions enabling businesses to appear ahead of their competitors on the Solocal proprietary media (PagesJaunes, Mappy and Ooreka) and the Company ultimately enables its customers to capture most local business searches carried out by Internet users in France.

The Solocal approach is based not just on multiple levers but also on multiple formats. In addition to the Search format, Solocal also optimises the visibility of its customers on the Display and Video formats, through social media or programmatic platforms (platforms enabling publishers to automate the sale of their advertising space and on which Solocal uses real time auction strategies optimised by the Solocal databases).

Some of these Digital Advertising solutions leverage the Company's own data as well as data acquired from third parties to achieve in real time the targeting of the target audience on behalf of customers. Solocal's data include c. 100 million monthly expressions of local needs from PagesJaunes users. In addition, the Company also has access to the data segments offered by the Gravity Alliance, co-founded in July 2017 by Solocal with a number of publishers within the market such as M6, Les Échos, SFR, etc.

Digital Advertising offer



"Priority Ranking" offer should be launched for new customers in the third quarter of 2019 and then extended to all customers. This offer is available on the basis of a one-year subscription with automatic renewal. Payment can be made upfront, monthly (€59 excl. tax in cash) or in three instalments. It includes the services offered in the Presence Digital Premium solution (management, via the Solocal app. of digital presence on 21 websites and social media networks and e-reputation management of businesses), and also enables businesses to select keywords related to their business line and location (or the area served), giving them a priority visibility on Solocal's proprietary user services (PagesJaunes, Mappy) and a certain number of partner media (Yahoo! and other media of the LocalAds network).

The Priority Ranking offer will include Solocal support (customer onboarding, continuous assistance etc.) with access to a digital coach, a mobile app and an Internet platform.

The Performance offer, for its part, comprises several solutions designed to improve the generation of online traffic (for example the "Booster Site" solution backed by the major search engines, or "Social Clic" via the Facebook social media network) and the generation of leads (e.g. "Booster Contact") on behalf of customers, in a performance-focused approach.

For example, Booster Contact is a performance offer that can guarantee advertisers a certain number of qualified and leads (phone call analytics, online appointments, etc.) from ads available on search engines such as Google or Bing. Booster Contact allows businesses, all year round, to capture within their catchment area, on all terminals, qualified leads i.e. Internet users interested in their products and services.

These "performance offers" are turnkey solutions enabling businesses to purchase a fixed number of leads at a set price and include the creation of ads on Google and Bing's search engines, the creation of "landing pages" which offer various means of introducing the visitor to the professionals and the continuous optimisation of this visibility carried out by a traffic management team, using algorithmic solutions that allow the best key words to be purchased at the best price.

Lastly, the Visibility offer includes in particular solutions backed by the power of social networks: solutions include "Social Video", a video advertising solution enabling customers to disseminate their video marketing campaigns on Facebook and which guarantees a minimal viewing time of 10 seconds (viewing time approximately twice the average for videos viewed on Facebook); and the Social Tract offer which focuses on the number of postings over a fixed period of time to showcase and publicise their activity, products and corporate highlights throughout the year.

The Digital Advertising offer generated revenues of around €325 million in 2018.

NEW SOLUTIONS

Solocal offers transactional services, such as online appointments and booking for doctors, restaurants or stores, digital support services and digital coaching with regard to digital content, search engine optimisation and customer relationship management (CRM). The aim is to help Solocal's customers build relationships with their own customers through the use of the Company's Digital Services and to simplify the management of their business activity so that they can devote more time to their day-to-day business operations.

The phenomenon of digitalisation represents a major growth driver for VSEs and SMEs and goes beyond digital presence. For VSEs and SMEs scheduling appointments, existing and potential customers, document exchanges, inventories, billing and payments are all functions that are key to growing their businesses, which Solocal can assist with and simplify through its New Solutions offer.

Solocal has developed an initial New Solutions offer, which the Company intends to supplement with a more complete and structured offer. It offers transactional solutions enabling strong interactions between professionals and consumers. These solutions take the form of appointments, scheduling services or bookings, in each case through proprietary technologies (ClicRDV) or partner technologies (La Fourchette, Expedia). These services enable users to:

- schedule appointments online with a health professional directly through PagesJaunes.fr;
- make restaurant reservations directly through PagesJaunes.fr and take advantage of any promotions offered by the restaurants; and
- book hotel rooms directly through PagesJaunes.fr.

The Company has also developed a first customer relationship management (CRM) offer that enables businesses to manage e-mailing campaigns, manage their prospects and launch loyalty programs through the use of simple digital tools. Solocal is preparing a more comprehensive version of offers, enabling its customers to manage and optimise new aspects of its day-to-day activities (including sending special offers, monitoring lead transformation, managing invoicing and payments, etc.).

PRINT

Solocal's "Print" offer has historically included the publication, distribution and sale of advertising space in printed directories (PagesJaunes and PagesBlanches). Paper directories are assessed each year in terms of the benefit to advertisers and users in light of the increasingly digital environment. As such, PagesBlanches directories have gradually been discontinued in urban areas, where web search is far more used; PagesBlanches no longer exist in thirty-three French departments in 2018. With regard to PagesJaunes, decisions were taken to stop production in the departments of Île-de-France and a number of larger urban departments (Rhône, Bouches-du-Rhône, Nord) to discontinue publication after 2018.

After announcing, in 2018, that it was going to stop publishing printed directories in 11 departments in 2019 and 15 departments in 2020 following a forecast profitability analysis, Solocal has decided to stop publishing printed directories at the end of 2020, to be 100% digital as of 2021. Customers and users continue to shift away from printed directories in favour of digital media, thus only 23,000 clients of Solocal use printed directories only and mixed offers were put in place in order to promote the transition to digital media. The decision was taken to totally stop distributing printed directories after the 2020 edition, the last collector edition: the final revenues for the printed activity will be recorded in 2020.

Solocal is currently exploring new solutions for its customers wishing to replicate their digital communications in paper format, such as flyers for example. This will enable its customers to have a single provider for all their communication campaigns, both in digital and physical format.

PRODUCTS FOR LARGE ACCOUNT NETWORKS

Solocal offers its large account customers (large national brands with a local presence) tailored products across its whole range, both Digital Presence products and Digital Advertising.

The brands and banners organised in distribution networks are increasingly aware of the need to adopt a local strategy, and of the importance of an online presence in their off-line business. It is mainly to address these challenges and capture the local potential that Solocal developed a range of solutions dedicated to large accounts and networks, allowing the brands to be successful in developing their local advertising impact, taking into account the specifics of each catchment area. Through its unparalleled regional coverage, Solocal already assists several thousands of large accounts and networks with their advertising strategies, by deploying centrally- and locally-based tailored solutions.

This Online to Offline solution range is built on a number of assets developed by Solocal, enabling it to gain local leverage via online presence management and digital advertising:

- a SaaS platform **"Solocal Bridge"**, used to manage the digital visibility of a network in real-time, both centrally, at the level of the network head, and locally, at the point-of-sale. The platform integrates store locator solutions for this purpose (a local web page dedicated to a point of sale), presence management (real-time management of all key information of the network - hours, reviews, news, photos - on the store locator and on about 20 websites and social media with large audiences), and digital advertising (on Google and Bing currently, progressively expanding in 2019 to other communication universes, including social media);
- the mobile-to-store **"Local Impact"** solution, enabling to target millions of profiles at the local level, in the point-of-sale catchment area, according to their place of residence, what they are doing at that particular time in their life, consumer preferences and habits. This advertising offer is based on a programmatic chain and algorithms developed by Solocal to enhance and measure the offline impact of campaigns, and more specifically the actual visits in sales points;
- the **Network Booster** solution adapts the features of Solocal's Booster Contact to address the specific issues of store networks. It is an advertising performance offer, which guarantees the advertiser will be provided with, for each one of the catchment areas in its network, a certain number of qualified leads (phone call analytics, online appointments, etc.), generated by ads displayed by search engines such as Google and Bing. This multi-local offer, suitable for brands organised into distribution networks, enables to design and manage both local and national networks and enjoy the full potential of each catchment area.

1.2.4 CUSTOMERS AND OMNICHANNEL COMMERCIAL STRUCTURE

As part of the reorganisation plan, in 2018 Solocal re-adapted its customer journey to the different profiles of its customers over all its segments, since the salesforce and local presence of Solocal on the digital services market are among of its main advantages. The Company has thus redesigned its organisation by developing a multichannel approach, built on an integrated approach starting from the first lead generated. The products are presented under the Solocal brand, relaunched in November 2018 with a new logo and a new website: www.solocal.com.

Solocal now positions itself as a strong and recognised B2B brand, and becomes the single commercial brand of the Company. It endorses all service offers proposed to small, medium, and large companies that were until present marketed under the name of different subsidiaries. The brand also embodies the role of Solocal as a digital coach for tailored assistance on new customer experiences, in a value-creating approach for its customers on three levels: visibility everywhere on the web and apps, acquisition of new customers and better performance through digital technologies.

The customer experience has been reconsidered in a "lifetime value" approach. From a vertical classification (Housing, Retail, Public Health & Government, Services, B2B, International), customers have been redefined according to their ARPA and their potential for growth over all Solocal products with the rebalancing of the sales force between the different sales channels (e-commerce, telesales, field sales, large network accounts), that breaks down as follows:

Potential ARPA	Channel
< €500	E-commerce & telesales
€500 - €3,000	Telesales < €1,500 VSE/SME field sales > €1,500
> €3,000	VSE/SME field sales
Large network accounts	Large accounts field sales

As part of the new customer segmentation, companies are directed towards the most adequate channel according to their potential interest in the products, in multichannel mode. The implementation of a marketing automation plan in 2018 and the e-commerce channel in January 2019 are in this context optimising customer and prospect management, while minimising costs for optimal impact. The objective of the telesales sales force, that includes 684[1] telesales employees at end-2018, was to concentrate on customers with ARPA below €1,500 and the acquisition of new customers. The field sales force includes 960[2] Field representatives at the end of 2018. The objective of the sales force dedicated to VSE and SME was to concentrate on ARPAs above €1,500 and customers with strong potential for growth. Finally, the large accounts sales force includes dedicated field sales representatives to take charge of large network accounts.

The large network accounts team, that is one of the major business growth areas in the "Solocal 2020" project, focuses on national companies that have many local sales points in networks throughout the territory. The advising team, in charge of deploying the framework agreements, is supplemented by the dedicated field sales force.

The specific feature of the large network accounts customers resides in the national and multilocal dimension, for all segments: automobiles (Autosur, Eurorépar), specialised distribution (Fnac-Darty, Netto), banking (HSBC, Crédit Agricole), etc. Solocal's priority is to give digital visibility to the different local sales points of its Large Accounts customers while allowing centralised management.

Solocal is also a major partner of the media agencies and communication agencies, that offer Solocal products to their large network accounts customers, to reach the largest possible target on the specific products offered to this type of customer base: digital advertising products (Media Booster), Bridge/Store Locator, Social Media, etc.

On average, in 2018, nearly 431,000[3] of the 4.7 million local businesses listed in the PagesJaunes databases, were Solocal customers.

With the reorganization in multichannel mode, customer portfolios have been reallocated according to the new segmentation in order to offer the best assistance to companies throughout their customer experience, in a customer-centric approach, with the assistance of a digital coach to assist small companies in optimising the use of their products and leading to additional sales or up-selling products in the future, training of sales representatives on the new product offers, and the progress in implementation of a customer satisfaction experience with a customer relations team of 244[4]dedicated individuals.

The sales organisation has been rethought in an "agile" mode in order to facilitate the assistance provided to customers and optimise time and sales quality for greater productivity. The telesales sales force uses new tools put in place to assist order intake such as screen sharing tools. The field sales force was also reorganised to be able to dedicate more time to customers (through geographical concentration of covered territories), with a reduction of the rankings (each manager going from five to eight persons in their team). The variable remuneration of these sales teams was also redefined for better performance management with a concern for efficiency and growth of sales, with the approval of the personnel representatives, put in place on 1 January 2019.

1.2.5 TECHNOLOGICAL PLATFORMS AND DATA

Solocal's technological platforms

Solocal has unique assets that allow its customers to interact with the digital Internet ecosystem, user services, and advertising entities, with a team of more than 300 IT and R&D experts at the end of 2018.

User services platforms

The mission of the user services platforms is to direct the users towards the most relevant businesses or local services. The PagesJaunes platform demonstrates a unique capacity for processing 1.7 billion visits for business searches on the PagesJaunes user platform and on partner websites using technology for displaying syndicated content.

Solocal's teams have made significant investments in search technology leading among others to a new single field search engine, a new vocal search and bot functionalities accessible on Alexa.

Solocal's second key platform, Mappy is the second most visited route-planning website in France. Mappy brings users closer to their destination by comparing the best means of transportation.

(1) Registered on 31 December 2018 and including departures related to the Employment Protection Plan (PSE) including managers and 82 telemarketers in Spain.

(2) Registered on 31 December 2018 and including departures related to the Employment Protection Plan (PSE) including managers and 39 field sales representatives in Spain.

(3) Groupe scope : Customer base on the basis of consolidated revenue

(4) Registered on 31 December 2018 and including departures related to the Employment Protection Plan (PSE) including managers.

Each month new means of transport are added that pave the way for Mobility as a Service (MaaS).

Media platforms are becoming services platforms, in particular with the opening of the native online reservation system on the PagesJaunes.fr portal that uses the ClicRDV solution through its open API. This service allows individuals to make appointments online with relevant businesses (beauty salons, hairdressers, restaurants, auto repair shops, town halls, etc.). This is accompanied by SMS and email notifications, improving the presence rate of their customers and thus securing their revenues.

PagesJaunes is progressively becoming the best website for booking services with local suppliers.

Advertising platforms

Solocal's advertising platforms have two objectives, the first is to optimise the generation of business leads from its media platforms but also from all of its partners (Google, Facebook, Bing, etc.).

The second objective of the advertising tools is to optimise all the companies' advertising spaces. Three major technologies:

Solocal DSP and Web-to-Store has developed a unique programmatic ad server adapted to local advertising campaigns. Using this technology, it is possible to execute hyper-local campaigns in the user services, but by targeting a neighbourhood for a specific store, in particular to motivate physical visits to the stores (Web-to-Store).

The Effilab bidding and performance management Platform is a platform that enables automation of audience acquisition campaigns from the partner search engines or social media. Solocal has developed unique algorithms that enable it to manage the performance of these campaigns and to report the leads generated in the Solocal customer space.

LocalAds is a technology that enables to display announcements from Solocal customers on partner websites and thus multiply the user services and audience and increase the range of business communications.

The online presence management platform goes beyond advertising applications, and Solocal has developed an application that enables to manage subscriptions and presence on partner user services websites including with geolocation tools such as Mappy or Google My Business.

Two client applications for all enterprises

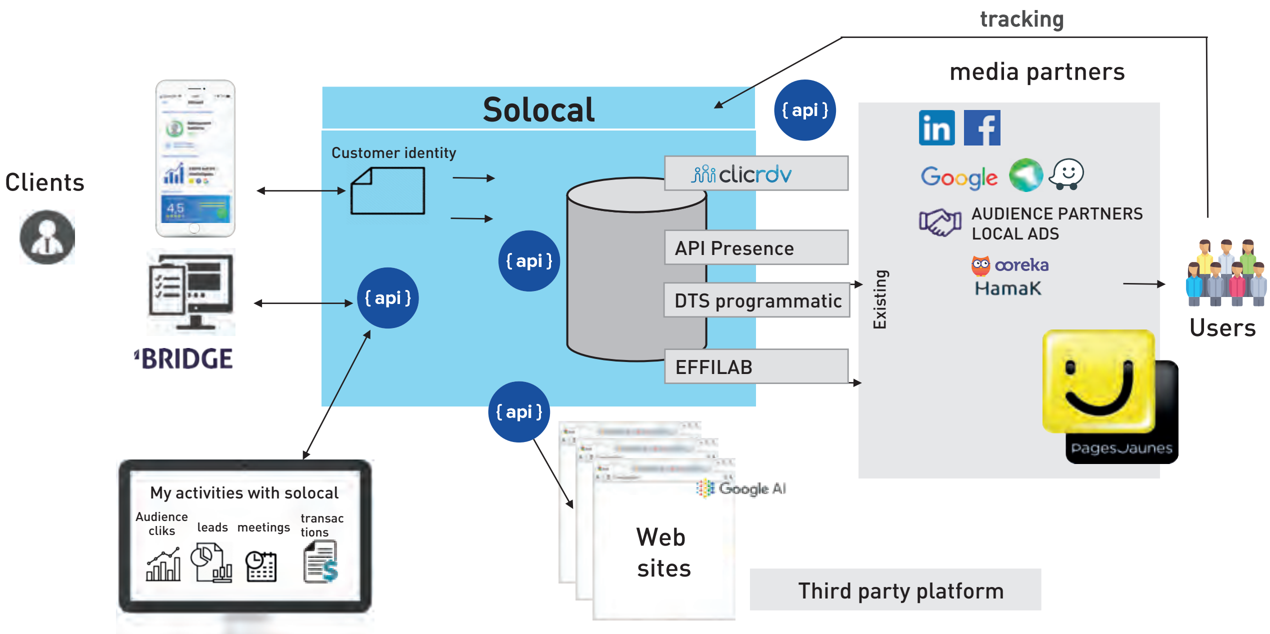
All Solocal applications can be accessed from mobile and desktop terminals through two applications, Solocal Espace Client (Solocal customer area) and Bridge. Bridge adds, for large accounts, the ability to manage their network of stores or franchises. Due to these changes, access to Solocal technologies is easier and accessible to users of mobile devices.

Websites and production industrialisation

In addition to user services, business data can also be published on the customer's website.

Changes in the architecture of the Company

Solocal has launched several initiatives to develop the architecture of the Company and its scalability. These projects are driven by the increasing number of prospects in its databases, the audience of user services, the inclusion services provided by subsidiaries and the modernisation of legacy data. The Move 2 cloud was started in 2018 to migrate all applications of the Company towards scalable architecture and the Cloud; in addition, the API management project enabled centralised, secure access to Solocal's APIs.



1.2.6 PARTNERSHIPS AND ALLIANCES

See the introductory document, section "Partnerships".

Mutually beneficial partnerships with major global internet players

Solocal has leveraged its position as the leading French local advertising and digital marketing company, by developing strong and mutually beneficial partnerships with the main global Internet players such as Google, Bing (Microsoft), Apple and Facebook, around local content, local search and campaigns on social media. Solocal capitalises on the relevance and accuracy of its data by developing close relationships with its partners. The Company provides local content (for example, addresses, business descriptions and opening hours) and in return benefits from a syndicated audience, and therefore enhanced reach, as well as high quality user data.

Moreover, through these partnerships, the Company is able to leverage its partners' technologies, such as Google AdWords or BingAds, in the packages or products offered to its customers. This has enabled Solocal to develop turnkey digital solutions tailored to SMEs and brand networks. These high added-value offers which integrate its partners' technologies generate significant gross margins. They are based on the cutting-edge expertise developed by the Company, particularly in terms of algorithm optimisation and real-time selection of optimised keywords.

These partnerships are mutually beneficial. Indeed, Solocal is a growth accelerator for its major partners on account of its wide local sales presence, local customer services and simplified, packaged solutions.

The partnership with Google has just been renewed and extended for two years from 1 April 2018.

Solocal believes that the advantages it obtains from the partnerships give it significant advantages in industry in which it operates.

Partnerships and alliances

PARTNERSHIPS

Solocal has managed to capitalise on its position as French leader in digital local advertising and marketing by developing strong, mutually beneficial partnerships with the major global internet players such as Google, Bing (Microsoft), Apple and Facebook.

These partnerships hinge on the quality of local content produced by Solocal (unique database and creation of digital content for local businesses), on the one hand, and its knowledge and relations with VSE/SME and large network accounts (advertising-related partnerships), on the other hand.

Partnerships for content:

- These content partnerships include the supply of local PagesJaunes content, on the one hand, and the supply of customer content from digital presence offers, on the other hand;
- The richness and relevance of local PagesJaunes content, enable the partner platforms to offer a top quality user experience for local search, and Solocal to boost the visibility of business content, making it easier for those businesses to connect with potential customers who browse on those high-traffic platforms, as part of their full web visibility;
- Moreover, content from Digital Presence customers enables the partner platforms to provide up to date information to their users.

Solocal has developed content agreements with Bing, Apple, Facebook and Google My Business.

Partnerships in digital advertising:

Solocal is integrating the advertising products offered by its partners in turnkey digital advertising solutions, making them accessible and effective for VSEs, SMEs and large network accounts due to the technologies and expertise developed by Solocal, particularly in terms of optimising algorithms and selecting optimised keywords. Solocal has developed digital advertising agreements with Google, Bing, and Facebook.

Its special partnerships enable the Company to position its solutions in a way that is unique from its competitors in the French market and to benefit from exceptional support, both internally for training in the most innovative digital products, and externally to raise awareness among companies on the opportunities offered by digital technology for promoting their activities locally.

As such, Solocal has positioned itself as the trusted interface between major platforms and local businesses.

These partnerships are, therefore, mutually beneficial, as they contribute to accelerating the growth of major Internet platforms on markets where they have no direct foothold, and also help Solocal position itself alongside the global players that capture most of the growth of the digital advertising market.

The main partnerships are presented below:

Key partnerships

Google

- Signed in 2013;
- Contract renewed for an additional two-year period in April 2018;
- An ambitious partnership based on the development of Google Ads campaigns, with the aim of generating annual growth of over 50% during the 2017-2020 period;
- Label Google Premier Partner;
- Google My Business Partner; special access to the Google My Business update API and to its support team;
- Cloud collaboration.

Microsoft Bing

- Signed in 2010, renewed in 2015;
- Partnership based on the supply of local content on Bing and Cortana. The primary source of indirect traffic allows businesses to boost their visibility and monitor their audience with detailed statistics;
- A partnership aimed at developing Bing Ads campaigns through packaged solutions for businesses;
- Elite Channel Partner label;
- Cloud collaboration;
- Co-development of an MVP (Minimum Viable Product) around the reinvention of the PagesJaunes user service: improvement of the user experience and new uses (interpretation of research, results customisation, chat bot).

Apple

- Signed in 2015;
- Partnerships based on the supply of local content on Apple Maps, Siri, Spotlight and Safari. Source of indirect and direct traffic; also increased downloads of the PagesJaunes application.

Facebook

- Signed in 2016;
- A partnership focused on the resale of advertising campaigns on Facebook;
- Use of an API to manage pages and automatically update content.

Amazon

- Signed in 2018;
- Support in developing a PagesJaunes skill on Alexa.

ALLIANCE GRAVITY

Launched in June 2017 by Lagardère Active, Les Échos, SFR and Solocal, Gravity is now an alliance of approximately 25 French media companies representing a large, qualified and competitive audience of major platforms. This alliance enables its members to bundle and market their media and data together exclusively through a proprietary and innovative platform. With the recent arrival of Orange, the alliance now reaches more than 50% of French internet users daily. The aim of these media companies is to become the third biggest player in the French digital advertising market. The factors that set them apart include the power of the media, the granularity of the media (with specialist and generalist players), the security of the brand (in particular trust and reputation) and the diversity of data.

1.2.7 AUDIENCE

See the introductory document, section "Our B2C digital services".

The Company's business is based on very large audiences, with steady growth in leads for businesses, thanks to its proprietary user services (PagesJaunes, Mappy, Ooreka), that represent a constant source of intent-driven data, as well as privileged partnerships with key global Internet players who recognise the quality and richness of Solocal's local content.

Audiences include (1) direct audiences on the PagesJaunes digital media from the users' direct access to PagesJaunes digital media (direct access and brand research on a search engine), audience from search engines thanks to search engine optimisation and from affiliate partners (such as Free and l'Internaute), (2) indirect audiences to PagesJaunes syndicated content hosted by other platforms (such as Bing or Apple).

To continue expanding its audience, Solocal hopes to improve the user experience (UX) and the user interface (UI) on its user services and thus invested €13 million in capital expenditure in 2018 for its user services platforms.

INDIRECT AUDIENCE

The indirect audience comes mainly from the various partnerships that Solocal has established with major global Internet players, such as Google, Bing (Microsoft), Apple and Facebook. As part of these partnerships, Solocal provides free local content to some of its partners (namely Bing and Apple), which contribute directly to directing traffic to the Company's customers and business prospects. Moreover, Solocal can also occasionally develop its audience by buying, managing, optimising and providing leads to its customers through the purchase of advertising (namely Google, Bing and Facebook) or other advertising media from its partners. A large portion of the total audience of the Company is now obtained through the Company's partners' platforms such as Bing (Microsoft) and Apple. Its partnership with Apple notably allows its partner to easily access Solocal's content database. In return, Solocal receives accurate data on its customers' audience. Through these partnerships, Solocal has leveraged the relevancy and accuracy of its database.

The main partnerships in this domain are set out below.

Bing: the partnership with Bing was set up in July 2010 and renewed in 2015. PagesJaunes is currently the only local source that provides base data to Bing and Cortana. PagesJaunes' content database on French companies is made availble to Bing for its answers to local searches, in exchange for visibility and the provision of high-quality traffic statistics. Bing provides an important source of traffic for Solocal's customers. In addition, Solocal and Bing are working closely on future technological projects (such as interpretation of local search, dialoguing via chatbot to optimise the search experience of its users.

Apple: the partnership with Apple was concluded in 2015 for five years. PagesJaunes' French companies content database is provided to Apple in exchange for visibility and the provision of high-quality traffic statistics. The content is used on Spotlight, Siri, Safari, CarPlay and Apple Maps search functions. Apple is a major source of traffic for Solocal customers. In addition the partnership with Apple boosts the number of downloads of the PagesJaunes app.

Yahoo!: the partnership was signed in 2010 and is renewed automatically unless terminated by either of the parties. Yahoo provides PagesJaunes responses for local searches made on its site, in exchange for brand attribution and high-quality statistics regarding the tremendous amount of traffic in France. PagesJaunes is currently Yahoo's only local content .

Qwant: the partnership was concluded at the end of 2018 and will be renewed automatically unless terminated by either of the parties. Qwant uses PagesJaunes business databases for responses to local searches in France. The presence of PagesJaunes businesses on Qwant services has a visible PagesJaunes brand attribution.

DIRECT AUDIENCE

Direct audience is Solocal's audience on its two main user services:

- PagesJaunes. The French leader in communications and local digital advertising, PagesJaunes is the most visited user services company, with approximately 1.7 billion visits in 2018 – up by 0.9% compared with 2017. PagesJaunes encompasses a number of sites and products, including the PagesJaunes.fr website, a mobile app and syndicated content that appears on the Company's partners' sites. PagesJaunes is based on a database containing more than 27 million detailed records providing regularly updated information on individuals registered in the universal Directory and French companies. It provides users with the ability to search for businesses and professionals, view listings and post reviews, make reservations and schedule appointments and offers a host of services to businesses to increase their visibility and online presence;
- Mappy. Acquired by Solocal in 2004 and available on the Internet or as a mobile application, Mappy provides geographic services, including maps, travel planners, geographic representations, local searches and GPS navigation. Mappy acquires the raw geographical data from third parties, restructures, aggregates and enriches it, and then incorporates it in its own technical platform. Mappy was Solocal's second most-visited platform in 2018, with nearly 344 million visits (of which approximately 48% from mobile users).

With a view to boosting the Company's audience and as a result of the renewed effort to increase the number of sources the Company relies on to provide data, the content of its online user services was significantly updated in 2018.

In 2018, Solocal recorded over 2.4 billion visits on its desktop and mobile Internet platforms. Visits via mobile phones (excluding tablets) accounted for a growing portion of Solocal's user services visits.

Supported by the performance of its user services, Solocal has covered, on average, 51% of all Internet users in France in 2018. Solocal's user services continue to generate noteworthy audiences, with nearly 2.4 billion visits over all Solocal websites in 2018. Together, the Company's platforms are in the top 15 most visited desktop and mobile websites in France (Solocal's average position on Médiamétrie Nielsen from January to December 2018).

The audience levels of the Company's main platforms in 2017 and 2018 are presented in the table below:

Millions of visits	2017	2018	Variation
PagesJaunes	1,714	1,731	+0.9%
of which mobile	*703*	*770*	*+9.6%*
Mappy	364	344	-5.6%
of which mobile	*150*	*166*	*+10.5%*
Ooreka	196	172	-12.6%
of which mobile	*87*	*83*	*-5.3%*
Other	138	151	+9.2%
of which mobile	*46*	*62*	*+35.6%*
TOTAL	**2,413**	**2,397**	**-0.7%**
of which mobile	*985*	*1,080*	*+9.6%*
of which fixed	*1,427*	*1,317*	*-7.8%*

(Source: AT Internet)

1.3 OVERVIEW OF THE SECTOR

Solocal positions itself as a full-fledged player in the French Martech sector (marketing companies whose services are essentially linked to marketing software technology or developments), while having one foot in the advertising sector.

Solocal provides marketing services, and digital advertising solutions, as well as marketing services and digital content that help connect local businesses with consumers, relying on data to target users' needs appropriately.

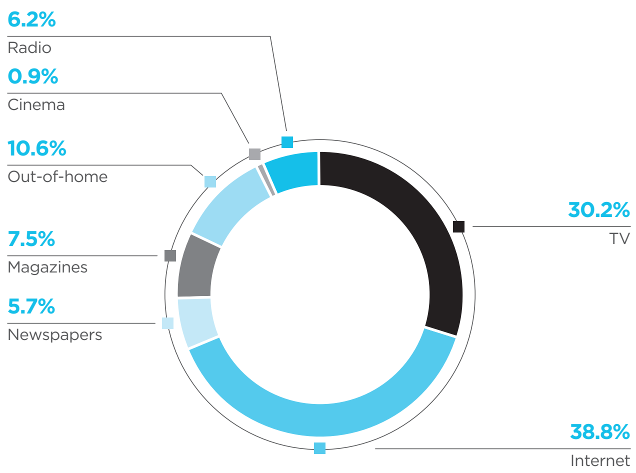
1.3.1 THE FRENCH DIGITAL ADVERTISING MARKET

1.3.1.1 THE FRENCH ADVERTISING MARKET

Total advertising expenditure in France is estimated at approximately €10.98 billion in 2018. The market can be segmented by expenditure between publishers of print media (newspapers, magazines and out-of-home advertising), traditional audiovisual media (TV, radio and cinema) and the Internet.

In 2018, the French advertising market recorded +3.7% growth on 2017 (Zenith, December 2018) driven by double-digit growth in digital media (+13.4%) – Zenith, December 2018.

Share of adspend by medium (%) 2019



(Zenith, December 2018).

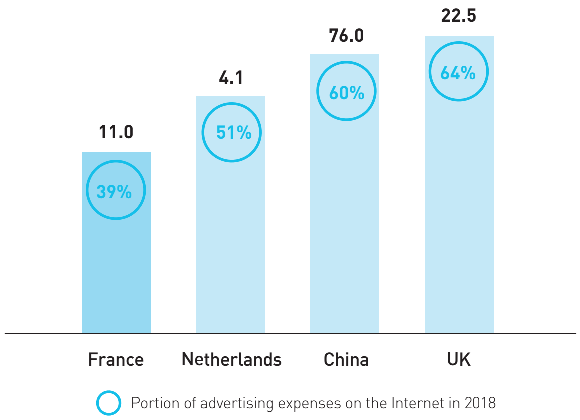
1.3.1.2 THE FRENCH INTERNET ADVERTISING MARKET

Advertisers are drawn to the Internet as a marketing channel because it allows them to overcome the main limitations of traditional media. It offers numerous advantages, including:

- access to desired audiences that can be accurately targeted through the selection of advertising inventory for the campaign and additional parameters, such as the location of website visitors, demographics and length of visit;
- ability to use the latest in web analytics software, which allows advertisers to measure the exposure of their campaign and how it is perceived in real time; and
- ability of advertisers to engage in promotions across a variety of formats from basic text to graphically rich, interactive advertisements, particularly video;
- a customer journey that leads to a transaction (appointment booking, purchase, discount, etc.) through advertising on all media (fixed and mobile).

In France, Internet advertising accounts for 39% of total advertising spend (Zenith, December 2018). This makes it a less mature market than other countries and thus an attractive market with significant growth potential.

Internet advertising expenditure as a share of total advertising expenditure in 2018 (in billions of euros)



Source : Zenith December 2018.

By format

The Internet advertising market can be split into two main segments by format: **Display** and **Search**. The French advertising market can also be segmented in accordance with the media through which a consumer is reached by an advertisement.

Display

Display is the fastest-growing segment. It includes banners, online videos and social media promotions. All three categories have benefited from the transition to programmatic buying, which allows agencies to target audiences more effectively and automatically, with personalised creative content.

Search

Search advertising is the influence that can be exerted so that an advertiser's web page appears in the results of the searches carried out by surfers using search engines, by associating it with terms, phrases or keywords used in Internet searches.

Search products include SEA or "Search Engine Advertising" (payments made to ensure that a web page is listed by a search engine), SEO or "Search Engine Optimisation" (improving the attributes of a web page to make it more visible in the free search engine results), and sponsored links (payments made for clicks and text links appearing in the search results for specific keywords).

By buying method – Programmatic

Advertising technology (AdTech) generally refers to the various types of performance improvement tools used in advertising. Through its programmatic platform offer, Solocal integrates optimised and real-time bidding strategies into its digital advertising products, making the AdTech market a reference market for its business.

In advertising, programmatic buying refers to the more or less automated process of buying advertising space as part of a media plan. In programmatic buying, the process of selling, booking and charging for advertising space is automated. Programmatic buying also streamlines the process of transferring and broadcasting content.

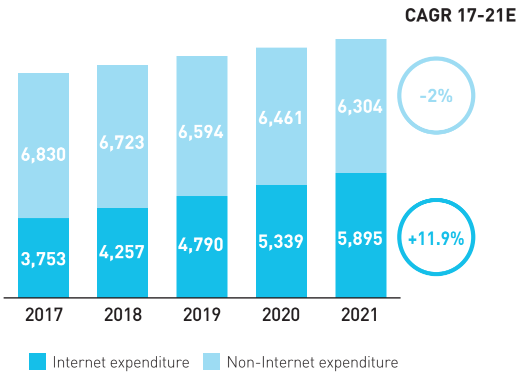
The advertising software market, which includes media or advertising campaign planning, media buying and selling, and ad operations, is expected to show significant growth.

Solocal has developed programmatic tools such as a demand side platform (DSP). This enables buyers of advertising space (advertisers, agencies and trading desks) to consolidate the management of their online campaigns within a single interface connected to several ad exchanges. Solocal also has its own Ad exchange (automated platform for buying and selling advertising space, connecting buyers and sellers) and its Effilab agency (Google, Bing and Facebook certified), specialising in the design, management and optimisation of Search and social media campaigns.

These platforms are used by large publishers to sell advertising space that cannot be marketed in the traditional way by their in-house team or external agents. They may also be used by smaller publishers to market their entire advertising inventory.

1.3.1.3 DOUBLE-DIGIT GROWTH IN THE INTERNET ADVERTISING MARKET

Advertising expenditure in France (in millions of euros)



Source: Zenith December 2018.

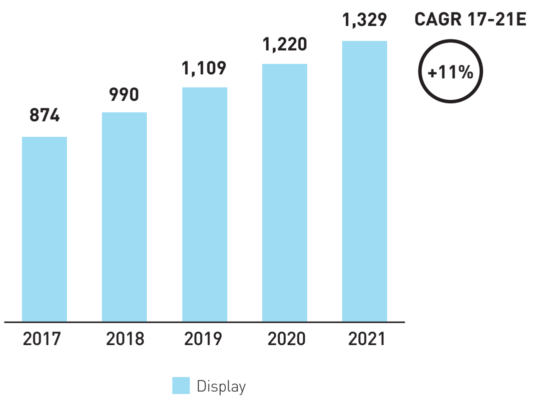
The Internet advertising market is projected to grow at an annual average rate of approximately 12% between 2017 and 2021 (Zenith, December 2018), with growth driven mainly by increasing consumption of video, mobile and social media content.

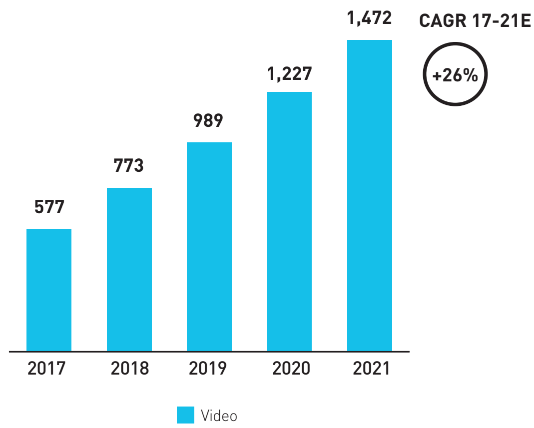
By format

Display

Online video and social media are now the driving force behind display advertising. Online video adspend is set to rise by around 26% per year on average between 2017 and 2021 (Zenith, December 2018).

Display and online video advertising spend (in millions of euros)





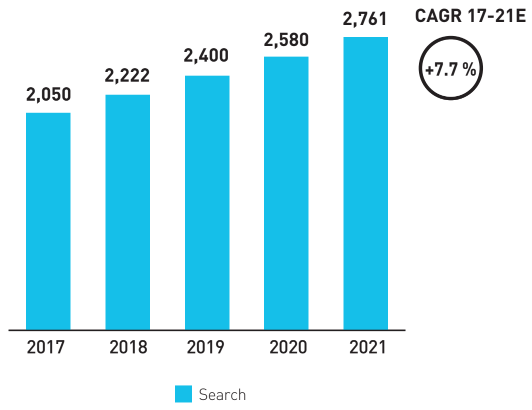
Source: Zenith, December 2018.

Search

According to a Zenith report published in December 2018, Search Advertising accounted for nearly 52% of the Internet market in France in 2018. It is forecast to reach a CAGR (compound annual growth rate) of around 7.7% between 2017 and 2021.

The chart opposite shows the historical and estimated future expenditure in billions of euros in the Search segment in France for the years indicated.

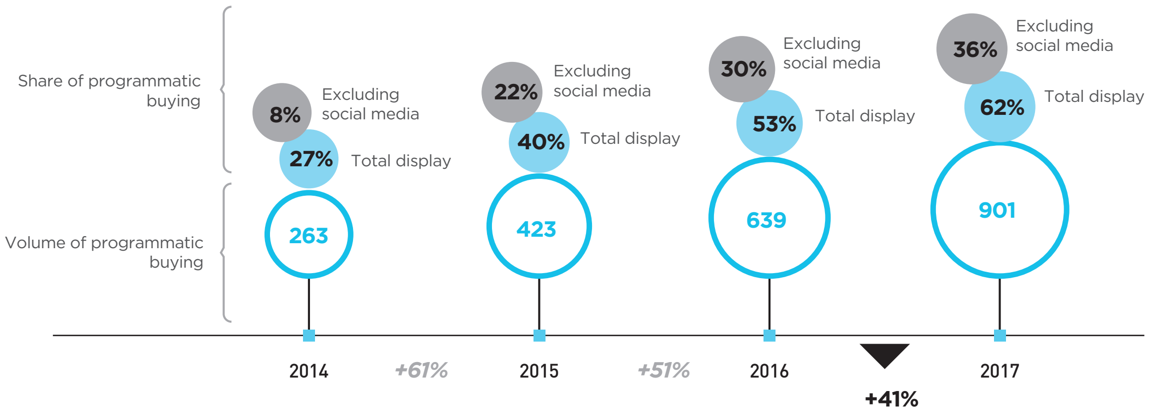
Search spending forecasts (in millions of euros)



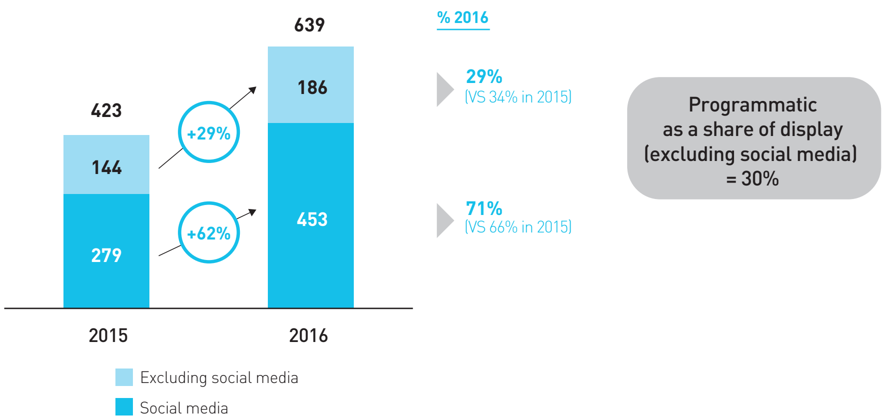
Source: Zenith, December 2018.

By buying method – Programmatic

The growth in programmatic display is mainly driven by social media, with an increase of 113% between 2015 and 2017.



Source: Observatoire de l'epub – SRI/PWC 2018.



Source : Observatoire de l'epub - SRI/PWC 2018.

By device

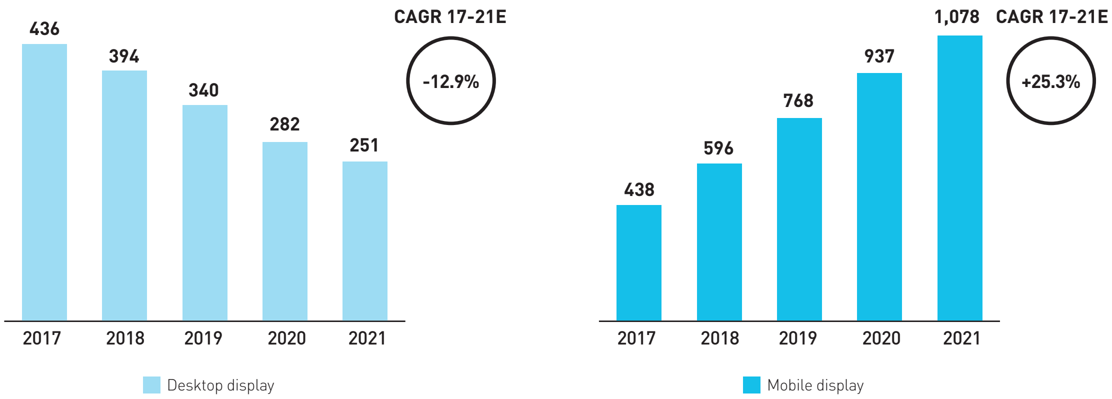
The segmentation of Internet advertising spending by medium points to an **increasing place for advertising on mobile devices** (Internet ads displayed on smartphones and tablets).

In France, advertising on mobile devices is expected to grow at an average of approximately 25% per annum between 2017 and 2021 (Zenith, December 2018), driven by the rapid spread of devices and improvements in user experience. Over the same period, Internet advertising on computers is expected to fall by about 12.9% per annum (Zenith, December 2018); advertisers are following consumers and are also turning to mobile devices.

In France, mobile advertising spending accounted for roughly 21% of total advertising spending in 2018, and is expected to increase to around 34% in 2021 (Zenith, December 2018).

The table below shows the past and future growth rates (estimates) of Internet advertising (Display) by device in France for the years shown.

Display growth forecasts (in millions of euros)



Source: Zenith, December 2018.

1.3.1.4 LEADING PLAYERS IN THE INTERNET ADVERTISING MARKET

There are three main types of players in the Internet advertising market:

- **publishers,** namely any website, online medium or platform that attracts Internet users and includes ads within its editorial content. These include online portals such as Google or Bing (Microsoft), social media such as Facebook, newspaper sites such as Le Figaro or Le Monde, and blogs such as La Blogotheque or Le Blog Auto. These digital publishers reserve the right to display advertisements on the pages they show their visitors.

  These pages are known as "inventory", and the displaying of an ad to a user on one of them is known as an "impression". Video ads work in much the same way, except that advertisements associated with the video are shown either inside the video frame or in its surrounding area;

- **ad networks,** namely companies or groups of companies that together control advertising inventory across multiple digital publishers, and display ads in this inventory, as part of a revenue sharing agreement or at fixed prices with ad publishers (Orange Advertising Network, TF1, Google, etc.). Ad networks exist because they can aggregate advertising inventory across hundreds or even thousands of online destinations and are thereby able to offer a breadth and depth of inventory to suit different advertisers' needs;

- **advertisers:** the end-advertiser is the ecosystem's payer entity (in Solocal's case, these are businesses and network accounts), and the fees paid by the advertiser to run the campaign are split between the ad network and the ad publisher. The advertiser who is promoting a product or service is often represented by a third party agency that works with ad networks to select advertisement inventory and set parameters to match the needs of an advertising campaign.

Solocal covers all three roles. It acts on behalf of publishers to sell ads to its customers in partnership with the main search engines and high-traffic sites, such as Google, Bing and Facebook. Solocal also has its own advertising network with its PagesJaunes media and its mapping service Mappy, as well as the Gravity network, of which it is a founding member. Lastly, Solocal acts as an advertiser when it comes to launching its own advertising campaigns.

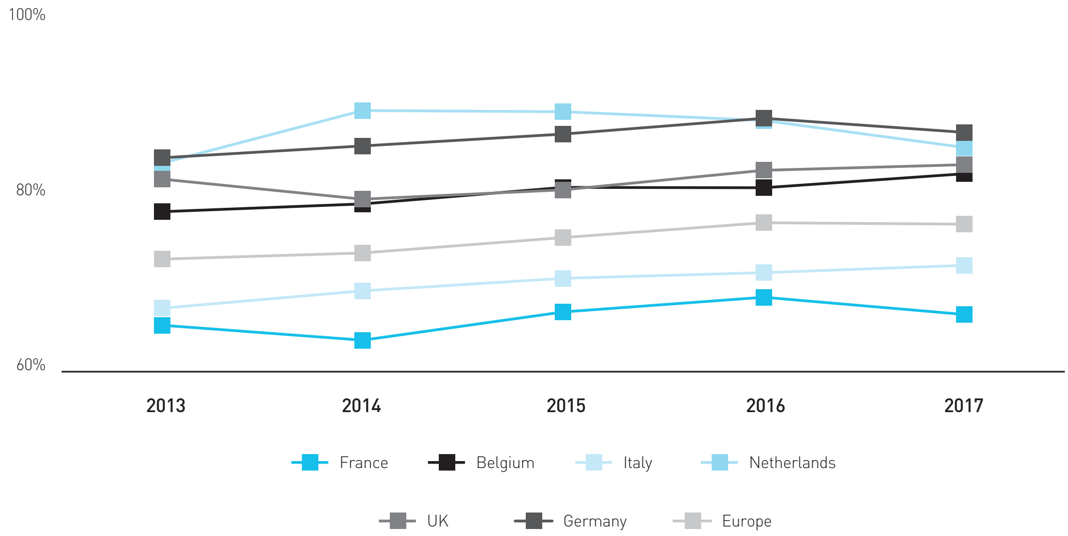
1.3.2 GROWTH DRIVERS OF OTHER DIGITAL SERVICES

1.3.2.1 WEBSITE MARKET

In recent years, France has been lagging behind in its offer of websites for VSEs (firms with fewer than 10 employees and annual revenues or a balance-sheet total of €2 million or less). Only 32% of VSEs had their own website in 2016 (French Office of National Statistics (INSEE), "Les TIC dans les microentreprises en 2016" ("(TIC) in microenterprises in 2016"), March 2018).

In 2017, only 67% of SMEs (companies with between 10 and 250 employees and annual revenues of less than €50 million) had a website, compared with more than 87% in Germany, 86% in the Netherlands and 84% in the UK (European Commission, Digital Single Market, 2017 data – companies with 10 or more employees outside the financial sector).

Penetration rate of company websites in France and abroad (as a percentage of equipped companies)



Source: European Commission.

As a trusted local digital partner, Solocal is keen to speed up the digitalisation of this high-potential market, both by working with companies and by helping them enhance their digital skills.

1.3.2.2 MARKETPLACE

A marketplace is an intermediation platform where buyers and sellers meet to transact goods and/or services.

There are **business-to-business (B2B) marketplaces,** which are designed to put e-commerce merchants (manufacturers, brands, distributors) in touch with other businesses to sell consumer goods and services. There are also **business-to-consumer (B2C) marketplaces,** which are designed to put e-commerce merchants (manufacturers, brands, distributors) in touch with end customers to sell consumer goods and services.

Overall, Internet sales have grown steadily by 14% since 2016, generating total revenues in 2017 of almost €82 billion (source: French Federation of e-commerce and distance selling, FEVAD).

Solocal is positioned in two marketplaces: application platforms aimed at businesses (hosting, website development, SEO, etc.), and third-party product and service marketplaces aimed at consumers (specialising in mostly local products and services).

In this second type of marketplace, Solocal has set itself the following objectives for 2019-2020:

- to develop customer journeys that increasingly lead to transactions (reservations, appointment bookings, purchases, etc.);
- to monetise its audience via:
  - pay-per-transactions,
  - a subscription for businesses looking to multicast their inventory on different marketplaces.

1.3.2.3 THE RISE IN E-COMMERCE AND ONLINE PAYMENTS

Solocal believes that its online transaction solutions will enable it to tap into the growth in e-commerce in western Europe, not only benefiting its own business with the launch of its e-commerce site in 2019, but also benefiting its customers via the integration of e-commerce functionality within its new website portfolio.

According to the 2018 FEVAD report on e-commerce, the revenues generated by e-commerce in France rose by 14.3% between 2016 and 2017 to €81.7 billion, with €93 billion forecast in 2018.

In Europe, revenues are expected to rise by around 11% between 2017 and 2022, to €540 billion (source: FEVAD/Euromonitor).

1.3.2.4 INCREASED DEMAND FOR CUSTOMER RELATIONSHIP MANAGEMENT (CRM) SOLUTIONS

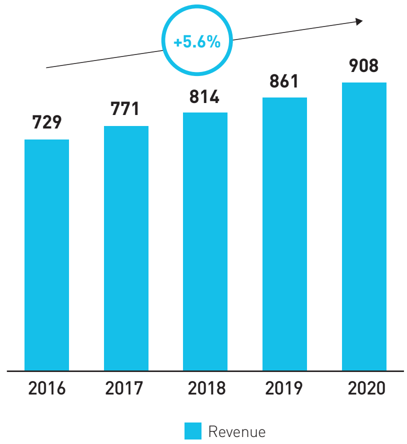
The expansion of Solocal's digital offers, such as CRM 2020 solutions, to companies in adjacent domains has increased its addressable market to include the growing market for CRM applications.

This expansion goes hand in hand with the expansion of its new digital service offer to meet the changing digital needs of VSEs/SMEs and large network accounts.

In western Europe, SaaS (software as a service) solutions are set to dominate the CRM software market, continually enhancing the user experience to match smartphone and consumer web applications. VSEs and SMEs will invest more strongly in CRM applications as applications become more flexible, affordable and easier to use.

According to IDC (International Data Corporation), the French CRM applications market is one of the largest in western Europe. It is forecast to grow at a CAGR (compound annual growth rate) of around 6% between 2016 and 2021, generating revenues of almost €0.9 billion in 2020.

Projected growth in revenue for CRM software (in millions of euros)



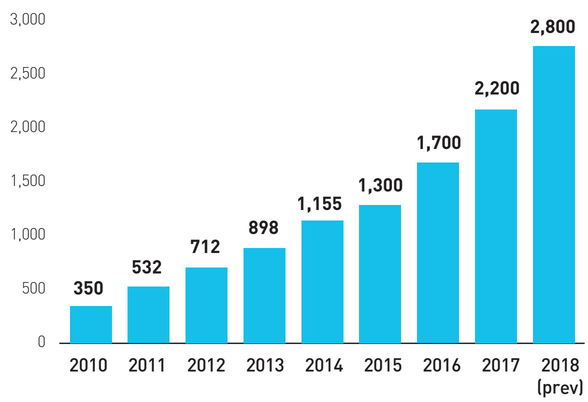
Source: IDC

1.3.2.5 VSE/SME SAAS SOLUTIONS

A SaaS solution is an application software solution hosted and operated outside the organisation or business by a third party, and accessible on demand via the Internet. The use of the solution is paid for on a subscription basis, covering all the services subscribed for by the customer.

The revenue growth of SaaS publishers remains strong year after year, with recurring revenues of €2.2 billion in 2017 (Syntec). Solocal is part of this trend with its SaaS applications, such as the presence tool for VSEs/SMEs, or Bridge for large network accounts.

SaaS revenue in France (in millions of euros)



Source: Syntec Num/IDC – via ZDNet.fr/key figures.

Solocal already offers SaaS solutions (presence platforms for VSEs/SMEs and large accounts, etc.), and prefers this model for these types of new services.

1.3.3 COMPETITIVE ENVIRONMENT

Solocal believes it has a leading position in the advertising market in France among both traditional and digital players. Its proprietary websites and mobile apps are also among the most visited platforms in France in terms of audience, based on the number of visits (for example, PagesJaunes was the 11th most visited brand in France in May 2018 – Source: Médiamétrie and Médiamétrie//NetRatings – Audience Internet Global).

1.3.3.1 FOR B2B DIGITAL SERVICE PROVIDERS

The competitive environment is divided into five types of players:

- the so-called **"GAFA",** such as Google and Facebook, which provide specific communication solutions based on their media. Solocal believes that its local presence, and especially its local sales teams, as well as its customer base of VSEs and SMEs, make it a valuable service provider alongside the tech giants;
- **Web agencies,** such as Geolid, which provide a wide range of communication solutions, such as websites or AdWords campaigns. Solocal believes that the large audience on its own media, its geolocalised intent data and its proprietary products and services allow it to withstand the competition from these players;
- **pure AdTech players,** such as YEXT, Criteo or Teads, which provide specific technology-based communication solutions, such as presence management or retargeting, or offer programmatic advertising inventory; Solocal has a large amount of proprietary data on Internet users' consumption intents and a unique proximity to local businesses, which allow it to offer higher performing offers better adapted to their needs;
- **SaaS companies** offer digital Do It Yourself (DIY) and Do It With Me (DIWM) solutions comprising a very wide range of services such as web hosting (e.g. OVH), website building (e.g. Oxatis, Prestashop), digital tools marketplaces (e.g. WIX), and CRM (e.g. Hubspot); Solocal believes that its local presence, which meets the needs of the companies throughout the country, gives it additional legitimacy for effective assistance in the digitalisation of VSEs and SMEs;
- **vertical media firms** are specialised in a well-defined sector, such as health, beauty and home, and offer B2B services (e.g. La Fourchette for restaurants, Doctolib for health and Treatwell for beauty). Solocal believes that its massive audience and special partnerships with the main players in the digital realm enable it to offer both an exhaustive presence on the internet crossroads, and a user pathway optimised and well suited to the business sectors of local businesses.

GAFA	WEB AGENCIES	PURE AD TECH	SaaS PLAYERS	(multiple) VERTICAL PLAYERS
• Tech giants capturing the majority of market growth • Massive Audience • App ecosystem (e.g. FB, Messenger, Insta, WhatsApp)	• Agencies specialising in webmarketing • Advice, strategy, local SEO, website developers	• Tech players specialising in digital marketing • High value technological and innovative solutions (PM, prog, bot, etc.)	• Players from different core businesses (hosting, websites, CRM, etc.) • SaaS platform with DIY digital services	• BtoB by business sector • A powerful medium in its own right within its sector • Offering tailored to the specific needs of vertical businesses

1.3.3.2 FROM A MEDIA PERSPECTIVE

The competitive environment boils down to two types of players:

- **generalist platforms,** namely global search engines operating in all sectors, such as Google, Bing and Yahoo! These platforms are based on partnerships with companies such as Solocal, which provide comprehensive information on local businesses. In exchange for this content, they direct the traffic generated to their partners;
- **verticals,** or operators with a strong focus on a specific industry (restaurants, health, travel). These players also offer transactional services, such as the ability to purchase or book services online directly from their websites, and aggregate business and personal advice on specific topics, such as restaurants, health and travel (LaFourchette, Doctolib, Booking).

1.4 STRATEGY

1.4.1 THE "SOLOCAL 2020" STRATEGY

Solocal announced its "Solocal 2020" strategic plan on 13 February 2018, based on an expanded offer of digital services for businesses, reinvented PagesJaunes and Mappy media platforms to provide a new user experience, and finally a more streamlined organisation. This plan reflects Solocal's new ambition: to become one of the digital services champions in France.

1.4.1.1 OFFERING A NEW DIGITAL RANGE BOTH EFFECTIVE AND SIMPLE

The growing demand from VSEs and SMEs and large network accounts for support in building their digital presence, finding new customers and improving performance is a development opportunity for Solocal. To meet these new needs, Solocal aims to become the digital partner of choice for companies in France, offering a wide range of digital services and a digital coaching service tailored to each market segment. This will require fundamental changes in the value proposition from 2018 to 2020:

- from a PagesJaunes-focused offer to a "Full Web & Apps" strategy on all devices (desktop, mobile phones, tablets and PDAs);
- from a range of print products offered each year to the widespread rollout of a range of digital services marketed in Software as a Service (SaaS) mode;
- from overlapping offers to a packaged and progressive product offer;
- from customers "left to fend for himself" after a sale, to a digital coaching approach that provides tailored support based on a new customer experience; and
- from 18 customer interfaces to a single "All-In-One" mobile customer application.

Solocal now offers five new service ranges within a single platform to boost professional activities: the **Digital Presence range** (visibility and e-reputation), the **Digital Advertising range** (SEO, Performance and Social Media), the **Sites ranges** (internet and e-commerce), **New Solutions** (Transactional and CRM) and finally the **Print range**. The new Websites offer and the Digital Presence range were launched in the last quarter of 2018. The Digital Advertising range should be completed in the third quarter of 2019 and the New CRM digital solutions should be deployed in the second half of 2019.

1.4.1.2 REINVENTING THE PAGESJAUNES AND MAPPY MEDIA USER SERVICES IN ORDER TO OFFER AN ENHANCED USER EXPERIENCE

Faced with the emergence of new needs and new uses from Internet and mobile users, PagesJaunes and Mappy are reinventing themselves to offer a new user experience via a richer and more finely differentiated customer journey that promotes lasting commitment to the brand. This is the goal of the transformation project built around a significant corporate culture change within the Company, which puts the user at the core of its user services strategy: "User First".

The reinvention of PagesJaunes has two aims:

- **to make searches on the service more relevant** through a complete revamping of user interfaces and of the customisation and relevance of search results. PagesJaunes relies on artificial intelligence, augmented reality and other technologies, in partnership with the leaders in the tech market. By developing cognitive services (e.g. machine learning) with Microsoft/Bing, PagesJaunes' search function has evolved towards more personalised responses, thereby better meeting users' demand for customised services;

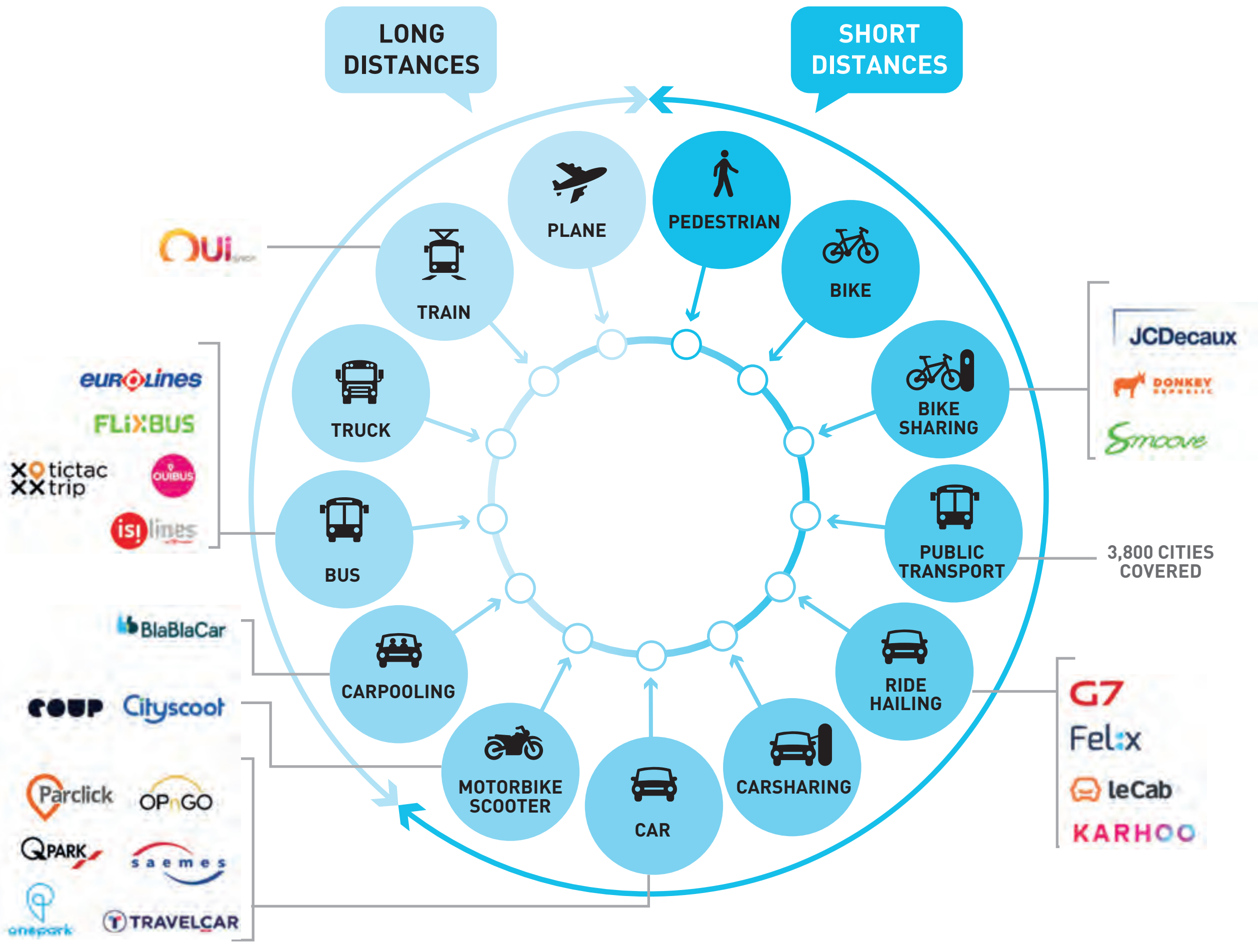
- **to develop communities and commitment** by:
  - Strengthening the community culture by developing "opinions and comments" functionalities and creating business communities,
  - deploying new uses on major vertical platforms (health, housing, convenience stores, etc.) to develop a unique user experience (transactional, bookings, etc.),
  - a loyalty program launched in 2018, and
  - the development of new content that offers higher quality, in particular video content.

By encouraging repeated use on PagesJaunes, Solocal xwill boost audience growth and be better able to monetsise it.

Mappy supports the changes in French travel behaviour by adding a multimodal comparison tool to its route-planning and mapping services. Mappy was Solocal's second most-visited platform in 2018, with nearly 344 million visits, of which approximately 48% were from mobile users (web mobile + web tablets) on iOS and Android.

It provides:

- a **localisation service** for places, businesses, stores and points of interest,
- **transportation routes using 13 different modes of transportation:** travel by car or motorcycle, with or without tolls, taking into account real-time traffic data (including five years of historical data), long distance coaches, carpooling and trains for long-distance trips, shared vehicles (taxis and scooters), personal or self-service bicycles, public transport or on foot for short trips,
- a **vector map**,
- **geographic services** allowing Mappy to be integrated into third-party sites,
- **GPS navigation**.



Mappy partners already included in its 2018 offer

This comparer is a first step towards a MaaS (Mobility as a Service) service, which aims to accompany the transformations in the travel habits of French people.

Mobility as a Service (MaaS) is an emerging market, consisting of aggregating all existing modes of transportation (personal cars, public transport, bicycles, taxis/chauffeur services, shared cars, self-service scooters, etc.) in a given region to create mobility offers adapted to the consumption of individual users. The promise of MaaS is to offer a digital mobility assistant for all means of transport (public and private), in real-time with integrated payments.

1.4.1.3 SETTING UP A SIMPLIFIED ORGANISATION

To achieve these business and service transformations, the Company organisation must be redesigned on the basis of three guiding principles:

- **a "Customer & User-centric" corporate culture**, with agile working methods and vectors of operational efficiency, based on structured and optimised processes. Each measure of the organisation's transformation project has an absolute priority: to be customer-and user-centric in order to respond to their changing expectations and needs. To meet this challenge, Solocal's transformation will require the industrialisation of its tools and processes throughout the entire chain. Removing barriers to interactions between departments and fostering co-construction within the Company is the bedrock of the new corporate culture: more agile, more cross-disciplinary, more open. In this way, for example, strong synergies have been deployed between the Products and Technology Departments (Agile and Scrum modes), for the purposes of designing efficient digital services and improving time to market for its services offers;
- **a new technological dynamic** to position itself at the forefront of market practices, Solocal intends to adopt an R&D and IT policy consistent with its ambition. Solocal's technology, which is the growth driver for businesses, must encourage the design of innovative services for the benefit of customers and users and be adaptable to all market segments, in France and abroad, applying an efficient and scalable business model.
- **a simple, agile and efficient organisation** that enables each person to thrive and interact with co-workers in their daily activities.

Simplifying the hierarchy is also a way of improving efficiency. It has been streamlined, with fewer hierarchical levels, and with increased responsibilities. Subsidiaries have also been gradually integrated, with the aim of building more agile and cross-disciplinary teams to serve our customers. Improving operational efficiency will require removing vertical dividers, gatehring telesales, customer support and production activities in regional hubs, and consolidating marketing and operational activities within a centralised organisation. This streamlining of locations aims to strengthen the sales and support teams' proximity to customers.

Field sales teams will have a top-quality working environment in business centres, where they will have all the tools they need for their activities. For customers, the aim is to guarantee and maintain an excellent national and local presence – unique in the French market – through exceptional coverage.

This streamlining included a reduction of approximately 1,000 positions in 2018, with the implementation of a redundancy plan ("Plan de Sauvegarde de l'Emploi"). On 21 February 2018, Solocal initiated the process of informing and consulting the employee representative bodies, which was completed during the second half of 2018. The result has been to reach an agreement on high-quality individual support measures which were offered to each employee concerned by the project in the utmost respect, providing all employees with the opportunity to be heard and with customised and responsible support.

1.4.2 IMPLEMENTATION SCHEDULE OF THE THREE PILLARS OF THE "SOLOCAL 2020" STRATEGY

See the introductory document, section "Implementation schedule of the three pillars of the "Solocal 2020" strategy.

1.4.3 MANAGEMENT OF THE TRANSFORMATION PROJECT

The launch of the "Solocal 2020" strategic project, on 13 February 2018, resulted in the implementation of six programmes using a 360° approach to address the major transformation issues with the aim of delivering the level of satisfaction customers require from their partners.

Philippe de Boissieu, member of the Executive Committee and Chief Transformation Officer since 2 May 2018, is in charge of managing the transformation project and the six strategic programmes: customer experience, production of offers, finance processes, skills and training, ERP and move to Cloud.

Within the Company, these programmes are transmitted by a hundred or so key managers, known as the "transformation players" in order to secure the commitment of the entire staff for these structural projects.

CUSTOMER JOURNEY

- In line with Company strategy as regards focusing on its customers and users, Solocal has completely revised its customer segmentation. To create added value for the Company and its customers, customer segmentation has been restructured around the potential ARPA and individual customer development. In addition, the customer path has been redefined for each new segment in such a way as to optimise the purchasing and usage experience for prospective and existing clients and the cost base and profitability relative to ARPA potential for the Company. The various sales channels allocated to ARPA potential segments are as follows:
- < €500: e-commerce and telesales;
- €500 – €3,000: telesales for the < €1,500 sub-segment, VSE/SME field sales for the > €1,500 sub-segment;
- > €3,000: VSE/SME field sales;
- Large network accounts: field sales dedicated to large accounts.

As such, for the segments with the lowest ARPA potential, Solocal has developed a highly automated customer journey by combining speed, flexibility and accessibility. This segmentation makes it possible to treat the segments with greater potential in a more personalised manner, while balancing the costs.

In addition, work has begun on organising the commercial and customer relationship and the tools used, with the optimisation of the CRM (Customer Relationship Management) tool. The Salesforce CRM was not being used in an optimal way: a first diagnosis was carried out in 2018 and the first simplification and rationalization measures implemented during the year. This work is being continued in 2019 to ensure the best possible experience for VSE/SMEs and large accounts, via the data available on the CRM.

PRODUCTION OF OFFERS

Industrial processes have been revised and adapted to the new digital offer.

For example, for its website range, in 2018 Solocal selected the Duda platform in SaaS mode to develop Sites that offer its customers a wide range of models, with optimised mobile compatibility, e-commerce functionality, and multiple customisation options. The Company has moved from operating three internal development platforms to a single SaaS development platform that integrates cutting-edge technologies and functionalities that are fully scalable according to the workload schedule. With regard to the "Essential" offer, the gradual migration of the Company's website customers to this new development platform will take place progressively in 2019.

For the "Presence" range, new partnerships are being studied with a view to rationalising the number of service providers and optimising operational management and production.

Measures were also undertaken in 2018 to ensure and enhance quality across the Company's whole value chain and notably at production level. Quality validation points will thus be integrated at different stages of production in 2019, before product delivery to the customer.

FINANCE PROCESS

Work was carried out in 2018 on financial and operational reporting as part of the introduction of the new range of services and the change in the business model, in order to adapt and fine-tune data hierarchy, and to introduce new indicators such as a system for monitoring subscription sales. These indicators were identified and defined in 2018 to be operational in 2019.

The continuous improvement of closing, budgeting and investment-monitoring processes was also launched in 2018 with progressive operationalisation.

SKILLS AND TRAINING

Solocal endeavours to anticipate, as part of its forward-looking management of jobs and skills, all the operational know-how and expertise it will need to draw on within the context of the Solocal 2020 strategic project. To this end, the Company carried out a first phase of work to identify the skills it will need by 2020. Profiles must be trained in the transformation processes and have strong management and team-leadership skills.

In the second half of 2018, Solocal also introduced a training programme focused on its new digital service lines for its sales teams.

ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM

In 2018, Solocal carried out an in-depth analysis of the Company's equipment needs in terms of ERP (Enterprise Resource Planning) in order to optimise processes at the administrative level (Human Resources, procurement), as well as at the financial and sales levels (e.g. issuing quotes for prospective clients).

Following this analysis, carried out throughout 2018, Solocal launched calls for tender to develop and implement an ERP system. In order to optimise Solocal's budget, the roll-out of this project is currently planned for the end of 2019. At the same time, Solocal is launching the development of a new Business Intelligence (BI) platform enabling it to consolidate the management of its activities (commercial and financial). This new platform will be based on the existing systems and will be operational at the end of the third quarter of 2019.

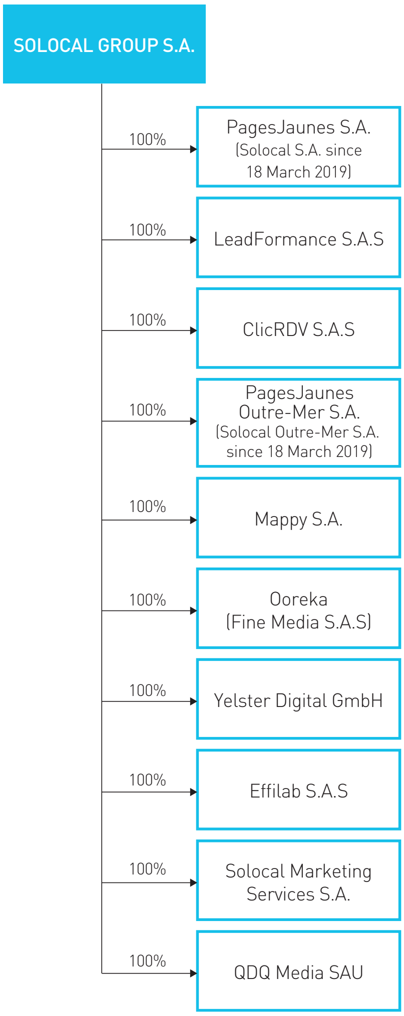
MOVE TO CLOUD

In line with its strategic plan, Solocal has launched calls for tender to select partners to help it migrate its systems and its data to the Cloud and integrate an ERP system within the Company.

Solocal announced it had forged a partnership with Microsoft in September 2018 to migrate its Information Systems to the Cloud, and with Google in November 2018 to migrate data to the Cloud. Google and Microsoft were selected in 2018 for the migration of the bulk of the Company's data and its IT systems to the Cloud which will be effective in 2019. The migration of part of the data is scheduled for 2019. As for the applications that were identified in 2018, the plan for the actual Cloud migration will be drawn up in 2019 with effective migration planned for 2020.

1.5 ORGANISATIONAL STRUCTURE

A simplified organisational chart of Solocal at 31 December 2018 is provided below:



2 RISK FACTORS

Solocal has reviewed the risks that could have a significantly unfavourable effect on its business, financial condition or results (or its ability to achieve its goals). This method is based on the risk mapping of the Company, whereby risks are identified, assessed and prioritised in terms of their impact and likelihood of occurrence. Under each category, risks are classified in descending order of precedence. Solocal set out this classification on the date of this Registration Document.

According to the Company there are no other significant risks apart from the following risks factors, supplemented by other information and the Consolidated Financial Statements provided in this Registration Document. Investors are invited to take into consideration the risk factors described in this chapter before taking any decision to invest.

The description of the internal control and risk management structure put in place by the Company is included in this chapter and in the management report (section 6.2 of this Document).

2.1 OPERATIONAL RISKS

2.1.1 SOLOCAL STRATEGY-RELATED RISKS

2.1.1.1 EMPLOYMENT PROTECTION PLAN IMPLEMENTATION AND RESTRUCTURING [CSR][1]

On 13 February 2018, Solocal announced a plan to extensively restructure the Company and significantly reduce its workforce. The implementation of this plan could disrupt Solocal's business orders and revenues; it may cost more than anticipated and therefore have an impact on the Company's financial results and its liquidity.

The restructuration of the Company's operational organisation, launched in February 2018 within the context of the "Solocal 2020" Plan, led to a reduction in its workforce in 2018 and the implementation of an Employment protection plan ("plan de sauvegarde de l'emploi"). In this context, Solocal initiated a process of informing and consulting employee representative bodies as well as the negotiation process with trade unions concerning, in particular, support measures, which was completed on 22 June 2018.

The Company and its main trade unions reached an agreement on individual support measures to be offered to each employee concerned by the restructuring plan. This includes a voluntary departure phase aimed at limiting the number of redundancies. The plan was implemented with the utmost respect for individuals, providing all employees with the opportunity to be heard, and offering personalised and responsible support. The overall cost of the plan is estimated at approximately €215 million which was fully provisioned in Solocal's 2018 financial statements. The Company expects to finance the disbursements associated with the plan between 2018 and 2020 from available cash, cash flow generated over the period, and financing facilities at its disposal. The restructuring plan should allow the Company to continue to operate with significantly reduced fixed costs, and to become more agile. The cost saving is estimated at around €125-130 million (full year) as of 2020 compared with the 2017 baseline, with €60 million of savings already achieved in 2018. This should restore Solocal's ability to generate positive free cash flow.

The negotiation, consultation and implementation of the project has led to strikes, work stoppages or slowdowns or other staff actions, which have not materially disrupted our activity, but which may have adverse repercussions on the Company's results and financial condition, particularly in the short term. Because of the uncertainties inherent in the negotiation, approval and implementation processes, the Company cannot provide any assurance that it has correctly estimated the total costs relating to the restructuring plan or that the outcome of the implementation of the plan will be in line with its strategic expectations. The cost of the plan may ultimately be higher than the €215 million estimated. The implementation of the restructuring plan may give rise to litigation or administrative proceedings, the cost of which cannot, as at the date hereof, be assessed or provisioned and may be significant. Whether or not the cost of the plan exceeds Solocal's estimates, the Company must ensure that its available cash, as well as its surplus cash flow generated through 2020 and financing facilities (revolving credit, credit facilities, etc.) will be sufficient to finance the restructuring plan. Finally, the restructuring plan may fail to deliver the anticipated €125-130 million in cost savings or deliver those savings on the timetable expected, thereby hampering the Company's efforts to achieve profitable growth for its business.

*(1) **[CSR]** (Corporate Social Responsability) : risks including extra-financial issues, described in the following chapter*

2.1.1.2 IMPLEMENTATION OF THE "SOLOCAL 2020" STRATEGIC PROJECT, AND MOVEMENT FROM TRADITIONAL REVENUES TO A NEW RANGE OF DIGITAL SERVICES

Solocal may not be able to successfully implement its strategic plan or achieve its mid-term financial objectives, order and revenue growth forecasts and expected cost savings, which could impact upon our results and liquidity.

In recent years, Solocal has been confronted with difficult negotiations, particularly in the context of the 2014 and 2017 financial restructuring processes and a decrease in its revenues and profitability, which may have led to an inability to meet the estimates and financial objectives, the publication of warnings on results and an inability to achieve its strategic plan. These difficulties, combined with unsustainable debt levels, led in particular to two debt restructurings in 2014 and 2017, the latter having enabled the Company to reduce its debt by two thirds. On 13 February 2018, Solocal announced its new "Solocal 2020" strategic plan, which includes, among other strategic objectives, mid-term financial objectives.

The implementation of "Solocal 2020" is essential to address the continuing erosion of Solocal's orders and market share, which is the consequence of the challenges the Company faces in a highly competitive market, and its high fixed costs that hinder its investment capabilities.

"Solocal 2020" will also rejig the Company's product range, moving from a focus on its PagesJaunes service to a comprehensive range of digital services which covers the Internet as a whole. These new digital services will be primarily marketed in the form of automatically-renewable subscription packages. They include new and untested products with limited or no track records. The new Web Presence and Websites ranges were launched in late 2018 in test & learn mode, and the new Digital Advertising range will be introduced in the first half of 2019 followed by that of the SEO range in the third quarter. In 2019, our customer base will gradually migrate to this new range of offers, as and when contracts are renewed, and in 2020 for two-year website contracts. If current and prospective customers are less receptive than anticipated to these new digital services, or if the switch in practice from traditional "Search" revenues to this new range is slower than planned, the implementation of our strategic project may be delayed which could have major financial consequences. This could have a major adverse effect on orders, impacting both the Company's results over a two-year period due to the order outflow rate in relation to revenues, and from 2019 its cash position, its ability to finance its strategic "Solocal 2020" project and therefore its liquidity.

The "Solocal 2020" strategic project launched in February 2018 has required a major overhaul of the Company. This has included removing vertical entities (business units), transferring local teams to business hubs, centralising certain roles and a new omni-channel sales force structure with a focus on telesales and the launch of the e-commerce channel. This fast and considerable business reorganisation combined with the departure of sales staff as part of the Employment protection plan, primarily in July of that year, caused major disruption to the Company's business activity. As such, our digital orders fell by -19.8% year-on-year in the third quarter of 2018, and plunged by -24.1% in the fourth quarter on year-earlier levels.

The 2018 second-half sales performance will have a considerable impact on 2019 revenues, and a lesser impact on 2020 revenues. It will therefore also affect the Company's financial results and liquidity. The Company's reorganisation may result in delays and disruption affecting its ability to run its operations. Should sales continue to stagnate in 2019, the considerable impact on orders would continue, with a slowing of both the Company's results over a two-year period due to the order outflow rate in relation to revenues, and its cash position and therefore its ability to finance its strategic Solocal 2020 project.

Consequently, the Company cannot give any assurances that it will be able to achieve the objectives included in its "Solocal 2020" plan updated on 24 October 2018 and 19 February 2019, including its financial forecasts and financial objectives.

Moreover, the implementation of Company strategy, in particular "Solocal 2020", is subject to numerous external risks, including the increasingly competitive environment in advertising markets and digital services, growing pressure on prices, rapidly-evolving technologies, system failures in the industry or in customers' sectors, changes to data, advertising and tax regulations, changes to peoples' expectations of the Company, societal changes in the workplace, and finally climate change and environmental protection. The current and future execution of Solocal's strategic and operating plans will, to a certain extent, depend on external factors which are beyond the Company's control.

2.1.1.3 ADAPTING TO DIGITAL AND MOBILE TECHNOLOGY

Our inability to adapt to digital technology and market changes could have an adverse effect on our business, financial condition and operating income.

The rapid development of new technologies and widespread use of the Internet in the workplace, at home and on the move, and the significant influence of the major social media and search engine players as well as other established and emerging players in digital services (particularly specialists such as Doctolib for medical appointments and LaFourchette for restaurant reservations), have led to changes in consumer preferences and habits, which could have a significant influence on the user services Solocal provides (PagesJaunes, Mappy, Ooreka). In particular, these changes have contributed to a decrease in consumer use of printed directories in the markets in which Solocal operates. In addition, a reduction in audience visiting the Company's media could lead to a decline in the number of its customers as well as its revenues over time.

Solocal has been confronted with new economic models associated with digital technology and artificial intelligence. Various pricing models are used to sell digital services, and it may be unable to predict which of these models will become established as the industry standard, if any. The emergence of new economic models and increased competition in the digital services market could lead to a decline in demand or prices for the digital services it offers.

Furthermore, a significant portion of our B2B digital services offer is dependent on the Company's ability to buy third party traffic from various sources, integrate it within an offer of greater added value, and resell it with a satisfactory margin. Purchase prices, in particular in digital search and social media, may vary over time putting pressure on margins.

Many individuals use mobile devices to access Solocal's online B2C services. If users of these devices do not widely adopt the solutions Solocal develops for these devices, or if the Company is unable to effectively operate on mobile devices, its business could be adversely affected.

The number of people who access online services through mobile devices, such as smart phones, handheld tablets and similar devices, as opposed to personal computers, has increased dramatically in the past few years and is projected to continue to increase. Mobile devices (excluding tablets) accounted for approximately 45% of total visits to Solocal's Internet platforms in 2018 and the number of such visits has increased continuously and significantly in recent years.

If the mobile solutions the Company develops do not meet the needs of prospective or current users, they may not use, or they may reduce their usage of its platform, and the business could suffer. Additionally, Solocal is dependent on the interoperability of our offers with mobile operating systems that it does not control, such as Android and iOS. Any changes in such systems or terms of service that degrade the functionality of its services, give preferential treatment to competing products or damage its ability to promote advertising or other digital services could adversely affect traffic and monetization on mobile devices.

Solocal may not be successful in maintaining and developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. Each manufacturer or distributor may establish unique technical standards for its devices, and Solocal's products and services may not work or be viewable on these devices as a result. Some manufacturers may also elect not to include its products on their devices. As new devices and new platforms are continually being released, it is difficult to predict the challenges the Company may encounter in developing versions of its offers for use on these alternative devices.

2.1.1.4 RELIANCE ON PARTNERSHIPS

If Solocal is unable to maintain and develop relationships with strategic partners, its revenues may be impacted.

Solocal's growth strategy depends on the Company's ability to maintain and develop its strategic partnerships, including those with industry leaders such as Google, Bing (Microsoft), Apple, Facebook, Amazon, and Yahoo!.

The Company relies on these partnerships to generate traffic to its platforms and B2B services and for the promotion of its customers' businesses. Indeed, a growing portion of the overall traffic of its media (the audience that Solocal brings to its customers) is generated through the platforms of its partners. If any such partnership were not renewed or were renewed on less favourable terms, this could lead to a decline in the size of the Company's audience and a fall in revenues. In 2018, Solocal signed a Bing Ads agreement with Microsoft, and renewed its partnerships with Facebook and Google. Some of the Company's partnerships are renewed automatically unless terminated by either of the parties. In addition, its partnership with Apple will end in 2020. No assurance can be given that it will succeed in renewing these expiring partnerships, or renewing them on terms that are favourable to the Company.

Some of Solocal's partners are also partnering with its competitors, which may increase the availability of competing offers to customers and harm its ability to strengthen its relationships with those partners or customers. Moreover, some of its partners also compete with the Company in certain sectors.

2.1.1.5 COMPETITION FROM ESTABLISHED OR EMERGING PLAYERS

Solocal faces an increasing level of competition and may not be able to remain competitive.

The Company is experiencing an increasing level of competition in its activities, especially in the online advertising market and other Digital Services as well as websites. No assurances can be given that it will be able to successfully resist this competition, which is generated by other established economic players and by new market entrants. Increasing competition could result in smaller audiences, lower prices, reduced growth, reduced margins or loss of market share.

2.1.1.6 DISPOSALS AND ACQUISITIONS

Solocal may make investments or disposals, which may have an adverse effect on its business.

The Company has sold off some businesses, including AVendreALouer.fr and Chronoresto in 2017, NetVendeur and Retail Explorer in 2018, and may choose to divest, dispose of or close down other businesses in the future. No assurance can be given that it could find potential buyers for any of its businesses, or that the price received from the sale of these businesses or the cost reductions associated with their disposal or closing could offset any resulting decrease in its operating income.

In addition, Solocal has made acquisitions and investments in the past and could do it again in the future. No assurances can be given that the Company will manage to successfully integrate the acquired companies, realise the anticipated synergies, maintain uniform standards, controls, procedures and policies, maintain good relations with the staff at the acquired companies, or that the additional income and results generated by each acquisition will justify the price paid for the acquisition.

2.1.1.7 BRAND REPUTATION

Failure to maintain and enhance its brands could have an adverse effect on the Company's business, financial position and operating income.

Solocal's success depends in part on the strength of its brands and reputation. If it is unable to maintain and enhance the strength of its brands, then its ability to retain and expand its audience and customer base as well as its attractiveness to existing and potential audiences and customers may be impaired, and operating income could be adversely affected. Maintaining and enhancing its brands may require the Company to make substantial investments. If it fails to maintain and enhance its brands successfully, or if it incurs excessive expenses or make unsuccessful investments in this respect, its business, financial condition and operating income may be adversely affected.

2.1.2 BUSINESS-RELATED RISKS

2.1.2.1 CYBER RISKS AND PERFORMANCE OF IT'S TOOLS [CSR]

The Company may be subject to information technology failures, security breaches or disruptions in its information, production and distribution systems.

A major part of Solocal's business depends on the efficient, continuous operation of its information, production and distribution systems. These systems could be damaged by several causes, including fire, widespread power cuts, damage to communications networks, cyber-attacks such as computer hacking, computer sabotage or any other cause which could affect operations.

Should its systems become obsolete, the Company may be unable to properly use its tools, leading to system failures and/or the inability to market its products and offers. This could also have an impact on production times and service quality, leaving customers dissatisfied and affecting customer renewals of its services.

In respect of activities that it subcontracts, the Compant must be able to rely on the ability of the subcontracting companies to react quickly and effectively. Any inability by subcontractors to respond to these problems could have an impact on its business.

In addition, its systems may be subject to security breaches resulting in third parties gaining access to personal information concerning users. The Company may also be subject to court, governmental or other similar requests to hand over personal information regarding certain users (for example, under surveillance programmes). As a result, it may face criminal liability for failing to take appropriate steps to protect personal information as well as claims for violations of privacy in connection with the actions of third parties. Regardless of the outcome, investigating these claims and preparing an appropriate defence could involve significant costs, and the existence of these claims could generate negative publicity and damage its reputation and future business prospects.

2.1.2.2 COOKIES AND OTHER TRACKERS [CSR]

If the use of "third-party cookies" or other trackers is rejected or limited by Internet users, or their collection is subject to restrictive legislation, the Company's performance could suffer and it might lose customers and revenues.

Cookies are used to gather data to help support some of its digital activities. These cookies are stored on the Internet user's device or browser when they browse the Internet, to monitor their online activity. Cookies collect information, such as when an Internet user views an ad, clicks on an ad, or visits one of Solocal's websites. In addition, given the widespread use of mobile applications, other technologies are also used to collect data for some of Solocal's digital business activities (primarily via the Software Development Kit).

Cookies can easily be deleted or blocked by Internet users. Today, most browsers enable users to change their browser settings in order to restrict the installation of third party cookies and associated data collection. Internet users can also manually delete cookies or download "ad-blocker" software which prevents the cookies from being stored on their device.

Moreover, the default settings of the Safari browser, developed by Apple, block cookies and other web browsers may well follow suit in the near future. Indeed, with the launch of IOS 11, Apple has updated its browser to include an intelligent tracking prevention (ITP) functionality, activated by default on its mobiles and computers. If its ability to install cookies on user devices is increasingly restricted by the aforementioned practices, the Company will no longer be able to collect as much data as is currently the case for targeted advertising campaigns and other digital services provided on behalf of its customers. This may have a negative impact on its activities.

In addition, there have been announcements that prominent advertising platforms plan to replace cookies with alternative web tracking technologies. These alternative mechanisms have not been described in technical detail, and have not been announced with any specific stated timeline. It is possible that these companies would rely on proprietary algorithms or statistical methods to track web users without the deploying cookies, or would utilise log-in credentials entered by users into other web properties owned by these companies, to track web usage without deploying third-party cookies. Such companies may build alternative and potentially proprietary user tracking methods into their widely-used web browsers.

If, and to what extent, cookies are blocked or replaced by proprietary alternatives, Solocal's continued use of cookies may face negative consumer sentiment, reduce its market share, or otherwise place it at a competitive disadvantage. If cookies are replaced, in whole or in part, by proprietary alternatives, the Company may be obliged to license proprietary tracking mechanisms and data from companies that have developed them and that also compete with its business, and it may not be able to obtain such licenses on economically favourable terms. If such proprietary web-tracking standards are owned by Solocal competitors, they may be unwilling to make their technology available to the Company.

In addition, in the EU Directive 2002/58/EC (as amended by Directive 2009/136/EC), commonly referred to as the "Cookie Directive," directs EU member states to ensure that storing or accessing information on an Internet user's device, such as through a cookie, is allowed only if the Internet user has given his or her consent. Some member states have adopted and implemented this legislation that negatively impacts the use of cookies for digital advertising. Some of these member states also require prior express user consent, as opposed to merely implied consent, to permit the placement and use of cookies. Where member states require prior express consent, the Company's ability to deliver advertisements on certain websites or to certain users may be impaired. Furthermore, there are proposals to replace the current Cookie Directive with a new ePrivacy regulation, the effective date of direct application of which is as yet unconfirmed. If adopted, the ePrivacy regulation will standardise the currently disparate cookie consent laws across Europe. However, if adopted in its current draft form, it could create significant challenges for digital advertising models as it introduces enhanced consent for cookies (and other trackers) and transparency requirements, in particular proposing that browser (and similar internet access software) publishers should offer users the ability to accept or refuse cookies upon installation of their software.

2.1.2.3 PERSONAL DATA COLLECTION [CSR]

Restrictions on the Company's ability to collect personal information may harm its business.

Solocal must abide by privacy protection laws, including European Directive No. 95/46/EC of 24 October 1995, which limits its ability to collect and use personal information about its users (see 2.3.1.1.2: *"Protection of personal data"*). Any restrictions on using cookies or other trackers installed on an Internet user's terminal or browser when the user looks up information on the Internet, or the obligation to allow users to object to the use of these cookies, could weaken the Company's ability to provide effective advertising and other digital services as part of its business. An increased public awareness of privacy concerns and changes in the applicable rules created by, among other things, European regulations on the protection of personal data which the Company must comply with, could limit its ability to use such personal information for its business, and more generally affect the public perception of the Internet as a market for its goods and services. Each of these developments could have an impact on the Company business, financial condition and operating income.

In particular, the French Commission for Data Protection and Liberties (Commission nationale de l'informatique et des libertés, or CNIL) issued a public warning to PagesJaunes without financial penalty in September 2011 concerning a "Web Crawl" service aimed at enabling users to find a person not listed on the pagesblanches.fr directory by providing results obtained from social networks. The CNIL criticised PagesJaunes for distributing this data without specifically informing or having obtained authorisation from the persons involved. PagesJaunes appealed this ruling with the Council of State (Conseil d'État), but this appeal was dismissed in March 2014. Among other things, the Council of State upheld CNIL's position that natural persons whose data is collected indirectly, in particular on the Internet, must be informed at time of collection of the use that will be made of this data, irrespective of the difficulties that may be met in doing so. In the absence of prior notification given to such natural persons, the Company is not permitted to crawl personal data on the Internet.

In May 2016, regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation or "GDPR"), came into force and instigated a two-year preparatory period during which the Company adopted new data processing requirements. The GDPR has been applicable to all EU member states since 25 May 2018. Since Solocal processes consumer personal data and customer personal data as part of its business, it must therefore comply with the GDPR. Fines for serious GDPR infringements may rise to the highest of (i) 4% of the annual worldwide revenues of the Company or (ii) €20 million. In addition, the GDPR imposes new data breach notification requirements, such as the duty to notify the relevant supervisory authority of a data breach within 72 hours of becoming aware of the breach. GDPR also imposes additional obligations on the Company to be able to respond to the new rights of persons affected by data, including for example, the rights to erasure, restriction and data portability. Each of these new obligations may result in increased costs of compliance and implementation of necessary technical systems.

Solocal continuously verifies its compliance with applicable legislation on the protection of privacy. With this in mind, the Company has created a Personal Data department and the position of Data Protection Correspondent, who also became the Data Protection Officer (DPO) on 25 May 2018. However, the Company cannot eliminate all risks that may result from overlooking or misinterpreting applicable legislation on the protection of privacy, which could adversely impact its business, financial condition and operating income.

2.1.2.4 WEBSITE RANKING

If Internet search engine methodologies are modified or Solocal's search result page rankings decline for other reasons, the Company's audiences and client numbers could decline.

Solocal depends on Internet search engines, such as Google and Bing, to direct a significant amount of traffic to its websites. The Company's ability to maintain the number of visitors directed to its websites is not entirely within its control, and it may take several months or longer to respond to or remedy any such changes in traffic. Solocal's competitors' Search Engine Optimisation (SEO) efforts may result in their websites receiving a higher search result page ranking than the Company. Internet search engines could review their methodologies in an attempt to improve their search results, which could adversely affect the placement of Solocal's search result page ranking. If search engines modify their search algorithms in ways that are detrimental to the Company's growth or in ways that may make it harder for visitors to use its websites, or if its competitors' SEO efforts are more successful than its own, overall growth in its online traffic could slow, user engagement could decrease, and the Company could lose customers.

2.1.2.5 CONTENT QUALITY [CSR]

The success of Solocal's business depends on its ability to provide users with rich content on its B2C services and to continually enhance the user experience as well as that of its customers, by developing new products and services.

Solocal's success depends on its ability to improve engagement between its customers and users. The Company must continuously provide users with information that is as comprehensive and relevant as possible. A significant portion of the information on individuals and businesses that it publishes on its media is gathered from databases available on the market, in particular, from various telecommunications operators. If the Company were unable to access these databases, or if a large number of subscribers asked to be unlisted or if the Company otherwise lost its ability to maintain comprehensive and accurate databases, no assurance can be given that it would be able to gather information on individuals and businesses by other means, or that this would not lead to a reduction in the user service content it provides.

Moreover, in order to maintain a competitive advantage, the Company must enhance the user experience by improving the technical features and functionalities of the products and services aimed at users (including adapting them to new platforms) and provide users with new products and services. Any deterioration in the amount or quality of the content it provides or any failure to improve its products and services or develop new products and services aimed at users could result in a decline in its audience, including by threatening the continuity of its partnerships with large global Internet players, which today form an important part of its indirect audience.

The digital age is characterised by rapid technological advances, the frequent introduction of new products and services, evolving industry standards, volatile and changeable demand from users and instability in the business models for these products and services. The continuing change in the digital sector requires the Company to constantly improve its performance and rapidly adapt its technology and functionality. For instance, the increasing use of mobile devices, such as smartphones and tablets to access the Internet and the growing development of voice assistants, such as Google Assistant, Alexa or Siri, requires the Company to adapt its technology for these platforms. Any inability on its part to anticipate or properly respond to changes in technology or demand or to adapt to new economic models for products or services, any significant delays or major costs incurred in developing and marketing new products and services, and any inability to provide a satisfying user experience could have a material adverse effect on its business, financial condition and operating income.

In addition, communication actions to build brand awareness of the Company are intended to increase its online audience. A lack of investment in this type of action could lead to a significant drop in the direct audience of the Company's sites.

2.1.2.6 SHUTDOWN OF THE TRADITIONAL PRINTED DIRECTORIES BUSINESS

The performance of the traditional printed directory business has posted a year-on-year decline.

The performance of the printed directories business line, Solocal's traditional legacy business, has been declining for several years.

Revenues for this business line fell by -27.1% between 2017 and 2018 (down from €134.9 million for the financial year ended 31 December 2017 to €98.4 million for the financial year ended 31 December 2018). This decline is driven by the shift by advertisers away from printed directories towards digital advertising.

Although Solocal is seeking to manage the decline of this business by offering an increasing range of digital services to its customers (for the 2018 edition, only 22,792 customers were printed directories-only customers), it cannot provide any assurance that migrating its printed directories customers to its other digital services offers will enable it to maintain the same level of profitability. On 4 March 2018, the Company announced that it would discontinue its traditional printed directories business after the 2020 edition. 11 *départements* (French counties) had already withdrawn from the 2018 editions of the PagesJaunes directories, and 15 more will follow suit in 2019. All PagesBlanches directories will cease production in 2020. This decision could also affect the margins of Solocal's other businesses, since the relocation of fixed costs, which have until now been split between Digital services and Print, could impact the Company's results.

The revenues from its traditional printed directories business may be unpredictable, making it difficult to evaluate its actual financial performance.

The various editions of its printed directories are published and distributed throughout the year, so the traditional printed directories business does not go through any major cycles. The publication and distribution of printed directories is carried out according to a calendar established one year in advance. From an accounting point of view, income and expenses from the sale of advertising space in the printed directories are recognised when they are published. Therefore, revenues can vary from one quarter to the next and the results for a quarterly or semi-annual period may not be representative of Solocal's full-year results.

Finally, the time delay between the recognition of income and costs on one hand and the actual receipt of invoice payments from advertisers on the other hand could affect working capital requirements, operating cash flow, operating income or other financial indicators generally used by investors to evaluate the financial performance of a company and not reflect the Company's actual liquidity level.

2.1.2.7 PRICE OF PAPER

If the price of paper or the cost of other production factors were to rise, Solocal's operating costs could increase significantly.

An increase in the price of paper or a shortage of paper could have a material adverse effect on our business, financial condition and operating income. Prices have been stable for the 2017 and 2018 editions of our printed directories, but the closure of paper production plants created pressure on prices in 2018. To address this risk, Solocal has entered into purchase commitments over a two-year period in exchange for a set price increase for the requirements of the last 2019 and 2020 editions.

The Company does not have any mechanisms in place to cover variations in the price of paper, other than those provided for in its current contracts.

In addition, it subcontracts the work involved in printing, binding and packing printed directories, and it has outsourced the distribution of printed directories to La Poste for 2019 and 2020. Until the business is completely shut down in 2020, an increase in production or distribution costs (linked for example to a significant increase in the fuel prices or a substantial revaluation of the minimum wage), or difficulties encountered with distribution, could have a material adverse effect on its business, financial condition and operating income.

2.1.3 HUMAN RESOURCES AND ENVIRONMENTAL RISKS

2.1.3.1 HUMAN RESOURCES [CSR]

Solocal's success depends on all of its personnel, talent and skills management are key factors.

The success of its business notably depends on the experience and expertise of its key personnel. Competition for this talent in the digital services market is intense, and the Company may not be able to retain and attract a sufficient number of qualified personnel in the future, which could prevent the successful execution of its strategy and have a material adverse effect on its financial condition and operating income.

Moreover, employees are increasingly exposed to psychosocial risks due to major changes within the Company, which may have an impact on their quality of life and health in the workplace. These risks could lead to high absenteeism, and therefore a lack of human resources which would disrupt the Company's business activities.

2.1.3.2 ENVIRONMENTAL IMPACT [CSR]

Solocal is subject to certain environmental risks.

Since the Company's activities, particularly those related to its traditional printed directories business, may have an impact on the environment, it is subject to laws and regulations pertaining to the environment. As a result, it may be involved in administrative and judicial proceedings and investigations related to environmental issues. These proceedings and investigations could result in substantial costs and obligations and/or divert management's attention from its core business.

If it is determined that the Company is not in compliance with or has liabilities under applicable laws and regulations, it could be subject to fines or other measures.

Furthermore, any allegation that the Company or its subcontractors do not comply with environmental laws and regulations could damage its reputation. Although the Company devotes attention to compliance with certain criteria when selecting its subcontractors, there can be no assurance that subcontractors will at all times comply with applicable environmental laws and regulations.

2.2 FINANCIAL RISKS

2.2.1 RISKS RELATED TO INDEBTEDNESS AND MARKET RISKS

Following the completion of the financial restructuring operations, as described in particular in chapter 5 of this Registration Document, the Group's residual gross debt was reduced to €398 million, i.e. a net debt[1] as at 31 December 2017 of €332 million, showing a financial leverage of 1.7x at 31 December 2017, and redeveloped in the form of a bond issue for the amount of €397,834,585 (the "Bonds") whose settlement-delivery took place on 14 March 2017, reserved for creditors under the Credit Agreement, and whose main terms are as follows:

- interest:
  - calculation of interests: margin plus 3-month EURIBOR rate (EURIBOR being defined to include a minimum rate of 1%), payable in arrears on a quarterly basis,
  - late payment interest: 1% increase in the applicable interest rate;
- margin: percentage per year according to the level of the Consolidated Net Leverage Ratio (consolidated net debt/consolidated EBITDA) at the end of the most recent reference period (Accounting Period), such as indicated in the table below (noting that the initial margin will be calculated based on a pro forma basis of the restructuring operations):

Consolidated net financial leverage ratio	Margin
Greater than 2.0:1	9.0%
Less than or equal to 2.0:1 but greater than 1.5:1	7.0%
Less than or equal to 1.5:1 but greater than 1.0:1	6.0%
Less than or equal to 1.0:1 but greater than 0.5:1	5.0%
Less than or equal to 0.5:1	3.0%

- maturity date: 15 March 2022;
- listing: listing on the official listing of the Luxembourg Stock Exchange and admission for trading on the Euro MTF market;
- early repayment or repurchasing:
  - the issuer can at any time and on multiple occasions redeem all or a portion of the Bonds at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest,
  - in addition, the Bonds will be subject to mandatory early redemption (subject to certain exceptions) in whole or in part, in case of certain events occurring, such as a change of control, a disposal of assets (Assets Sale), or receipt of Net Debt Proceeds or Net Receivables Proceeds. Mandatory early reimbursements are also provided for by means of funds coming from a percentage of surplus cash flow, according to the Company's Consolidated Net Leverage Ratio;
- financial commitments:
  - the net consolidated financial leverage ratio (Consolidated Leverage/Consolidated EBITDA) must be lower than 3.5:1,
  - the interest hedging ratio (Consolidated EBITDA/Consolidated Net Interest Expense), must be greater than 3.0:1, and
  - (i) beginning in 2017 and (ii) in any subsequent year if the Consolidated Net Leverage Ratio exceeds, on 31 December of the previous year, 1.5:1, Capital Expenditure (excluding growth transactions) relating to the issuer and its subsidiaries is limited to 10% of consolidated revenues of the issuer and its subsidiaries;
- moreover, the Terms & Conditions of the Bonds contain certain prohibitions, which prohibit the issuer and its subsidiaries, apart from certain exceptions, in particular from:
  - taking on additional financial debt,
  - giving pledges,
  - paying dividends or making distributions to shareholders; as an exception, the payment of dividends or distributions to shareholders is permitted if the Consolidated Net Leverage Ratio does not exceed 1.0:1.

The restrictions contained in the Terms & Conditions of the Bonds and described hereinabove could affect our ability to run our business, and limit Solocal's ability to adapt to market conditions or seize commercial opportunities which may arise. As an example, these restrictions could affect its capacity to finance its business investments, restructure its organisation or finance its capital requirements. In addition, its capacity to comply with these restrictive clauses could be affected by events beyond its control, such as economic, financial and industrial conditions. Any failure to meet Solocal's commitments or comply with these restrictions could result in a default on the terms of the agreements mentioned hereinabove.

In case of default that would not be remedied or renounced, the bearers of notes could require that all of the outstanding amounts become due immediately. This could activate the cross default clauses of other Company loans. This type of event could have a material adverse effect on the Company, leading to its insolvency or liquidation.

(1) Net debt represents total net financial debt, less cash and cash equivalents.

A downgrade of the Consolidated Net Ratio as set out by the Bonds documentation would increase the interest to be paid by the issuer, and would impact on its net financial expense and cash flows (lower than 2 in 2018).

Moreover, Solocal could no longer be in a position to refinance its debt or obtain additional financing under satisfactory terms.

The following corporate financial ratings were attributed to the issuer at the date of publication of this Registration Document:

- B- confirmed in February 2019 by Fitch Ratings but with a negative watch;
- B3 downgraded to Caa1 in February 2019 by Moody's along with a negative outlook.

The following financial ratings were attributed to the issuer's bond at the date of publication of this Registration Document:

- B downgraded to B- in February 2019 by Fitch Ratings along with a negative watch;
- B3 downgraded to Caa2 in February 2019 by Moody's along with a negative outlook.

Changes in ratings are presented below:

		31/12/2018		31/12/2017		31/12/2016	
		Fitch Ratings	Moody's	Fitch Ratings	Moody's	Fitch Ratings	Moody's
	Corporate memo	B-	B3	B-	B3	RD	Ca
	Outlook	Stable	Negative	Stable	Positive	Negative	Negative
Solocal	Debt memo	B	B3	B	B3	-	-
PagesJaunes	Note	-	-	-	-	C	Ca
Finance[1]	Outlook	-	-	-	-	-	Negative

(1) Related to the bond issue maturing in 2018.

At 31 December 2018, Solocal's gross debt totalled €409 million including €398 million in bond issues – see Note 9.5 of chapter 6.1. The restrictions contained in the bonds documentation could affect Solocal's trading ability, and limit its ability to adapt to market conditions or seize commercial opportunities which may arise. They may also limit its ability to incur additional debt or boost its total equity. As an example, these restrictions could affect the Company's capacity to restructure its organisation, finance its business investments or finance its funding requirements.

Moreover, the interest that the Company pays on these bonds is partly determined by the 3-month EURIBOR rate (with a minimum rate of 1%), and partly by its Net Consolidated Leverage Ratio. The interest expenses that the Company pays could be affected by events beyond its control, such as economic or financial conditions, or by an increase in our Net Leverage Ratio which would impact upon its net financial expense. A short-term 1% increase in interest rates would trigger a €4 million increase in net interest expenses. See Note 10 of Chapter 6.1 of this Registration Document for further information on this risk.

The bond redemption matures on 15 March 2022. The inability to repay this debt or refinance it prior to that date could have a material adverse effect on the Company, leading to its insolvency or liquidation. The bond is indirectly secured by a pledge on the securities of PagesJaunes SA held by Solocal.

2.2.2 LIQUIDITY RISK

In 2018, Solocal announced a plan to extensively restructure the Company and significantly reduce its workforce. The implementation of this transformation may have an impact on its financial results, liquidity or going concern.

In fact, the Company could possibly not have the capacity to finance the €163 million of disbursements due in 2019 as part of the employee portion of the plan or the expenses due on two vacant premises. The Company generates positive recurring operating cash flows (more than €100 million) that will be used in 2019 to cover these disbursements, in addition to the €82 million of cash available at 1 January 2019. In addition, Solocal has put in place additional financing solutions to strengthen its balance sheet with a secured working capital funding facility of at least €10 million and a revolving credit line (RCF) with 3-year maturity of €15 million.

Other discussions are in progress to develop other banking partnerships and increase the working capital facility since the company has a balance sheet with more than €200 million of trade debtors.

In addition, the disposal of certain non-strategic assets could strengthen its liquidity.

The Company's cash forecast shows that, with these different sources of liquidity and the growth of digital sales expected this year, Solocal has the capacity to finance its activity in 2019 and cover the major cash disbursements linked to the Employment Protection Plan (PSE), coming in the third and fourth quarters of 2019.

If Solocal does not reach its growth target for digital sales in 2019, or is not able to maintain or obtain the necessary financing, the Company would not have the capacity to pay for these disbursements, which could involve financial restructuring and even bankruptcy or liquidation.

Moreover, in view of its financial structure, the Company is exposed to interest rate risk, liquidity risk and credit risk.

Risks concerning interest rates, liquidity and credit are set out in Note 10 of the consolidated financial statements for the 2018 financial year provided in Section 6.1 of this document.

Information pertaining to Solocal's debt is also provided in Chapter 5.3 – Cash and Capital Resources, Note 9.5 – Cash and Cash Equivalents, Net Financial Debt, and Note 10 – Financial Risk Management and Capital Management Policy Objectives in the notes to the consolidated financial statements for the 2018 financial year.

Equity risk is linked to treasury shares held directly and through the liquidity agreement implemented in 2008.

2.2.3 ECONOMIC ENVIRONMENT AND COST STRUCTURE

A deterioration of economic conditions could have a material adverse effect on the Company's revenues and cash flow if it were unable to adapt its cost structure.

Solocal's income could decrease significantly if the countries in which it generates the majority of its digital revenues (primarily France) were to experience a deterioration in their economic conditions. Such deterioration could have a noticeable effect on customer demand for the Company's products and services, particularly as customers attempt to reduce or reallocate their spending, which could result in downward pressure on the prices of its digital products. The Company's inability to adapt its cost structure if faced with a downturn in the economy or increased competition could also have a material adverse effect on its business, financial condition and operating income.

2.2.4 FINANCIAL FORECASTS AND INDICATORS

Solocal relies on assumptions and estimates to calculate some of its key indicators, and inaccuracies may harm its reputation and negatively affect its business.

Certain key indicators, such as the number of unique visitors, number of visits and audience, are calculated, in some cases, using Internal company data and, in other cases, relying on data from third parties. While these numbers are based on what Solocal believes to be reasonable calculations, it is difficult to measure usage and user commitment. For example, a single person or user may have multiple accounts or browse the Internet on multiple browsers, or some mobile applications may automatically contact its servers for regular updates with no user action, and the Company is not able to capture user information on all of its platforms. As such, the calculations of unique visitors, number of visits, or audience may not accurately reflect the number of people actually using the Company's platforms. These figures may vary from estimates published by third parties or similar indicators provided by Solocal's competitors insofar as the methodologies used by the Company and by third parties from which it obtains this data are different.

Although Solocal regularly review and adjust its methodologies for calculating internal indicators to improve their accuracy, if its users, customers, partners and other stakeholders do not perceive its indicators to be accurate representations or if it discovers significant inaccuracies in its user indicators, Solocal's reputation may be affected.

2.2.5 TAXATION

Solocal is subject to tax risks.

Solocal must structure its organisation and operations appropriately while respecting the various tax laws and regulations of the jurisdictions in which it operates. Such laws and regulations are generally very complex. Additionally, because tax laws may not provide clear-cut or definitive doctrines, the tax regime applied to the Company's operations and intra-group transactions or reorganisations is sometimes based on its interpretations of tax laws and regulations. Solocal cannot guarantee that such interpretations will not be questioned by the relevant tax authorities, which may adversely affect our financial condition or results or operating income. Tax laws and regulations are subject to change, and new laws and regulations may make it difficult for the Company to restructure its operations in an advantageous manner. More generally, any failure to comply with the tax laws or regulations of the countries in which the Company operates may result in adjustments, interest on late payments, fines and penalties.

Furthermore, Solocal may record deferred tax assets on its balance sheet, reflecting future tax savings resulting from discrepancies between the tax and accounting valuation of the assets and liabilities or in respect of tax loss carry-forwards from its entities. The actual realisation of these assets in future years depends on tax laws and regulations, the outcome of potential tax audits and the future results of the relevant entities. In particular, in virtue of Article 39, 1-5° of the French Tax Code, provisions for pensions and similar obligations that are deductible from an accounting standpoint should be added-back to the French taxable income, thus resulting in a deferred tax asset to be recorded in financial statements. As of 31 December 2018, its net deferred tax assets totalled €68.9million, including an amount of €22.0 million of deferred tax assets corresponding to non-deductible provisions for pensions and similar obligations.

In addition, QDQ Media, Solocal's Spanish subsidiary, had carry-forward tax losses in an amount of €218.9 million at the close of the financial year ended on 31 December 2018. As a basic principle, Spanish tax losses may be carried forward indefinitely but Spanish tax rules restrict the ability to use Spanish tax losses carried-forward. For Spanish tax payers whose turnover for the 12-month period preceding the beginning of the relevant tax year is ranging from €20 million to €60 million, the fraction of Spanish tax losses that may be used to offset the taxable profit with respect to a given fiscal year will generally (subject to certain exceptions) be limited to 50%, being noted that Spanish tax losses that do not exceed €1.0 million may be offset without any limitation. No deferred tax assets with respect to these Spanish tax losses have been recorded on Solocal's balance sheet. Any reduction in its ability to use these assets due to changes in laws and regulations, potential tax adjustments, or lower than expected results could have a negative impact on the Company's business, financial condition and operating income.

Finally, the services Solocal provides to its customers are subject to value added taxes, sales taxes or other similar taxes. Tax rates may increase at any time. Any specific taxation of digital services or any such increase could affect its business and the demand for its services, and thereby reduce its operating income, negatively affecting its business, financial condition and operating income. Therefore, the Company is closely following developments to a draft European Directive on a digital services tax (DST), as well as a French bill which aims to introduce such a tax in France for companies that generate global revenues of at least €750 million, and French revenues of at least €25 million. Solocal's tax affairs may be impacted should these regulations be adopted. The Company is in regular contact with the authorities on this point.

2.3 LEGAL RISKS

2.3.1 REGULATORY COMPLIANCE

Given that Solocal's business is subject to various laws and regulations, the Company may incur significant costs to maintain compliance with such laws and regulations.

The communications industry in which Solocal operates is subject to various laws and regulations. Changes in such laws or regulations or in policy in the European Union, France or other European countries where Solocal operates could have a material adverse effect on its business in these countries, especially if such changes increase the cost and regulatory constraints associated with providing its products and services.

In particular, the application of existing laws and regulations governing directories and the digital industry is currently being clarified in France and in the EU, and a certain number of draft laws and European regulations are under discussion, including in relation to the protection and use of personal information, privacy and electronic communications, responsibility for content, e-commerce and the taxation of advertising on the Internet. These future developments in laws and regulations could have a material adverse effect on the Company's business, financial condition and operating income, or on its ability to achieve its strategic objectives.

In addition, the global nature of the Internet means that its operations are subject to the laws of multiple jurisdictions. Although the Company operates primarily in France, certain states or jurisdictions may require it to comply with their own laws and regulations. The simultaneous applicability of several, and at times contradictory, sets of laws and regulations, and the associated costs and uncertainty, could have a material adverse effect on the Company's business, financial condition, and operating income.

In order to anticipate any regulatory development that could have a material adverse effect on its business, Solocal carries out continuous monitoring of laws and regulations. Similarly, it constantly checks that it is compliant with national and European regulations.

In addition to the regulations generally applicable to companies in the countries in which it operates, Solocal is more specifically subject to information society laws for its digital activities.

As Solocal is mainly present in Europe, particularly in France, the presentation below focuses on European and French legislation and regulations.

2.3.1.1 INFORMATION SOCIETY REGULATIONS [CSR]

2.3.1.1.1 Internet content regulation and operators' responsibility

At EU level, the obligations and responsibilities of Internet players were set out in the European Directive of 8 June 2000 concerning certain legal aspects of information society services, in particular electronic commerce. This directive was transposed in France through the Digital Economy Trust Act (or "LCEN" Act) of 21 June 2004, which specifies the responsibility of technical service providers on the Internet.

The liability of online communication service publishers is governed by ordinary law. Thus, Article 6, paragraph 3-1 of the LCEN Act, introduced an obligation on the part of online communication service publishers to identify themselves directly or indirectly through an obligation on the part of legal entities and natural persons operating as online communication service publishers to make available to the public, in an open standard, information required to identify themselves such as surname, christian name, address and telephone number in the case of natural persons and company name, head office, telephone number, registration number and share capital in the case of legal entities. The name of the Director or co-director of the publication as well as the name and address of the hosting provider must also be stated.

Unless subject to a limited liability regime, the publisher may be held liable for fault under Article 1240 (formerly 1382) of the French Civil Code, for breach of copyright on the basis of the provisions of the French Intellectual Property Code or, in the event of misleading statements, as complicit in or jointly liable for deceptive marketing practices prohibited under Articles L. 121.2 et seq. of the French Consumer Code.

The hosting provider provides content suppliers with the necessary disk space to store their data. Article 6, paragraph I-2 of the Digital Economy Trust Act (or "LCEN" Act) defines hosting providers as "natural persons or legal entities who, even free of charge, provide storage services for signals, documents, images, sounds or messages of any kind provided by the recipients of these services and to be made available to the general public by means of online public communication."

In terms of their liability for the content of the services hosted by them, since the LCEN Act they have been subject to a limited civil and criminal liability regime. Indeed, Article 6, paragraph I-2 and following specify that hosting providers have no criminal or civil liability for information stored at the request of a recipient of said services if they had no knowledge of the illegal nature thereof or of the facts and circumstances making the aforementioned illegal, or if, from the time they became aware, they acted promptly to remove said data or to prevent access.

A decision by the Paris Court of Appeal (Cour d'appel de Paris) on 2 December 2014 confirmed this, citing Article 6 paragraph I-2 of the LCEN Act, by ordering Dailymotion, in its capacity as a web host, to pay €1.2 million in damages for having failed to promptly remove videos from its website after being notified to do so by the rights holder.

On 10 June 2004, the Constitutional Council (Conseil constitutionnel) formulated the following interpretative reservation on this provision of the LCEN Act: "[…] paragraphs 2 and 3 of section I of Article 6 of the Act brought before the Court have the sole consequence of excluding hosting providers from civil and criminal liability in the two situations mentioned; these provisions would not render a hosting provider liable in the case that it does not remove information reported by a third party as being illegal unless the said information is manifestly illegal or its removal is ordered by a judge […]".

The LCEN Act also states that hosting providers are not subject to a general obligation to monitor the information they transmit or store, nor a general obligation to investigate the facts or circumstances surrounding illegal activity. However, the judicial authorities may order targeted and temporary monitoring in individual cases.

Furthermore, within the context of their identification obligations, hosting providers are required to retain all the information required to identify the person who created any content of the services they host in order to be able to provide this information to the legal authorities upon request (LCEN Act, Article 6, paragraph II).

The LCEN Act also strengthens consumer protection, in particular through provisions regarding the obligation to provide the exact identification of the vendor and by establishing principles guaranteeing the validity of online contracts.

The Hamon Act of 17 March 2014 transposed into French law Directive 2011/83/EU of 25 October 2011 on consumer rights and strengthened the requirements for distance selling – pre-contractual information, the withdrawal period and the period required for online contracts to become valid – in favour of consumers.

The Law for a Digital Republic dated 7 October 2016 has strengthened the information obligations incumbent on digital platforms having a search engine activity, marketplace, comparison of goods and services, social network or dedicated to collaborative economics. Several decrees have been issued to clarify stakeholder obligations regarding loyalty and online notices.

Decree No. 2017-159 dated 9 February 2017 strengthens the transparency rules from the Sapin Act of 29 January 1993 by specifying the information to be provided to advertisers in the context of digital advertising. This decree came into effect on 1 January 2018.

2.3.1.1.2 Protection of personal data

The European Framework Directive 95/46/EC of 24 October 1995, on the protection of individuals with regard to the processing of personal data and on the free movement of such data, defines the legal framework necessary to protect individuals' rights and freedoms. This framework directive was supplemented by a European Sectoral Directive 2002/58/EC of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (e-privacy directive), replacing Directive 97/66/EC of 15 December 1997. This Directive has itself been amended by Directive 2009/136/EC dated 25 November 2009. Finally, a draft European regulation on e-Privacy was proposed by the European Commission on 10 January 2017, the text of which must be approved by the Member States and the European Parliament. This draft regulation envisaged, in particular, reviewing the default settings for third-party cookies in browsers, as well as changing the presence of natural persons in telephone directories to opt in for fixed-line numbers.

On 27 April 2016, the European regulation on the protection of individuals with regard to the processing of personal data and the free movement of personal data (GDPR) was passed, and Directive 95/46/EC repealed. Although it does not challenge the fundamental principles of the protection of privacy, this text profoundly revises the obligations to which companies are subject, in particular by moving from a priori control logic of personal data protection authorities to a principle of "accountability".

This law significantly strengthens people's rights:

- businesses must obtain, except in limited circumstances, the consent of the persons concerned for profiling processes;
- the right to be forgotten is reinforced and anyone may request the deletion of their personal data by any company or organisation that has no legitimate reason to keep it. In addition, the response time in the event of individuals exercising their rights has greatly decreased: one month instead of two;
- businesses are required to notify the CNIL and their customers of personal data breaches in a very short time;
- when personal data is processed outside Europe, users can contact the data protection authority in their country, even when their data is processed by a company based outside the European Union if this company collects their data to market goods and services or for behavioural marketing purposes;
- the new rules give national data protection authorities the powers they need to ensure stricter compliance with European Union laws. Financial penalties have been increased with fines of up to €20 million or 4% of the Company's global revenues.

The goals of this set of directives were:

- to harmonise European law on personal data;
- to facilitate their circulation (provided that the country to which the personal data is being transferred offers an appropriate level of protection);
- and to protect individuals' privacy and freedoms.

One of the main impacts of GDPR on Solocal is the transformation of practices related to the processing of personal data: the obligation to work with a "Privacy by design" approach is being integrated into the Company's new strategic projects. Following the appointment of a Data Protection Correspondent in 2011 and the implementation of a dedicated data protection team, the Company is particularly sensitive to the protection of the personal data that it processes. On 25 May 2018, its Data Protection Correspondent was also appointed Data Protection Officer (DPO) reporting to the French Data Protection Authority (Commission nationale de l'informatique et des libertés - CNIL). Consequently, a number of GDPR obligations will not be new to the Company, for example the obligation to keep a register of processing operations.

In order to ensure its compliance with this new legislative framework, a GDPR compliance programme was launched in July 2017 upon the initiative of the Company's Data Protection Correspondent (and now DPO). A Steering Committee and working groups have been created. In this context, various actions have already been carried out, for example: mapping of processing operations, training of employees, creation of new processes, acquisition of a tool to document our compliance (register of processing operations, data breach registry, impact studies, exercise of people's rights). The target is to set up a robust quality approach within the Company, to ensure that its privacy protection processes have a competitive edge (obtaining certifications/labels).

The CNIL can perform online checks and thus quickly remotely see and act in case of security breaches on the Internet. It can also easily check the compliance of the legally required information provided on online forms and the rules that govern Internet user consent. This new power applies to "data that is freely accessible or made accessible" online and of course does not allow the CNIL to override security measures to penetrate an information system.

The Law for a Digital Republic dated 7 October 2016 has come to create new rights for people: forgotten rights for minors, possibility to organise the fate of personal data of people after their death but above all more information and transparency on the processing of data to clarify to people the shelf life of their data.

The powers, and especially the power of sanction of the CNIL, have been strengthened and expanded since the implementation of GDPR, as the maximum ceiling of sanctions has increased from €3 million to €20 million (or 4% of the Company's global revenues), and now these financial penalties may be pronounced without prior notice of the companies when the breach found cannot be subject to compliance.

Within the framework of its activities, Solocal records and processes statistical data, especially regarding visits to its websites. In order to optimise its services and increase revenues it has also developed means to identify, using general statistics, Internet users' areas of interest and behaviour online. In the same spirit and in order to offer personalised services, the Company collects and processes personal data and markets it to third parties. It also collects and processes data as part of the implementation of advertising targeting projects.

The e-privacy directive made a number of changes to the existing law and expanded its scope of application to include electronic communications. New provisions are the following:

- the concept of traffic data now includes all data on traffic regardless of the technology employed, and therefore includes data on communications over the Internet;
- the "cookies" are permitted if clear and complete information is provided to the subscriber or user, particularly on how the data, thus obtained, is to be processed before the cookies are submitted and only if the subscriber or user has first given their informed consent to accept the cookies. However, cookies exclusively designed to perform or facilitate the transmission of a message, or those strictly necessary to provide a service expressly requested by the user (Article 5.3 of the Directive) fall outside the scope of this provision. These provisions were transposed into French law by Act No. 2004-801 of 6 August 2004 on the protection of individuals with regard to the processing of personal data (Article 32 of the consolidated version of the Data Protection Act) and by the "Telecom Package" Order of 24 August 2010. A CNIL recommendation dated 5 December 2013 details the practical procedures for obtaining Internet users' consent to the use of cookies (some not requiring consent), by means of an information banner at the top of the first page displayed which links to an information page where the website visitor can refuse the cookie. Otherwise, consent is assumed to be granted for a period of 13 months. Subsequent to this recommendation, in October 2014 CNIL began to perform remote verifications to check the compliance of website operators. In this context, a Solocal website was checked on several occasions in 2014 and 2015; the reports signalled cookies submission upon initial page display, the relevance of the data collected, the veracity of the procedures claimed, compliance with legal information obligations and data security. The CNIL sent a formal notice ordering the site to comply. As this compliance was achieved, the CNIL closed the file on 27 July 2016 subject to compliance with the regulations concerning the prohibition of the deposit of cookies before any navigation;
- location information other than traffic data may only be processed after anonymisation, or with the consent of the subscriber or user, duly informed in advance, and with the aim of providing an added-value service. Subscribers and users have the right to withdraw their consent at any time and must be able to exercise the option, simply and free of charge, of suspending the processing of this data whenever they log on or for each communication transmission. These provisions were transposed into French law by Act No. 2004-669 dated 9 July 2004 on electronic communications and audio-visual communication services (Article L. 34-1-IV of the French Post and Electronic Communications Code);

- with regard to public directories, subscribers are entitled to decide whether their data, and where applicable, exactly, which data, may appear. Non-inclusion is free of charge, as are corrections and deletions. EU Member States may require subscriber consent for any public directory that is intended for any use other than simply searching for a person's contact details using their name. These provisions were adopted in Decree No. 2003-752 of 1 August 2003 on universal directories and universal directory enquiry services, which amended the French Post and Telecommunications Code. With regard to unsolicited communications (or spamming), direct marketing by e-mail is prohibited unless targeted at subscribers who have given their prior consent. However, where a person has received electronic contact details directly from a customer, the person may use this information to directly market to this customer products or services similar to those already supplied, provided that the customer is able to refuse such marketing when the customer's personal details are collected and when each message is sent. These provisions were transposed into French law by the LCEN Act and the Electronic Communications Act, which requires people contacted by online marketers to give their prior consent or "opt-in" under Article L. 34-1-III of the French Post and Electronic Communications Code.

This directive is currently being revised; in particular the European Commission wants to replace this directive by a regulation and to align its provisions with the General Data Protection Regulation.

2.3.1.2 DIRECTORIES

Order 2001-670 of 25 July 2001, to bring the French Intellectual Property Code and Post and Telecommunications Code into compliance with EU law, transposed several European directives into French law, including the Directive on personal data protection in the telecommunications sector and Directive 98/10/EC of 26 February 1998 on the application of open network provision (ONP) to voice telephony. This directive has liberalised the directories market and facilitated the provision of universal directory services. This directive requires telecommunications operators to provide directory publishers with their list of subscribers, upon request and subject to certain conditions.

Decree 2003-752 of 1 August 2003, as amended by the Decrees of 27 May 2005, 2005-605 and 2005-606, regarding universal directories and universal directory enquiry services, and amending the French Post and Telecommunications Code, requires telecommunications operators to supply their subscriber and user lists to any person wishing to publish a universal directory, either in the form of a file or via access to a database, operators are required to maintain up to date. This obligation applies to any entity that is the registered owner of numbers on a fixed-line or mobile network.

Article L. 34 of the French Post and Electronic Communications Code specifies that there are no restrictions on the publication of lists of subscribers or users to electronic communication networks or services, provided that their rights are protected and that operators are required to provide, in a non discriminatory manner and at a price that reflects the cost of the service provided, the list of all subscribers or users to whom they have allocated one or more telephone numbers. This article also reaffirms the rights that govern the publication of personal data in directories and the use of directory enquiry services. Lastly, pursuant to this article, subscribers to a mobile telephone operator service must give their prior consent to inclusion in a subscriber or user list.

In 2015, the 6 August 2015 Act for Growth, Business and Economic Equality (known as the "Loi Macron") set out that printed and electronic forms were interchangeable for universal subscriber directories.

2.3.1.3 DATABASE REGULATIONS

On 11 March 1996, European Directive 96/9/EC on the protection of databases was adopted. The main innovation introduced by this directive was the creation of a new unique type of right, in addition to copyright, which protects, for a specified time (see below), a substantial investment of money and/or time, effort or energy to obtain, check and present the contents of a database.

This directive was transposed into French law by an Act of 1 July 1998 that provided for a sui generis right that protects the interests of database creators, in addition to any protection provided by copyright (and most notably Articles L. 111-1, L. 112-3 and L. 122-5 of the French Intellectual Property Code and all of Title IV of Book III of this Code, i.e. its Articles L. 341-1 to L. 343-7).

This protection applies to database content "the constitution, verification or presentation of which reflects a substantial financial, material or human investment". This protection is independent of and without prejudice to the protection that copyright provides to a database's contents or graphic interface, as Article L. 341-1 of the French Intellectual Property Code stipulates that a database creator, who is understood to be the person who takes the initiative and bears the risk of making the necessary investments, is entitled to protection of his or her database content when its constitution, verification or presentation has required a substantial financial, material or human investment.

Database creators thus have a legal right to prohibit any substantial extraction of the content of their databases and any reuse thereof. Regarding this, Article L. 342-1 of the French Intellectual Property Code stipulates that database creators may prohibit the following:

- the extraction, by a temporary or continuous transfer, of all of the content of a database or of a part thereof that is quality-wise or quantity-wise substantial, to another medium, by any means and in any form whatsoever;
- the re-use of all of the content of a database or of a part thereof that is quality-wise or quantity-wise substantial, by making such content or part thereof available to the public, in any form whatsoever.

This protection covers the extraction or reuse of a substantial part of a database even when the database has been made publically available. This protection remains valid even when the person extracting content has lawful access to the database. Article L. 342-2 of the Intellectual Property Code provides that: "The producer may also prohibit the repeated or systematic extraction or reuse of qualitatively or quantitatively insubstantial parts of the content of the database where such operations clearly exceed the conditions of normal use of the database." On the other hand, Article L. 342-3 of the Intellectual Property Code provides that: "Where a database is made available to the public by the rights holder, the latter may not prohibit (…) the extraction or reuse of a non-substantial part, assessed qualitatively or quantitatively, the content of the database by the person who lawfully has access (…)."

The database creator's rights are therefore normally protected for a period of fifteen years after the creation of the database or the date it is made available to the public (paragraphs 1 and 2 of Article L. 342-5). However, the term of protection may be extended if a further substantial investment is made, which in effect means that a database may then be indefinitely protected (paragraph 3 of Article L. 342-5).

2.3.1.4 LAW RELATIVE TO TRANSPARENCY, THE FIGHT AGAINST CORRUPTION AND THE MODERNISATION OF THE ECONOMY [CSR]

Article 17 of Law No. 2016-1691 of 9 December 2016 relating to transparency, the fight against corruption and the modernisation of the economy sets out the legal framework required to establish an anti-corruption programme for companies or groups of companies whose parent company's registered office is located in France, with a workforce of 500 or more and whose revenues are above €100 million. Solocal is covered by this obligation, and as part of the compliance preparation process is entitled to expert support from the French Anti-Corruption Agency (AFA)'s support service for economic operators. Although Solocal has ensured that its compliance process is one of its corporate governance priorities by setting up a dedicated Ethics function, it has not yet achieved full compliance, and additional costs may be incurred on top of those already generated to reach full compliance, or in the case of any sanction by the regulator.

2.3.2 INTELLECTUAL PROPERTY

Solocal's success depends on its ability to protect its intellectual and industrial property rights and domain names.

Solocal has taken steps in France and in other countries to protect its intellectual and industrial property rights, including in particular our trademarks and domain names, which it considers critical to its success. However, the Company cannot be certain that these steps will be adequate, or that third parties will not be able to counterfeit or misappropriate our intellectual and industrial property, or have its rights over them cancelled. In addition, because of the global nature of the Internet, its trademarks and other forms of intellectual and industrial property could be spread to countries which offer a lower level of protection in terms of intellectual and industrial property rights than in the European Union or the United States..

In order to monitor its assets and ensure consistent protection, management and defence of its rights, the Company regularly updates its portfolio of intellectual and industrial property rights and all legal measures required are taken, particularly by means of actions for infringement and/or unfair competition, to protect and defend its intellectual and industrial property rights.

2.3.3 LEGAL PROCEEDINGS

In the ordinary course of business, Solocal entities may be involved in a number of legal, arbitration and administrative proceedings. Provisions are only constituted for expenses that may result from such proceedings where they are considered suitable and their amount can be either quantified or estimated within a reasonable range. The amount of the provisions is based on an assessment of the risk on a case-by-case basis and largely depends on factors other than the particular stage of proceedings, although events occurring during the proceedings may call for a reassessment of this risk.

With the exception of the proceedings described above and in the notes to consolidated financial statements "Note 13 – Disputes and other contractual commitments", the Company does not consider that it is party to any lawsuit or arbitration procedure which could reasonably have a material adverse effect on its earnings, operations or consolidated financial condition.

During the year 2013, PagesJaunes had to be reorganised again in order to guarantee its sustainability faced with a constantly changing and highly competitive professional environment. A project on changes in the model and the organisation of PagesJaunes was presented to the staff representation bodies concerned at the beginning of September 2013. At the same time, the Management negotiated with the trade unions a majority agreement on employee support measures. This agreement was signed on 20 November 2013.

Following completion of these negotiations with the employee representatives, this plan provided for restructuring combined with changes in the employment contracts of the whole sales force, and a plan with no compulsory redundancies which would ultimately create 48 additional jobs within the Company. This agreement received validation via a ruling of the DIRECCTE on 2 January 2014.

As 311 employees refused the amendment to their employment contract linked to this reorganisation implemented at the end of 2013, 280 of them were made redundant. One employee of the Company decided to contest the validation of the collective agreement relating to the job safeguarding plan before the administrative courts. The Administrative Court of Appeal of Versailles, in a judgment of 22 October 2014 notified the following 5 November, overruled the validation decision rendered by DIRECCTE. On 22 July 2015, the Council of State rejected the appeal of the PagesJaunes and the Minister of Employment.

Consequently, multiple proceedings are in progress with the administrative as well as judicial courts. The administrative proceedings are now terminated.

With regard to the proceedings before the ordinary courts, more than 200 legal proceedings were brought before Employment Tribunals by employees invoking the consequences of the overruling of the administrative decision validating the collective agreement relating to the employment protection plan by the Versailles Administrative Court of Appeal which enables them to claim compensation.

On the date of this Document, only a dozen cases had not been settled in the first instance.

Nearly 200 substantive decisions had been issued in the first instance and/or in the appeal courts. The vast majority of these decisions rejected redundancy invalidity claims and the fixed compensation consequences that stem from this, deeming that the redundancy was based on a real and serious cause and rejecting claims which challenge the economic reason, (but pronouncing payment orders based on Article L. 1235-16 of the Labour Code at a level close to the compensation floor provided by this legislation, i.e. between six and seven months' wages. One particular Court of Appeal upheld the rule cited by the Company, and dismissed all of the claimants' claims (35 cases).

Furthermore, certain decisions give rights to related requests: some relating to particular situations, (dispute over duration or conditions, holiday and rehabilitation periods, requests for commissions prior to the plan) others concern the payment of a supplement to the conventional redundancy compensation paid in the final settlement for all accounts and some different positions.

Finally, a number of cases are currently pending before the Court of Cassation at the initiative of PagesJaunes.

In the consolidated financial statements for 2015, Solocal recognised the exceptional impact of the court decisions that cancelled DIRECCTE's validation of the Employment protection plan (PSE). This additional provision is €35 million and is recognised in the consolidated financial statements as at 31 December 2015. It was based on a prudent assumption in a context of great legal uncertainty, increased recently by conflicting decisions of Employment Tribunals. As at 31 December 2018, the remaining provision on the statements was €15.3 million.

Solocal continued to roll out its reorganisation plan and in 2016 launched a new PSE procedure for employees who could not be made redundant during the previous procedure because of it having been deemed invalid.

A request for claims for the prejudice caused by the State to PagesJaunes due to incorrect validation of its PSE is underway. PagesJaunes initially requested compensation from the State for its loss resulting from the payment of compensation following the cancellation of the DIRECCTE decision, then approached the Cergy-Pontoise Administrative Court in July 2017 to obtain a conviction for the State to pay this sum to it. As it stands, no hearing date has been set.

PagesJaunes has been sued by a former distributor for the sudden termination of commercial relations. All of their claims were dismissed in the first instance, but they lodged an appeal. The provision recorded in the PagesJaunes 2016 accounts was therefore maintained, according to the requirements and the criteria usually adopted.

In 2016, PagesJaunes was the subject of an inspection by the French social security agency (URSSAF) in respect of the 2013, 2014 and 2015 financial years. As part of this process, the Company was notified of an adjustment of €2 million relating to the amount of employer contributions concerning performance shares (AGA). Solocal, PagesJaunes, ClicRDV, Mappy, Finemedia and Leadformance called upon to the URSSAF Arbitration Committee on 28 March 2017, as a safeguard measure, regarding the scenario in which the priority questions on constitutionality, (No. 2017-627 QPC and 2017-628 QPC) concerning the employer contribution paid in terms of non-acquired AGA, were to give rise to a decision of unconstitutionality, in order to obtain reimbursement of the employer contributions that were paid in terms of free shares allocated in 2014 and 2015, as set out by Article L. 137-13 of the Social Security Code.

Urssaf approved a reimbursement of amounts under the 2014 plan which matured in June 2018. Given that the performance conditions had not been complied with, this was on the condition that no shares had been acquired (including the adjusted amounts of €6.3 million). PagesJaunes, Solocal, Leadformance and Finemédia received the expected reimbursements of €6.2 million. Mappy and ClicRDV are also waiting for reimbursements of €0.07 million.

PagesJaunes is undergoing a tax audit concerning financial years 2010 to 2013 and has received proposals for an adjustment concerning the Research Tax Credit. The Company considered the adjustments as unfounded and has challenged them with the tax administration. The Company sent a dispute claim in the month of February 2018 in order to obtain partial reimbursement for the remaining reassessments. As the amounts that are not eligible for the research tax credit were settled on 18 April 2017, the provision was recorded in the statements as at 31 December 2017. Income will be recognised in the event of a favourable outcome to this recourse. On 13 September 2018 the Ministry of Research (to whom the Authority transferred the file) requested additional information from Solocal for the 2012 and 2013 projects. Solocal had this information in its possession, and therefore sent it to the Ministry of Research on 16 October 2018.

Following the investigation opened in June 2016 by the French Financial Markets Authority (AMF) relating to Solocal's financial reporting between 2014 and 2016, Solocal entered into an administrative composition agreement with the AMF, which the latter certified in December 2018. This agreement brought the AMF procedure to an end. The procedure covered the guidance revision timetable for Solocal's 2015 net income, announced in April 2015, which was revised in November 2015 when the 2015 quarter 3 financial statements were published, primarily due to the consequences of cancelling the 2013 Employment protection plan by the French Council of State (Conseil d'État) in July 2015. A sum of €250,000 was paid under the AMF agreement, but the agreement does not apportion any blame to Solocal, and consequently the agreement does not constitute a penalty.

Solocal also strengthened its procedures and systems as regards to the detection and qualification of potential classified information within the Company, as well as its Securities Trading Code of Conduct, which is available to all employees.

In common with other companies in the sector, Solocal is frequently the subject of court proceedings brought in relation to errors in the publication of directories and other media. Generally the financial risk represented by each of these proceedings is relatively limited. However, an increase in their number may constitute a significant risk for the Company. As at 31 December 2018, there were eight separate proceedings ongoing, for a total amount of claims of approximately €0.3 million. In these proceedings, its entities endeavour to negotiate out-of-court compensation, which significantly reduces the final total cost of such proceedings. However, no guarantee can be given that these proceedings will not have an adverse impact on the Company's financial condition.

Its Legal department monitors the risks connected with the most significant disputes, liaising with senior management and the subsidiaries and assisted by law firms.

2.4 INSURANCE AND RISK MANAGEMENT

Solocal has set up an insurance and risk management programme to cover the main risks to which it is exposed. The Company seeks to continuously optimise the management of risks that can be transferred to insurers. Information exchanges, in particular between the Legal department and the Risk department, have been systematised so that everyone can benefit from a consolidated and as comprehensive as possible vision of the Company's risks, based in particular on risk mapping.

Insurance cover is negotiated with major insurance companies and with the assistance of some of the most influential brokers on the market, in order to put in place the most appropriate coverage for the Group's insurable risks.

"Damage to property and operating losses": With the exception of those specifically excluded, this policy covers damage resulting from fire, explosions, water damage, theft, natural events affecting Solocal's own property (buildings, furniture, equipment, goods or IT installations) and property for which it is responsible, and against the operating losses resulting from this damage, for a period estimated to be necessary for a normal resumption of activity.

In 2018, the maximum annual coverage amount is €49.9 million for operating losses and losses (with a sub-limit of €40 million for the operating loss). The policy's limits and deductibles are in line with current market practices.

"Civil Liability": This policy covers the civil liability related to the Group's operations and professional activities both regarding customers and third parties. The policy is an "all risks, subject to exclusions" policy, which means that all bodily injuries, property damage and consequential damage are automatically covered, including damage from computer viruses, unless expressly excluded. The deductibles provided for by this policy were determined according to the risks incurred but also the scope of each subsidiary. The maximum annual cover amount is €20 million for operating civil liability and €20 million for professional civil liability.

"Cyber risks": This policy was the result of a request for proposals launched in April 2018 in which a number of insurance companies participated. It covers breaches of the Company's various different information systems, including viruses, ransom demands and loss of data). The total maximum annual coverage is €15 million.

"Car Fleet": the Company has subscribed to a "Car Fleet" insurance policy intended to cover the whole of the Group's fleet.

Finally, the Company has a "D&O Public Liability" Insurance policy to cover insurable wrongdoing and defence expenses for its executives (including subsidiaries). The total maximum annual coverage per claim for this liability policy is €30 million.

2.5 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

2.5.1 INTERNAL CONTROL AND RISK MANAGEMENT GUIDELINES, OBJECTIVES AND SCOPE

2.5.1.1 INTERNAL CONTROL AND RISK MANAGEMENT GUIDELINES

In order to achieve its objectives, Solocal has set forth and implemented general guidelines for internal control that are largely based on the guidance published in 1992 by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and on the AMF's internal control framework and recommendations. The following description of its internal control and risk management procedures is based on this framework. The assessment made for this purpose was carried out in accordance with the key points of this framework and its implementation guidance. It also takes into account the work of IFACI, the French Internal Control and Audit Institute.

2.5.1.2 INTERNAL CONTROL DEFINITION AND OBJECTIVES

Internal control at Solocal is a set of processes and measures that are defined by senior management, implemented by employees and which serve to meet the following objectives:

- compliance with the applicable laws and regulations in force, both within and outside the Company;
- observance of the Board of Directors' instructions and guidelines;
- prevention and control of operational risks, financial risks and the risk of error and fraud;
- optimisation of internal processes by ensuring that operations are effective and that resources are used efficiently;
- the quality and accuracy of accounting, financial and management information.

These principles are underpinned by:

- a policy that fosters the development of an internal control culture;
- the identification and analysis of risk factors that could compromise the achievement of the Company's objectives;
- an organisation and procedures designed to ensure the implementation of senior management's strategies;
- the periodic review of control activities and a continuous effort to improve;
- a process for distributing internal control information.

However, as with any control system, the rules and principles implemented cannot provide absolute assurance that all risks will be eliminated or controlled.

2.5.1.3 INTERNAL CONTROL SCOPE

The procedures described below apply to all of the subsidiaries.

The internal control measures employed within each entity (i.e. department or subsidiary) involve implementing the Company's procedures and specifying and implementing procedures that are specific to each business line, in accordance with the entity's organisation, culture, risk factors and operational characteristics.

2.5.2 CONTROL ENVIRONMENT

2.5.2.1 RULES OF CONDUCT AND ETHICS APPLYING TO ALL EMPLOYEES

Solocal's growth is underpinned by the values and principles of its "Professional Ethics Charter". These values and principles are intended to serve the interests of its customers, shareholders and employees and the communities and countries in which it operates, while protecting the environment and the needs of future generations.

These values and principles are aligned with such fundamental and universal principles as those of the Universal Declaration of Human Rights, those set forth in International Labour Organisation agreements (in particular regarding the prevention of child and forced labour) and those of the OECD (most notably in relation to efforts to fight corruption). They also address its commitments in other areas, such as sustainable development. These values and principles guide its actions and those of its subsidiaries and provide a framework for all employees, regardless of their position and duties. It is thus everyone's responsibility, and especially that of the Company and subsidiary senior managers, to observe and promote these values and implement these principles.

These rules, presented on the Solocal corporate website at https://www.solocal.com/en and on its intranet, cover the following:

- Solocal's values;
- the principles that underlie Company actions that may affect customers, shareholders, employees, suppliers, competitors or the environment;
- the principles that guide individual behaviour and which serve to ensure good relationships with customers and suppliers protect the Company's assets, ensure compliance with the Company's rules and values, prevent conflicts of interest and ensure ethical stock trading.

In addition to the Professional Ethics Charter, a Securities Trading Code of Conduct has also been drafted to deal specifically with stock-trading issues.

It informs the employees and Directors of Solocal companies of the rules and principles that govern the trading of securities, of the need to comply scrupulously with these rules, and of the various preventive measures that have been implemented to enable all employees to invest securely in its listed securities.

In this context, and to reduce risks, Solocal ensures that all of its employees whose work involves sensitive information sign a confidentiality agreement, particularly when they work with people outside the Company who may not be bound by a confidentiality obligation under their own rules of professional ethics.

Accordingly, any permanent or occasional insider who has doubts or questions about selling or purchasing the securities of a Solocal company, or about the nature of the information that he or she can disclose, must consult his or her manager or the Chairman of the Company's Ethics Committee, or if applicable, the Ethics Committee of their specific company. If they are a Director, they must contact the Chairman of the Board of Directors.

2.5.2.2 SENIOR MANAGEMENT'S RESPONSIBILITY AND COMMITMENT

The Company has set up a risk management policy which is overseen by senior management. This policy is reviewed twice a year with the Company's various subsidiaries and departments. The updating of risks and the monitoring of associated actions are consolidated then presented to the senior management Executive Committee at least once a year.

A risk correspondent has been appointed in each of the Company's subsidiaries and departments. These correspondents, of which there are around 50 within the Company, report to the Institutional Relations, CSR, Ethics and Risk department, attached to the General Secretariat.

2.5.2.3 HUMAN RESOURCES AND SKILLS MANAGEMENT POLICY

Solocal's performance depends directly on the skills of its employees, and on its ability to manage and adapt its human resources. Its Human Resources department works in close partnership with the operational departments. It develops, proposes and manages human resources, so as to help with the implementation of the Company's strategy. In order to better respond to the needs of employees and managers, the HR department is divided into four sub-divisions: HR Operations, HR Development, Compensation & Benefits (personnel management) and the division responsible for Employee Relations.

The role of the HR Operations division is to provide HR support to the managers of the divisions and departments within its remit and manage their employees. It provides expert knowledge of the division's structure, composition and mission, as well as the Company's business units.

The role of the HR Development division is to define HR policies and improve processes. It deploys the Company's HR policy and resources to the HR Operations division and to regional and local HR managers in particular, providing them with the tools and advice they need to do the best job they can.

Since Solocal is determined to make quality of life in the workplace a priority in the context of helping employees to learn new working methods and adapt to changes in their jobs, the focus since 2015 has been on taking action in response to specific situations that employees have encountered during the transformation of the Company. These actions are described in detail in chapter 3 of the Registration Document.

2.5.2.4 INFORMATION SYSTEMS

The Company's various information systems are composed of:

- business activity software particularly tools related to selling, as well as to creating and storing digital content and to dedicated websites;
- business management software: e.g. accounting and financial applications;
- communication software: messaging systems, collaborative tools (Intranet), etc.

The IS division (which manages the information systems) and the technical department of the Products division are largely responsible for supervising the Company's information systems and in particular for ensuring that they will enable the Company to achieve its long-term objectives. They work closely with the Risk department, which monitors and manages IT risks in terms of reliability, business continuity, legal and regulatory compliance as well as operational objectives. Actions directly linked to risk and security control are reviewed twice a year by the Risk department, in partnership with the relevant operations teams.

2.5.3 RISK MONITORING AND MANAGEMENT

2.5.3.1 ORGANISATIONAL FRAMEWORK

Like any company, Solocal's business activities expose the Company to various risks. The main risks that have been identified are described in "Risk factors" chapter of this Registration Document. Risk management is a priority for the Company, and is conducted both by subsidiaries and the parent company, which compiles information.

Risk management serves to:

- develop a comprehensive, systematic, integrated and flexible method for identifying, assessing, analysing and managing risks and for promoting risk control;
- develop risk management best practices;
- prevent risks that threaten the Company and mitigate their consequences.

The risk management policy applies to all Solocal entities. Solocal has set up a risk governance system based on a Risk department attached to the General Secretariat, together with a network of around 50 risk correspondents.

2.5.3.2 RISK IDENTIFICATION AND ANALYSIS PROCESS

Certain Company procedures contribute to the identification of risks. In particular, they cover the following elements:

- a risk assessment and classification method that has been in place since 2005. This method is based on risk mapping which ranks the main risks to which the Company believes it may be exposed, in terms of their seriousness and likelihood of occurrence, and assesses the level of coverage:
- risk reviews, which are conducted at least annually;
- a network of risk correspondents who oversee the operational implementation of the risk policy, led by a dedicated governance unit;
- a risk management system that includes the description and monitoring of related risk coverage actions. This system also includes a dashboard which monitors action plans to minimise risk and manages major crises.

2.5.4 CONTROLS

The first level of control is the one exercised by the functional and operational departments using standard procedures and processes. Solocal has put in place the following three lines of control: operational management/risk management and internal control/internal audit. The objective of these systems is to harmoniously combine regulatory measures (instructions and directives), organisational measures (organisational charts and processes) and technical measures (mostly IT and communication) based on certain basic principles:

- these systems provide the Group's management and its Board of Directors with reasonable and not absolute assurance;
- these systems are not simply a collection of manuals and procedures but are implemented by employees at all levels of the organisation.

2.5.4.1 INTERNAL AUDIT

The Internal Audit team ensures that the internal control system is mature and appropriate by evaluating its effectiveness and efficiency, while promoting continuous improvement. On the basis of a risk assessment, the Internal Audit team evaluates the internal control system's relevance and effectiveness by assessing the quality of the Company's control environment, the work of internal governance bodies, the reliability and integrity of financial and operational information, operational effectiveness and efficiency, asset protection, and legal, regulatory and contractual compliance. The Internal Audit Charter, approved by the Chief Executive Officer and the Audit Committee, sets forth the guidelines that all entities must observe with respect to internal audit.

Solocal Group's Internal Audit team is responsible for performing the tasks set out in the audit plan at the beginning of the year. It reports directly to the Group's senior management, and reports to the Audit Committee in relation to its operations.

Internal Audit staff perform three types of audits:

- audits on the compliance and effectiveness of processes and activities;
- audits on the maturity of internal control;
- audits on the compliance or performance of specific themes selected by the Audit Committee.

Scheduled operational security compliance audits are also conducted and followed up.

2.5.4.2 INTERNAL CONTROL

The internal control system is composed of the various policies and procedures implemented by an entity's department to provide the greatest possible assurance that its business activities are being managed effectively. By performing controls, identifying any corrective actions that may be necessary and making sure that recommendations are followed, the internal control system ensures that these policies and procedures are effective and properly implemented.

The internal control system involves all of Solocal's governance bodies and employees.

The organisation of internal control requires centralised supervision and leadership that is supported by a network of correspondents within the Company's various departments and entities.

The Internal Control Charter sets forth the guidelines that all entities must observe with respect to internal control.

This charter:

- specifies the scope, objectives and limits of the Company's internal control system;
- indicates the people who are responsible for the system;
- specifies the internal control standards and guidelines to be observed throughout the Company.

2.5.4.3 CONTRIBUTION OF THE STATUTORY AUDITORS

The work of the Statutory Auditors includes a limited interim Group level review and, toward the end of the year, a pre-closing review followed by a full audit of the financial statements at 31 December. The Statutory Auditors also perform limited reviews on the internal control systems of Solocal's main subsidiaries, in accordance with an audit plan submitted to the Internal Audit unit and the Audit Committee. The main recommendations are presented to the Financial departments and to the Audit Committee.

Generally speaking, efforts to continuously improve processes and standards serve to enhance operational control, effectiveness and efficiency.

2.5.5 INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Solocal's Finance department is responsible for preparing the accounting and financial information.

To increase the reliability of published accounting and financial information, a series of Committees, rules, procedures, controls, a skills management policy, and a continuous process to improve procedures have been implemented.

Specific internal control procedures for accounting and financial information have thus been set up via:

- the Company's financial accounting and management organisation;
- a unified financial and management accounting reporting process;
- Company-wide accounting methods and guidelines;
- the scheduling of year-end work on Company accounts;
- financial communication.

2.5.5.1 ACCOUNTING AND MANAGEMENT CONTROL

The Accounting and Consolidation department, the Management Control department and the Corporate Finance department perform essential tasks to ensure that Solocal's financial information is consistent. These departments report to the Group's Chief Financial Officer.

Therefore, their tasks include:

- preparing Solocal's company and consolidated financial statements within the time constraints of financial markets, legal and regulatory requirements and contractual obligations;
- managing the budgeting and forecasting process and preparing the monthly management report as quickly as possible, while ensuring that data is consistent;
- preparing the documents necessary to communicate financial results and to enable Solocal's management to prepare its management report;

- designing and implementing Solocal's accounting and management methods, procedures and guidelines;
- identifying and overseeing any changes to Solocal's accounting and management information systems that may be necessary.

2.5.5.2 THE UNIFIED ACCOUNTING AND MANAGEMENT REPORTING SYSTEM

The Company's business management cycle is composed of four basic components:

- the three-year strategic plan;
- the budget process;
- monthly reporting;
- business and financial performance reviews.

a. The strategic Business Plan

Each year, Solocal prepares a strategic Business Plan for the coming three years. This strategic Business Plan takes into account the Company's strategic priorities and any changes in market trends, business segments or the competitive environment.

b. The budget process

The budget process covers Solocal and its subsidiaries. It involves the following steps:

- in the autumn, each entity updates its budget for the current year and prepares next year's budget, which is broken down month by month;
- in the spring, the initial budget forecast for the year is updated and this updated budget is used to prepare the strategic plan;
- in the summer, the budget for the second half of the year is updated on the basis of the results of the previous six months.

To improve the management and monitoring of performance, an ongoing reforecasting process has been implemented

c. Monthly reporting

Monthly reporting is a major component of the financial information and control system. It is the main tool that Solocal's management uses to monitor trends and performance and make decisions going forward. This reporting comprises several documents that are prepared by the Management Control and Accounting and Consolidation departments, and communicated to Solocal's management.

Monthly reporting includes quantified data, commentary on trends, and performance indicators.

The Management Control and Accounting and Consolidation departments use a unified consolidation tool to ensure that budgeted figures, actual figures and forecast revisions are reported in a consistent and uniform manner.

d. Business and financial performance reviews

Quarterly business performance reviews with all subsidiary senior managers and monthly financial reviews with Financial departments are a key component of Solocal's management and control system. Their main objective is to ensure that the actions undertaken are consistent with Company priorities and long-term goals.

2.5.5.3 SHARED COMPANY ACCOUNTING METHODS AND FRAMEWORK

The Company prepares its provisional and actual consolidated financial statements in accordance with the "unification principle". This involves:

- uniform accounting methods, standards and consolidation rules;
- standardised presentation formats;
- the use of a Company-wide consolidation application.

Solocal has a single accounting system that standardises the reporting of all consolidated items, including off-balance sheet commitments. All of the consolidated entities have adopted this system. Solocal prepares its consolidated financial statements in compliance with IFRS standards (European regulation 1606/2002 of 19 July 2002).

The consolidated accounting documents are prepared in accordance with local accounting principles and are restated to comply with Company and IFRS standards, as adopted by the European Union and the IASB. The Company's Finance department sends out memoranda specifying the year-end closing process and timetable. Each subsidiary adapts these processes and timetables as necessary.

2.5.5.4 THE SCHEDULING OF YEAR-END WORK ON COMPANY ACCOUNTS

In order to meet accounting deadlines, and enable the Board of Directors to publish consolidated financial statements from February, the Company has established a detailed planning programme for its year-end accounting work. This programme includes:

- budget monitoring processes;
- preparation of pre-closing accounts;
- documented closing processes;
- the anticipated treatment of estimates and complex accounting transactions.

The progress that Solocal has made in preparing year-end accounts can largely be attributed to greater coordination between Company divisions and functions, more accurate forecasts, better control over financial processes, and better preparation and speedier execution of account-closure processes.

2.5.5.5 FINANCIAL COMMUNICATION

The preparation and control of financial information are organised in a manner that is consistent with the Company's management organisation and systems. This ensures the integrity, accuracy, quality and consistency of this information and its compliance with applicable legal and regulatory requirements and professional standards.

The CEO and CFO systematically prepare, review and approve all financial information that must be publicly disclosed, prior to its examination by the Board of Directors, in order to guarantee its quality and reliability. This review covers, among other things, press releases containing financial information and presentations to investors.

The Investor Relations department, inside the Finance department, in collaboration with management control and the Legal department, is responsible for drawing up the following periodic and permanent information documents and distributing them to regulatory authorities, the financial market authority (the AMF) and other intended recipients:

- periodic financial press releases (quarterly, half-yearly and annual results) and ad hoc press releases (e.g. to announce transformation and restructuring projects, external growth operations, divestments, financing transactions, changes in governance, and strategic partnerships);
- presentations at meetings with financial analysts and investors;
- the Registration Document;
- presentation for the General Shareholders' Meeting.

Solocal strives to provide information that is easy to understand, relevant, stable and reliable, and to comply with stock market regulations and sound principles of corporate governance.

2.5.6 FINANCIAL RISKS LINKED TO CLIMATE CHANGE

The risks linked to the effects of climate change and the measures taken by Solocal to reduce them are presented in the statement on extra-financial performance (Déclaration de Performance Extra-Financière – DPEF).

2.5.7 INFORMATION AND COMMUNICATION

All of the Company's press releases and major regulatory documents are posted on the Solocal intranet, which all employees can access.

Collaborative tools and other applications available on the intranet also ensure efficient distribution of information to everyone throughout the Company.

2.5.8 OUTLOOK

In 2019, Solocal will continue to provide internal control and risk management support to operational entities and to empower them in these areas.

CORPORATE SOCIAL RESPONSIBILITY

3.1 CSR GOVERNANCE OF SOLOCAL

3.1.1 ORIGIN AND GOVERNANCE OF CSR

In 2011, under the leadership of the Board of Directors, the Strategy, Partnerships and External Relations Department developed the Solocal CSR strategy, which it has since successfully overseen, led and implemented. At the time, it was essentially a matter of reporting back on the environmental certification approach for the printed directories which accounted for almost half of revenues and most of Solocal's carbon footprint. In 2018, the environmental impact of the printed directories activity was no longer a major CSR risk, but Solocal has included some information on this activity in the environmental sheet.

In 2018, the CSR team, made up of a (female) head and two project managers (working in parallel on other business functions), reported to the General Secretary, who is a member of the Solocal Executive Committee. There are around forty CSR officers in the parent company departments, PagesJaunes and the other subsidiaries, so that all of the entities can mobilise around the issue of corporate social responsibility.

Since September 2018, CSR project managers have been reporting to the Head of Institutional Relations, CSR, Ethics and Risks within the General Secretariat.

3.1.2 INVOLVEMENT IN THE ECOSYSTEM

In 2018, Solocal was a member of several industry associations:

- membership of the Sustainable Development Directors College (C3D);
- membership in the Observatoire sur la responsabilité sociétale des entreprises (ORSE);
- involvement in the WWF WeGreenIT study, in partnership with the Club Green IT;
- membership of e-RSE (media platform for information on sustainability and CSR).

3.1.3 SENIOR MANAGEMENT INVOLVEMENT

In 2018, four CSR criteria were incorporated into the calculation of the variable portion of the Chief Executive Officer's compensation.

Further, the process and priorities relating to the SNFP were presented, debated and amended by the Executive Committee and the Strategy Committee of the Board of Directors.

3.1.4 ORGANISATION OF THE CSR SECTION

The CSR section has two parts:

- Statement on Non-Financial Performance;
- CSR indicators not covered in the SNFP.

3.2 STATEMENT ON NON-FINANCIAL PERFORMANCE

In line with the transposition of the European Directive on the publication of non-financial information by companies, Solocal includes in its management report its Declaration on Non-Financial Performance covering the main relevant governance, social, environmental and societal risks in light of its business activities. As a listed company, it also includes information about preventing corruption, tax evasion and respect for human rights.

Reporting guidelines explaining the scope and CSR indicators published in this Registration Document are available in the appendix.

The (mostly quantitative) data is collected via the Reporting 21 tool, a platform for the collection and processing of non-financial information, which enables reliable collection and makes it possible to comment on and trace its consolidation.

In 2016 and 2017, De Saint Front was appointed as the independent third party organisation (ITPO) to conduct the audit of the CSR information pursuant to the provisions of the Grenelle 2 Act. In 2018, it was once again appointed independent third party organisation (ITPO) to assess the compliance and accuracy of the information published by Solocal in its SNFP.

3.2.1 ORGANISATION OF THE SNFP

The SNFP includes the following:

The Solocal business model

The diagram of the company's business model as well as information on the context, organisation and strategy to aid understanding can be found in the introductory section (p. 35-36) of the Registration Document.

Major risks

The identification method and the list of non-financial risks selected as major can be found in paragraph 3.2.2 of the SNFP. The major non-financial risks are next described as challenges.

Policies and initiatives to prevent or mitigate the risks, as well as their results and key performance indicators

There is a sheet for each non-financial priority in paragraph 3.2.3 of the SNFP.

Notes

Additional risks

Methodology note

ITPO report

3.2.2 NON-FINANCIAL RISKS AND PRIORITIES

3.2.2.1 PROTOCOL FOR IDENTIFYING NON-FINANCIAL RISKS

Solocal used two tools to identify the company's major non-financial risks:

- the "materiality analysis" conducted by the CSR Department in 2017 on various Solocal stakeholders. 40 points of contact were consulted, 24 internal stakeholders and 16 representatives of external stakeholders (corporate clients, users, public authorities, professional federations, journalists, NGOs, etc.). 150 hours of dialogue enabled us to prioritise non-financial issues for the company as regards stakeholder expectations;
- Solocal risk mapping conducted by the Risk Department in 2018, outlined in Chapter 2 of the Registration Document.

The results of these two strategies were cross-referenced, completed and discussed at meetings between CSR and Risk teams. The teams took care to cover all of the topics required by regulations, but also to take into account the activity of Solocal and the company's current financial and corporate situation.

These results were analysed by the senior management of Solocal and the Strategy Committee of the Board of Directors.

3.2.2.2 NON-FINANCIAL RISKS AND PRIORITIES FOR SOLOCAL

Based on the main non-financial risks, eight governance, social, societal and environmental priorities were identified:

Domains	Non-financial risks	Non-financial priorities
Governance	Failure to comply with GDPR (General Data Protection Regulation)/Cyber-security	1. Promoting the respect and security of personal data
	Fraud/Failure to comply with Sapin II (law introducing a corruption prevention plan)/Insufficient value-sharing/Failure to follow the purchasing/Industrial relations procedure	2. Consolidating ethical governance and taking CSR aspects into account to ensure the longevity of the company
Employer responsibility	Lack of key skills/Adaptation of resources/Industrial relations	3. Supporting the transformation of jobs and skills
	Absenteeism/Psycho-social risks/Road risks/Industrial relations	4. Promoting the development of a pleasant work environment for all
	Problems recruiting/Retaining talent/Loss of commitment/Diversity/Industrial relations	5. Improving employee commitment and making the company more appealing
Societal	Regional degeneration/delay in digitalisation of VSEs/SMEs	6. Accelerate the digitalisation of French VSEs/SMEs and develop digital skills in the regions
	Deterioration of the user experience/Non-compliance digital accessibility/Quality and accuracy of content	7. Ensuring responsible publication and access to content
Environment	Risks linked to the environmental impact	8. Optimise energy consumption, use of resources and reduce the carbon impact

3.2.3 POLICIES AND INITIATIVES IN RESPONSE TO NON-FINANCIAL RISKS

3.2.3.1 SOLOCAL'S GOVERNANCE PRIORITIES

3.2.3.1.1 Promoting the respect and security of personal data

(Risks relating to this priority: failure to comply with GDPR and internet security)

THE PROTECTION OF PERSONAL DATA IS A MAJOR ISSUE FOR SOLOCAL. REGULATORY COMPLIANCE, INCLUDING THE GENERAL DATA PROTECTION REGULATION (GDPR) IS FUNDAMENTAL TO ENSURING THE SUSTAINABILITY OF THE BUSINESS. SOLOCAL IS EVEN CONVINCED THAT "PRIVACY IS GOOD FOR BUSINESS" AND HOPES TO CONTRIBUTE TO AN INTERNET THAT CAN BE TRUSTED, THAT MEETS THE GROWING ASPIRATIONS OF THE STAKEHOLDERS. CONVERSELY, FAILURE TO COMPLY WITH THESE REGULATIONS WOULD HAVE MULTIPLE IMPACTS: FINANCIAL (VIA ADMINISTRATIVE PENALTIES) AND CRIMINAL SANCTIONS, AND WOULD ALSO WEAKEN SOLOCAL'S REPUTATION.

Solocal's policy

Over and above regulatory compliance (1978 law, GDPR, e-privacy, etc.), Solocal's position on personal data protection is to capitalise on compliance: "Privacy is good for business". Solocal seeks to consolidate its position as the go-to digital, local, trustworthy company for French companies.

Therefore, Solocal is committed to:

- ensuring that its personal data processing is compliant;

  More specifically, in response to the direct application of the GDPR, Solocal devised a compliance programme which is being implemented as of July 2017 to ensure the company's compliance upon entry into force of the regulation on 25 May 2018 and beyond. This compliance takes place in two stages:

  - July 2017 - 25 May 2018: rush management via company compliance (notices, records, processes);
  - 25 May 2018 - end of Q4 2020: make compliance a real commercial asset for Solocal: "Privacy is good for business".
- raise employee awareness: the aim is for all company employees to receive training by 2020.

The compliance programme is an opportunity to significantly enhance employee awareness on personal data protection.

Over and above the applications within the company, the ambition of Solocal is to:

- contribute to shaping standards and best practice on personal data protection, particularly via inter-industry bodies;
- support VSE/SME and key account customers in their compliance efforts.

Since 2011, Solocal has had a dedicated personal data protection team. In 2018, the team comprised cross-functional experts: a DPO (Data Protection Officer, an active academic who publishes scholarly articles and attends conferences, etc.), two expert lawyers and a security engineer.

This policy is backed up by a major communication drive in various formats which is tailored to the roles of employees within the company. Further, the GDPR compliance policy can be accessed by all stakeholders at the various Solocal sites.

Solocal also has an information security management system (ISMS) to ensure personal data protection. This policy is focused on four commitments:

- ensure the security of the company's information systems;
- raise employee awareness about information system security risks;
- protect the company's assets;
- introduce internal governance that makes information system security everybody's responsibility. An information system security manager is being recruited and is expected to begin work in the first half of 2019.

Initiatives	Results	Key performance indicators
1/Ensuring that personal data processing is compliant ● Compliance programme to prepare for the entry into force of the GDPR. ● Recasting of the personal data protection notices on the Solocal websites and application. ● Review of the automated procedure for managing assertion of personal rights on the PagesJaunes and PagesBlanches digital services. ● Compliance of cookies and other tracking devices ● Creation of standard contractual clauses to legally secure personal data processing. ● Quarterly audits on the company's sites and applications. ● Design of new strategic projects with the "Privacy by design" approach. **2/Raising employee awareness** A range of communication initiatives in relation to this policy were conducted in 2018: ● internal communication initiatives aimed at all employees (webcasts, mailings, infographics, notices, etc.); ● specific awareness-raising initiatives for managers; ● awareness-raising initiatives at the highest level (presentation to the Executive Committee and Board of Directors);	● 160 employees specifically trained in 2018 via the compliance programme. ● Development of internal, company-specific CMPs (Consent Management Platform) to manage the consent of Internet users and mobile users on the company's sites and applications. ● Participation in drafting a white paper in partnership with the French Data Protection Commission (CNIL). ● Creation of massive open online courses (MOOCs) and publication of presentations on the Solocal intranet; ● 45 Operational directors and managers took part in working groups to raise awareness in their respective teams.	**- Time frame for processing requests for the deletion of personal data: 2.79 days (+16% vs. 2017)** **- Time frame for processing requests for modifications to personal data: 6.38 days (+106% vs. 2017)** *This strong progress is thanks to the direct entry into force of the GDPR, which played a major role in the increase in the number of people asserting their rights. The CNIL confirms this major trend in its various summaries for 2018. For example, requests sent to Solocal for modifications of personal data rose 102% compared to 2017. As a reminder, the GDPR requires that requests in response to people asserting their rights must be processed within one month.*

Initiatives	Results	Key performance indicators
<u>Actions taken in 2018 regarding the Information Systems Management System</u> **1/Ensure the security of the company's information system** ● Draw up IS guidelines and perform IS security risk mapping, ranking risks by severity. These guidelines must be approved by the proprietary businesses ● Conduct security audits to check the robustness of the applications, the results of which have been forwarded to the Executive Committee and Audit Committee ● Determine the company's incident management procedure, which was tested in real-life situations in February 2018 and which is now being applied ● Introduction of a new policy to strengthen passwords ● Take out insurance to cover cyber risks ● Security support for the Move-to-Cloud project		
2/Raising employee awareness ● Two security awareness days on 1 and 2 February 2018 ● Notices and awareness campaigns, across all of the company's French sites on "The 10 golden rules on IT security" and best practice for creating a password	● 1,159 employees attended the awareness days	

3.2.3.1.2 Consolidating ethical governance and taking CSR aspects into account to ensure the longevity of the company

(Risks related to this priority: fraud/failure to comply with Sapin 2/insufficient value sharing/failure to adhere to the purchasing procedure)

OVER AND ABOVE COMPLIANCE WITH LAWS AND REGULATIONS, SOLOCAL BELIEVES THAT THE INCLUSION OF NON-FINANCIAL BEST PRACTICE IN ITS GOVERNANCE WILL IMPROVE ITS PERFORMANCE AND BOOST TRUST PLACED IN SOLOCAL BY BOTH ITS INTERNAL AND EXTERNAL STAKEHOLDERS AND MORE GENERALLY SECURE THE COMPANY'S LONGEVITY.

Solocal's policy

Solocal is committed to proactive initiatives covering various aspects of this general approach.

- Dialogue with priority stakeholders:
  - Employees:

    Solocal has chosen to develop industrial relations which closely involve the social partners in corporate projects. This approach is reflected in the frequency of discussions, the resources provided to bodies, and the number of consultations and agreements. It is driven by the personal commitment of the Chief Executive Officer and the members of the Executive Committee, and by a strong, dedicated industrial relations team.

    In 2019, the overhaul of industrial relations will continue, with the introduction of a new staff representation body (the Social and Economic Committee) which will take local issues into account. At the same time, and given the intensity of industrial relations in 2018, senior management delayed discussions on the introduction of arrangements to ensure value sharing. The discussions will begin in 2019.

    To enable listening and communication within the company, a direct internal survey is conducted every year among all company employees (this is covered under the "Strengthen employee commitment" social priority). Monthly discussions with senior management are also held via video-conference with all the French staff.

  - Shareholders:

    Since its initial public offering in 2004, the company's stock market performance has been negative and shareholders have been diluted, notably within the context of the debt renegotiation in early 2017. To improve dialogue with shareholders and promote long-term investor commitment, the members of the Board of Directors and the entire management team are paying particular attention to the relationship with both individual and institutional shareholders. This policy is managed by the Investor Relations Department in direct liaison with the Chairman of the Board of Directors. The Investor Relations Department leads the discussions (via telephone, emails, internet page, contact form, etc.) and via meetings (Shareholders' Communication Committee, open day, investor day, meetings with institutional investors).

- The policy on Sapin II compliance is implemented by the Ethics team within the Institutional Relations, CSR, Ethics and Risk Department. In 2018, Solocal also appointed an Ethics Manager, who is responsible for the company's compliance with the Sapin II law. The Ethics function also aims to structure and roll out an overall ethics approach in the company. Further, Solocal benefits from a partnership with the economic players support division of the French Anti-corruption Agency (AFA), which provides it with expertise and technical workshops to support it in achieving compliance in the first half of 2019. This move towards compliance is an opportunity to support Solocal's transformation project in building an ethical, exemplary business culture implemented under the auspices of senior management. Senior management is working to encourage all stakeholders, notably managers, employees, partners and customers, to adopt all of the processes and tools that enable such a business culture. With this in mind, the responsible purchasing policy was introduced in 2018, which contained a new purchasing process, and at the end of the year, a contract was signed with Ecovadis, which will carry out a CSR and ethics assessment of the company's suppliers in 2019.

Initiatives	Results	Key performance indicators
Industrial relations • Intense corporate schedule • Substantial resources allocated: authorised expenses (travel, food and drink, accommodation) and funding of preparation meetings for plenary meetings • Company commitment Involvement of senior management (quarterly meeting between the CEO and union representatives) • Industrial relations team with five people	• 97 meetings held in 2018 amounting to 79.5 days of meetings • 79.5 days of preparation time for plenary meetings funded for staff representatives	*Further details on the agreements signed are provided in the social priorities*
Shareholder dialogue • Management meet the main institutional shareholders for all quarterly results • Enlargement of the CCA (Shareholders' Communication Committee) to 15 members	• Three meetings with individual shareholder groups in 2018, including one showcasing the new offer	**- 125 meetings with institutional investors in 2018 (+19% vs. 2017)**
Sapin II compliance • Creation of the Ethics Manager role, and appointment to fill it • Mapping of the company's corruption risk • Preparation of a Code of conduct, an alert system, a gifts policy (these documents are pending approval) and of an Ethics and Anti-corruption clause in supplier contracts		

3.2.3.2.2 SOLOCAL'S SOCIAL PRIORITIES

3.2.3.2.1 Supporting the transformation of jobs and skills

(Risks linked to this priority: lack of key skills, adaptation of resources)

SOLOCAL'S SUCCESS IS BUILT PRIMARILY ON THE EXPERIENCE AND EXPERTISE OF ITS EMPLOYEES; ENSURING THE APPROPRIATENESS OF THEIR SKILLS WITH THE CHANGING NEEDS OF THE COMPANY'S ACTIVITIES IS A TRUE CHALLENGE IN TODAY'S COMPETITIVE MARKETS. AS PART OF THE "SOLOCAL 2020" STRATEGIC TRANSFORMATION PLAN, THE SUPPORT OF EMPLOYEES THROUGH TRAINING HAS BECOME CRUCIAL TO ENSURING THEIR EMPLOYABILITY, BOTH IN REGARDS TO THEIR DEVELOPMENT WITHIN THE COMPANY AND TO THE VALUING OF THEIR SKILLS EXTERNALLY.

Solocal's policy

The drive to adapt to the needs of the company's businesses is based on three key components:

- the policy of forward-looking employment and skills management (GPEC), implemented by two people within the human resources team, is formalised in a collective agreement. It is designed to support the evolution of jobs and skills over three years on the basis of a yearly diagnostic. This diagnostic categorises jobs into "major skills evolution", "growing" and "decreasing demand". It makes it possible to adapt and implement the systems to support these changes, notably thanks to an extensive training offer to ensure reconversion or adaptation, whether this takes place within the company or in the context of external mobility. The GPEC agreement will be discussed again with the unions from the second quarter of 2019;
- in accordance with the transformation project presented on 13 February 2018, 1,014 registered employees were affected over the year. Therefore, the number of employees at the end of 2018 was 2,999 FTE excluding employees on mobility leave and reclassification leave.

  Employees affected by this plan receive support via a dedicated advisory space and an employment unit. The agreements signed cover training, business start-up assistance and vocational repositioning;
- in general terms, the purpose of the training policy is to:
  - support business priorities;
  - accelerate professional development and boost employability;
  - support cultural and managerial transformation;
  - promote a learning system focused on proactive sharing which is of benefit to all;
  - modernise and innovate in the field of learning.

  The training plan, which reflects its application, is reviewed each year. 2018 was spent overhauling the training policy, which is one of the priority areas to ensure skills support in step with organisational development.

  The 2019 plan is focused on:
  - understanding of the "Solocal 2020" plan;
  - support of priority transformation projects;
  - adaptation of skills in response to changes in businesses and organisations;
  - support for management in applying the new business culture.

As part of the organisational, cultural and business transformation, the company has defined new managerial priorities and adapted its support procedures to align practices based on a new leadership and values model.

Initiatives	Results	Key performance indicators

• Four majority agreements signed for mobility leave, employment protection plan (PSE), framework agreement and additional pension
• Three additional clauses to the transformation project agreements signed in December 2018 concerning regional reorganisation (Toulouse and Marseille)
• Support for the career aspirations of employees subject to external reclassification and mobility leave via:
  • tools (Mobility advisory space, monitoring by a specialist company – Alixio, etc.)
  • the joint monitoring committee
	• FTE workforce at 31 December: 2,999
	• 1,014 employees impacted by the employer responsibility component of the transformation plan
	• 1,733 initial interviews (1,233 in person and 500 by telephone) and 1,940 additional interviews were conducted following the initial ones to support employees who are affected by the employer responsibility component of the transformation plan
	• Seven meetings of the monitoring committee in 2018
		- 56.7% of Solocal employees who responded to the internal opinion survey (in January 2019 in respect of 2018) said that the company enabled them to develop their skills and employability (+3% in 2018 vs. 2017)

• 2018 training plan with three priorities: upgrading of digital skills, customer culture and management	• Average number of hours of training per employee trained: 38.1 • Proportion of payroll for the training budget: 3.24%	
• Against a backdrop of organisational, cultural and employment transformation, the company has defined the new managerial priorities and adapted its support mechanisms to align practices (training offer and assessment procedure) based on a new leadership model	• Creation of the leadership model • Design of the training offer	

3.2.3.2.2 Promoting the development of a pleasant work environment for all

(Risks linked to this priority: psychosocial risks/absenteeism/road risk)

IN ADDITION TO INDIVIDUAL SKILLS, COLLECTIVE PERFORMANCE IS ENSURED BY A MATERIALLY-FAVOURABLE FRAMEWORK, AN OPTIMISED ORGANISATION AND POSITIVE INTER-INDIVIDUAL RELATIONSHIPS. HOWEVER, SINCE 2013, SOLOCAL HAS UNDERGONE PROFOUND TRANSFORMATION PHASES, GIVING RISE TO ORGANISATIONAL TENSIONS (2013 EMPLOYEE PROTECTION PLAN, 2015 VOLUNTARY REDUNDANCY PLAN, 2018 EMPLOYEE PROTECTION PLAN), AND UNCERTAINTIES FOR EMPLOYEES (CHANGES IN COMPANY GOVERNANCE, INCREASED COMPETITION). THIS DIFFICULT SITUATION CAN HAVE CONSEQUENCES FOR THE QUALITY OF LIFE IN THE WORKPLACE: PSYCHOLOGICAL IMPACTS, LOSS OF REFERENCE POINTS, DIFFICULTIES REACHING OBJECTIVES, ETC. RECOGNISING THAT IMPROVING WORKING CONDITIONS HELPS IN THE ATTAINMENT OF ITS SOCIAL AND ECONOMIC OBJECTIVES, SOLOCAL PAYS PARTICULAR ATTENTION TO CHANGING WORKING CONDITIONS AND THEIR MODES OF OPERATION,
IN ORDER TO PROMOTE THE WELL-BEING OF ITS EMPLOYEES.

Solocal's 2018 actions and 2019 policy

- Actions to prevent psychosocial risks (PSR) have been implemented, in support of the Solocal prevention plan.

  They include the detection by a range of disciplines (human resources, employees, occupational health physician) of workplace situations that expose employees to RPS risks and a counselling and support system, to find operational solutions to make it easier for employees to do their jobs.

  These prevention initiatives are monitored under the regulatory framework of the CHSCTs (Health, Safety and Working Conditions Committees) under the auspices of the QVST (quality of life and occupational health) division. They will be reviewed and formalised in an industrial relations policy in 2019.

  Moreover, in the context of Solocal's transformation, management has upgraded these support mechanisms on its priority sites.
- Given that, absenteeism is on the rise throughout France, absenteeism is also a priority for the company, particularly in 2018, in line with its reorganisation plan. There is already a process designed to encourage employees to return to work after a long-term absence due to sickness. However, the entire "absenteeism" topic will be a major industrial relations issue in 2019. The role and training of managers will be included in this and enhanced.
- Due to its business activity and nationwide scope, Solocal has over 1,000 vehicles at the disposal of field sales reps and managers. In 2018, there were no specific road-risk prevention initiatives in place.
- The drive to improve the quality of the company's office premises (described in the environmental priority) also contributes to better working conditions for employees, which is one component of well-being at work.

Initiatives	Results	Key performance indicators
Absenteeism • Providing a process to support employees returning to work: reception, HR interview, training, managerial support, changes to workload • Tailored adjustments to positions to encourage employees to stay in their roles		- Sickness rate: 8.86% (+23.6% vs. 2017)

Psycho-social risks
• Local multidisciplinary steering committees
• Support initiatives in line with the transformation context:
  • Permanent support and counselling initiative (counselling and psychological support hotline available 24/7) and ad hoc support in response to particular situations (psychological hotlines, mediation in collective situations)
  • Communication operations specific to the plan:
    • Aimed at managers, closed branches (Toulouse, Marseille)
    • All employees: website
    • Accelerated implementation of the plan to close the Toulouse and Marseille branches to cut short the period of indecision and offer negotiated mobility leave
• The QVST division and workplace risk prevention officer report to the Industrial Relations Department to improve its operation
	• 19 "primo managers" trained in PSR prevention
	• Around 500 managers trained in "managerial oversight and support" as part of the PSE rollout
	• Negotiation and three addenda signed in December 2018 (instead of 2019)
		- 77.7% of Solocal employees who responded to the internal opinion survey (in January 2019 for 2018) said they were satisfied with the level of respect with which they were treated (+9% in 2018 vs. 2017)

3.2.3.2.3 Improving employee commitment and making Solocal more appealing

(Risks linked to this priority: problems recruiting, retaining talent, loss of commitment, diversity)

IN ORDER TO ENSURE THE DURABILITY AND DEVELOPMENT OF THE COMPANY'S ACTIVITIES, SOLOCAL NEEDS TO KNOW HOW TO ATTRACT AND RETAIN EMPLOYEES WITH SPECIALISED AND COMPLEMENTARY EXPERTISE, A CHALLENGE THAT IS ALL THE MORE DIFFICULT IN THE COMPETITIVE FIELD OF DIGITAL TECHNOLOGY JOBS. THIS MEANS PROVIDING A SUPPORTIVE ENVIRONMENT IN HUMAN, MATERIAL AND PROFESSIONAL TERMS THAT ENCOURAGES EMPLOYEES TO EXPRESS THEIR TALENTS TO SERVE THE COMPANY.

Solocal's policy

Solocal is pursuing a commitment programme to boost performance and build the employer brand; this applies to both current and potential employees of Solocal.

These different aspects, which aim to make Solocal a leading employer, are:

- attracting talent, securing employee loyalty and working towards commitment by all employees;
- perpetuating the company's strengths, expertise and differentiating factors to the outside world;
- highlighting the work of the teams.

More specifically, Solocal's policy to attract the talent the company needs and to publicise it to the outside world entails:

- partnerships with schools;
- increasing the number of local initiatives: educational interventions by employees in schools, mock interviews, school forums, etc.;
- a proactive approach to work-study programmes.

Internally, the policy to improve commitment involves identifying and highlighting the work of the teams via:

- an opinion survey, which has been conducted for several years now on all company employees, to identify the strengths and weaknesses of the organisation and internal environment;
- a talent retention initiative (identification of key positions, detection of talent and securing employee loyalty including a retention plan and succession plan);
- support for employee involvement in the Telethon.

There is no policy for promoting diversity. However, in 2018 the rate of female representation in top management was included in the variable component of the Chief Executive Officer's remuneration' this will be a driving force in this area. Furthermore, the company has introduced a "disabilities initiative" spearheaded by 1 person in the QVST (Health, Safety and Working Conditions) team.

Initiatives	Results	Key performance indicators
• Identification of its needs and pursuit of internal and external skills in step with changes in the businesses	• Employees recruited on indefinite-term contracts at 31 December: 435 • Internal mobility at 31 December: 5 • Indefinite-term-contract departures (excluding PSE) at 31 December: 666	
• partnerships with schools • More local initiatives: educational interventions by employees in schools, mock interviews, school forums, etc. • A proactive approach to work-study programmes	• Initiatives with partners (involvement in round tables, student forums, job fairs, etc.) in 10 schools • 138 young people recruited: 88 interns and 50 students on work-study programmes • Top Employers label for the second consecutive year	**- The commitment level of Solocal employees was 72% in 2018 vs. 67% in 2017 (internal survey)**
• Identifying and highlighting the work of the teams	• Application of a talent retention system	
• Support initiatives that are meaningful to employees	• 80 employee volunteers mobilised over 2 days in Angoulême, Eysines and Boulogne to organise a collection of donations	
• Promotion of gender diversity		**- Rate of female representation in top management: +5.1% versus 2017 (32.5% of Directors are women)**

3.2.3.3 SOLOCAL'S MAIN SOCIETAL PRIORITIES

3.2.3.3.1 Accelerate the digitalisation of French VSE/SMEs and develop digital skills in the regions

(Risks linked to this challenge: devitalisation of the territories/delay in digitalisation of VSEs/SMEs)

THE LOW ADOPTION OF THE INTERNET BY SMALL AND MEDIUM-SIZED BUSINESSES CREATES A RISK OF A LOSS OF COMPETITIVENESS AND THEREFORE THE DECREASE IN ECONOMIC ACTIVITIES THROUGHOUT FRANCE. ONLY 67% OF FRENCH SMES HAVE WEBSITES, COMPARED WITH MORE THAN 87% IN GERMANY AND 84% IN THE UNITED KINGDOM [1]. THIS FACTOR IS EVEN MORE SIGNIFICANT WITH FRENCH MICRO-ENTERPRISES (95% OF THE FRENCH ENTREPRENEURIAL FABRIC); ONLY ONE THIRD OF FRENCH VSES HAS A WEBSITE[2]. IN ORDER TO BOOST THE LOCAL ECONOMY THROUGH DIGITAL TECHNOLOGY, SOLOCAL IS POSITIONING ITSELF AS A TRUSTED PARTNER BY OFFERING SIMPLIFIED AND EFFICIENT DIGITAL SOLUTIONS TO LOCAL ECONOMIC OPERATORS.

Solocal's policy

To ensure that its interventions are as relevant as possible, Solocal is implementing collaborative initiatives and partnerships with local ecosystems such as schools, institutional bodies (consular chambers, local and regional authorities, professional federations), associations, etc. with two purposes:

- promote digital use by companies;
- promote the development of digital skills in the regions.

Specifically, this translates into three areas of intervention:

- contribution to the development of new expertise by providing opportunities to share experience and training sessions;
- support professional reconversion by enabling jobseekers to receive training in project management and web publishing;
- support for high school pupils and students in finding their first jobs.

Solocal is focusing its efforts in these areas around seven of the company's regional centres: Angoulême, Bordeaux, Boulogne-Billancourt, Lille, Lyon, Nancy and Rennes. The company's contribution to developing the digital ecosystem of GrandAngoulême is emblematic of the policy that the company intends to pursue.

This policy is implemented by the Institutional Relations Department in liaison with the various teams (marketing, sales, human resources, local teams, etc.) on the impetus of senior management.

(1) European Commission, Digital Single Market, companies with 10 or more employees (excl. financial sector)

(2) ISEE, "Les TIC dans les micro-entreprises en 2016" (ICT in micro-businesses in 2016), March 2018Survey by Harris Interactive of 1,200 Internet users: "When searching for companies/professionals/businesses in any field, to find information from your home and anywhere in France, how would you rate your satisfaction with each of these sources?"

Initiatives	Results	Key performance indicator(s)
• Gradually bolstering engagement within each regional centre through Solocal's cooperation with regional players in order to promote local skills and the digital transformation, and to support regional development Partnership with the Charente CCI to work on the digital transformation of VSEs and SMEs • Partnerships between 3 local schools (CIFOP training body of the Charente CCI certified Grande École du Numérique, IUT in Angoulême, and the CESI). • Expertise and solutions for the GrandAngoulême projects. Construction of a division to highlight the Webfactory, the Angoulême regional centre	• 1 roadshow (made up of three steps: institutional meeting, digital workshops for VSEs/SMEs, business discussions with internal employees) organised regionally, in 2018, with local ecosystems around the company's locations	**- 15 partnership actions carried out with the local ecosystems around the company's regional centres (Awareness raising workshops, meetings, plenary, hackathon, etc.)**
• Local commitment is already highlighted by the first partnerships signed with local players, to enhance skills such as web design, Search Engine Optimisation/Search Engine Advertising, digital marketing and improved support for the digital ecosystem: • Involvement by Solocal in programmes to support traditional economic operators in their digital transition efforts. • Joined the SPN in 2017 (network of digital professionals in Nouvelle Aquitaine) and sharing of expertise under the Start'Innov acceleration programme • Support for downtown business and artisans, for the digital transformations of VSEs and SMEs through historical partnerships with the Centre-Ville en Mouvement association. • Participation in the local ecosystem with FrenchTech Rennes St Malo (financial contribution to supporting local entrepreneurship, contribution to leading the professional network) • Organisation of digital training workshops in Rennes under Solocal's partnership with Google	• Réso commerce 93 (8 awareness-raising sessions); • Connecte un Commerçant (pilot initiative in Aquitaine) • Crisalide Numérique (competition and programme run by the CCI of Ille-et-Vilaine) • Participation in the "Made in 92" events organised by the Hauts-de-Seine CCI to highlight entrepreneurship in the département • Digital workshops in Rennes	
• Maintenance of the Tous Numériques website set up at the initiative of Solocal to provide free online basic digital training for companies	• Over 1,800 learners registered since the platform opened in 2017	**- Change in the number of on-line courses provided: + 4% compared to 2017**

3.2.3.3.2 Ensuring responsible publication and access to content

(Risks linked to this priority: content management, third-party trust, sequencing, professionals in high-risk fields)

IN A CONTEXT OF UBIQUITOUS DIGITAL COMMUNICATION, THE TRUST OF CONSUMERS AND PROFESSIONALS IN THE COMPANY'S BRANDS IS AN ESSENTIAL ASSET THAT SOLOCAL WANTS TO PRESERVE BY KEEPING ITS QUALITY STANDARDS AT THE HIGHEST LEVEL. THIS ATTENTION CONCERNS ALL THE INFORMATION AND ADVERTISING CONTENT THAT SOLOCAL PRODUCES AND DISSEMINATES ON ITS PLATFORMS OR ON PARTNER MEDIA.

Solocal's policy

Rigorous procedures apply to key actions that enable the company to be a leader in terms of professional databases in France:

1. enhancing the base: Solocal uses the best database suppliers in their fields to index the companies on its services to users and improve their registration with useful, reliable data.

   Examples:

   - official SIRENE or Bodacc list, trade and companies register, etc. for the "companies" database,
   - the AMELI and ADELI files to indicate whether healthcare practitioners are registered as public services, Qualibat and Quali ENR for artisans with quality certifications, AtoutFrance for the registration of tour operators and accommodation providers, etc.;

2. monitoring: irrespective of how this data is acquired, professionals are ranked according to four levels of importance to which specific checks are applied. This makes it possible to check that the business is active and the entitlement of the professional to register under an activity (e.g. regulated professions).

Moreover, Solocal enhances the useful information provided by its services, acquiring content via partnerships with key players in the management and promotion of consumer reviews (Fidcar, Q3 Advocacy, GarageScore, Immoadvisor, etc.).

Initiatives	Results	Key performance indicators
Quality process and database management • Monitor registrations completed directly on pagesjaunes.fr or via customer services to avoid false information being entered into its resources (via algorithm and database cross-referencing) • Monthly reliability test on the data by sampling	• 4,760,000 professionals in Solocal's database of French companies • Between 1.9 million and 2.3 million updates of our databases per month on average	- Satisfaction score from PagesJaunes users: 7.4/10 (+0% vs. 2017)[1]
Content enhancement • Protocol on the moderation of consumer reviews on pagesjaunes.fr (CGU) https ://info.pagesjaunes.fr/infoslegales/cgu-compte/	• Number of reviews on pagesjaunes.fr: 8.1 million	

(1) *Survey by Harris Interactive of 1,200 Internet users: "When searching for companies/professionals/businesses in any field, to find information from your home and anywhere in France, how would you rate your satisfaction with each of these sources?"*

3.2.3.4 SOLOCAL'S ENVIRONMENTAL PRIORITIES

3.2.3.4.1 Optimise energy consumption, use of resources and reduce the carbon impact

(Risks linked to this issue: risks linked the environmental impact)

FACED WITH THE CLIMATE THREAT, SOLOCAL'S TRANSFORMATION MUST INVOLVE OPTIMISATION OF THE RESOURCES USED TO CONDUCT ITS BUSINESS ACTIVITIES: GIVEN THAT THE ENVIRONMENTAL IMPACT OF PRINTED DIRECTORIES IS NO LONGER A MAJOR ISSUE, OTHER SIGNIFICANT ISSUES FOR THE COMPANY ARE: THE ENERGY-EFFICIENT MANAGEMENT OF ITS DIGITAL FLOWS (DATA CENTRES, APPLIED ECO-DESIGN, ETC.), ITS CAR FLEET AND ITS REAL ESTATE PORTFOLIO.

Solocal's policy

Solocal focuses its commitments first and foremost on the activities that generate the largest CO_2 emissions:

- concerning the car fleet, the transformation project involves reducing the number of litres consumed by the vehicles. Solocal will also phase out the "all diesel" approach in favour of a fleet of vehicles that includes petrol and hybrid vehicles;
- these initiatives are reflected in an active policy to optimise rental premises and improve the environmental quality of the company's real estate portfolio, which has resulted in the company leaving under-occupied premises affected by problems linked to older buildings (insulation, air circulation, asbestos, etc.) in favour of quality (recent standards) or even new (HQE) premises;
- Solocal is strengthening its policy to migrate its data centres to the Cloud, abandoning infrastructures that can no longer be optimised in terms of energy use, while increasing operational flexibility.

Solocal continues to pay special attention to the impact of its printed directories, even though this is no longer one of its environmental priorities. Therefore, Solocal is committed to limiting paper use and circulating directories to people who want them. In 2018, the tonnage of paper used to make the printed directories fell 38%.

Initiatives

Initiatives	Results	Key performance indicators
Car fleet ● The new Car Policy is being defined for approval by Q1 2019 by the senior management	● Number of litres/year/vehicle: 1,450 litres on average (-16% compared to 2017)	**- Change in emissions from car fleet (in CO_2 tonnes equivalent per vehicle) vs. 2017: -20%** Reduction related in part to a decrease in the number of kilometres travelled due to the "Solocal 2020" transformation plan
Real estate ● Solocal has begun the construction of new buildings for the web-factory in Angoulême (delivery scheduled for the second half of 2019, site HQE-certified), which aims to improve the working conditions of the teams ● The future Bordeaux site was selected. It will be a new building with HEQ certification	● Average space leased: 71,386 m2 (-4% compared to 2017) ● Percentage of space leased with environmental certification: 59% ● Energy consumption of office premises, excluding data centres per m^2: 87 kW/m^2	**- Change in the carbon impact of office premises (in tonnes of CO_2 equivalent) vs. 2017 in m^2: -5.9%**
Digital ● As part of its cloud migration programme, Solocal issued a request for proposals and selected two partners. The company ensured that these partners had also committed to reducing the carbon impact of the servers	● Energy consumption of the data centres: 4,702 MWh (-5.8% vs. 2017) ● Percentage of servers that are virtual: 80% (+5.4% vs. 2017)	**- Change in the carbon impact of the data centres (in kWh CO2 equivalent): 374,715 (+0% vs. 2017)** *Decrease in the energy consumption of the data centres offset by the rise in the electricity emissions factor in 2018*

Initiatives	Results	Key performance indicators
Printed directories ● Suppliers have many environmental certifications. Stora Enso (paper supplier) received a CDP accolade as global leader on climate action (list A climate 2018) ● In 2018, almost 1,700,000 households and almost 2,700,000 businesses were consulted about their interest in receiving printed directories. Demand for the directories (among those who responded) was 53% on average (for households) and 48% (for businesses)	● Paper consumption, in thousands of tonnes: 5.81 (-38% vs. 2017) ● Citéo contribution (estimate for 2018 – contribution to collection, repurposing and removal of printed paper waste): €378,400	

3.2.4 APPENDICES

3.2.4.1 ADDITIONAL RISKS

DETAILS ON THE INCLUSION OF MAJOR CATEGORIES REQUIRED BY ORDER NO. 2017-1180 ON THE PUBLICATION OF NON-FINANCIAL INFORMATION

Social consequences of the business activity	
Collective agreements entered into in the company and their impacts on its economic performance and employee working conditions	This topic is covered in the social priorities
Actions against discrimination and to promote diversity	This topic is covered under "Strengthening employee engagement and making Solocal more appealing"
Environmental consequences of the business activity	
Consequences on climate change of the business activity and of the use of the goods and services it produces	This topic is covered in "Optimise energy consumption, use of resources and reduce the carbon impact"
Societal commitments to sustainable development, the circular economy and the fight against food waste	This topic is not a major non-financial risk for Solocal. It is not covered by this statement on non-financial performance
Societal commitments	
Fight against food insecurity, working to secure animal welfare and responsible, fair and sustainable nutrition	This topic is not a major non-financial risk for Solocal. It is not covered by this statement on non-financial performance
Human rights	Risks that are not on the "Non-financial risks and priorities" list are not considered as major risks for Solocal. However: Our Code of Conduct is aligned with such fundamental and universal principles as those of the Universal Declaration of Human Rights; such as those set forth in International Labour Organization agreements on freedom of association, the right to collective bargaining, eliminating discrimination in respect to employment and occupation, eliminating forced or compulsory labour, and abolishing child labour; and those of the Organisation for Economic Cooperation and Development (especially with respect to efforts to fight corruption)
Corruption	This topic is detailed under "Consolidating ethical governance and taking CSR aspects into account to ensure the longevity of the company"
Tax evasion	This topic is not a main risk for Solocal. However, Solocal practices market prices with Solocal companies outside France. These prices have been approved by the tax board which prepares the documentation for transfer prices each year

3.2.4.2 METHODOLOGY NOTE

Solocal issues its Statement on Non-Financial Performance in response to European directive 2014/95/EU of the European Parliament and the Council of 22 October 2014, Order no. 2017-1180 of 19 July 2017 and its implementing decree no. 2017-1265 of 9 August 2017.

As part of its Statement on Non-Financial Performance, Solocal has completely overhauled its entire CSR approach to include the logic specific to this exercise, focusing on the main risks and performance. Solocal has devised a new reporting process to collect all of the required information. It comprises several stages which are described below.

Depending on the priorities and risks, qualitative and quantitative indicators may cover a smaller scope than the one stated for all indicators.

Within the scope of its proactive strategy, Solocal aims in the future to extend its reporting to all its subsidiaries in the regions in which it operates. For the quantitative social indicators, the Group scope is favoured. In the event of a smaller scope, a note is provided in each of the paragraphs concerned. Note that in 2018, the Solocal scope changed with the disposals of Retail Explorer, NetVendeur, and the "Solocal 2020" transformation plan.

Since the move of the head office in May 2016, the scope of reporting has progressed significantly to take into account almost all French subsidiaries on most environmental indicators.

Scope of reporting

Scope

Solocal identified its main non-financial risks based on its entire operations and across all subsidiaries.

Consequently, for the 2018 financial year, the scope taken into consideration is as follows:

Indicator	Scope
Data centre power consumption	PJ + Mappy
Rate of virtualisation of servers	PJ + Mappy
Energy consumption excluding data centres	PJ + Solocal MS + "Citylights scope" of the other subsidiaries concerned
CO_2 emissions from energy consumption in tonnes CO_2 equivalent (office premises + data centres)	PJ + Solocal MS + "Citylights scope" of the other subsidiaries concerned (data centres = PJ + Mappy)
Percentage of buildings with environmental certification across all leased sites	PJ + Solocal MS + "Citylights scope" of the other subsidiaries concerned
Water consumption	Solocal Citylights
Quantity of electrical and electronic equipment waste disposed of in tonnes	PJ + Mappy + Solocal MS
Average number of computers per employee	PJ + Solocal MS + "Citylights scope" of the other subsidiaries concerned + QDQ + GIE + holding company
Average number of printers per employee	PJ + Solocal MS + "Citylights scope" of the other subsidiaries concerned + QDQ + GIE + holding company

Regarding energy consumption, the 2017 and 2018 data have been adjusted thanks to the receipt of additional statements, in particular gas consumption on the PagesJaunes Eysines site. The 2018 data for this site not being available, 2017 consumption was reapplied in 2018, the surface area remained stable. Regarding energy consumption of Citylights, a meter (not taken into account in 2017) was added in 2018. 2017 consumption was reassessed to take into account changes on the same scope.

For the other sites, two methodologies are applied:

- when the last bills of the year are missing, the invoice of the previous period is applied (1 or 2 months maximum extrapolation);
- all sites with invoices can extrapolate an average consumption of electricity per square metre, applied to sites missing invoices.

Concerning leased space, and in light of the many leases terminated over the year, a weighted average according to the surface criteria in m^2 and occupation time in days was calculated in consideration of the fact that some sites were not occupied all year round.

In terms of employee travel, emissions are presented within the scope of Solocal France.

Period and frequency

Solocal's Statement on Non-Financial Performance is published yearly in the Solocal Registration Document. The information required covers the past calendar year in line with Solocal's financial year, from 1 January to 31 December 2018.

In the case of indicators for which the information required is not fully available, two cases arise:

- the data is extrapolated so as to end up with an annual result;

- the period taken into consideration differs from the calendar year.

Specific cases are described in this Methodology Note.

Organisation of the report

The non-financial indicators are provided by a network of participants. Their role consists, among other things, in organising and coordinating the feedback of information to the CSR department, and in guaranteeing the quality and exhaustive nature of the data supplied by means of consistency and probability checks. There are 4 successive stages in the reporting process:

- data collection and checking, by a contributor;
- validation of the data collected, by an officer;
- global audit and consolidation, provided by the CSR department;
- finally, the use of the data collected: forwarding of the end results to those responsible for the commitments, to manage projects, and publication in the Solocal Registration Document.

Reporting tool

The quantitative and qualitative CSR data in this report was collected using the "Reporting 21" tool which was introduced in 2015 and updated in the course of preparing the SNFP. This tool has provided for the reliable collection, consolidation and control of CSR information.

Independent verification

In accordance with regulations, an Independent Third Party Organisation (ITPO) was appointed to audit the non-financial information published by Solocal in its Registration Document for the part concerning the Statement on Non-Financial Performance. The audit procedures were determined with Solocal in advance. The auditors ensure that Solocal has implemented a data collection process conducive to the compliance and accuracy of the information. The compliance review examines: the presence of the business model, description of the main risks, policies and due diligence for each risk, including key performance indicators, review of the risk analysis process, review of the presence of information categories (social, environment, corruption etc.) and the information required by regulations (food waste, etc.).

The auditors examine by sampling the collection, compilation, processing and checking processes for the information considered as being the most important for the company and perform detail tests on them.

The auditors compare the list of information referred to in the Solocal Registration Document and the list of indicators required by the Statement on Non-Financial Performance to check the compliance and accuracy of the information presented. They point out any missing information when no reasons have been provided for the omission.

The conclusions of these external audits are formalised in an audit report published in the Registration Document.

The auditors also mention the steps involved in completing their work.

Further, the statutory auditors must certify that the Statement on Non-Financial Performance is included in the management report. In their role of statutory auditors, they are not required to check the compliance and accuracy of the information published in the statement, or its consistency with the financial statements. They produce a certification of presence stating that all parts of the Statement on Non-Financial Performance have been included.

Main methodological details for the 2017 and 2018 indicators

Certain indicators for which all or some of the data was not available were extrapolated or estimated.

The main scenarios are presented below:

Indicator	Assumptions
Electricity consumption by offices excluding data-centres	Estimate of consumption based on an average ratio of kWh/m2. In the event that data is missing for a site (e.g. missing bill, metre problem, etc.) The average ratio is calculated on the basis of a 2018 average consumption of sites for which all information was available.
Water consumption	Change of consolidation method in 2018 with application of a ratio compared to the premises actually occupied by Solocal

Details of certain social indicators:

- all social indicators are measured excluding interns, VIEs, temporary workers, apprentices and professionalization contracts;
- training: The training indicators include any training format and period. Employees provided with less than 30 minutes' training represent an insignificant number of employees trained; e-learning training could not be counted in the 2017 and 2018 figures;
- occupational accidents and accidents on business trips: Occupational accidents exclude home-work travel but take into account accidents occurring while on business trips. The work accident frequency rate is the number of accidents resulting in initial compensation per million hours worked (i.e. 1,000,000 X [number of work accidents resulting in absence]/[Total aggregate number of hours worked during the year]); the work accident severity rate is the number of days of absence for 1 hours of work (i.e. 1,000 X [Aggregate number of days absence following a work accident during the year]/[Total aggregate number of hours worked during the year]);
- percentage rate of employment of people with disabilities: publication of scope of France only;
- absenteeism rate: Number of days of sick leave during the fiscal year counted in working days (excluding interns, VIEs, temporary workers, apprentices and professionalization contracts) on the total number of theoretical days of work requested (excluding interns, VIEs, temporary workers, apprentices and professionalization contracts) (excluding public holidays, and the hours worked by employees who left during the year are included).

Method of calculating greenhouse gas emissions

In order to calculate the greenhouse gas emissions resulting from electricity consumption, urban heating and business travel, the following emission factors were used:

- for electricity (France): 0.0797 kg CO_2e/kWh (Upstream and Production excluding line losses);
- for urban heating (concerning Citylights):
  - cold: 0.013 KCO_2e equivalent per Kwh (excluding line losses);
  - heat: 0.214 KCO_2e equivalent per Kwh (excluding line losses);
- for natural gas (LCV) (France): 0.22715 kg CO_2e per kWh PCI;
- for business travel: Diesel fuel from the pump, mainland France: 3.158 kg CO_2e per litre.

These emissions factors were updated in 2018 by referring to the ADEME's Base Carbone, Version 2018.

3

3.2.4.3 REPORT OF THE CHARTERED ACCOUNTING PROFESSIONAL IDENTIFIED AS INDEPENDENT THIRD PARTY, ON THE STATEMENT ON NON-FINANCIAL PERFORMANCE INCLUDED IN THE MANAGEMENT REPORT

SOLOCAL GROUP

204, Rond-Point du Pont-de-Sèvres 92516 Boulogne-Billancourt

Financial year ended 31 December 2018

To the shareholders,

In our capacity of chartered accounting professional identified as independent third-party, accredited by COFRAC under number 3-1055 (the scope of which is available on the site www.cofrac.fr), we hereby submit our report on the statement on non-financial performance relating to the financial year ended 31 December 2018 (hereafter the "Statement"), presented in the management report in application of the legal and regulatory provisions of Articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

The Company's responsibility

It is the responsibility of the Board of Directors to draw up a Statement complying with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied in respect of those risks as well as the results of those policies, including key performance indicators.

The Statement has been drawn up using the internal reference guide of the entity (hereafter "the Reference Guide").

Independence and quality control

Our independence is established by regulatory texts and the industry code of ethics as set out in the decree of 30 March 2012 on chartered accounting. It also complies with the provisions of article L.822-11 of the French Commercial Code. We have also introduced a quality control system that comprises documented policies and procedures seeking to ensure observance of the rules on ethics, professional standards and the applicable laws and regulations.

Responsibilities of chartered accountancy professionals

It is our responsibility, on the basis of our work, to form a reasoned opinion on:

- the compliance of the Statement with the provisions set out in article R. 225-105 of the French Commercial Code;
- the truthfulness of the information provided in accordance with the 3rd paragraph of I and II of article R. 225 105 of the French Commercial Code, i.e. the results of the policies, including the key performance indicators, and the actions, relating to the main risks, hereafter the "Information".

It is not our responsibility however to pronounce ourselves on:

- the company's compliance with the other applicable legal and regulatory provisions, if any, in particular in terms of the vigilance plan and the fight against corruption and tax evasion;
- the conformity of the products and services to the applicable regulations.

We carried out the work described below in accordance with the professional standards applicable in France and the decree of 14 September 2018 amending the decree of 13 May 2013, which sets out the terms of reference of the independent third party's mission.

Nature and extent of the engagement

We carried out work which enabled us to appraise the Statement's compliance with the regulatory provisions and the sincerity of the Information:

- we took note of the activity of all the entities included in the scope of consolidation, the presentation of the principal social and environmental risks linked to this activity and, if applicable, its effects in terms of respect for human rights and the fight against corruption and tax evasion as well as the policies deriving from same and their results;
- we appraised the appropriate nature of the Guidelines with regard to its relevance, comprehensiveness, reliability, neutrality and its comprehensible nature, taking into consideration, where necessary, of the good practice of the sector;
- we verified that the Statement covers each category of information provided for in III of article L. 225-102-1 in terms of social and environmental aspects as well as respect for human rights, the fight against corruption and tax evasion;
- we verified that the Statement presents the business model and the main risks in connection with the activity of all the entities included in the scope of consolidation, including, where relevant and proportional, the risks created by its business relations, its products or services, on the basis of the information provided for in I of article R. 225-105, as well as the policies, actions and results, including key performance indicators;
- we verified, where relevant with regard to the main risks or policies presented, that the Statement presents the information provided for in II of article R. 225-105;

- we appraised the selection and validation process of the main risks;
- we investigated the existence of internal control and risk management procedures set up by the entity;
- we verified that the Statement includes a clear and reasoned explanation of the reasons which justified the lack of a policy concerning one or more of these risks;
- we verified that the Statement covers the consolidated scope, that is, all the companies included in the scope of consolidation pursuant to article L. 233-16 with the limits specified in the Statement;
- we appraised the collection process set up by the entity aimed at the comprehensiveness and sincerity of the actions and results of the policies and key performance indicators mentioned in the Statement;
- we implemented for the key performance indicators and for a selection of other quantitative results which we considered the most important:
  - analytical procedures consisting in verifying the correct consolidation of the data collected as well as the consistency of their trends,
  - detailed tests based on samples, consisting in verifying the correct application of the definitions and procedures and reconciling the data of the supporting documents. This work was carried out at a selection of contributing entities and covers 100% of the consolidated data of the key performance indicators and results selected for these tests;
- we consulted the documentary sources and conducted interviews to corroborate the qualitative information (actions and results) which we considered most important;

We appraised the overall consistency of the Statement by reference to our knowledge of the company.

Means and resources

Our work drew on the skills of four people and was carried out between 25/09/2018 and 19/02/2019 over a total period of 20 weeks.

We conducted 15 interviews with the people responsible for preparing the Statement.

Conclusion

Based on our work, we did not identify any significant anomaly liable to call into question the fact that the statement on non-financial performance complies with the applicable regulatory provisions and that the information, taken overall, is presented sincerely, in accordance with the Reference Guide.

Comments:

We wish to draw the reader's attention to the fact that some published data are not expressed in the form of key performance indicators

For the policies relating to 'absenteeism' risks and 'psycho-social risks', please see the paragraph 'encouraging the development of a work environment that is pleasant for everyone'.

For the scope, please refer to the "methodological note" paragraph.

Done in Toulouse, on 28 February 2019

Independent third party

SAS CABINET DE SAINT FRONT

Jacques de SAINT FRONT

President

3.3 NON-FINANCIAL INDICATORS EXCLUDING SNFP – UNAUDITED DATA

Indicator	2017	2018	Chg. 2017/2018	Comments
Governance				
Number of requests for the deletion of personal data received by customer service	33,485	33,857	+1.1%	Stabilisation of the number of personal data deletion requests
Number of requests for the modification of personal data received by customer service	46,636	94,231	+102.1%	The direct entry into force of the GDPR played a major role in the increase in the number of people asserting their rights. The CNIL confirms this major trend in its various summaries for 2018.
Number of women on the Board of Directors as at 31 December	5	5		Stabilisation of the number of women on the Board of Directors
Number of women on the Executive Committee as at 31 December	0	1		Appointment of Pascale Furbeyre as Head of Marketing
Employer responsibility				
Registered global workforce	4,627	4,320	-6.6%	4.1% drop in France (mainly PJ) and 12.7% decrease internationally (QDQ). Several disposals in 2018: Retail Explorer, and NetVendeur. Integration of DTS within the business and cessation of operations for Orbit
Workforce under indefinite-term contracts	4,594	4,278	-6.9%	Reduction due to the employer responsibility component of the "Solocal 2020" transformation plan
Workforce on definite-term contracts	33	42	+27%	Increase in the number of definite-term contracts in France (mainly Effilab) and internationally (QDQ)
Proportion of the workforce on indefinite-term contracts	99%	99%	0%	Stabilisation of the proportion of the workforce on indefinite-term contracts
Number of part-time employees	327	276	-15.6%	Reduction partly due to the employer responsibility component of the "Solocal 2020" transformation plan
Portion of part-time employees	7.1%	6.4%	-9.6%	Reduction due to the employer responsibility component of the "Solocal 2020" transformation plan
Number of hours of training provided during the year	103,551	59,831	-42%	Significant reduction in the second half due to the implementation of the "Solocal 2020" transformation plan
Number of employees trained	3,518	1,546	-56.1%	Significant reduction in the second half due to the implementation of the "Solocal 2020" transformation plan
Total training expenses	€11,527,888	€7,915,157	-31%	Significant reduction in the second half due to the implementation of the "Solocal 2020" transformation plan
Participation rate in the internal survey	82%	80%	-2.4	Stability of the participation rate in the internal survey
Number of workplace accidents resulting in absence	51	50	-2%	Stability of the number of absences following an accident over the year
Work accident frequency rate	8.2	9.5	+15%	Work accident frequency rate increase
Work accident severity rate	0.9	0.9		Stabilisation of the workplace accident severity rate
Total aggregate number of hours worked during the year	6,191,823	5,256,038	-15%	Reduction partly due to the employer responsibility component of the "Solocal 2020" transformation plan
Aggregate number of days of absence during the year	5,305	4,549	-14%	Reduction linked to shorter average absences in 2018 than in 2017

(1) At the end of 2018, the workforce included only 85 departures under the PES but did notinclude the 929 departures made in 2018, which are deducted from theemployees registered after the payment of their allowances in 2019.

Indicator	2017	2018	Chg. 2017/2018	Comments
Number of days of sick leave	86,549	98,174	+13%	Rise in the number of days of absence in 2018, notably concerning PJSA following the "Solocal 2020" transformation plan
Number of theoretical working days	1,207,625	1,108,341	-8%	Reduction due to the "Solocal 2020" transformation plan
Average age of employees	41.8	42.8	+2%	Increase in the average age between 2017 and 2018
Average years of service of employees	11.9	12.9	+8%	Increase in the average length of service between 2017 and 2018
Total employees	253,858,971	244,639,815	-4%	Reduction in payroll due to the employer responsibility component of the "Solocal 2020" transformation plan
Overall turnover	17.2%	15.3%	-11%	Reduction in overall turnover
Employees recruited on indefinite-term contracts	480	435	-9%	The number of hires fell 3% in France and 40% internationally
Departures of employees on indefinite-term contracts at the end of the trial period	156	139	- 11 %	In line with the drop in recruitment
Voluntary departures of employees on indefinite-term contracts	261	241	-8%	In line with the drop in recruitment of employees on indefinite-term contracts
Non-voluntary departures of employees on indefinite-term contracts	406	286	-30%	Most of the decrease was accounted for by PJ
Total number of indefinite-term contract departures	823	666	-19%	Reduction in the number of indefinite-term contract departures
Number of senior executives	181	163	-10%	In line with the drop in workforce
Portion of senior executives/total workforce	3.9%	3.8%	-3%	In line with the drop in workforce
Number of female senior executives	56	53	-5%	Reduction partly due to the employer responsibility component of the Solocal transformation plan
Recruitment of work/study employees	76	50	-34%	Number of work/study employees recruited in decline, mainly due to PJSA
Recruitment of interns	86	88	+2%	Slight increase in the number of interns recruited
Percentage rate of employment of people with disabilities	5.3%	5.3%		Stabilisation of the number of persons with disabilities
Societal				
All of the societal indicators monitored are directly presented in the Solocal Statement on Non-Financial Performance				
Environmental responsibility				
Ink used to make the printed directories (in tonnes)	270.44	147.38	-46%	Reduction directly related to the drop in tonnage used and the decrease in pagination of the directories
Number of AI PB produced (in millions)	8.48	5.24	- 38 %	Reduction due to the removal of 16 PagesBlanches publications in 2018
Number of AI PB produced (in millions)	11.58	9.58	-17%	Reduction due to the drive to optimise circulation by excluding those not contactable by phone
Number of computers per employee	1.72	1.41	-18%	Reduction due to the "Solocal 2020" transformation plan
Number of printers per employee	0.35	0.34	-3%	Reduction due to the "Solocal 2020" transformation plan
Electrical and electronic equipment waste collected (in tonnes)	7.9	3.6	-54%	Reduction linked to a massive de-stocking operation in 2017 by Mappy, which was not repeated in 2018
Electricity consumption by offices (excl. data centres) *in MWh*	4,357	3,888	-11%	Reduction due to the drop in the number of leased sites
Gas consumption (in MWh)	693	424	-39%	Reduction in gas consumption on the Eysines site
Energy consumption associated with IDEX urban network (cold/hot)	1,677	1,929	+15%	Increase due to the higher consumption of the IDEX network (cold) for air conditioning (summer 2018 hotter than summer 2017)

CORPORATE GOVERNANCE

4.1 ADMINISTRATIVE AND GENERAL MANAGEMENT BODY

4.1.1 COMPOSITION OF THE BOARD OF DIRECTORS

As of the date of this document, the Board of Directors is composed of the following members:

- Mr Pierre Danon, Chairman of the Board of Directors;
- Mr David Amar, Vice-Chairman of the Board of Directors;
- Mr Jacques-Henri David;
- Mr Éric Boustouller, CEO;
- Ms Delphine Grison;
- Ms Marie-Christine Levet;
- Ms Joëlle Obadia;
- Ms Lucile Ribot;
- Ms Sophie Sursock;
- Mr Philippe de Verdalle.

The Board of Directors, on the date of this document, is composed of ten members, including one Director and Employee Representative, one Executive Director and eight Independent Directors.

Name	Nationality	Function	Date appointed	Date office expires	Number of shares	Other duties and main offices held in all companies over the past 5 years
David Amar Born 25 May 1981 11, rue du Rhône 1204 Geneva Switzerland	Switzerland	Vice-Chairman of the Board of Directors Director Member of Committee of Remuneration and Appointments Chairman of the Strategy and M&A Committee	13 June 2017	General Meeting to be held in 2021	27,050,000	Representative of Amar Family Office (Switzerland) Managing Director of Holgespar Luxembourg SA (Luxembourg) Director of Matignon Investissement et gestion (France) Chairman of SA EHPBG (France) Manager of Château le Mayne (France) **Offices no longer held:** None
Éric Boustouller Born 30 December 1960 Solocal Group 204, rond-point du Pont-de-Sèvres 92100 Boulogne Billancourt France	French	Director Chief Executive Officer	14 December 2018	General Meeting to be held in 2020	1,189,620	Chairman – Chief Executive Officer of PagesJaunes SA (France) Subsidiary of Solocal Group SA **Positions no longer held** None
Pierre Danon Born 14 May 1956 Cordial Investments and Consulting 17, bd Anatole-France 92100 Boulogne-Billancourt France	French	Chairman of the Board of Directors	5 September 2017	General Meeting to be held in 2019	398,192	Executive Chairman of Volia (Ukraine) Vice-Chairman of Agrogeneration (listed company – Ukraine) Director at Groupe CIEL (Mauritius) Chairman of ProContact (Mauritius) **Positions no longer held** Chairman Numericable Completel group (France) Non-Executive Director Standard Life (Scotland) Chairman of TDC (listed company – Denmark) Executive Chairman of All Media Baltics (Baltic countries)

Name	Nationality	Function	Date appointed	Date office expires	Number of shares	Other duties and main offices held in all companies over the past 5 years
Jacques-Henri David Born 17 October 1943 17, avenue de l'Annonciade, MC 98000 Monaco	French	Director Chairman of the Audit Committee	19 October 2016	General Meeting to be held in 2020	1,060,223	Director of UGC – Paris (France) Chairman of the Financial Activities Supervisory Commission of the Principality of Monaco (Monaco) Director of Edmond de Rothschild Europe – Luxembourg (Luxembourg) Chairman of Axcior Corporate Finance (France) Director of Cie Financière de Richelieu (France) Director at Richelieu Bank (France) Director at Richelieu Bank (Monaco) **Positions no longer held** Director, Edmond de Rothschild Monaco (Monaco)
Delphine Grison Born 10 December 1968 CBRE 76, rue de Prony 75017 Paris France	French	Director Member of the Strategy and M&A Committee	13 June 2017	General Meeting to be held in 2021	10,000	Marketing and Business Intelligence Director of CBRE France (France) Chairman of DGTL Conseil (France) **Positions no longer held** Member of the Supervisory Board of Asmodée Holding (France)
Marie-Christine Levet Born 28 March 1967 5, rue de l'Échelle 75001 Paris France	French	Director Member of the Strategy and M&A Committee	15 December 2017	General Meeting to be held in 2020	5,000	Chairman of Educapital (France) Director of Iliad (listed company – France) Director of Maisons du Monde (listed company – France) Director of Econocom (listed company – France) Director of the AFP (France) Positions no longer held Director of Mercialys (listed company – France) Director of HiPay (France) Director of Avanquest (listed company – France)
Joëlle Obadia Born 26 October 1967 Solocal 204, rond-point du Pont-de-Sèvres 92100 Boulogne Billancourt France	French	Director and employee representative Member of Committee of Remuneration and Appointments	7 April 2016	7 April 2020	300	None **Positions no longer held** None
Lucile Ribot Born 26 November 1966 Solocal 204, rond-point du Pont-de-Sèvres 92100 Boulogne Billancourt France	French	Director Member of the Audit Committee	9 March 2018	Annual General Meeting to be held in 2022	29,200	Director and member of the Audit and Risk Committees of HSBC France (France). Director at Kaufman & Broad (France), member of the Audit Committee Director at Imerys (France), member of the Audit Committee **Positions no longer held** Member of the Executive Committee of Fives SA (France) Chief Executive Officer and Member of the Novafives SAS Executive Committee (France)

Name	Nationality	Function	Date appointed	Date office expires	Number of shares	Other duties and main offices held in all companies over the past 5 years
Sophie Sursock Born 7 November 1979 Accelero Capital 6, rue Morillo 75008 Paris France	French	Director Member of the Audit Committee Member of the Strategy and M&A Committee	13 June 2017	General Meeting to be held in 2021	10,000	Director and member of the Compensation Committee of Subfero Limited (United Kingdom) Director of Italiaonline S.p.A (formerly Seat Pagine Gialle S.p.A and Italia Online S.p.A) (Italy) Member of the Strategy Committee at Italia Online Positions no longer held Director of Dada Spa (Italie) Director of Inty Ltd (United Kingdom)
Philippe De Verdalle Born 23 December 1961 Nobel 1, rue Euler 75008 Paris France	French	Director Chairman of the Committee of Remuneration and Appointments	13 June 2017	General Meeting to be held in 2021	11,586,800[1]	Associate of Weinberg Capital Partners (WCP) (France) Chief Executive Officer of Nobel, a specialist business investment company managed by WCP (France) Director of LNA Santé (listed company – France, representative of the Nobel Fund) Director of SQLI (listed company – France, Permanent representative of the Nobel Fund) **Positions no longer held** Director of Mersen (listed company – France, Representative of the Nobel Fund)

(1) of which 35,000 held by Philippe de Verdalle and 11,551,800 held by the Nobel Fund (Weinberg Capital Partners) of which Philippe de Verdalle is the managing director.

GOVERNANCE MODEL

On 5 November 2014, the Board of Directors opted to separate the roles of Chairman of the Board of Directors and Chief Executive Officer in line with corporate governance best practice. During the change in governance in 2017, the Board of Directors decided to keep the two roles separate. The choice of governance model is largely due to the Company's wish to make a clear distinction between responsibility for strategic guidance and oversight, which lies with the Board of Directors, and the Chief Executive Officer's operational and executive powers. This governance model also enables the Group to benefit from the complementary skills and experience of the Chief Executive Officer and the Chairman of the Board of Directors.

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

	Departure	Appointment	Reappointment
Board of Directors	Arnaud Marion 14 December 2018	Éric Boustouller 14 December 2018	-
	Sandrine Dufour 9 March 2018 Alexandre Loussert 28 February 2019	Lucile Ribot 9 March 2018	-
Audit Committee	Arnaud Marion 14 December 2018 Sandrine Dufour 9 March 2018	Lucile Ribot 9 March 2018	-
Remuneration and Appointments Committee	Alexandre Loussert 28 February 2019	-	-
Strategy and M&A Committee	-	-	-

INDEPENDENT DIRECTORS

In accordance with the recommendations of the Afep-Medef Code, the Board of Directors must be comprised of a majority of Independent Directors. Such Directors must not have any dealings of any kind with the Company, its group or management that could compromise their freedom of judgement.

The Board of Directors, which has chosen to refer entirely to the criteria set out in the Afep-Medef Code with regard to independence, must therefore ensure that its members, qualified as independent by the Remuneration and Appointments Committee, fulfil the following criteria:

- criterion 1: the Director is not or has not been, over the last five years (i) an employee or executive corporate officer of the Company, (ii) an employee, executive corporate officer or Director of a company that the Company controls;
- criterion 2: the Director is not an executive corporate officer at a company in which the Company directly or indirectly holds a directorship or in which an employee appointed as such or an executive corporate officer of the Company (currently in office or having been so in the last five years) holds a directorship;
- criterion 3: the Director is not a major customer, supplier, commercial banker, financing banker (i) of the Company or its group, or (ii) for whom the Company or its group represents a significant portion of their business;
- criterion 4: the Director has no close family ties with a corporate officer;
- criterion 5: the Director was not a Statutory Auditor for the Company over the last five years;
- criterion 6: the Director has not been a member of the Board for more than 12 years, as Directors cannot be classified as independent after 12 years;
- criterion 7: a non-executive corporate officer cannot be considered independent if they receive variable compensation in cash or securities or any remuneration relating to the Company or the Group's performance;
- criterion 8: the Director is not a major shareholder (more than 10%) vested with any control over the Company.

At its meeting held on 30 January 2019, the Board of Directors deemed that nine of its members met the independence criteria described above, i.e. 90% Independent Directors (excluding the Director representing the employees); Éric Boustouller and Joëlle Obadia could not be qualified as Independent Directors given the positions they hold within the Group.

Summary of Board member independence as at 31 December 2018

Criteria[1]	Pierre DANON	David AMAR	Éric BOUSTOULLER[2]	Jacques-Henri DAVID	Delphine GRISON	Marie Christine LEVET	Alexandre LOUSSERT[3]	Joëlle OBADIA[4]	Lucile RIBOT	Sophie SURSOCK	Philippe De VERDALLE
Criterion 1: *Employee corporate officer over the last five years*	✔	✔	✖	✔	✔	✔	✔	✖	✔	✔	✔
Criterion 2: *Cross-directorships*	✔	✔	✖	✔	✔	✔	✔	✔	✔	✔	✔
Criterion 3: *Substantial business dealings*	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Criterion 4: *Family ties*	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Criterion 5: *Statutory Auditor*	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Criterion 6: *Term of office longer than 12 years*	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Criterion 7: *Non-executive corporate officer*	✔	✔	✖	✔	✔	✔	✔	✖	✔	✔	✔
Criterion 8: *Major shareholder*	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔

(1) In this table, ✔ means an independence criterion has been satisfied and ✖ means an independence criterion has not been satisfied.
(2) Company CEO.
(3) Director who resigned on 28 February 2019.
(4) Employee representative Director.

BIOGRAPHIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

David Amar joined the Amar Family Office in 2009 and assumed responsibility for its management in 2013. He specialises in long-term investment in listed companies, wine estates and wine trading companies, hotel properties and property development. He is also a Director of the Matignon Investissement et Gestion (Private Equity) investment fund. He was in charge of asset management in various major Swiss banks from 2006 to 2009. He earned a MBA in Geneva in 2006.

Éric Boustouller has been Chief Executive Officer since 11 October 2017. A graduate of the "Institut d'études politiques" in Paris, Mr Éric Boustouller was Compaq France's General Sales Manager. Microsoft France Deputy CEO (2002-2005) and then Chief Executive Officer; Vice-President of Microsoft International (2005-2012). Since 2012, he has been Corporate Vice-President of Microsoft Corporation and Area Vice-President of Microsoft Western Europe.

Pierre Danon a graduate in Civil Engineering from Ponts et Chaussées, and in Law from the Institut supérieur des affaires, has held senior management and Director positions in several companies, including as President of Xerox Europe, CEO of British Telecom Retail, Chairman & Chief Executive Officer of Numericable-Completel, and, from 2008 to 2018, Vice-Chairman and Chairman of TDC in Copenhagen. He has served as Executive Chairman of Volia, in Kiev, since 2011. In 2013, he was appointed Vice-Chairman of Agrogénération in Paris, Director of CIEL group and Chairman of ProContact at Mauritius.

Jacques-Henri David is Chairman of the Financial Activities Control Commission of the Principality of Monaco (since 2011), Director of Edmond de Rothschild Europe – Luxembourg (since 2015) and Director of Solocal (since 2016). Between 1967 and 1985, Mr Jacques-Henri David held several positions and, in particular, Inspector of Finance at the Ministry of Economy and Finance; Deputy Director, then Director General in the Office of René Monory (Minister of the Economy) and General Secretary of the National Credit Council at the Banque de France. He then joined Saint-Gobain, firstly as Financial Officer and then Chief Executive Officer (1985-1989). He then went on to hold a large number of positions: Chairman of the Stern Bank (1989-1992); Chairman of the Research Centre for the Expansion of the Economy (Rexecode) (1989-1996), Director General of the "Compagnie générale des eaux" (CGE) (1993-1995), Chairman of the Executive Committee of the "Crédit d'équipement des petites et moyennes entreprises" (CEPME) (1995-1999); Chairman of Sofaris (1996-1999); Chairman of the "Banque du développement des petites et moyennes entreprises" (BDPME); (1997-1999); Member of the Economic and Social Council (CES); Chairman of the Deutsche Bank France group (1999-2009) and Vice-Chairman of the "Global Banking" Division of Deutsche Bank AG (2005-2009), and then founder and Chairman of Acxior Corporate Finance (2010-2014). An alumnus of l'École polytechnique, he is a graduate of the "Institut d'études politiques" [Institute of Political Studies] in Paris and the "École nationale de la statistique et de l'administration économique" (ENSAE) [a leading French graduate school in the fields of statistics, economics, finance and acturial sciences]. Mr Jacques-Henri David is Commander of the Legion of Honour and the National Order of Merit.

Delphine Grison has been Director of Marketing and Business Intelligence at CBRE France since December 2015, and Chair of DGTL Conseil since 2014, where she worked as a consultant. She was a Director of Asmodée between 2014 and 2018. She previously worked for more than 10 years in the media, holding positions in finance, strategy, marketing and digital functions. In particular, she led Lagardère Active's digital activities until 2013, as Chair of Lagardère Active Digital and a member of the Lagardère Active Executive Committee. Ms Delphine Grison is an alumnus of the ENS (1987), has a doctorate in quantum physics (1992) and is a civil engineer (1994).

Marie-Christine Levet, a pioneer of the Internet in France, has managed several major French Internet brands. In 1997, she founded Lycos to launch the French version of the search engine and developed it by buying Caramail, Spray and Multimania. From 2001 to 2007, she ran Club-Internet, an internet service provider (subsidiary of T-Online/Deutsche Telekom), where she oversaw the strong increase in its ADSL market share as well as its content and services offer before selling it to Neuf Cegetel (today SFR) in 2007.

She then took over the management of the 01 group, the leading hi-tech information group in France (01net, 01Informatique, etc.), as well as Nextradiotv group's Internet activities (bfmtv.comn rmc.fr, etc.). In 2009, Ms Marie-Christine Levet focused her career on venture capital and helped create Jaina Capital, an investment fund specialising in seed financing and which finances approximately twenty companies (Made.com, La Ruche qui dit Oui, Mediarythmics).

In 2017, she created, her own fund, Educapital, the first investment fund dedicated to the Education and Innovative Training sectors and which she currently chairs. Marie-Christine Levet is a Director of Iliad (Free), Maisons du Monde, Econocom and AFP. Ms Marie-Christine Levet is a graduate of HEC and has an MBA from the INSEAD.

Joëlle Obadia spent 10 years with the Thomson group, with 5 of these years at Thomson Brandt Armements where she looked after external public relations (press, public, events relations in France and overseas); in November 1991, she joined the PagesJaunes Sales department, responsible for sales force incentives, then for boosting sales by combining with leading sales, commercial challenges, information from the various sales channels and client events. In 2007, Ms Joëlle Obadia joined the Sales department Management Committee, becoming Manager of Sales Growth, and also taking on the role of managing and overseeing all sales training. Today, she is the Communications and MICE Manager within the Customer Success division.

Lucile Ribot, a 1989 graduate of HEC [leading school of management], began her career at Arthur Andersen where she conducted audit and financial advisory assignments for major international groups. She joined the Fives group in 1995, where she became Chief Financial Officer in 1998, a member of the Executive Committee in 2002, and supported the growth and strategic development of the Company until 2017. She is a Director and member of the Audit Committees of HSBC France, Imerys and Kaufman & Broad, as well as a member of HSBC France's Risk Committee.

Sophie Sursock is co-founder, CEO and shareholder of Accelero Capital, an investment and management group specialising in the TMT sector (Telecommunications, Media, Technologies). She manages its Paris office. She has conducted several transactions in the technology and media sector. In particular, she took part in the restructuring of Seat Pagine Gialle S.p.A and is a member of the Board of Directors of Italiaonline (formerly Seat Pagine Gialle S.p.A and Italia Online) and Subfero Limited. She was previously Corporate Finance Manager at Orascom Telecom Holding S.A.E/Weather Investments from 2007 to 2011. She also worked in the M&A Operations department of Deloitte's Corporate Finance department in Paris from 2005 to 2007, before becoming Junior Project Manager at PrimeCorp Finance S.A. and Junior Investment Manager at Axa Investment. Sophie Sursock has a Bachelor's Degree in Business Administration, a Masters (MSc) in International Business from ESCP-EAP Paris Business School and a Certificate in Management of Technology.

Philippe de Verdalle is a partner of Weinberg Capital Partners and CEO of the Nobel Fund. Nobel is a long-term investor which supports the development of listed French companies. He was previously a member of the Management Committee of UBS France (2011-2015), Managing Director of HSBC France in charge of Investment Activities (2000-2011), Senior Lecturer in Corporate Finance at the Paris Institute of Political Studies (1997-2011). He is a graduate of the Institut d'études politiques de Paris, the SFAF (French Society of Financial Analysts) and earned an MBA from INSEAD Business School.

Full name (position)	Governance	Finance	Strategy	Products/digital marketing	Transformation	CSR
	Responsibilities of the members of the Board of Directors					
Pierre Danon	✔	✔	✔	✔	✔	
David Amar	✔	✔	✔	✔		
Eric Boustouller			✔	✔	✔	✔
Jacques-Henri David	✔	✔	✔			
Delphine Grison			✔	✔	✔	✔
Marie-Christine Levet			✔	✔	✔	✔
Joëlle Obadia	✔			✔	✔	✔
Lucile Ribot	✔	✔	✔		✔	
Sophie Sursock		✔	✔	✔	✔	
Philippe de Verdalle	✔	✔	✔		✔	

4.1.2 CRIMINAL OFFENCES AND POTENTIAL CONFLICTS OF INTEREST

Over the past five years, no member of an administrative body, a management body or of senior management has been:

- convicted of fraud;
- directly involved in bankruptcy, receivership or liquidation proceedings;
- charged with a crime and/or sanctioned by a statutory or regulatory authority;
- involved in legal proceedings to prevent him or her from serving on an administrative, management or supervisory body of an issuer of securities or from participating in the management or administration of an issuer of securities business.

There is no potential conflict of interests between the duties of the members of administrative and management bodies and of senior management with regard to the Company and their private interests and/or other duties.

4.1.3 COMPOSITION OF THE MANAGEMENT BODIES

As of the date of this document, the Company's senior management is composed of the following members:

Name	Duty(ies)
Éric Boustouller	Chief Executive Officer
Jean-Jacques Bancel	Chief Financial Officer
Philippe de Boissieu	Director of Transformation in charge of Production/Delivery
Richard Cuif	Director of Human Resources, also in charge of Internal Communications
Arnaud Defrenne	R&D Director
Pascale Furbeyre	Marketing Director
Pascal Garcia	General Secretary
Amaury Lelong	Director of Digital Advertising, Data and New Products
Frédéric Obala	Media, Presence & Content Director
Christophe Parcot	Sales Director

Éric Boustouller has been Chief Executive Officer since 11 October 2017. A graduate of the "Institut d'études politiques" in Paris, Mr Éric Boustouller was Compaq France's General Sales Manager. Microsoft France Deputy CEO (2002-2005) and then Chief Executive Officer; Vice-President of Microsoft International (2005-2012). Since 2012, he has been Corporate Vice-President of Microsoft Corporation and Area Vice-President of Microsoft Western Europe.

Jean-Jacques Bancel has been Administrative and Financial Director since 13 February 2018. Mr Jean-Jacques Bancel, a graduate of ESSEC, began his career in 1993 in consulting (Mars & Co) to join the world of banking (HSBC) in 1998, before managing the IPO of the ASF Group (Autoroutes du Sud de la France) in 2002 and assuming responsibility for the Group's financial communication. He was promoted to Chief Financial Officer in 2003, a position he would then occupy until the Group was completely privatized in 2006. From 2007 to 2017 he held the same position in LBO companies in the construction materials in Consolis (European construction group) and then the pharmaceutical industry (Ethypharm and SGD Pharma).

Philipe de Boissieu joined Solocal in 2017 as Transitional Chief Financial Director. He has been Director of Transformation since 2 May 2018, overseeing the transformation project led by "Solocal 2020" and he has been responsible for Solocal's Production/Delivery since 18 January 2019. A graduate of the "Institut d'Administration des Entreprises" in 1996, Mr Philippe de Boissieu started his career at the Générale des eaux as a financial controller before joining the consulting firms PwC and then Deloitte. He subsequently occupied financial management positions in industrial groups. Throughout his career, he had the opportunity to lead strategic transformation projects or turnaround operations.

Richard Cuif has been Director of Human Resources since 9 November 2017. He is also in charge of Internal Communications. He began his career at Rank Xerox, moved on to Disney and then Kraft Foods before joining the PepsiCo group where he was appointed Director of Human Resources-France in 1997. In that position, he played a role in the merger of the Food and Beverages activities in France. He then joined Schweppes France, participated in the creation of Orangina Schweppes before being promoted to the position of Director of Human Resources, Europe for the Group's Beverages business activity. From 2005 to 2008, he held the position of HR Director of Microsoft France, then joined the Devanlay-Lacoste group where he held the position of General Manager of Human Resources, Internal Communication and CSR. For seven years, he participated in the Group's international development headed up the Human Resources department and played a key role in the transformation of the Group. From 2016 to 2017, he worked as a consultant.

Arnaud Defrenne is Director of R&D (since 25 April 2018). He is a graduate of Ecole supérieure des affaires de Grenoble. He worked at Liberty Surf, Netbooster before co-founding LeGuide.com. In 2005, he joined the Publicis group. He joined the L'Oréal group in 2015 as Chief Digital Marketing Technology Officer (CDMTO) to speed up digital transformation and develop the Group's digital business and revenue.

Pascale Furbeyre is Marketing Director (since 9 May 2018). A graduate of Columbia Business School MBA, Ms Pascale Furbeyre has worked for About.com in New York, Overture (France, Italy, Spain) and Yahoo! France and Europe. In 2009, she joined the Crédit Agricole group as Marketing and Communication Director and launched the online bank BforBank, a bank specialising in savings. She designed and developed the BforBank website, defined the positioning of the brand and supervised its launch on TV, the press and the Internet. Since 2013, she has been Marketing Director of the LesFurets.com comparison site, a subsidiary of the English group BGL, bringing its use and product diversification to the public thanks to a solid strategy of marketing investments.

Pascal Garcia is General Secretary. A graduate of the HEC Business School and having earned an MBA in Brazil and Spain, Mr Pascal Garcia has been with the Solocal Group since 1997. He started his career in Brazil, then moved to Wanadoo Edition, where he was, until 2008, CEO of QDQ Media in Spain, before being appointed as Manager of the Advertisers division and becoming a member of the Group's Executive Committee. In 2011, he became Head of Strategy, Partnerships and External Relations, which includes the Solocal Group's international activities. Three years later, he was appointed General Secretary and took the responsibility of the Legal and Social Strategy department. Since October 2018, Pascal Garcia has been responsible for Legal, Strategy, Partnerships, M&A and the Management of Institutional Relations, CSR – Ethics -Risks of Solocal.

Amaury Lelong is Director of Digital Advertising, Data and New Products. A graduate of HEC in 1999 and the London Business School, Mr Amaury Lelong began his career by participating in the creation of the e-marketing agency Nextedia (formerly Come&Stay). He then worked as a consultant at AT Kearney and Boston Consulting group, before joining Canal+, where he held a number of positions in operational departments with significant marketing and digital responsibilities. In 2012, Mr Amaury Lelong joined the Solocal Group as Marketing Director in the Major Accounts and Digital Marketing division. Two years later, he was promoted to Deputy CEO of this division, which had become Solocal Network, where he initiated the development of the Group's data and programmatic offer. As part of the implementation of the product lines in 2016, he was appointed CEO of DaPSSA, a product line grouping together the Data Programmatic, Search and Social Advertising offers developed by Solocal on the main advertising platforms on the market (Google, Bing, Facebook, programmatic). The appointment of Mr Amaury Lelong as Director of Digital Advertising, Data and New Products has been effective since 2 May 2018.

Frédéric Obala is Director of Media, Presence and Content. A graduate of HEC, Mr Frédéric Obala started his career as a strategy consultant before joining Promodes (Carrefour) in 1992. In 2002, he joined PPR (Kering) as Strategy Manager and member of the Executive Committee, then as Marketing and Web Director of La Redoute. In 2008, he took over the general management of Domeo, a subsidiary of Véolia and Homeserve. In 2012, he was appointed Managing Director of the Solocal Network Business Unit before assuming responsibility of the Group's Digital Marketing Division in 2015. In 2017, he joined Solocal's Executive Committee and was promoted to Managing Director of the Search Local business where he is responsible for the development strategy for PageJaunes, Mappy and Ooreka, the web-to-store solutions proposed by ClicRDV and Leadformance, the businesses linked to audience and referencing, the web marketing subsidiary internationally with Yelster Digital in Austria and the Brand and Advertising Department. Frédéric Obala became Director of Media, Presence and Content, effective from 2 May 2018.

Christophe Parcot has been Sales Manager of Solocal since November 2017. After obtaining an Advanced Master's from Essec Business School in 1990, Mr Christophe Parcot began his career at Largardère Active in the distribution business in Canada before joining Bertelsmann in Paris, working in the International department for consumer magazines. He moved to the LVMH holding company at the beginning of 1996 to take up financial and investment duties. Founding co-Director of Liberty Surf in 1999, he led the IPO process in 2000 and was then appointed Director of Strategy and Development at Tiscali France. In 2002, he launched the company Overture, inventor of sponsored links, in France, Spain and then Italy. Following the takeover of Overture and Kelkoo by Yahoo!, in 2006 he became Vice-Chairman Southern Europe of the Yahoo! group and in 2012 was appointed VP Head of EMEA of Yahoo! reporting to Marissa Mayer. In 2014, he joined the start-up Teads as Director of Operations tasked with speeding up international growth and transforming the Company into a market leader for mobile and programmatic digital video advertising.

4.2 FUNCTIONING OF THE BOARD AND THE COMMITTEES

The Company is managed by a Board of Directors that decides on business strategy and oversees its execution by senior management. Without prejudice to the powers expressly reserved by law for General Shareholders' Meetings and within the limits of the corporate purpose, the Board may address any concern that may have an impact on the Company's business and decide any matters within its remit. It also expresses its opinion on all major decisions in relation to the Company's strategy, business development, human resources, finances and technology.

4.2.1 COMPLIANCE WITH FRENCH CORPORATE GOVERNANCE STANDARDS

Solocal Group embraces the principles of corporate governance of listed companies set out in the AFEP-MEDEF Corporate Governance Code in its revised version of June 2018.

The Board of Directors has identified no difference between Solocal Group's practices and the recommendations of the AFEP-MEDEF Corporate Governance Code.

4.2.2 SERVICE AGREEMENTS

No members of the Board of Directors and no Chief Executive Officers have a service agreement with the Company or with one of its subsidiaries that provides for benefits upon contract termination.

4.2.3 CORPORATE GOVERNANCE REPORT ADOPTED BY THE BOARD OF DIRECTORS' MEETING OF 19 FEBRUARY 2019

This report is prepared in accordance with Articles L. 225-37 et seq. of the French Commercial Code. It has four sections:

Part I: The principles and criteria for determining the compensation of corporate officers for the 2019 financial year (Article L. 225-37-2 of the French Commercial Code)

Part II: The compensation of corporate officers for the 2018 fiscal year (Article L. 225-37-3 of the French Commercial Code)

Part III: Corporate Governance (Article L. 225-37-4 of the French Commercial Code)

Part IV: Significant factors in the event of a tender offer or public exchange offer (L. 225-37-5 of the French Commercial Code)

PART I: PRINCIPLES AND CRITERIA FOR DETERMINING THE COMPENSATION OF CORPORATE OFFICERS FOR THE 2019 FINANCIAL YEAR (ARTICLE L. 225-37-2 OF THE FRENCH COMMERCIAL CODE)

PRINCIPLES AND CRITERIA FOR DETERMINING THE DISTRIBUTION AND ALLOTMENT OF THE FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING THE TOTAL COMPENSATION AND BENEFITS OF ALL KINDS ATTRIBUTABLE TO THE CHAIRMAN, CHIEF EXECUTIVE OFFICERS (CEO) OR DEPUTY CHIEF EXECUTIVE OFFICERS (DCEO) FOR THE PERFORMANCE OF THEIR FUNCTIONS (ARTICLE L. 225-37-2 PARAGRAPH 2 OF THE FRENCH COMMERCIAL CODE) (EX ANTE VOTE).

The 7th and 8th resolutions submitted to the General Shareholders' Meeting on 11 April 2019 concern the approval of the principles and criteria for the determination, allocation and granting of the fixed, variable and exceptional components of the total compensation and benefits in kind attributable to the Chairman of the Board of Directors (Resolution 7) and the Chief Executive Officer (Resolution 8) for the 2019 financial year.

Part I sets out the principles and criteria for determination which are put to the vote of the General Meeting. These principles and criteria apply to the functions concerned and would continue to apply if the General Management or the Chairman of the Board changed.

In addition, the amounts referred to in Part I represent ceilings and the total compensation and benefits in kind granted to the corporate officers of Solocal Group may be for lower amounts.

Principles and rules of determination

Compensation paid to the Group's corporate officers is determined in compliance with the provisions of Law No. 2016-1691 of 9 December 2016 (the "Sapin 2 Law") and the recommendations of the AFEP/MEDEF Corporate Governance Code, revised in June 2018.

It is decided by the Board of Directors, on the proposal of the Remuneration and Appointments Committee, and submitted to the vote of the General Shareholders' Meeting.

It is subject to regular comparative studies in order to ensure the competitiveness and fairness of the compensation policy within the Group.

The conditions of compensation of the corporate officers comprise firstly annual growth and personal operational effectiveness targets, and secondly long-term targets linked to the economic and financial performance of the Group. They notably take account of the specificities of firms of the digital sector in the matter of compensation and retention of management staff.

In 2018, the Board of Directors wanted the variable remuneration of executive corporate officers to reflect their contribution to the challenges of transforming the Group's strategy, organisation and culture, whilst taking into account its need to return to growth.

For the 2019 financial year, the Board of Directors wants the objectives set for the corporate officers and managing executives to be in line with the Company's strategy: profitable cash-generating, growth, for the benefit of client satisfaction.

A. Chairman of the Board of Directors

The Chairman of the Board of Directors receives fixed, annual lump-sum compensation of €150,000, in the form of Directors' fees.

He does not benefit from any other compensation or benefit.

B. Chief Executive Officer

1. Directors' fees

The Chief Executive Officer does not receive Directors' fees in respect of his term as Director at Solocal Group.

2. Annual compensation

2.1. Structure of the annual compensation

The annual compensation of the Chief Executive Officer comprises a fixed portion and a variable portion, the criteria of which are (i) partly common to all Directors of the Group ("common targets"), and (ii) partly individual ("individual targets").

2.2. Fixed annual compensation

The Chief Executive's gross annual fixed compensation for the 2019 fiscal year will total €520,000 which will be paid in monthly instalments. The amount of this fixed compensation has not changed since 2013.

2.3. Annual variable compensation

The Board of Directors informs the Chief Executive Officer annually of the targets it has set for assessing variable compensation, which are based on a proposal by the Remuneration and Appointments Committee. The Board of Directors assesses the attainment of the targets and the amount of the corresponding variable portion every year on a proposal by the Remuneration and Appointments Committee.

The criteria for the variable compensation of the Chief Executive Officer for the 2019 financial year payable in 2020 were fixed by the Board of Directors at its meeting on 19 February 2019 on a proposal by the Remuneration and Appointments Committee.

The criteria for assessment of the 2019 variable compensation of the Chief Executive Officer and their respective weight are summarised in the table below.

The Board of Directors set the 2019 target for the variable portion of the Chief Executive Officer's compensation at 100% of fixed compensation, if targets are attained. It can vary between 0% and 200% of fixed compensation, based on the four following criteria:

	Min	Target	Max
Digital sales	0%	25%	50%
Recurring EBITDA – CAPEX	0%	25%	50%
NPS Advertisers and Users	0%	10%	20%
Individual objectives linked to transformation, organisation and CSR	0%	40%	80%
TOTAL VARIABLE AS % OF FIXED COMPENSATION	**0%**	**100%**	**200%**

This policy on variable remuneration 2019 is thus in line with the Company's strategy: profitable, cash-generating growth for the benefit of client satisfaction.

The payment of the items of variable compensation due for the 2019 financial year to the Chief Executive Officer will be conditional on approval by the Ordinary General Shareholders' Meeting of the Company to be held in 2020.

2.4. Multi-year variable compensation

N/A.

2.5. Share subscription or purchase option grants

No stock option allotment is planned for 2019.

2.6. Free share allotments

The General Meeting of 9 March 2018 authorised a long-term compensation mechanism in the form of an allotment of the Company's performance shares (12th resolution) to the Company's corporate officers.

In 2018, the Chief Executive Officer was therefore allocated a maximum of 2,300,000 free performance shares, in accordance with the terms and conditions below:

- the allotment of free shares is subject to a performance condition and a condition of continued employment;
- the performance condition is based on the one hand (i) on the degree of achievement of an objective regarding the aggregate EBITDA less CAPEX and on the other hand (ii) on the evolution of the Company's share price, it being noted that the final allocation of the maximum number of shares which must be authorised by the General Meeting is conditional upon the average share price over the twenty trading days preceding 31 December 2020 being equal to or higher than €1.98 (after restatement of any distributions or capital transactions taking place subsequent to the General Meeting);
- the vesting period is three years;
- the Chief Executive Officer must hold at least 30% of the free shares definitely allocated to him up until he ceases to be a member of the Company's Executive Board;
- in the event of a beneficiary's incapacity under statutory conditions, or death, the performance condition and condition of continued employment are deemed satisfied and the definitive vesting of shares shall occur before the end of the vesting period;
- in the event of forced departure during the vesting period, he shall remain entitled to the allotment of a number of shares determined prorata to his length of service compared to the three-year vesting period, assuming that (i) this forced departure occurs more than twelve (12) months after the allotment of the shares and (ii) on the effective date of departure, the performance condition(s) has/have been met;
- in the event of forced departure due to (x) death or (y) incapacity or (z) a change in control of the Company (within the meaning of Article L. 233-3 of the French Commercial Code) during the vesting period, the performance conditions and the presence condition shall be deemed fully satisfied, thereby entitling him or his successors in interest to all shares allotted.

Forced departure shall mean departure for any reason other than as a result of resignation or dismissal for gross misconduct, except, in the case of resignation, if this is due to a change in control of the Company (within the meaning of Article L. 233-3 of the French Commercial Code) or a change in strategy decided by the Board of Directors.

As specified last year, the Board of Directors' intention is to submit each year to the Company's General Meeting of Shareholders a share performance allocation plan, the scope and conditions of which will be agreed in due course, with two main objectives: (i) to align the interests of the beneficiaries with the value creation realised by the company for the benefit of its different stakeholders, in particular its shareholders; and (ii) to contribute effectively to the talent attraction and retention policy.

Accordingly, a proposal will be submitted to the General Meeting on 11 April 2019 to authorise a long-term compensation mechanism in the form of an allotment of the Company's performance shares (Resolution 12) notably to the Company's corporate officers.

As such, in 2019, the Chief Executive Officer would be allotted a maximum of 1,500,000 free performance shares, in accordance with the terms and conditions below:

Any allocated for free of shares pursuant to this authorisation must be subject to a performance condition and a presence condition, the terms and conditions of which would be set by the Board of Directors.

The performance condition would be assessed over three years and would be based on two criteria:

- an off-market criterion: the meeting, during the relevant period, of the annual Free Cash Flow objectives set by the Board of Directors and
- a market criterion: the evolution of the Company's share price, with reference to a share price at the end of the period of at least two euros.

The two criteria would be applied as follows:

(i) first criterion: the definitive allocation rate (before application of the coefficient linked to the second criterion), determined at the end of the period of the plan, will be 85% conditional on the achievement of the annual Free Cash Flow objectives during the three years of the period of the plan and 15% on an appraisal of the achievement of that 'Free Cash Flow' objective over the period of the plan.

(ii) second criterion: the evolution of the stock market price: the final allocation rate will also depend on the price of the Solocal Group share at the end of the period of the plan with a target objective of two euros.

Thus, the following coefficient will be applied to the number of shares allocated by application of the first criterion:

  - if the stock market price is higher than or equal to two euros at the end of 2021 (based on an average of twenty trading days), the number of shares allocated by application of the first criterion will be multiplied by 1;
  - if the stock market price is lower than two euros at the end of 2021 (based on an average of twenty stock exchange days), the number of shares allocated by application of the first criterion will be multiplied by 0.75 for the Managing Director, 0.825 for the other members of the Executive Committee and 0.90 for the other eligible beneficiaries.

- the vesting period would be three years;
- the Chief Executive Officer would be obliged to retain at least 30% of the shares definitely allotted to him up until he ceased to be a member of the Company's Executive Board (or any substitute governing body);

The Board of Directors may lay down the conditions under which the aforementioned criteria would be adapted in case of an event affecting their relevance (in particular the market criterion), for example in the event of the delisting of the Company's shares.

With regard to the Company's corporate officers only, a "claw back" condition would be applicable, for allocations starting in 2019, throughout the vesting period and, for the shares subject to retention obligations, during the retention period. Thus, if it should appear a posteriori that the shares were awarded on the basis of information known by the beneficiary to be inaccurate and that led to an inaccurate assessment by the Board of Directors of the aggregates selected for the assessment of the performance condition, the benefit of the relevant performance shares would be lost automatically. This clause would be assessed under French law.

In the event of a beneficiary's incapacity under the statutory conditions, or death, the performance and presence conditions shall be deemed satisfied and the final allotment of shares shall occur before the end of the vesting period.

2.7. Exceptional compensation

N/A.

2.8. Compensation, indemnities or benefits due or that may be due to the Chief Executive Officer on taking up office

As Mr Éric Boustouller, when accepting the office of Chief Executive Officer, had to waive significant rights to long-term compensation for his former duties, the Company's General Shareholders' Meeting of 9 March 2018 (13th resolution) approved the payment of compensation for taking up his functions, in the form of one million bonus (free) shares in the Company, under the following terms:

- the allotment of free shares is not subject to a performance condition;
- the definitive allocation of the shares is conditional on Mr Éric Boustouller still being present at the Company at the end of the vesting period mentioned below. The presence condition will be deemed to have been respected in case of forced departure during the vesting period;

Forced departure shall mean departure for any reason other than as a result of resignation or dismissal for gross misconduct, except, in the case of resignation, if this is due to a change in control of the Company (within the meaning of Article L. 233-3 of the French Commercial Code) or a change in strategy decided by the Board of Directors.

- the vesting period is 12 months and the holding period is 12 months;
- Mr Éric Boustouller must retain two thirds of the shares allotted until he steps down as Company's Chief Executive Officer; and
- in case of disability of the beneficiary resulting in his inability to meet the conditions set forth by law, or in the event of his demise, the definitive allocation of the shares will occur before the end of the vesting period.

This attribution was implemented under the following conditions as defined by the Board of Directors at its meeting on 9 March, 2019.

2.9. Undertakings due to ceasing activities (Article L. 225-42-1 paragraphs 1 and 6 of the French Commercial Code)

The Board of Directors authorised all of the commitments in favour of the new Chief Executive Officer, also approved by the General Meeting of 9 March 2018, in accordance with the provisions of Article L. 225-42-1 of the French Commercial Code.

These commitments to the Chief Executive Officer (CEO) were a condition of his recruitment, and thus enabled Mr Éric Boustouller to be recruited as the Company's new Chief Executive Officer (CEO).

Severance package

Because the Chief Executive Officer does not have an employment contract, he would, in the event of his forced departure from the Company, (namely any departure other than as a result of resignation or dismissal for gross misconduct, except, in the case of resignation, if this is due to a change in control of the Company (within the meaning of Article L. 233-3 of the French Commercial Code) or a change in strategy decided by the Board of Directors), receive a severance payment as follows:

- the amount of the payment will be equal to 18 months of the Chief Executive Officer's gross annual all-inclusive compensation (fixed and variable for targets achieved);
- payment of the compensation will be subject to the following performance condition: the Chief Executive Officer must have achieved an average of at least 80% of his annual targets during the last three years. If the departure occurs less than three years after taking up his duties, the annual targets taken into account will be those which were applicable during the time he was with the Company;
- the severance package would only be paid after the Board of Directors of the Company has recorded the achievement of the applicable performance condition.

The accumulation of the severance pay and non-competition obligation cannot exceed two years of remuneration, fixed and variable.

Non-competition indemnities

The Chief Executive Officer will be subject to a non-competition obligation if he leaves his office as Chief Executive Officer for any reason and in any form whatsoever, under the conditions below:

- the non-competition obligation will be limited to a 12-month period starting from the end of his duties;
- the corresponding compensation shall be equal, on the basis of a 12-month non-competition period, to six months' total compensation calculated on the basis of the monthly average of his total gross compensation paid over the 12 months of activity preceding the date of termination of his duties.

On termination of the term of office, the Company may, (i) renounce the benefit of the non-competition agreement (in which case it will not have to pay the corresponding compensation) or (ii) reduce the duration, the field of activities and/or the geographical scope of said commitment (in which case the amount of the non-competition compensation will be reduced accordingly).

The accumulation of the severance pay and non-competition obligation cannot exceed two years of remuneration, fixed and variable.

2.10. Elements of compensation and benefits in kind due or that may be due under related-party agreements

N/A.

2.11. Any other element of compensation attributable owing to the office

N/A.

2.12. Benefits in kind

The Chief Executive Officer will receive the following benefits in kind:

- the health and welfare benefit plans under the terms which currently apply for the Company's executive employees or a similar plan and civil liability insurance covering him as Chief Executive Officer;
- the Company will refund his business expenses incurred when performing his functions as Chief Executive Officer, in particular accommodation and travelling costs, on production of receipts, in accordance with the Company's rules;
- the Company will pay the unemployment insurance (GSC) enrolment costs and contributions for executive corporate officers;
- a company car in accordance with Company practices, with the benefit resulting from private use assessed in accordance with the Company's rules; and
- a defined-contribution supplementary retirement plan (Article 83 of the French Tax Code) resulting in a contribution of 5.50% applied to compensation tranches B and C. This contribution is paid 60% by the Company, i.e. 3.3%, with the remaining 40% payable by the Chief Executive Officer, i.e. 2.2%.

In accordance with Article L. 225-37-2 of the French Commercial Code, it is specified that the payment of the variable and exceptional compensation referred to in this Part I of the report is, conditional, for all persons concerned, upon a subsequent Ordinary General Meeting approving the associated items of compensation under the conditions of Article L. 225-100 of the French Commercial Code (namely, for each person concerned, approval by the General Shareholders' Meeting to be held in 2019, of the variable and exceptional items of the total compensation paid or owed to said person for the financial year ending 31 December 2018).

PART II: COMPENSATION OF CORPORATE OFFICERS FOR THE 2018 FISCAL YEAR (ARTICLE L. 225-37-3 OF THE FRENCH COMMERCIAL CODE)

DESCRIPTION OF THE FIXED, VARIABLE OR EXCEPTIONAL ITEMS OF THIS COMPENSATION AND BENEFITS (INCLUDING IN THE FORM OF THE ALLOTMENT OF SHARES, DEBT SECURITIES OR SECURITIES GIVING ACCESS TO THE CAPITAL OR A RIGHT TO THE ATTRIBUTION OF DEBT SECURITIES OF THE COMPANY OR OF THE COMPANIES MENTIONED IN ARTICLES L. 228-13 AND L. 228-93) AND THE CRITERIA FOR CALCULATING THEM, OR THE CIRCUMSTANCES IN WHICH THEY ARE ATTRIBUTED, WHERE APPROPRIATE REFERRING TO THE RESOLUTIONS VOTED (EX POST VOTE).

A. Compensation and benefits of all kinds paid to Solocal's corporate officers during the 2018 financial year by Solocal

Resolutions 5 and 6 submitted to the General Meeting of Shareholders of 11 April 2019 relate to the approval of remuneration paid or allocated to Pierre Danon (Resolution 5) and Éric Boustouller (Resolution 6) in respect of the 2018 financial year.

In accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, it is proposed that the General Meeting of 11 April 2019 approve the fixed, variable and exceptional components of the total compensation and benefits of any kind paid or granted for the 2018 fiscal year to each officer as presented in this Part II.

It is stressed that these items were paid or awarded for the 2018 financial year to each of the above-mentioned corporate officers in accordance with the principles and criteria for determining, distributing and awarding the compensation of executive corporate officers which were approved by the Combined General Meeting of 9 March 2018 within the scope of the ex ante vote.

These principles and criteria are set out in the corporate governance report, pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code ("2017 report"). This report is included in the Company's 2017 Registration Document. It can be downloaded from the website www.solocalgroup.com.

Pierre Danon ,
Chairman of the Board of Directors (Resolution 5)

Items of compensation paid or attributed during the 2018 financial year	Amounts or accounting valuation put to the vote	Presentation
Fixed compensation	N/A	No fixed remuneration
Annual variable compensation	N/A	No variable remuneration
Multi-year variable compensation	N/A	No multi-year variable compensation
Exceptional compensation	N/A	No exceptional remuneration
Stock options, performance shares or any other long-term benefit (subscription warrants, etc.)	N/A	No allocation in 2018
Directors' fees	€150,000	€150,000 lump sum for his term of office as Chairman of the Board of Directors
Benefits in kind	N/A	No benefits in kind
Severance payment	N/A	None
Non-competition compensation	N/A	None
Supplementary pension Scheme	N/A	None

Éric Boustouller ,
Chief Executive Officer (Resolution 6)

Items of compensation paid or attributed during the 2018 financial year	Amounts or accounting valuation put to the vote	Presentation
Fixed compensation	€520,000	Fixed compensation of a gross annual amount of €520,000 paid monthly
Annual variable compensation	€353,600 (amount awarded for the previous financial year)	Gross annual variable compensation which can vary from between 0% and 200% of the fixed compensation with a target of 100% of the fixed compensation for meeting targets. As a reminder, the Board of Directors set five targets for the Chief Executive Officer in 2018[a]: (i) 2018 Internet revenues: Internet revenues growth target, (ii) EBITDA 2018: Profitability and cost-cutting target, (iii) increase in number of clients, (iv) customer satisfaction NPS target and (v) individual objectives relating to the transformation plan. In respect of the 2018 financial year, the total amount of the Managing Director's variable portion amounts to 353,600 euros, corresponding to 68% of the target objective (a). The principle of awarding deferred variable compensation is not applied.
Multi-year variable compensation	N/A	There is no multiannual variable remuneration mechanism
Exceptional compensation	N/A	No exceptional remuneration
Stock options, performance shares or any other long-term benefit (subscription warrants, etc.)	2,300,000 performance shares, subject to a performance condition and continued employment condition, which shall be based on the level of achievement of a target of EBITDA less CAPEX and change in the Company's share price, (valued at €0.3m).	The Combined General Shareholders' Meeting of 9 March 2018 authorised the Board of Directors to implement a bonus share plan on 24 April 2018 in favour of Éric Boustouller, consisting of the allocation of 2,300,000 performance shares: (see opposite).
Directors' fees	N/A	The Chief Executive Officer does not receive Directors' fees in respect of his term as Director at Solocal Group.
Benefits in kind	€36,800 (accounting valuation) – Total benefits of all types excluding civil liability insurance and repayment of expenses incurred during the performance of duties as Chief Executive Officer)	Paid/supplied: • health and welfare benefit plans under the terms which currently apply to the Company's employed executives or a similar plan; • civil liability insurance in the capacity as Chief Executive Officer; • the refund by the Company of his business expenses incurred when performing his functions, especially accommodation and travelling costs, on production of receipts in accordance with the Company's rules; • the unemployment insurance (GSC) enrolment costs and contributions for executive corporate officers; and • a company car in accordance with the Company's practices, with the benefit from personal use assessed in accordance with the Company's rules.

Items of compensation paid or attributed during the 2018 financial year	Amounts or accounting valuation put to the vote	Presentation
Severance payment if the position is terminated.	Nothing is owed for the 2018 financial year	In the event of his forced departure, (namely any departure other than as a result of resignation or dismissal for gross misconduct, except, in the case of resignation, if this is due to a change in control of the Company (within the meaning of Article L. 233-3 of the French Commercial Code) or a change in strategy decided by the Board of Directors), a severance payment will be paid to the Chief Executive Officer under the terms set out below: ● the amount of the indemnity will be equal to 18 months of the Chief Executive Officer's gross annual all-inclusive compensation (fixed and variable for targets achieved); ● the payment of the indemnity will be subject to the following performance condition: the Chief Executive Officer must have, on average, achieved at least 80% of his annual targets during the previous three years. If the departure occurs less than three years after taking up his duties, the annual targets taken into account will be those which were applicable during the time he was with the Company; ● the severance package would only be paid after the Board of Directors of the Company has recorded the achievement of the applicable performance condition. The aggregate of both the severance package and non-competition compensation may not exceed two years of fixed and variable compensation. The Board of Directors gave its prior approval to this commitment on 11 July 2017, as did the General Meeting on 9 March 2018.

Items of compensation paid or attributed during the 2018 financial year	Amounts or accounting valuation put to the vote	Presentation
Non-competition compensation	Nothing is owed for the 2018 financial year	The Chief Executive Officer will be subject to a non-competition obligation if he leaves his office for any reason and in any form whatsoever, under the conditions below: ● the ban on competition will be limited to a period of 12 months commencing on the day he actually leaves office; ● the corresponding compensation shall be equal, on the basis of a 12-month non-competition period, to 6 months' total compensation calculated on the basis of the monthly average of his total gross compensation paid over the 12 months of activity preceding the date of termination of his duties. The aggregate to both the severance package and the non-competition compensation may not exceed two years of fixed and variable compensation. The Board of Directors gave its prior approval to this commitment on 11 July 2017, as did the General Meeting on 9 March 2018.
Supplementary pension Scheme	€9,178 (employer contribution)	Defined-contribution supplementary retirement plan (Article 83 of the French Tax Code) resulting in a contribution of 5.5% applied to remuneration tranches B and C. This contribution will be paid 60% by the Company, i.e. 3.3%, with the remaining 40% payable by the Chief Executive Officer, i.e. 2.2%. The Board of Directors gave its prior approval to this commitment on 11 July 2017, as did the General Meeting on 9 March 2018.

(a) See section 2.1.3 (Annual variable compensation in the 2018 report):

The Board of Directors set the 2018 target for the variable portion of the Chief Executive Officer's compensation at 100% of fixed compensation, if targets are attained. It can vary between 0% and 200% of fixed compensation, based on the following criteria:

2018 Internet revenues: growth target for internet revenues	0%	20%	40%
2018 EBITDA: profitability and cost reduction focus target	0%	20%	40%
Evolution in number of Clients	0%	10%	20%
NPS: customer satisfaction target	0%	10%	20%
Individual targets connected to the transformation project	0%	40%	80%
Total variable as % of fixed compensation	0%	100%	200%

In respect of the 2018 financial year, the total amount of the Managing Director's variable portion amounts to 353,600 euros, corresponding to 68% of the target objective:

- 0% (vs. 20% for objectives met) concerns the 2018 Internet revenues: Objective of growth of Internet revenues;

- 10% (achievement of guidance) (vs. 20% for objectives met) concerns the EBITDA 2018 objective: Objective of profitability and focus on cost reduction;

- 0% (vs. 10% for objectives met) concerns the targeted increase in number of clients;

- 5% (vs. 10% for objectives met) concerns the NPS Advertiser/User satisfaction objective;

- 53% (vs. 40% for objectives met) concerns the individual objectives linked to the transformation project: transformation (new offer) 15% for objectives met, restructuring 15% for objectives met and CSR (measured according to 8 criteria) 10% for objectives met.

In accordance with Article L. 225-37-2 of the French Commercial Code, the payment of the variable and exceptional remuneration referred to in this Section A of Part II of the report is conditional on the General Shareholders' Meeting approving, for each of the persons concerned, the items of variable and exceptional compensation comprising the total compensation paid or which must be paid to this person for the financial year ended 31 December 2018, namely the General Shareholders' Meeting of 11 April 2019 approving the Resolutions 5 and 6 which will be put to them for their vote.

B. Remuneration and benefits of any kind paid to the corporate officers of Solocal Group during the 2018 financial year from companies controlled by Solocal Group

(in euros)

• Corporate officers of Solocal	Fixed compensation paid during 2018 financial year	Variable compensation and premiums paid during 2018 financial year	Profit-sharing and employer contribution paid during 2018 financial year	Benefits in kind granted during 2018 financial year	Directors' fees presence owed during 2018 financial year
Joëlle Obadia	82,239	20,998	1,418	4,213	0

C. Remuneration and benefits of any kind received by the corporate officers of Solocal Group during the 2018 financial year from the Company controlling Solocal Group

N/A.

PART III: CORPORATE GOVERNANCE (ARTICLE L. 225-37-4 OF THE FRENCH COMMERCIAL CODE)

1. List of all offices and duties in any company held by each corporate officer during the 2018 financial year

The list of all offices and duties in any company held by each corporate officer during the 2018 financial year is presented under section 4.1.1 of the Registration Document.

2. Regulated Agreements

The following agreements and/or commitments are subject to Article L. 225-38 of the French Commercial Code and were entered into in 2018, or in a previous year and were still in effect in 2018:

- the terms and conditions of the appointment of Mr Éric Boustouller as Chief Executive Officer (described in the table in Part II above), which the Board of Directors had approved at its meeting of 11 July 2017.

3. Summary table of the currently valid delegations granted to the Board of Directors

The Combined General Shareholders' Meeting of the Company, held on 9 March 2018, delegated to the Board of Directors, in accordance with the conditions detailed in the table below, the following authorisation:

Securities concerned	Duration authorisation and expiry	Maximum amount of debt securities	Maximum nominal amount of capital increase
1. Issuance, with maintenance of pre-emptive subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving the right to the allocation of debt securities and/or transferable securities to capital securities to be issued	26 months 8 May 2020	€450,000,000	Ceiling: €17,000,000 Overall ceiling for issuances 1., 2. and 3.: €22,800,000
2. Issuance, with cancellation of pre-emptive subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving the right to the allocation of debt securities and/or securities giving access capital securities to be issued, in the context of tender offers.	26 months 8 May 2020	€450,000,000	Ceiling for issuances 2. and 3.: €5,800,000 Overall ceiling for issuances 1., 2. and 3.: €22,800,000
3. Issuance, with cancellation of pre-emptive subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving the right to the allocation of debt securities and/or securities giving access to equity securities to be issued, by private placements referred to in Article L. 411-2 II of the French Monetary and Financial Code	26 months 8 May 2020	€450,000,000	Ceiling for issuances 2. and 3.: €5,800,000 Overall ceiling for issuances 1., 2. and 3.: €22,800,000
4. Increase in the number of shares to be issued in the event of a capital increase with or without preferential subscription rights	26 months 8 May 2020	-	Ceiling set forth by the regulations
5. Capital increase by capitalisation of reserves, profits or premiums	26 months 8 May 2020	-	€40,000,000
6. Capital increase reserved for members of company savings plans	26 months 8 May 2020	-	€1,150,000

4. Composition, preparation and organisation of the Board of Director's work

4.1. Internal regulations

At its meeting of 23 September 2004, the Board drew up rules of procedure based on those recommended in the AFEP-MEDEF Corporate Governance Code. These rules of procedure specify the guiding principles for the operation of the Board and the rights and duties of the Directors.

The main provisions of the Board of Directors' bylaws are described in the Articles of Association section of the Registration Document.

4.2. Meetings of the Board of Directors

The Board of Directors gives its opinion on all major decisions in relation to the Company's strategy, business development, human resources, finances and technology and sees to it that senior management implements these decisions.

The Board met 16 times in 2018. On average, 94% of Directors attended each Board of Directors meeting during the financial year. The average meeting lasted four hours.

The Board of Directors' work mainly involved:

- the review of strategy: business unit managers regularly gave presentations of a specific Group business to the Board. The Board examined the strategic plan, discussed it at length and approved it;
- the review of business performance: at each Board meeting, senior management reported on business conditions and results, which enabled Directors to keep close track of the Group's business activity "in real time";
- examination of the strategy: the Board of Directors has approved the strategic project "Solocal 2020" and the presentation of the new "equity story" of the Company given to the market on 13 February 2018. At the beginning of the year the Board also approved the strategic plan, after a wide-ranging debate. Lastly, presentations of each of the Group's strategic activities are given regularly to the Board by the person in charge of the activity;
- monitoring of the corporate restructuring: the Board of Directors has monitored on a permanent basis the implementation of the Employment Protection Plan announced on 13 February 2018 within the framework of the strategic project 'Solocal 2020', which translates into a workforce reduction of 1,000 jobs over the 2018-2019 period;
- throughout the year the Board of Directors actively watched over and prepared for the refinancing of the Company's residual debt; at this stage, the Board does not consider that the conditions for the launch of such an operation have been met.
- corporate social responsibility (CSR): the Board of Directors is informed of the market trends, the competitive environment, and the major issues including those of the Company's environmental and social responsibility.

A Board of Directors meeting was held without the executive corporate officers after the date the 2017 Registration Document was filed.

4.3. Evaluation of the Board of Directors

Each year the Board of Directors carries out a self-assessment of its work, the summary of which it examines and from which it draws its conclusions. To carry out this assessment, each member of the Board answers a questionnaire; the results are summarised and commented on. The analyses of the conclusions of the 2018 assessment were presented at the Board of Directors' meeting of 30 January 2019. This analysis found that the Board declares itself globally satisfied with its operation.

4.4. Board of Directors Committees

The Board of Directors has created three Committees within the Company, namely an Audit Committee, a Remuneration and Appointments Committee, and a Strategy Committee, with this latter created by the Board of Directors at its meeting on 13 June 2017.

At its meeting held on 9 November 2017, the Board of Directors also created three Ad Hoc Committees on the refinancing, the equity story, and the monitoring of the Company's restructuring. These three Committees are now obsolete.

4.4.1. Audit Committee

The Audit Committee must have at least two members, which are appointed by the Board of Directors on the Chairman's recommendation. Pursuant to its Operating Charter, the Audit Committee designates its own Chairman.

As of the date of this document, the Audit Committee was composed of the following members:

- Mr Jacques-Henri David, Chairman;
- Ms Lucile Ribot;
- Ms Sophie Sursock.

Therefore, 100% of its members are Independent Directors.

The Audit Committee monitors all matters connected with the preparation and auditing of accounting and financial information. Without prejudice to the powers of the administrative, management and supervisory bodies, it is responsible for the following, in particular:

- monitoring the preparation of financial information, specifically:
  - reviewing Company and consolidated draft annual and semi-annual financial statements and draft management reports and sales and earnings tables,
  - reviewing financial communication documents,
  - ensuring that Company and consolidated financial statements comply with the accounting standards adopted,
  - reviewing the accounting treatment of specific transactions and the corresponding disclosures,
- checking the quality and relevance of the information communicated to shareholders;
- monitoring the effectiveness of internal control and risk management systems, in particular:
  - checking that internal data collection and control procedures are complied with,
  - reviewing the procedure for selecting the Company's Statutory Auditors, particularly their choice and their terms of remuneration for the purpose of making observations,
- reviewing the annual audit programmes proposed by the statutory and internal auditors, examining the internal auditing reports for the past year and preparing the audit engagement programme for the current year,
- each year, assessing the Group's exposure to risks and in particular to financial and litigation risks, significant off-balance sheet commitments and the effectiveness of the internal control system,
  - the Statutory Audit of the annual Company, and if applicable consolidated, accounts,
  - monitoring the independence of the Statutory Auditors,
  - giving its opinion on the Statutory Auditors proposed for appointment at the General Shareholders' Meeting,
  - reporting regularly on its work to the Board of Directors and informing it immediately of any difficulty encountered.

These duties do not limit the powers of the Board of Directors, which cannot rely on the duties or opinions of these Committees to reduce its responsibility.

The Audit Committee shall meet as often as it deems useful and shall address any matter that falls within its remit. It may ask the Company to provide it with any document or information it needs to carry out its duties and conduct any internal or external audit on any matter, it believes is pertinent to these duties. When reviewing annual and semi-annual draft financial statements, the Committee may question the Statutory Auditors in the absence of the Company's senior executives. The Audit Committee must be notified of any accounting or auditing irregularity.

The Audit Committee met ten times in 2018. On average, 95% of members attended each Audit Committee meeting during the financial year. It regularly met with the Company's senior executives, senior Finance department managers, the head of Auditing, Risks and Internal Control, and the Statutory Auditors, to discuss their work programmes and follow-up actions.

The Audit Committee looked at the following in 2018 in particular:

- the annual Company and consolidated financial statements for 2017;
- quarterly condensed consolidated accounts for 2018;
- 2018 Internal Audit programme, findings of the year's audit engagements and implementation of recommendations;
- risk management and major risk mapping.

4.4.2. Remuneration and Appointments Committee

This Committee is comprised of at least three members who are appointed by the Board of Directors on the Chairman's proposal. The Remuneration and Appointments Committee names its own Chairman.

As of the date of this report the Remuneration and Appointments Committee was composed of the following members:

- Mr Philippe de Verdalle, Chairman;
- Mr David Amar;
- Mr Alexandre Loussert;
- Ms Joëlle Obadia.

Therefore, 75% of its members are Independent Directors.

The Remuneration and Appointments Committee is responsible for submitting to the Board of Directors its proposals for appointments of members of the Board of Directors, the Chairman of the Board, the Chief Executive Officer, and the Board's Committees. It is also kept informed by the Chief Executive Officer in charge of senior executive appointments within the Group. The Committee also advises the Board of Directors on the amount of Directors' fees to be proposed at the General Shareholders' Meeting and on the allocation of these fees between Board members.

The Committee also proposes the remuneration of corporate officers to the Board of Directors and may also, at the Chairman's request, make recommendations on the remuneration of senior executives. The Committee reviews the remuneration structure for Company executives, and approves the structure for executive bonuses.

In 2018, the Remuneration and Appointments Committee met nine times, with an attendance rate of over 97%.

The Committee examined in particular the questions linked to changes in the governance of the Company, the definition of the objectives and methods of calculation of the variable portion of the Managing Director's remuneration, the principles of remuneration of the main directors of the Company, the establishment of a long-term remuneration plan for the corporate officer and key officers, and the establishment of a tool for value creation sharing for all the employees of the Group. Furthermore, the Committee initiated work, which will be continued in 2019, relating to the establishment of a succession plan with a view to ensuring the continuity of the General Management.

4.4.3. Strategy and M&A Committee

This Committee is comprised of at least three members who are appointed by the Board of Directors on the Chairman's proposal. The Strategy and M&A Committee names its own Chairman.

As of the date of this report, the Strategy and M&A Committee was composed of the following members:

- Mr David Amar, Chairman;
- Ms Delphine Grison;
- Ms Marie-Christine Levet.
- Ms Sophie Sursock.

Therefore, 100% of its members are Independent Directors.

The Committee asked Philippe Besnard to participate as an expert in its work. Mr Besnard is Chairman of Pentagrammedia.com and CEO and co-founder of QuantumAdvertising. He requested to no longer participate on the Committee as of January 2019.

The Committee is in charge of monitoring issues related to the major strategic, economic, social, financial, and technological objectives of the Company and its direct and indirect subsidiaries.

The Strategy and M&A Committee has met six times since its creation in June 2018. On average, 97% of members attended each Committee meeting during the financial year.

In 2018, the Committee examined the questions linked to studies of product range development, new services and the repositioning of the company in a fullweb activity.

4.4.4. Subcommittees

The Board of Directors, at its meeting of 9 November 2017, created three Ad Hoc Committees on refinancing, the equity story, and the monitoring of the Company's restructuring.

The Ad Hoc Committee on refinancing was chaired by Arnaud Marion, Sophie Sursock and David Amar, who were members. Its purpose was to discuss refinancing opportunities and prepare the work of the Board of Directors. This Committee met 12 times.

The Ad Hoc Committee on the equity story was chaired by Jacques-Henri David, with Sophie Sursock and Philippe de Verdalle, who were members. The purpose of this Committee, which met about twice a week between December 2017 and February 2018, was to assume and monitor, on behalf of the Board of Directors, the preparatory work on the equity story presentation of 15 February 2018.

The Ad Hoc Committee on monitoring restructuring was chaired by Arnaud Marion, with Joëlle Obadia as a member. Its purpose was to discuss the opportunities, constraints, and risks of transforming the economic model, as well as any support measures. This Committee met 7 times.

These three sub-committees are now obsolete.

4.5. Presence of members of the Board of Directors

Presence of members of the Board of Directors at Board and Committee meetings in 2018:

Full name (position)	Duty(ies)	Presence at BoD meetings	Presence at Audit Committee meetings	Presence at Remunerations and Appointments Committee meetings	Presence at Strategy and M&A Committee meetings
Pierre Danon	Chairman of the Board of Directors	100%	N/A	N/A	N/A
David Amar	Vice-Chairman of the Board of Directors Director Member of Committee of Remuneration and Appointments Chairman of the Strategy and M&A Committee	94%	N/A	100%	100%
Éric Boustouller	Director Chief Executive Officer	100%	N/A	N/A	N/A
Jacques-Henri David	Director Chairman of the Audit Committee	88%	100%	N/A	N/A
Delphine Grison	Director Member of the Strategy and M&A Committee	94%	N/A	N/A	100%
Marie Christine Levet	Director Member of the Strategy and M&A Committee	100%	N/A	N/A	83%
Alexandre Loussert	Director Member of Committee of Remuneration and Appointments	100%	N/A	100%	N/A
Joëlle Obadia	Director and employee representative Member of Committee of Remuneration and Appointments	81%	N/A	89%	N/A
Ms Lucile Ribot	Director Member of the Audit Committee	100%	100%	N/A	N/A
Sophie Sursock	Director Member of the Audit Committee Member of the Strategy and M&A Committee	94%	100%	N/A	100%
Philippe de Verdalle	Director Chairman of the Committee of Remuneration and Appointments	100%	N/A	100%	N/A

n/a: not applicable.

5. Description of the diversity policy applied to the members of the Board of Directors

As at the date of this report, the Board of Directors (excluding the Director representing employees) comprises four women: Delphine Grison, Marie-Christine Levet, Lucile Ribot and Sophie Sursock, and six men: David Amar, Éric Boustouller, Pierre Danon, Jacques-Henri David, Alexandre Loussert and Philippe de Verdalle, i.e. 40% women and 60% men.

Pursuant to Article L. 225-18-1 of the French Commercial Code, the proportion of Directors of each gender within the Board of Directors must not be less than 40%.

6. Limitations that the Board of Directors has placed on the Chief Executive Officer's powers

The Chief Executive Officer, subject to the powers expressly granted to Shareholders' Meetings and the Board of Directors, and within the limits of the corporate purpose, is vested with the widest powers to act, in all circumstances, in the name of the Company, with the following stipulations:

(i) the Chief Executive Officer must present a draft strategic plan to the Board of Directors each year defining the Group's medium-term business objectives including projected trends for the Group's key operational and financial indicators, in addition to a draft annual budget;

(ii) the following decisions are subject to prior approval by the Board of Directors:

- the annual budget and any significant changes thereto,
- the annual and three-year business plans,
- the acquisition or disposal of a business by Solocal Group or one of its subsidiaries that is not included in the annual budget, the total amount of which, including all liabilities and off-balance sheet commitments exceeds €10 million,
- any investments or divestments not included in the annual budget for fixed assets for an amount, including all liabilities and other off-balance sheet commitments, in excess of €10 million,
- amendments to the employment contract, hiring/appointment/dismissal/removal of the Chief Financial Officer of the Company; any amendment to the employment contract, hiring/appointment or dismissal/removal of the Group's Human Resources Director and the Secretary to the Board of Directors shall not require prior authorisation by the Board of Directors, but shall require the prior agreement of the Remuneration and Appointments Committee,
- any increase in the total indebtedness of Solocal Group or one of its subsidiaries that exceeds the amount authorised under the financing or loan agreements previously authorised by Solocal Group's Board of Directors,
- the execution of any agreement in order to create a joint-venture with a third party, not included in the annual budget and generating a commitment for Solocal or one of its subsidiaries for a total amount greater than €10 million over the duration of the joint-venture,
- any decision to have the securities of Solocal Group or one of its subsidiaries listed on a regulated exchange and any subsequent action to have additional Solocal Group or subsidiary securities listed if already listed on a regulated exchange,
- any decision to delist or buy back shares (except share purchases under liquidity agreements previously authorised by the Board of Directors),
- the acquisition or subscription, by Solocal or one of its subsidiaries, shares, other equity securities or securities giving access to the capital of any company (x) the value of which, including all liabilities and other off-balance sheet commitments, exceeds €10 million, provided that the liability of Solocal Group or its subsidiary is limited and the transaction is not already included in the annual budget, or (y) any company irrespective of the amount invested if Solocal Group or its subsidiary is acting as an unlimited liability partner in such a company,
- any diversification of the business activities of Solocal Group or one of its subsidiaries that is unrelated to previous business activities, or any diversification that is related to previous business activities but is not included in the annual budget and involves a financial commitment that exceeds €10 million,
- any sale, transfer or termination of a major business activity of Solocal or one of its subsidiaries that is not included in the annual budget or the three-year business plan,
- any incentive plan (as defined under French labour law or the labour law of another country, with the exception of a mandatory or standard voluntary profit-sharing plan) to be implemented in Solocal or one of its subsidiaries or any measure that encourages employees to directly or indirectly acquire shares in Solocal Group or a subsidiary,
- any authorisation or instruction given to a Solocal, or one of its subsidiaries to examine or undertake any of the transactions referred to in this appendix,
- the execution of any agreement not included in the annual budget that would imply payments or supply of goods or services by Solocal Group or its subsidiaries for an annual amount greater than a total of €10 million,
- any decision relating to plans for the merger or demerger of a Solocal Group subsidiary, the spin-off of the assets of a Solocal Group subsidiary, or a long-term agreement to manage a Solocal Group subsidiary, that is not included in the annual budget or the three-year business plan, excluding internal reorganisation that has no material impact on Solocal's position,
- any transfer or sale in order to provide collateral, any decision to grant a security interest or pledge by Solocal Group or one of its subsidiaries, in order to meet debts or honour guarantees given to third parties not included in the annual budget for a total amount greater than €10 million per year,
- any loans made by Solocal Group or by a subsidiary that are not included in the annual budget the cumulative amounts of which exceed €5 million.

7. Application of the AFEP/MEDEF Code

Solocal observes the AFEP/MEDEF Corporate Governance Code, available on the www.medef.fr website, and complies with all of the operating rules recommended in this Code.

8. Special terms and conditions for shareholder attendance of the General Meeting

8.1. Access, participation and voting at General Shareholders' Meetings

General Shareholders' Meetings are made up of all shareholders whose shares have been fully paid up and registered in their name as justifying the right to participate in General Shareholders' Meetings, or if a shareholder is not domiciled in France, in the name of the representative acting on the shareholder's behalf, on the second working day prior to the General Shareholders' Meeting at 12:00 midnight (Paris time).

In order to attend, vote remotely, or be represented at General Shareholders' Meetings, owners of bearer shares or shares registered in an account not held by the Company must file a certificate prepared by the intermediary holding their account, indicating that the shares will not be transferable before the date of the General Shareholders' Meeting, at the place indicated in the notice of meeting, no later than 3 p.m. (Paris time) on the day prior to the General Shareholders' Meeting.

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

Access to the General Shareholders' Meeting is open to its members with proof of their status and identity. If it deems this useful, the Board of Directors may ensure that shareholders are sent personal admission cards bearing their names and demand that these cards be shown at the General Shareholders' Meeting.

Owners of Company shares, who are not residents of France, may be registered in the accounts and represented at General Shareholders' Meetings by any intermediary who is registered on their behalf and holds a general securities management mandate, provided that such intermediaries have previously declared themselves as intermediaries holding shares on behalf of third parties at the time the account is opened with the Company or account-holding financial intermediary, in accordance with legal and regulatory provisions.

The Company is entitled to ask any intermediary who is registered on behalf of shareholders not residing in France and who holds a general mandate to provide a list of the shareholders they represent and whose rights would be exercised at the meeting.

Each member of a General Shareholders' Meeting has as many votes as the number of shares he or she owns or represents, provided that his or her voting rights have not been withdrawn.

Any shareholder may, subject to legal and regulatory conditions, vote remotely or issue powers to any person of his or her choice in order to be represented and vote at a General Shareholders' Meeting.

Remote voting is carried out under the terms and conditions set forth by legal and regulatory provisions. The Company must receive voting forms at 3 p.m. (Paris time) the day before the General Shareholders' Meeting at the latest.

Powers, remote voting forms and certificates of non-transferability of shares may be submitted in electronic form duly signed under the terms set out in applicable legal and regulatory provisions.

Shares are indivisible with regard to the Company. Joint owners of shares must arrange for one of them to act as their representative with the Company, who shall be considered to be the sole owner and representative. In the event of failure to agree, the sole representative may be appointed by the Court at the request of the first joint owner to so request. Unless the Company is properly notified of any agreement to the contrary, beneficial owners have the right to vote at Ordinary General Shareholders' Meetings and bare owners have the right to vote at Extraordinary General Shareholders' Meetings.

General Shareholders' Meetings may be held by videoconference or by any other means of telecommunication, including the Internet, which enables shareholders to be identified under the conditions set out in applicable legal and regulatory texts.

If the Board of Directors so decides at the time of convening the meeting, forms may be completed and signed electronically directly on a site set up by the Company. This site must use a process including a username and password, in accordance with the terms set out in the first sentence of paragraph two of Article 1316-4 of the French Civil Code, or any other process which meets the conditions set out in the first sentence of paragraph two of Article 1316-4 of the French Civil Code.

Powers or votes cast in this way prior to the meeting by such electronic means, and any receipts which are provided for them, shall be considered to be fully enforceable, irrevocable written records, subject to the points set out below. By derogation, in the case of a sale of shares occurring prior to midnight (Paris time) on the second working day preceding the meeting the Company shall invalidate or alter accordingly, as the case may be, the proxy expressed or the vote cast prior to the meeting, using the electronic method set up by the Board of Directors.

Owners of Company shares who are not resident on the French territory may be registered in the accounts and represented at the meeting by any intermediary who is registered on their behalf and holds a general securities management mandate, provided such intermediaries have previously declared themselves as intermediaries holding shares on behalf of others at the time when shares are registered in the accounts with the Company or account-holding financial intermediary, in accordance with legal and regulatory provisions.

The Company is entitled to ask any intermediary who is registered on behalf of shareholders not residing in France and who holds a general mandate to provide a list of the shareholders they represent and whose rights would be exercised at the meeting.

Ordinary General Shareholders' Meetings

Ordinary General Shareholders' Meetings are called to make all decisions that do not amend the Articles of Association. They are held at least once a year within six months of the end of the financial year, to approve the financial statements for the previous financial year, unless this period is extended by Court order.

Ordinary General Shareholders' Meetings cannot validly deliberate, on the first notice of meeting, unless shareholders present, represented or voting remotely, hold at least one-fifth of shares with voting rights. Upon a second notice of meeting, no quorum is required. Decisions are made by majority vote of the shareholders who are present, represented or have voted remotely.

For the purposes of calculating quorum and majority, shareholders are deemed to be present if they take part in an Ordinary General Shareholders' Meeting by videoconference or any other means of telecommunication enabling them to be identified, the nature and terms of use of which are defined by applicable laws and regulations.

Extraordinary General Shareholders' Meetings

Only Extraordinary General Shareholders' Meetings are authorised to amend any provisions in the Articles of Association. However, they may not increase shareholders' commitments except through transactions resulting from a properly executed share consolidation.

Subject to legal stipulations applicable to share capital increases by the incorporation of reserves, profits or issue premiums, Extraordinary General Shareholders' Meetings cannot validly deliberate unless shareholders present, represented or voting remotely, hold on the first notice of meeting at least one-quarter, or on the second notice of meeting one-fifth of the shares with voting rights. If the latter quorum cannot be reached, the second meeting may be reconvened up to two months after the original date, at which point a one-fifth quorum is again required.

Subject to the same conditions, decisions are made by a two-thirds majority vote of shareholders who are present, represented or have voted remotely.

For the purposes of calculating the quorum and majority, shareholders are deemed to be present if they take part in an Extraordinary General Shareholders' Meeting by videoconference or any other means of telecommunication enabling them to be identified, the nature and terms of use of which are defined by applicable laws and regulations.

8.2. Form and deadlines for notices of meeting (Article 28 of the Articles of Association)

The Board of Directors calls General Shareholders' Meetings under the conditions provided for by law.

Otherwise, General Shareholders' Meetings may also be called by the auditors or by any person authorised for this purpose.

A notice informing shareholders of the next General Shareholders' Meeting is published at least 35 days prior to the meeting in the French bulletin of mandatory legal announcements (BALO).

Except where provided for legally, notices are issued at least fifteen clear days before the scheduled date of a General Shareholders' Meeting. This period is reduced to ten clear days for General Shareholders' Meetings held after a second notice of meeting and for reconvened General Shareholders' Meetings.

The notices of meetings are issued by a notice in a newspaper publishing legal announcements in the department where the registered office is located, and in the French bulletin of mandatory legal announcements (BALO). Moreover, shareholders who have held registered shares for at least one month prior to the notice of meeting are summoned to the General Shareholders' Meeting by ordinary letter. They may ask to be notified by registered post, provided they pay the registered postage fee to the Company.

The meetings shall take place at the date, time and place stated in the notice of meeting.

Notices of meeting must include the agenda for the meeting.

8.3. Officers of General Shareholders' Meetings (Article 30 of the Articles of Association)

General Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by a Director appointed by the Board for this purpose. Failing this, the General Shareholders' Meeting elects its own Chairman.

The two members of the General Shareholders' Meeting with the highest number of votes, who accept this role, shall serve as tellers.

The officers of a General Shareholders' Meeting appoint a secretary, who is not required to be a shareholder.

8.4. Agenda

The Agenda of General Shareholders' Meeting is prepared by the author of the notice of meeting.

One or more shareholders representing the percentage of capital required by applicable regulatory provisions and acting in accordance with legal conditions and time limits may request that proposed resolutions be added to the agenda.

Requests for proposed resolutions to be added to the agenda must be sent by registered letter with recorded delivery as of publication of the notice of meeting in the French bulletin of mandatory legal announcements (BALO), and up to 25 days prior to the Meeting (however, if the notice is published more than 45 days prior to the meeting, proposed must be sent within 20 days of publication of the notice). The authors must provide proof that they possess or represent the required proportion of share capital, prior to transmission of the request, by registering the shareholders on the Company registers.

Only matters on the agenda may be discussed at General Shareholders' Meetings. Nevertheless, it may, under any circumstances, dismiss and replace one or more members of the Board of Directors.

The agenda may not be amended where a second notice of meeting has been issued, or in the event of a meeting being reconvened.

8.5. Conditions for exercising voting rights

At all General Shareholders' Meetings, each shareholder has as many votes as the number of shares he or she owns or represents, with no limitations other than those which may arise from legal provisions or the Articles of Association, subject to a Court order in certain cases. The provisions of the Articles of Association stipulating the existence of a double voting right, as adopted by the General Shareholders' Meeting of 7 June 2011, became effective on 1 May 2013. A double voting right is attributed to all fully paid-up registered shares of the Company that have been registered in the name of the same holder for at least two years.

PART IV: SIGNIFICANT FACTORS IN THE EVENT OF A TENDER OFFER OR PUBLIC EXCHANGE OFFER (L. 225-37-5 OF THE FRENCH COMMERCIAL CODE)

The items listed in paragraphs 1–10 below are provided for information only. The Company considers that they are unlikely to be relevant in the event of a public offer.

1. Structure of the Company's share capital at 31 December 2018

	Number of shares	% of share capital	Exercisable voting rights	% of voting rights
J O Hambro Capital Management	62,940,565	10.78%	61,342,670	10.47%
River and Mercantile AM	41,778,607	7.16%	41,778,607	7.13%
DNCA	40,750,000	6.98%	40,750,000	6.96%
Edmond de Rothschild AM	30,491,989	5.22%	30,491,989	5.21%
Free float	406,521,630	69.65%	410,717,811	70.12%
Solocal Group employees[1]	654,933	0.11%	654,933	0.11%
Treasury shares held[2]	492,641	0.08%	-	-
TOTAL	**583,630,365**	**100.00%**	**585,736,010**	**100.00%**

(1) Under the Solocal Group savings plan (PEG).
(2) 492,641 treasury shares are held under a liquidity agreement implemented on 2 December 2012.

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2. Statutory restrictions on the exercise of voting rights and the transfer of shares or the clauses of agreements made known to the Company pursuant to Article L. 233-11

N/A.

3. Direct or indirect interests in the Company's capital, of which it is aware, pursuant to Articles L. 233-7 and L. 233-12 [(1)]

- On 7 November 2017, J O Hambro Capital Management Limited, acting on behalf of clients and funds it manages, reported for adjustment purposes that on 20 June 2017 it exceeded the thresholds of 5% of the Company's share capital and voting rights and, on behalf of said clients and funds, held 30,303,875 Solocal Group shares representing the same number of voting rights, i.e. 5.23% of the share capital and 5.22% of the voting rights of that Company. J O Hambro Capital Management Limited further reported that on 6 November 2017, it held 45,804,787 Solocal Group shares and the same proportion of voting rights, or 7.87% of the share capital and 7.86% of the voting rights in the Company.
- On 1 August 2018, Amiral Gestion, acting on behalf of funds under its management, reported that on 27 July 2018 it had exceeded the thresholds of 5% of the Company's share capital and voting rights and that it held, directly and indirectly, 32,751,812 Solocal Group shares and the same proportion of voting rights on behalf of said funds, or 5.61% of the share capital and 5.61% of the voting rights in the Company;
- in letters dated 19 and 20 November 2018, J O Hambro Capital Management Limited, acting on behalf of clients and funds under its management, reported that on 7 November 2018, for adjustment purposes, it had exceeded the thresholds of 10% of the Company's share capital and voting rights and that it held, directly and indirectly, 60,493,856 Solocal Group shares and the same proportion of voting rights on behalf of said clients and funds, or 10.37% of the share capital and 10.34% of the voting rights in the Company. J O Hambro Capital Management Limited further reported that on 20 November 2018, it held 61,209,693 Solocal Group shares and the same proportion of voting rights, or 10.49% of the share capital and 10.46% of the voting rights in the Company;
- on 17 December 2018, Amiral Gestion, acting on behalf of funds under its management, reported that on 13 December 2018 it had crossed below the thresholds of 5% of the Company's share capital and voting rights and that it held, directly and indirectly, 28,577,570 Solocal Group shares and the same proportion of voting rights on behalf of said funds, or 4.90% of the share capital and 4.88% of the voting rights in the Company.

4. List of holders of all securities including special controlling rights, with the description of these rights

N/A.

(1) Shareholding disclosure thresholds.

5. Control mechanisms provided in the employee shareholding system[1]

According to the regulations on the employee shareholding fund (FCPE) of the Group savings plan invested in Solocal shares, the voting rights attached to this fund's capitalised securities are exercised by the fund's Supervisory Board.

With no express mention in the regulations of any cases in which the Supervisory Board must seek the shareholders' opinion in advance, the Supervisory Board has decided to contribute this fund's capitalised securities to purchase or exchange offers, pursuant to Article L. 214-164 of the French Monetary and Financial Code.

At 31 December 2018, the FCPE held 0.112% of the Company's share capital and 0.13% of voting rights in the General Meeting.

6. Agreements between shareholders of which the Company is aware and that may lead to restrictions on the transfer of shares or the exercise of voting rights

The Company is not aware of any agreements between shareholders that may lead to restrictions on the transfer of shares or the exercise of voting rights.

7. Rules applicable to the appointment and replacement of members of the Board of Directors as well as the amendment of the Company's Articles of Association

No stipulation in the bylaws or agreement between the Company and a third party includes any special provision on the appointment and/or replacement of Company Directors that may have an impact in the event of a tender offer.

8. Powers of the Board of Directors (particularly concerning the issue or redemption of shares)

The delegations of authority or authorisations approved by the General Meeting of 9 March 2018 (Resolutions 14 to 18), specify that the Board of Directors may not, without the prior authorisation of the General Meeting, use these subsequent to the filing by a third party of a tender offer in relation to Company securities, until after the end of this offer period.

9. Agreements entered into by the Company that have been amended or are expiring in the event of a change in control of the Company

A number of agreements entered into by the Company include a change in control clause.

10. Agreements providing compensation for members of the Board of Directors or employees

There is no agreement by the Company providing compensation for members of the Board of Directors or employees of the Company. For commitments made to benefit the Chief Executive Officer, in the event of a forced departure and related to a change in control or strategy, see Section 2.9 above.

Boulogne Billancourt, 19 February 2019

(1) Under the assumption that the controlling rights are not exercised by the Company's employees.

4.3 COMPENSATION AND BENEFITS

4.3.1 OVERALL COMPENSATION AND BENEFITS IN KIND

All gross compensation, excluding employer charges and benefits in kind individually owed and paid by the Company to the corporate officers in the Solocal Group during the year ended 31 December 2018 is summarised in the tables below:

Summary table of compensation and options and shares granted to each executive corporate officer

	2018 financial year	2017 financial year
Pierre Danon, Chairman of the Board of Directors (since 5 September 2017)		
Compensation owed for the year (detailed in the table below)	150,000	45,000
Valuation of the options awarded during the year	—	—
Valuation of the performance shares awarded during the year	—	—
Valuation of other long-term compensation plans	**—**	**—**
Éric Boustouller, CEO (since 11 October 2017)		
Compensation owed for the year (detailed in the table below)	895,457	237,247
Valuation of the options awarded during the year	—	—
Valuation of the performance shares awarded during the year	339,000	—
Valuation of other long-term compensation plans	**—**	**—**
TOTAL	**1,384,457**	**282,247**

Summary table of the compensation of each executive corporate officer

	2018 financial year		2017 financial year	
	Amount due	Amount paid	Amount due	Amount paid
Pierre Danon, Chairman of the Board of Directors (since 5 September 2017)				
Fixed compensation	—	—	—	—
Annual variable compensation	—	—	—	—
Exceptional compensation	—	—	—	—
Directors' fees	150,000	150,000	45,000	45,000
Benefits in kind[1]	—	—	—	—
TOTAL	**150,000**	**150,000**	**45,000**	**45,000**
Éric Boustouller, CEO (since 11 October 2017)				
Fixed compensation	520,008	520,008	116,214	116,214
Annual variable compensation	353,600	116,214	116,214	0
Exceptional compensation	—	—	—	—
Directors' fees	—	—	—	—
Benefits in kind[1]	21,849	21,849	4,819	4,819
TOTAL	**895,457**	**658,071**	**237,247**	**121,033**
TOTAL	**1,045,457**	**808,071**	**282,247**	**166,033**

(1) Company vehicle and payment of unemployment insurance contributions.

Information concerning the commitments taken in favour of the corporate executive officers and the procedure with regard to the application of the variable portion of the Chief Executive Officer's compensation is described in the corporate governance report (see section 4.2).

Corporate executive officers	Employment contract		Supplementary pension Scheme		Indemnities or benefits due or which could be due because of termination or a change in position		Indemnities tied to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Pierre Danon Chairman of the Board of Directors		X		X		X		X
Éric Boustouller CEO		X	Defined contribution supplementary pension scheme (Article 83 of the General Tax Code)		X		X	

Table of Directors' fees and other compensation received by non-executive officers*

Non-executive officers		Amounts due in 2018	Amounts due in 2017
David Amar[(1)]	Directors' fees	37,500	29,498
	Other compensation	—	—
Philippe de Verdalle[(2)]	Directors' fees	37,500	29,498
	Other compensation	—	—
Jacques-Henri David	Directors' fees	37,500	41,244
	Other compensation	—	—
Delphine Grison[(3)]	Directors' fees	37,500	20,000
	Other compensation	—	—
Sandrine Dufour[(4)]	Directors' fees	0	37,500
	Other compensation	—	—
Alexandre Loussert[(5)]	Directors' fees	37,500	41,746
	Other compensation	—	—
Arnaud Marion[(6)]	Directors' fees	37,500	29,498
	Other compensation	—	—
Joëlle Obadia	Directors' fees	0	30,906
	Other compensation	108,868	101,586
Marie Christine Levet[(7)]	Directors' fees	37,500	—
	Other compensation	—	—
Lucile Ribot[(8)]	Directors' fees	37,500	—
	Other compensation	—	—
Sophie Sursock[(9)]	Directors' fees	37,500	29,498
	Other compensation	—	—

* *The amounts indicated do not take into account the 30% withholding tax for foreign tax residents and the 21% withholding tax for French tax residents.*

(1) *David Amar was appointed at the General Shareholders' Meeting of 13 June 2017.*

(2) *Philippe de Verdalle was appointed at the General Shareholders' Meeting of 13 June 2017.*

(3) *Delphine Grison was appointed at the General Shareholders' Meeting of 13 June 2017.*

(4) *Sandrine Dufour resigned at the Board of Directors meeting on 9 March 2018.*

(5) *Alexandre Loussert resigned from his mandate as director on 28 February 2019.*

(6) *Arnaud Marion resigned at the Board of Directors meeting on 14 December 2018 (appointed at the General Shareholders' Meeting of 19 October 2016, having waived his right to receive Directors' fees at the General Shareholders Meeting of 13 June 2017).*

(7) *Marie-Christine Levet was co-opted at the Board of Directors' meeting on 15 December 2017.*

(8) *Lucile Ribot was appointed at the General Shareholders' Meeting of 9 March 2018.*

(9) *Sophie Sursock was appointed at General Shareholders' Meeting of 13 June 2017.*

The Company has not put in place any additional specific pension scheme for its corporate officers.

The Combined General Shareholders' Meeting of 11 June 2015 set the annual amount of Directors' fees allocated to Board members at €490,000 from this year on and until otherwise decided at a General Shareholders' Meeting.

As in previous years, the payment of 2018 Directors' fees was made in two instalments: the first to take into account the meetings of the Board of Directors and Committees until 30 June 2018 and the second for meetings between 1 July and 31 December 2018.

For 2018, taking into account the involvement of all Directors, the Board of Directors decided to modify the rules for the distribution of the €490,000 Directors' fees budget as follows:

- €150,000 for the Chairman;
- equal distribution for the Directors, i.e. €37,500 per Director, subject to attendance at all meetings of the Board of Directors and Committees of which they are members.

With, however, three exceptions:

- prorated allocation for Directors who resigned during the year;
- reduction in the amount paid for the Directors who were absent in a significant number of times given the principle of participation in all meetings of the Board of Directors and the Committees of which they are members;
- no Directors' fees for internal Directors.

For 2019, the Board of Directors has decided to modify the rules for the distribution of the €490,000 Directors' fees budget as follows:

- €150,000 for the Chairman;
- equal distribution for the Directors, i.e. €37,700 per Director, subject to attendance at all meetings of the Board of Directors and Committees of which they are members;
- an €8,000 lump sum for the Chairman of the Audit Committee;
- a €4,000 lump sum for members of the Audit Committee;
- €5,000 lump sum for the Chairman of the Remuneration and Appointments Committee and the Chairman of the Strategy and M&A Committee;
- a €2,500 lump sum for members of the Remuneration and Appointments Committee and the Strategy and M&A Committee.

With, however, three exceptions:

- prorated allocation for Directors who resigned during the year;
- reduction in the amount paid for the Directors who were absent in a significant number of times given the principle of participation in all meetings of the Board of Directors and the Committees;
- no Directors' fees for internal Directors.

4.3.2 AMOUNTS PROVISIONED OR RECOGNISED ELSEWHERE FOR PAYMENT OF ALLOWANCES, RETIREMENT PENSIONS OR OTHER BENEFITS

On the date of this Registration Document, the sums provisioned or recognised elsewhere for the payment of pensions, retirement or other benefits were as follows:

- for the benefit of Mr Éric Boustouller: €0;
- for Ms Joëlle Obadia: €109,372 as provision for the retirement scheme and €3,851 as provision for the long-service awards.

COMMENTS ON THE FINANCIAL YEAR

5.1 SELECTED FINANCIAL INFORMATION

(in millions of euros)	Consolidated	Divested activities	As at 31/12/2018 Continued activities Total	Recurring	Non recurring
Revenues	670.4	1.0	669.4	669.4	-
Net external expenses	(197.1)	(0.6)	(196.5)	(192.1)	(4.4)
Staff expenses	(304.7)	(0.6)	(304.2)	(306.1)	1.9
Restructuring costs	(164.0)	-	(164.0)	-	(164.0)
EBITDA	**4.6**	**(0.1)**	**4.7**	**171.2**	**(166.5)**
As % of revenues	*0.7%*		*0.7%*	*25.6%*	
Depreciation and amortisation	(62.0)	(0.1)	(61.9)	(61.9)	-
Operating income	**(57.4)**	**(0.2)**	**(57.1)**	**109.4**	**(166.5)**
As % of revenues				*16.3%*	
Net gain from debt restructuring at 13 March 2017	-	-	-	-	-
Other financial income	0.1	-	0.1	0.1	-
Financial expenses	(36.8)	(0.0)	(36.8)	(36.8)	-
Financial income	**(36.7)**	**(0.0)**	**(36.7)**	**(36.7)**	**-**
Income before tax	**(94.1)**	**(0.2)**	**(93.9)**	**72.7**	**(166.5)**
Corporate income tax	12.9	0.0	12.9	(44.5)	57.3
INCOME FOR THE PERIOD	(81.2)	(0.2)	(81.0)	28.2	(109.2)

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

Assets

(in millions of euros)	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
Net goodwill	88.9	90.7	90.7
Other net intangible fixed assets	100.1	118.8	118.8
Net tangible fixed assets	25.6	25.5	25.5
Other non-current financial assets	6.9	7.3	7.3
Net deferred tax assets	**75.1**	57.3	9.2
TOTAL NON-CURRENT ASSETS	**296.6**	**299.6**	**251.5**
Net trade accounts receivable	234.6	281.8	304.1
Acquisition costs of contracts	-	-	35.5
Other current assets	42.5	33.7	33.7
Current tax receivable	9.0	2.7	2.7
Prepaid expenses	4.8	6.4	6.4
Other current financial assets	2.0	2.9	2.9
Cash and cash equivalents	81.6	87.5	87.5
TOTAL CURRENT ASSETS	**374.5**	**414.9**	**472.7**
TOTAL ASSETS	671.1	714.5	724.2

	As at 31/12/2017 *					As at 31/12/2017 published				
			Continued activities					Continued activities		
	Consolidated	Divested activities	Total	Recurring	Non recurring	Consolidated	Divested activities	Total	Recurring	Non recurring
	739.2	*11.5*	*727.7*	*727.7*	-	*764.9*	*9.1*	*755.8*	*755.8*	-
	(203.3)	(7.7)	(195.7)	(190.8)	(4.9)	(201.5)	(6.2)	(195.3)	(192.4)	(2.9)
	(384.4)	(7.6)	(376.8)	(366.5)	(10.3)	(383.5)	(5.6)	(377.9)	(367.5)	(10.4)
	-	-	-	-	-	-	-	-	-	-
	151.5	**(3.8)**	**155.3**	**170.4**	**(15.1)**	**180.0**	**(2.7)**	**182.7**	**196.0**	**(13.3)**
	20.5%		*21.3%*	*23.4%*		*23.5%*		*24.2%*	*25.9%*	
	(53.5)	10.4	(63.9)	(63.9)	-	(53.5)	10.7	(64.2)	(64.2)	-
	98.0	**6.6**	**91.4**	**106.6**	**(15.1)**	**126.5**	**8.0**	**118.5**	**131.8**	**(13.3)**
	13.3%		*12.6%*	*14.6%*		*16.5%*		*15.7%*	*17.4%*	
	265.8	-	265.8	-	265.8	265.8	-	265.8	-	265.8
	0.4	(0.0)	0.4	0.4	-	0.4	-	0.4	0.4	-
	(28.6)	-	(28.6)	(28.6)	-	(28.6)	-	(28.6)	(28.6)	-
	237.6	**(0.0)**	**237.6**	**(28.2)**	**265.8**	**237.6**	**-**	**237.6**	**(28.2)**	**265.8**
	335.6	**6.6**	**329.0**	**78.4**	**250.7**	**364.1**	**8.0**	**356.1**	**103.6**	**252.5**
	(18.8)	(1.5)	(17.3)	(35.0)	17.7	(28.6)	(1.5)	(27.1)	(44.1)	17.0
	316.8	**5.1**	**311.8**	**43.4**	**268.3**	**335.5**	**6.6**	**329.0**	**59.5**	**269.5**

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Liabilities

(in millions of euros)	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
TOTAL EQUITY	**(678.7)**	**(600.3)**	**(505.8)**
Non-current financial liabilities and derivatives	402.2	408.2	408.2
Employee benefits - non-current	93.8	139.4	139.4
Provisions - non-current	39.9	17.5	17.5
Deferred tax liabilities	(0.0)	0.1	0.1
TOTAL NON-CURRENT LIABILITIES	**535.9**	**565.2**	**565.2**
Bank overdrafts and other short-term borrowings	5.6	9.6	9.6
Accrued interest	1.4	1.4	1.4
Provisions - current	163.2	16.1	16.1
Contract liabilities	357.5	427.2	340.9
Trade accounts payable	115.4	91.2	91.2
Employee benefits - current	93.6	121.7	119.4
Other current liabilities	76.9	78.2	81.4
Corporation tax	0.2	4.2	4.9
TOTAL CURRENT LIABILITIES	**813.8**	**749.6**	**664.9**
TOTAL LIABILITIES	671.1	714.5	724.2

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

5.2 FINANCIAL REVIEW

5.2.1 OVERVIEW

Solocal generated revenues of €669.4 million in 2018 (scope of continued activities, divested activities excluded), its Digital and Print activities representing 85.3% and 14.7% of these revenues respectively. In 2018, Digital activities were mainly driven by the three digital service ranges – of Digital Presence, Digital Advertising and Websites, as well as two other activities, notably New Solutions and the Print activity related to the Group's historic business of publishing printed directories.

DIGITAL

In 2018, Solocal registered digital revenues of €571.0 million, representing 85.3% of Group revenues.

The Digital Presence range enables VSEs and SMEs to manage their activity on the Web through more over 20 sites, research engines and social networks including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Waze and Instagram in just a few clicks, in real time and automatically via a single mobile application or an online interface. This range represented revenues of €131 million in 2018.

The Digital Advertising range enables businesses to augment their digital visibility beyond their natural online presence by tapping into local markets. This range represented revenues of €326 million in 2018.

Targeting VSEs and SMEs, the Digital Presence and Digital Advertising ranges are also aimed at large network accounts.

The Websites service consists of creating search engine optimised websites (both window shopping and e-commerce) that cater to every purse on a subscription basis with automatic renewal. This range represented revenues of €107 million in 2018.

Solocal also offers New services designed to facilitate daily business of companies, such as a customer relationship management (CRM) solution which will be developed in 2019. This offer represented revenues of €7 million in 2018.

PRINT

Print activities generated €98 million in 2018. This business line incorporates the Group's activities in the publication, distribution and sale of advertising space in printed directories (PagesJaunes), as well as the Group's other "Voice" activities which include telephone directory and reverse directory services.

5.2.2 COMMENTARY ON THE 2018 FULL-YEAR RESULTS

During the 2018 financial year the Group divested four non-strategic activities ("Divested activities"):

Retail Explorer, NetVendeur, Effilab Australia and Effilab Dubai.

The accounts published by the Group as at 31 December 2018 are made up as follows.

In 2018 divested activities EBITDA amounted to -€0.1 million compared to -€3.8 million in 2017.

When presenting its results and in this activity report, Solocal separates the performance of continued activities from that of activities it has sold. The financial performance indicators for the scope of continued activities are detailed below.

Consolidated income statement for years ending 31 December 2018 and as at 31 December 2017

	As at 31/12/2018					As at 31/12/2017 *					Change
			Continued activities					Continued activities			
(in millions of euros)	Consolidated	Divested activities	Total	Recurring	Non recurring	Consolidated	Divested activities	Total	Recurring	Non recurring	Recurring 2018/2017
Revenues	670.4	1.0	669.4	669.4	-	739.2	11.5	727.7	727.7	-	-8.0%
Net external expenses	(197.1)	(0.6)	(196.5)	(192.1)	(4.4)	(203.3)	(7.7)	(195.7)	(190.8)	(4.9)	0.7%
Staff expenses	(304.7)	(0.6)	(304.2)	(306.1)	1.9	(384.4)	(7.6)	(376.8)	(366.5)	(10.3)	-16.5%
Restructuring costs	(164.0)	-	(164.0)	-	(164.0)	-	-	-	-	-	-
EBITDA	**4.6**	**(0.1)**	**4.7**	**171.2**	**(166.5)**	**151.5**	**(3.8)**	**155.3**	**170.4**	**(15.1)**	**0.5%**
As % of revenues	*0.7%*		*0.7%*	*25.6%*		*20.5%*		*21.3%*	*23.4%*		
Depreciation and amortisation	(62.0)	(0.1)	(61.9)	(61.9)	-	(53.5)	10.4	(63.9)	(63.9)	-	-3.1%
Operating income	**(57.4)**	**(0.2)**	**(57.1)**	**109.4**	**(166.5)**	**98.0**	**6.6**	**91.4**	**106.6**	**(15.1)**	**2.6%**
As % of revenues				*16.3%*		*13.3%*		*12.6%*	*14.6%*		
Net gain from debt restructuring at 13 March 2017	-	-	-	-	-	265.8	-	265.8	-	265.8	-
Other financial income	0.1	-	0.1	0.1	-	0.4	(0.0)	0.4	0.4	-	-75.0%
Financial expenses	(36.8)	(0.0)	(36.8)	(36.8)	-	(28.6)	-	(28.6)	(28.6)	-	28.7%
Financial income	**(36.7)**	**(0.0)**	**(36.7)**	**(36.7)**	**-**	**237.6**	**(0.0)**	**237.6**	**(28.2)**	**265.8**	**30.1%**
Income before tax	**(94.1)**	**(0.2)**	**(93.9)**	**72.7**	**(166.5)**	**335.6**	**6.6**	**329.0**	**78.4**	**250.7**	**-7.3%**
Corporate income tax	12.9	0.0	12.9	(44.5)	57.3	(18.8)	(1.5)	(17.3)	(35.0)	17.7	27.1%
INCOME FOR THE PERIOD	**(81.2)**	**(0.2)**	**(81.0)**	**28.2**	**(109.2)**	**316.8**	**5.1**	**311.8**	**43.4**	**268.3**	**-35.0%**

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

Recurring EBITDA corresponds to EBITDA before taking into account exceptional events such as restructuring costs. These non recurring items are income and expenses in a limited number, unusual, abnormal, and infrequent and of amounts particularly significant. They correspond to:

- restructuration costs: costs corresponding to a planned program and controlled by the management, which has a significant impact on the scope of activities of the Group or the way this business is managed, under the IAS 37 criteria;
- gains or losses realised on the disposal of assets.

In 2018 Non recurring items amounted to -€166.5 million and include mainly in restructuring costs resulting from the transformation project. This plan is related to a headcount reduction of 1,000 for a net total cost of -€164.0 million.

In 2017, this amounted to -€15.1 million and primarily concern non recurring staff costs for securing the continuity of the business, severance costs for people not being replaced and items related to new corporate governance.

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Breakdown of revenues and recurring EBITDA of continued activities as at 31 December 2018 and 31 December 2017

(in millions of euros)	As at 31/12/2018	As at 31/12/2017 *	Change Recurring 2018/2017
Digital	571.0	592.8	-3.7%
Print	98.4	134.9	-27.1%
Revenues	**669.4**	**727.7**	**-8.0%**
Digital revenues as % of total revenues	*85.3%*	*81.5%*	
Digital	149.3	140.1	6.5%
Print	22.0	30.3	-27.5%
Recurring EBITDA	**171.2**	**170.4**	**0.5%**
As % of revenues			
Digital	26.1%	23.6%	
Print	22.4%	22.5%	
Total	*25.6%*	*23.4%*	

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

5.2.2.1 ANALYSIS OF REVENUES, OF SALES AND ORDER BACKLOG OF CONTINUED ACTIVITIES

Order intake

(in millions of euros)	As at 31/12/2018	As at 31/12/2017	Change
Digital order intake	528.7	604.1	-12.5%
Print order intake	77.1	117.5	-34.4%
TOTAL ORDER INTAKE	**605.8**	**721.6**	**-16.0%**

Total order intake in 2018 amounted to €605.8 million, down -16.0% compared to total order intake for 2017. Digital order intake for 2018 was down -€75.4 million, i.e. -12.5%, whereas Print order intake for 2018 was down -€40.4 million, i.e. -34.4%.

Solocal's performance indicators

	As at 31/12/2018	As at 31/12/2017	Change
Order intake on a subscription basis *(as a % of total order intake)* *	15.5%	10.8%	4.7 pts
Audience: number of PagesJaunes visits *(in billions)*	1.73	1.71	0.9%

* *Scope excluding ClicRDV, Effilab, Leadformance, Mappy, Ooreka, QDQ, SoMS and non significant subsidiaries, representing approx. 92% of consolidated turnover.*

Order intake in subscription mode as a percentage of total order intake amounted to 15.5%, up +4.7 points in 2018 compared to 2017. Subscription order intake mainly includes Websites, Booster Contact, the Social offer and the new Presence range. The new Presence digital services offer has been deployed since November 2018 in test mode with ramping up planned for 2019.

The PagesJaunes audience is up 0.9% in 2018 compared to 2017. Mobile visits increased by 9.6% in 2018 compared to 2017, reaching a new record in mobile usage, in line with the overall trend. Partnership related visits are up, with new partnerships being forged throughout the year, in particular with Le Bon Coin in the fourth quarter of 2018. Leads generated by visitors increased by +1.6% in 2018 compared to 2017.

Revenues

(in millions of euros)	As at 31/12/2018	As at 31/12/2017 *	Change
Digital revenues	571.0	592.8	-3.7%
Print revenues	98.4	134.9	-27.1%
TOTAL REVENUES	669.4	727.7	-8.0%

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

Total revenues in 2018 amount to €669.4 million, down -8.0% compared to 2017 total revenues. Digital revenues in 2018 were down -€21.8 million, i.e. -3.7%, mainly due to the decrease in order intake in the third and fourth quarters of 2018. 2018 Print revenues were down -€36.5 million, i.e. -27.1%.

Order backlog

(in millions of euros)	As at 31/12/2018	As at 31/12/2017	Change
Digital order backlog	351.7	394.0	-10.7%
Print order backlog	40.2	61.6	-34.7%
TOTAL ORDER BACKLOG	391.9	455.6	-14.0%

The total order backlog amounts to €391.9 million on 31 December 2018, down -14.0% compared to 31 December 2017. This fall is in part due to the strong decline in the Print business (drop in the Print order backlog of -34.6% on 31 December 2018 compared to 31 December 2017). The Digital order backlog was down -10.7% due to a slowdown in Digital order intake in the third and fourth quarters of 2018.

5.2.2.2 ANALYSIS OF RECURRING EBITDA OF CONTINUED ACTIVITIES

Net external expenses

Recurring net external expenses were -€192.1 million, slightly up +0.7% in 2018 compared to 2017 due to an increase in direct production costs, offset by a decrease in costs related to the transformation project.

Staff expenses

Recurring personnel expenses were -€306.1 million in 2018, down -16.5% compared to 2017, due to the staff departures resulting from the transformation project. The 1,000 departures initially planned over 2018 and 2019 were in fact fully achieved in 2018.

Recurring EBITDA of continued activities

Recurring EBITDA was €171.2 million in 2018, up +0.5% compared to 2017, the decrease in revenues being offset in particular by the reduction in the cost base of €60 million under the transformation project. The Recurring EBITDA/recurring revenues margin was 25.6% in 2018, up +2.2 points vs. 2017.

5.2.2.3 ANALYSIS OF OTHER INCOME STATEMENT ITEMS OF CONTINUED ACTIVITIES

Operating income

The table below shows the Group's operating income from continued activities as at 31 December 2018 and as at 31 December 2017:

	As at 31/12/2018			As at 31/12/2017 *			
	Continued activities			Continued activities			
(in millions of euros)	Total	Recurring	Non recurring	Total	Recurring	Non recurring	Change Recurring 2018/2017
EBITDA	**4.7**	**171.2**	**(166.5)**	**155.3**	**170.4**	**(15.1)**	**0.5%**
As % of revenues	*0.7%*	*25.6%*		*21.3%*	*23.4%*		
Depreciation and amortization	(61.9)	(61.9)	-	(63.9)	(63.9)	-	-3.1%
Operating income	**(57.1)**	**109.4**	**(166.5)**	**91.4**	**106.6**	**(15.1)**	**2.6%**
As % of revenues		*16.3%*		*12.6%*	*14.6%*		

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

Depreciation and amortisation amounted to -€61.9 million in 2018, down -3.1% compared to 2017. This can be explained mainly by tight control over investments in 2018.

The Group's recurring operating income increased by 2.6% compared to 2017 at €109.4 million.

Net income

The table below shows the Group's net income from continued activities as at 31 December 2018 and as at 31 December 2017:

	As at 31/12/2018			As at 31/12/2017 *			Change Recurring
	Continued activities			Continued activities			
(in millions of euros)	Total	Recurring	Non recurring	Total	Recurring	Non recurring	2018/2017
OPERATING INCOME	**(57.1)**	**109.4**	**(166.5)**	**91.4**	**106.6**	**(15.1)**	**2.6%**
As % of revenues		*16.3%*		*12.6%*	*14.6%*		
Net gain from debt restructuring at 13 March 2017	-	-	-	265.8	-	265.8	-
Other financial income	0.1	0.1	-	0.4	0.4	-	-75.0%
Financial expenses	(36.8)	(36.8)	-	(28.6)	(28.6)	-	28.7%
FINANCIAL INCOME	**(36.7)**	**(36.7)**	**-**	**237.6**	**(28.2)**	**265.8**	**30.1%**
INCOME BEFORE TAX	**(93.9)**	**72.7**	**(166.5)**	**329.0**	**78.4**	**250.7**	**-7.3%**
Corporate income tax	12.9	(44.5)	57.3	(17.3)	(35.0)	17.7	27.1%
INCOME FOR THE PERIOD	**(81.0)**	**28.2**	**(109.2)**	**311.8**	**43.4**	**268.3**	**-35.0%**

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

Recurring net financial income/expense

Net financial income was -€36.7 million in 2018, compared to -€28.2 million (excluding debt restructuring) in 2017. This change is mainly due to interest expenses for the bond debt of -€32.0 million in 2018 in comparison to -€24.0 million in 2017. As part of the financial restructuring of the debt in the first quarter 2017, the new debt did not bear interest from 1 January to 14 March 2017.

Net recurring income/expense for the period

The pre-tax recurring income for continued activities amounted to €72.7 million in 2018, down -7.3% compared to 2017.

The pre-tax income for continued activities was -€93.9 million in 2018, due to the costs of -€164.0 million related mainly to the transformation project in 2018. In 2017, pre-tax income for continued activities was €329.0 million, due to the net gain from debt restructuring of €266.0 million.

The corporate income tax income was €13.0 million in 2018, consisting of -€5.3 million paid mainly under the CVAE (corporate value added contribution) and of deferred tax income of €18.2 million. This deferred tax income is mainly due to deferred tax assets generated in 2018 from the French tax consolidation. In 2017, the corporate income expense amounted to -€19.0 million.

Non-recurring items

Non-recurring items that impact EBITDA amounted to -€166.5 million and include mainly -€164.0 million in restructuring costs resulting from the transformation project. These -€164 million can be broken down as follows:

- -€215 million in estimated provisioned costs resulting from the headcount reduction of 1,000 concerned by the transformation project carried out in 2018 and other restructuring-related expenses;
- €51 million in provision reversals initially set aside for retirement benefits and long-service awards in relation to the positions cut;
- a net estimated cost of -€164 million. €36 million of this amount were disbursed in 2018, the net provision as at 31 December 2018 thus amounts to €128 million.

Personnel expenses related to the departures of employees are accounted for as non-recurring costs as of the date of their departure.

Net income for the period

Since the contribution from divested activities to net income was close to zero, the consolidated net income for the Group was -€81.2 million in 2018 vs. €316.8 million in 2017 related to the net gain from debt restructuring.

5.2.2.4 PRESENTATION OF CONSOLIDATED CASH FLOWS WITH BREAKDOWN OF "CONTINUED ACTIVITIES" AND "DIVESTED ACTIVITIES"

Cash flow statement

(in millions of euros)	As at 31/12/2018	As at 31/12/2017 *	Change Recurring 2018/2017
RECURRING EBITDA	**171.2**	**170.4**	**0.8**
Non monetary items included in EBITDA and other	10.5	1.8	8.7
Net change in working capital	(14.4)	(13.3)	(1.2)
Acquisition of tangible and intangible fixed assets	(43.6)	(52.8)	9.1
Cash financial income	(31.7)	(55.8)	24.2
Non-recurring items	(67.8)	(26.7)	(41.1)
of which Restructuring	(49.8)	(26.7)	(23.1)
of which Net change in non recurring working capital	(18.0)	-	(18.0)
Corporate income tax paid	(15.8)	(44.6)	28.8
FREE CASH FLOW FROM CONTINUED ACTIVITIES	**8.4**	**(21.0)**	**29.4**
Free Cash flow from divested activities	(0.1)	(3.7)	3.6
FREE CASH FLOW	**8.3**	**(24.7)**	**33.0**
Increase (decrease) in borrowings and bank overdrafts	(0.0)	(263.9)	263.9
Capital increase	-	272.7	(272.7)
Other	(12.8)	11.0	(23.8)
NET CASH VARIATION	**(4.5)**	**(4.9)**	**0.4**
Net cash and cash equivalents at beginning of period	86.0	91.0	(5.0)
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	81.5	86.1	(4.6)

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

The change in working capital requirements is -€14.4 million in 2018 vs. -€13.3 million in 2017.

Non-recurring items amounted to -€67.8 million in 2018 and include -€36 million related to the transformation project, -€14 million of non-recurring disbursements not related to the 2018 PSE (former 2014 PSE and 2015 mobility plan, natural departures not replaced, restructuring in subsidiaries outside France, etc.) and -€18 million of change in non-recurring working capital (decrease in social provisions in the balance sheet as a result of the headcount reduction of approximately 1,000 people).

With the contribution from divested activities, consolidated free cash-flow for the Group was €8.3 million in 2018 vs. -€24.7 million in 2017.

As of 31 December 2018, the Group had net cash position of €81.5 million vs. €86.0 million as of 31 December 2017.

The conversion rate for recurring EBITDA into operating cash flow as calculated by the formula ((recurring EBITDA + change in WCR – capex)/recurring EBITDA) was 66% in 2018 vs. 61% in 2017.

5.2.3 CONSOLIDATED LIQUIDITIES, CAPITAL RESOURCES AND INVESTMENT EXPENSES

The table below shows the cash flows from the Group's **continued activities** as at 31 December 2018 and as at 31 December 2017:

	Continued activities		
(in millions of euros)	As at 31/12/2018	As at 31/12/2017 *	Change Recurring 2018/2017
Net cash from operations	48.8	27.0	21.9
Net cash used in investing activities	(50.0)	(40.2)	(9.7)
Net cash provided by (used in) financing activities	(3.4)	8.5	(11.9)
Impact of changes in exchange rates on cash	0.0	(0.0)	0.1
NET INCREASE (DECREASE) IN CASH POSITION	(4.5)	(4.8)	0.3

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

The net cash from operations amounted to €48.8 million in 2018 compared to €27.0 million in 2017, representing an increase of €21.9 million in relation with the decrease of disbursement of interest charges and corporate income taxes, mitigated by the disbursement of non recurring items (restructuring).

The net cash used in investing activities amounted to -€50.0 million in 2018 compared to -€40.2 million in 2017, representing a decrease of -€9.7 million related to the sale of "avendrealouer.fr" activity in 2017 without equivalent in 2018.

The net cash used in financing activities amounted to a net disbursement of -€3.4 million in 2018 compared to a net increase of €8.5 million in 2017.

The table below shows **the changes in the Group's consolidated cash position** for the periods ended 31 December 2018 and 31 December 2017:

(in millions of euros)	As at 31/12/2018	As at 31/12/2017
Gross cash	81.6	87.5
Bank overdrafts	(0.1)	(1.4)
NET CASH	81.5	86.1
Bond loan	397.8	397.8
Lease liability	6.9	10.1
Price supplements on acquisition of securities	0.2	3.7
Accrued interest not yet due	1.4	1.4
Other financial liabilities	2.8	4.8
GROSS FINANCIAL DEBT	409.1	417.8
of which current	*6.9*	*9.6*
of which non-current	*402.2*	*408.2*
NET DEBT	327.6	331.7
NET DEBT OF CONSOLIDATED GROUP EXCLUDED LOAN ISSUE EXPENSES	327.6	331.7

The net Group's debt amounted to €327.6 million as at 31 December 2018 compared to €331.7 million as at 31 December 2017.

As at 31 December 2018 it mainly comprised:

- of bonds stemming from the financial restructuring operations carried out in March 2017 for an amount of €397.8 million, repayable in March 2022;
- of Lease liability of €6.9 million;
- of net cash flow of €81.5 million.

An agreement was reached in February 2019 in order to put in place a revolving credit facility (RCF) of €15 million with two banks.

A working capital facility was signed in December 2018 with a financial partner.

Other discussions are ongoing with several banks in order to achieve other similar agreements.

In addition, a technical reallocation between baskets in the bond documentation could be considered, which would allow the Company to gain flexibility in the use of working capital facilities. Such an amendment would only require the agreement of bondholders by a simple majority.

According to the cash outflows the Group is projecting (based in particular on the growth of Digital sales over 2019) and taking into account the financial facilities described above, the Group is in a position to finance its business activity in 2019 as well as the large outflows, related to the PSE, which will take place in the third and fourth quarter of 2019

5.2.4 OUTLOOK FOR 2019

The Company is targeting moderate growth in recurring EBITDA, growth in Digital order intake in 2019 as well as maintaining a conversion rate for recurring EBITDA into operating cash flow above 60% (under the same accounting standard as before application of the new IFRS 16 standard).

5.2.5 EVENTS SUBSEQUENT TO THE CLOSING DATE

None.

5.2.6 INVESTMENT EXPENSES

CAPEX FROM CONTINUED ACTIVITIES

(in millions of euros)	As at 31/12/2018	As at 31/12/2017	Change
Acquisition of tangible and intangible fixed assets	43.6	52.8	-17.3%
In % of revenues from continued activities	6.5%	7.3%	

Capital expenditure fell 17.3% to €43.6 million in 2018, from €52.8 million in 2017. Capital expenditure represents 6.5% of revenues as at 31 December 2018. Group investment in 2018 focused on the key challenges of the Group: media platforms, improvements of tools (sales, marketing, client relation), digital services of the new product range.

GLOSSARY

Audience: Indicator of visits and access to content on a defined period

Order backlog: The order backlog corresponds to the outstanding portion of revenues still to be recognized as at 31 December from order bookings validated and engaged by customers. Regarding products on a subscription mode, only the current commitment period is taken into account

EBITDA: (earnings before interests, taxes, depreciation and amortization): EBITDA is an alternative performance indicator presented in the profit & loss statement at the level of operating income before taking into account depreciation and amortisation.

Recurring EBITDA corresponds to EBITDA before taking into account exceptional events such as restructuring costs. These non-recurring items are income and expenses in a limited number, unusual, abnormal, and infrequent and of amounts particularly significant. They correspond to:

- gains or losses realized on the disposal of assets;
- restructuration costs: costs corresponding to a planned program and controlled by the management, which has a significant impact on the scope of activities of the Group or the way this business is managed, under the IAS 37 criteria.

FINANCIAL STATEMENTS

6.1 CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 AND 2018

6.1.1 CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of euros, except data relating to shares)	Notes	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
Revenues	*5.1*	670,410	739,243	764,941
Net external expenses		(197,087)	(203,339)	(201,479)
Personnel expenses	*7.1*	(304,728)	(384,409)	(383,492)
Restructuring costs	*1.1.2*	(164,000)	-	-
EBITDA		**4,596**	**151,495**	**179,970**
Depreciation and amortization		(61,963)	(53,487)	(53,487)
OPERATING INCOME		**(57,367)**	**98,009**	**126,483**
Net gain from debt restructuring at 13 March 2017		-	265,785	265,785
Financial income		108	395	393
Financial expenses		(36,816)	(28,571)	(28,569)
NET FINANCIAL INCOME	*9.4*	**(36,708)**	**237,609**	**237,609**
INCOME BEFORE TAX		**(94,075)**	**335,618**	**364,092**
Corporate income tax	*8*	12,891	(18,786)	(28,570)
INCOME FOR THE PERIOD		**(81,184)**	**316,831**	**335,522**
Income for the period attributable to:				
● Shareholders of Solocal		(81,206)	316,852	335,543
● Non-controlling interests		22	(21)	(21)
Net earnings per share attributable to Solocal shareholders (in euros)				
Net earnings per share of the consolidated group				
calculated on the basis of a weighted average number of shares				
● basic	*11.5*	(0.14)	0.81	0.86
● diluted		(0.14)	0.80	0.85
Net earnings per share of the consolidated group				
based on the year-end number of existing shares (as at 30 June)				
● basic		(0.14)	0.54	0.58
● diluted		(0.14)	0.54	0.57

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

6.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Notes	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
Income for the period report		**(81,184)**	**316,831**	**335,522**
ABO reserves:				
● Gross	*7.2*	1,055	(878)	(878)
● Deferred tax		(362)	(1,260)	(1,260)
● **Net of tax**		**693**	**(2,138)**	**(2,138)**
Exchange differences on translation of foreign operations		11	(297)	(297)
OTHER COMPREHENSIVE INCOME		**704**	**(2,435)**	**(2,435)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(80,480)**	**314,396**	**333,087**
Total comprehensive income for the period attributable to:				
● Shareholders of Solocal		(80,504)	314,417	333,112
● Non-controlling interests		24	(21)	(25)

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

6.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of euros)	Notes	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
Assets				
Net goodwill	*4.1*	88,870	90,727	90,727
Other net intangible fixed assets	*4.2*	100,139	118,842	118,842
Net tangible fixed assets	*4.3*	25,614	25,482	25,482
Other non-current financial assets	*9.6*	6,919	7,293	7,293
Net deferred tax assets	*8.2*	75,056	57,263	9,155
TOTAL NON-CURRENT ASSETS		**296,598**	**299,606**	**251,498**
Net trade accounts receivable	*5.2*	234,559	281,766	304,070
Acquisition costs of contracts	*1.3.1.3*	-	-	35,477
Other current assets	*5.3*	42,494	33,703	33,703
Current tax receivable		9,023	2,731	2,731
Prepaid expenses		4,755	6,374	6,374
Other current financial assets		2,006	2,880	2,880
Cash and cash equivalents	*9.5*	81,644	87,476	87,476
TOTAL CURRENT ASSETS		**374,482**	**414,929**	**472,710**
TOTAL ASSETS		671,081	714,534	724,208

Liabilities				
Share capital		58,363	58,244	58,244
Issue premium		743,803	741,551	741,551
Reserves		(1,349,806)	(1,666,484)	(1,591,351)
Income for the period attributable to shareholders		(81,184)	316,852	335,543
Other comprehensive income		(44,641)	(45,347)	(44,745)
Own shares		(5,249)	(5,157)	(5,157)
EQUITY ATTRIBUTABLE TO SOLOCAL SHAREHOLDERS	**11**	**(678,714)**	**(600,341)**	**(505,915)**
Non-controlling interests		41	79	79
TOTAL EQUITY		**(678,673)**	**(600,263)**	**(505,836)**
Non-current financial liabilities and derivatives	9.6	402,235	408,170	408,170
Employee benefits – non-current	7.2	93,770	139,391	139,391
Provisions – non-current	7.2	39,937	17,533	17,533
Deferred tax liabilities	8.2	-	74	74
TOTAL NON-CURRENT LIABILITIES		**535,942**	**565,168**	**565,168**
Bank overdrafts and other short-term borrowings	9.6	5,626	9,555	9,555
Accrued interest	9.6	1,389	1,419	1,419
Provisions – current	7.2	163,188	16,108	16,108
Contract liabilities	5.4	357,486	427,178	340,931
Trade accounts payable	5.5	115,391	91,186	91,186
Employee benefits – current		93,605	121,741	119,416
Other current liabilities		76,895	78,237	81,357
Corporation tax		232	4,204	4,905
TOTAL CURRENT LIABILITIES		**813,813**	**749,627**	**664,876**
TOTAL LIABILITIES		671,081	714,534	724,208

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

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6.1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Number of shares in circulation	Share capital	Issue premium	Own shares
BALANCE AS AT 31 DECEMBER 2016	**38,793,842**	**233,259**	**364,544**	**(4,987)**
Retroactive impact on Turnover table of pension commitment				
Retroactive impact of retention plan				
BALANCE AS AT 1 JANUARY 2017 – PUBLISHED FINANCIAL STATEMENTS	**38,793,842**	**233,259**	**364,544**	**(4,987)**
Retroactive impact of IFRS 15				
BALANCE AS AT 1 JANUARY 2017	**38,793,842**	**233,259**	**364,544**	**(4,987)**
Total comprehensive income for the period, net of tax				
Retroactive impact on Turnover table of pension commitment				
Retroactive impact of retention plan				
Other comprehensive income, net of tax				
Total comprehensive income for the period, net of tax				
Capital transactions	543,568,236	(175,015)	377,007	
Mandatory Convertible Bond				
Shares of the consolidating company net of tax effect	(319,552)			(170)
BALANCE AS AT 31 DECEMBER 2017	**582,042,526**	**58,244**	**741,551**	**(5,157)**
Retroactive impact of IFRS 15				
Retroactive impact of IFRS 9				
BALANCE AS AT 1 JANUARY 2018	**582,042,526**	**58,244**	**741,551**	**(5,157)**
Total comprehensive income for the period, net of tax				
Other comprehensive income, net of tax				
Comprehensive income for the period, net of tax				
Share-based payment				
Capital transactions	1,185,565	119	2,252	
Shares of the consolidating company, net of tax effect	(90,367)			(92)
Minority stake holders Effilab Dubaï (disposal)				
BALANCE AS AT 31 DECEMBER 2018	**583,137,724**	**58,363**	**743,803**	**(5,249)**

Income and reserves	Actuarial differences	Translation reserve	Group equity	Non-controlling interests	Total equity
(1,867,141)	**(11,606)**	**(306)**	**(1,286,238)**	**104**	**(1,286,134)**
(1,784)	(31,001)		(32,785)		(32,785)
1,335			1,335		1,335
(1,867,590)	**(42,607)**	**(306)**	**(1,317,688)**	**104**	**(1,317,584)**
(73,301)			(73,301)		(73,301)
(1,940,891)	**(42,607)**	**(306)**	**(1,390,989)**	**104**	**(1,390,885)**
336,613			336,613	(21)	336,592
(402)	*6,921*		*6,519*		*6,519*
(668)			*(668)*		*(668)*
-	(9,059)	(294)	(9,353)	(4)	(9,357)
335,522	**(2,138)**	**(294)**	**333,111**	**(25)**	**333,087**
268,035			470,027		470,027
8,804			8,804		8,804
			(170)		(170)
(1,328,509)	**(44,745)**	**(600)**	**(579,217)**	**79**	**(579,137)**
(17,355)			*(17,355)*		*(17,355)*
(3,768)			*(3,768)*		*(3,768)*
(1,349,632)	**(44,745)**	**(600)**	**(600,341)**	**79**	**(600,261)**
(81,184)			(81,184)	21	(81,163)
-	693	11	704	2	705
(81,184)	**693**	**11**	**(80,480)**	**23**	**(80,457)**
2,197			2,197		2,197
(2,371)			-		-
			(92)		(92)
				(61)	(61)
(1,430,990)	(44,052)	(589)	(678,714)	41	(678,673)

6.1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 *
Income for the period attributable to Solocal shareholders	**(81,206)**	**316,852**	**335,543**
Depreciation and amortization of fixed assets	57,159	64,511	64,511
Change in provisions	125,076	(10,653)	(10,653)
Share-based payment	2,123	-	-
Capital gains or losses on asset disposals	4,804	(11,024)	(11,024)
Interest income and expenses	36,715	(237,573)	(237,573)
Hedging instruments	-	(36)	(36)
Unrealised exchange difference	(7)	-	-
Tax charge for the period	(12,891)	18,786	28,570
Share of the result from associated companies	-	-	-
Non-controlling interests	22	(21)	(21)
Decrease (increase) in inventories	353	135	135
Decrease (increase) in trade accounts receivable	47,816	32,846	18,574
Decrease (increase) in other receivables	(8,814)	(213)	(665)
Increase (decrease) in trade accounts payable	25,801	4,357	4,357
Increase (decrease) in other payables	(97,515)	(49,111)	(62,862)
Net change in working capital	**(32,359)**	**(11,986)**	**(40,461)**
Dividends and interest received	635	422	422
Interest paid and rate effect of net derivatives	(35,289)	(56,228)	(56,228)
Corporation tax paid	(15,781)	(44,790)	(44,790)
NET CASH FROM OPERATIONS	**49,001**	**28,260**	**28,260**
Purchases of tangible and intangible fixed assets	(43,665)	(53,859)	(53,859)
Acquisitions/disposals of investment securities and subsidiaries, net of cash acquired/sold and other changes in assets	(7,104)	12,233	12,233
NET CASH USED IN INVESTING ACTIVITIES	**(50,768)**	**(41,626)**	**(41,626)**
Increase (decrease) in borrowings	(3,109)	(263,919)	(263,919)
Capital increase net of costs	-	272,651	272,651
Dividends paid	106	-	(0)
Other cash from financing activities o/w own shares	94	(216)	(216)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(2,909)**	**8,516**	**8,516**
Impact of changes in exchange rates on cash	81	(45)	(45)
NET INCREASE (DECREASE) IN CASH POSITION	**(4,595)**	**(4,895)**	**(4,895)**
Net cash and cash equivalents at beginning of period	86,118	91,013	91,013
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	**81,523**	**86,118**	**86,118**

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

6.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6

NOTE 1 Basis for preparation of the consolidated financial statements

Solocal Group is a Public Limited Company with a Board of Directors subject to the provisions of Book II of the French Commercial Code, as well as all other statutory provisions applicable to French trading companies.

The registered office of the Company is at 204 rond-point du Pont de Sèvres, 92100 Boulogne-Billancourt (France). It was founded in 2000 and the Solocal Group shares have been listed on the Paris Stock Exchange (Euronext) since 2004 (LOCAL).

1.1 HIGHLIGHTS

1.1.1 Activities

Solocal generated revenue of €670.4 million in 2018, with Digital and Print activities representing 85.3% and 14.7% of this amount respectively. In 2018, the Digital business was driven chiefly by the three digital services ranges (Digital Presence, Digital Advertising and Sites), and by the Print business, which is the group's legacy printed telephone directory distribution business.

Digital

In 2018, Solocal registered Digital revenues of €572.0 million, representing 85.3% of Group revenues.

Print

Print activities generated revenue of €98.4 million in 2018. This segment includes the Group's activities pertaining to the publishing, distribution and sales of advertising space in the print directories (PagesJaunes, PagesBlanches), as well as other activities of the Group called "Voice", including telephone directory and reverse directory services.

1.1.2 Restructuring plan

On 13 February 2018, the Group presented its strategic project entitled "Solocal 2020". This transformation project, designed to enable the Group to restore sustainable growth with effect from 2019, involves cutting around 1,000 positions through the implementation of two Employment Protection Plans.

This transformation project also comprises measures to improve operational efficiency, notably including the grouping of the telesales, customer support and production activities within regional centres. It has resulted in the closure and merging of commercial branches. The Management and majority trade unions signed four agreements on 22 June 2018:

- an FCSP (Forward-Looking Careers and Skills Planning) agreement on mobility leave, outlining the external mobility schemes offered to employees working in job categories affected by the reorganisation project. This agreement encourages voluntary departures between July and end-September 2018;
- an agreement on the Employment Protection Plan for people in affected positions, to be launched in the fourth quarter 2018;
- a framework agreement including a commitment to maintain the volume of jobs during the implementation of the new organisation and providing a mechanism for sharing value creation for the employees of the new organisation;
- an agreement to maintain supplementary pensions.

In addition, a plan to transfer the activities of the Toulouse and Marseille centres to the Bordeaux and Lyon centres was presented on 21 November 2018. It resulted in the amendment of the employment contracts of the employees working in these centres.

Provisions covering the jobs concerned by the employment aspect of the restructuring plan and the closure of regional commercial branches at the end of 2018 were recorded in the amount of €172.1 million as of 31 December 2018; in exchange, a reversal of provisions for end-of-career commitments for the relevant employees (lump-sum retirement payments and long-service awards) was made in the amount of €50.9 million.

The Group also set aside a provision of €6.7 million representing its best estimate of the cost of vacating Citylights' vacant premises. The plan's impacts on the financial statements for the year ended 31 December 2018 are shown on the "Restructuring costs" line of the income statement and are as follows:

(in millions of euros)	**Staff count**	**Estimated cost**	**Reversal of pension commitments provisions**	**Net charges**	**Disbursement**	**Provision excluding pension commitments**	**Pension commitments net provision as at 31/12/2018**
Non recurring staff costs	**85**	**(5.1)**	**3.0**	**(2.2)**	**3.6**	**(1.5)**	**1.5**
Costs related to departures in 2018	929	(186.2)	47.9	(138.3)	20.1	(166.1)	(118.2)
Costs related to real estate		(12.2)	0.0	(12.2)	2.0	(10.2)	(10.2)
Subtotal departures + real estate	**929**	**(198.4)**	**47.9**	**(150.5)**	**22.2**	**(176.2)**	**(128.3)**
Other restructuring-related costs		**(11.4)**	**0.0**	**(11.4)**	**10.3**	**(1.1)**	**(1.1)**
TOTAL	1,014	(214.9)	50.9	(164.0)	36.0	(178.8)	(127.9)

Elements of uncertainty that could influence the appropriate valuation of this provision will depend on the personal choices made by the individuals working in the categories concerned.

1.2 ACCOUNTING PRINCIPLES AND METHODS

The consolidated financial statements as at 31 December 2018 were prepared in accordance with the international accounting statements of the IASB (International Accounting Standards Board) as well as the international standards adopted by the European Union as at 31 December 2018.

The guidelines adopted by the European Commission are available on the following website:
https://ec.europa.eu/info/law/
international-accounting-standards-regulation-ecno-1606-2002.

The accounting year of the Solocal Group companies runs from 1 January to 31 December. The consolidated financial statements are presented in euros.

The Group's consolidated financial statements for the year ended 31 December 2018 were prepared and approved by the Chief Executive Officer of Solocal Group, and were approved by the Board of Directors on 19 February 2019. They will be submitted for the approval of the General Shareholders' Meeting of 11 April 2019.

1.3 IFRS STANDARDS

The accounting principles and methods applied for the consolidated financial statements for the year ended 31 December 2018 are identical to those used for the consolidated financial statements for the year ended 31 December 2017, except for new standards, amendments and interpretations adopted by the European Union and the IASB with mandatory application for financial years beginning on or after 1 January 2018 (and which had not been applied early by the Group), namely IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers".

The standards, amendments or interpretations published by the IASB and IFRS IC (IFRS Interpretations Committee) respectively, and whose application is not mandatory for the open financial years with effect from 1 January 2018 and not applied par anticipation by the Group, are:

Amendments to IAS 1 and the IAS 8	Definition of materiality	Not adopted by the European Union as of 31 December 2018
Amendments to IAS 19	Plan amendment, curtailment or settlement	Not adopted by the European Union as of 31 December 2018
Amendments to IAS 28	Long-term interests in associates and joint ventures	Not adopted by the European Union as of 31 December 2018
Amendments to IFRS 9	Prepayment features with negative compensation	Adopted by the European Union as of 26 March 2018
Amendments to IFRS 9, IFRS 7 and IAS 39	Date of mandatory application and disclosures during the transition period	Not adopted by the European Union as of 31 December 2018
Amendments to IFRS 9	Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39	Not adopted by the European Union as of 31 December 2018
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Not adopted by the European Union as of 31 December 2018
Conceptual framework		Not adopted by the European Union as of 31 December 2018
IFRS 16	Leases	Adopted by the European Union as of 9 November 2017
IFRS 17	Insurance Contracts	Not adopted by the European Union as of 31 December 2018
IFRIC 23 interpretations	Accounting for Uncertainties in Income Taxes (IAS 12)	Adopted by the European Union as of 24 October 2018
	Annual improvements to IFRS, 2015-2017 cycle	Not adopted by the European Union as of 31 December 2018

1.3.1 First application of IFRS 9 and IFRS 15

IFRS 15 "Revenue from Contracts with Customers"

Solocal has applied IFRS 15 "Revenue from Contracts with Customers" since 1 January 2018. The 2017 financial statements have been restated to facilitate the comparison of revenue following the entry into force of the new standard. The table below shows 2017 revenue as reported, i.e. before taking into account the impact of IFRS 15, and the restated 2017 revenue after taking IFRS 15 into account.

(in millions of euros)			As at 31/12/2017
Revenues	IAS 18	IFRS 15	Difference
Digital	644.9	604.3	(40.6)
Print	120.0	134.9	14.9
TOTAL REVENUES	**764.9**	**739.2**	**(25.7)**
CONSOLIDATED EBITDA	**180.0**	**151.4**	**(28.6)**
Contract liabilities	341	427	86
Trade debtors	34	19	(15)
Cost of obtaining contracts	35	0	(35)

The impact of this restatement resulting in the reduction of EBITDA for 2017 amounts to €28.6 million to 2017 EBITDA.

Solocal has opted for the full retrospective method for the application of IFRS 15 on 1 January 2018. The main impacts of the new standard per category of commercial offer are described hereinafter.

Choice of the accounting policies retained:

Solocal Group's offers are split up in three major families:

- sites developed to be made available to customers for a contractual period of 12 or 24 months;
- products related to digital services (Digital Presence, Digital Advertising and New Services) offered over a renewable 12-month period, and digital advertising offers corresponding to one-off services or campaigns;
- the Print offer, which for the most part corresponds to inserts in paper directories for annual publication.

1.3.1.1 Revenue recognition by family of services

"Sites" range

Two separate performance obligations have been identified for the Sites offer: to IFRS 15, two separate service obligations are retained for the sites offer:

1. Creation of intellectual content over the duration of the design process (between 30 days and 120 days depending on the product); Revenue relating to this obligation is recognised over the duration of its performance;
2. Provision and update of the site during the contractual hosting period of between 12 and 24 months.

The amount of revenue relating to the "Sites" range was €107.0 million in 2018, on sales of €117.5 million over the period. Sales are orders taken by the sales force giving rise to a service by the Group for its customers. The application of IFRS 15 results in a different allocation of value leading to a change in the rate of revenue recognition.

"Digital Services (excluding Sites)" range

The application of IFRS 15 results in the recognition of all of these offers on a straight-line basis over the duration of the contracts, with the transfer of control of the services taking place continuously. Revenue recognition is accordingly delayed in comparison with previous methods.

The amount of revenue relating to this range was €466.0 million in 2018, on sales of €411.3 million over the period.

"Print" Range

Applying IFRS 15 leads to no longer distinguishing the technical costs. Insertions into the directories now represent a single performance obligation for which revenues are recognised in full in the month the directory is distributed.

Theamount of revenue relating to the "Print" range was €98.4 million in 2018, on sales of €77.1 million over the period.

1.3.1.2 Service obligations still to be satisfied

In 2018, sales amounted to €528.7 million for the "Digital" business and €77.1 million for the "Print" business, compared with €604.1 million and €117.5 million respectively in 2017.

Solocal's backlog totalled €391.9 million as of 31 December 2018.

The backlog corresponds to the outstanding portion of revenue still to be recognized from sales orders validated and committed by our customers. Regarding evergreen contracts, only the current commitment period is taken into account.

As of 31 December 2018, the amount already billed on the backlog is recorded under Contract liabilities (see Note 5.4). In view of billing methods, most of the amount recognised under Contract liabilities corresponds to outstanding performance obligations. The balance is recognised as off-balance sheet commitments (see Note 13.2).

1.3.1.3 Other impacts on the financial statements related to the application of IFRS 15

Costs of obtaining contracts

The variable portion of the remuneration of the sales force can no longer be considered as an incremental cost directly linked to the acquisition of contracts identified in terms of IFRS 15. These costs will now be recognised directly in expenses when they are incurred. Consequently, they are zero on the balance sheet as at 31 December 2018.

The annual impact on the 2017 financial statements was €0.5 million corresponding to the difference between the acquisition costs of contracts stated in the balance sheet as at 31 December 2017 of €35.5 million and those as at 31 December 2016 for €35 million.

Costs of executing contracts

The application of IFRS 15 has no impact on the recognition of costs of executing contracts that are transferred directly to expenses, with the exception of those relating to directories not yet distributed.

1.3.2 First-time application of IFRS 9

Solocal has applied IFRS 9 "Financial Instruments", replacing IAS 39, since 1 January 2018. The new standard provides for retrospective application as regards the classification and measurement of financial assets and liabilities. Another more important feature for the Group is that it sets out new methodologies for the impairment of financial assets. The Group has elected not to restate the comparable data.

For the provisioning of financial assets, the Group conducted a study using historical data covering the years from 2015 to 2018 in order to estimate the theoretical loss rate and to assess the impact of the change compared with treatment under IAS 39. The Group noted that the impact of the first-time application bears mainly on trade receivables.

IFRS 9 requires the application of a loss ratio of 0.91% of sales on compromised receivables that have not previously been impaired. The impact on opening equity following the first-time application of this standard is a reduction of €3.8 million. The impact on the 2018 result is not material.

1.3.3 Impact of the first-time application of IFRS 16 in 2019

The new standard on leases (IFRS 16), published on 13 January 2016, will require the recognition on the balance sheet of all lease commitments within the meaning of the new standard, without distinction between operating leases, currently recognised as off-balance sheet commitments, and finance leases. The first-time application of this standard will impact the Group's balance sheet as follows:

- increase in fixed assets (recognition of a right of use);
- recognition of a lease obligation (representative of the present value of future rents).

In 2018 the Group started the process of implementing IFRS 16 relating to leases, applicable from 1 January 2019. When entering into a lease of which the payments are fixed, this standard imposes the recording on the balance sheet of a liability corresponding to updated future payments, in exchange for a right of use of an asset amortised over the duration of the lease. IFRS 16 will be applied as of 1 January 2019, in accordance with the transition method referred to as "amended retrospective" which provides for the recording of a liability on the date of transition corresponding to the updated residual rent alone, in exchange for an adjusted right of use of the amount of the rent paid in advance or as expenses to be paid; all the impacts of the transition will be recorded against equity.

The standard allows for various simplification measures during the transition, the Group has, in particular, chosen measures enabling the exclusion of leases with a residual duration of under twelve months and to exclude leases concerning assets of low value.

The amount of the liabilities is largely dependent on the assumptions chosen with regard to the duration of the leases and discount rate. The duration of the lease chosen for the calculation of the liability is the duration of the initially negotiated lease, without taking into account early termination or extension options, except in specific circumstances. The discount rate is determined as the sum of the risk-free rate, by reference to its duration, and the Group's credit risk for the same duration reference.

The Group has put in place a dedicated IT tool to collect contractual data and make the calculations imposed by the standard. Identifying the leases and collecting the data required to calculate the liability on the transition date was finalised at year-end 2018. The impact on the balance sheet as at 1 January 2019 concerning the first application of IFRS 16 will be situated between €105 and €115 million. The impact of the application of this standard on EBITDA amounts to approximately €15 million. Most of the leases concern the location of Group's registered office.

The application of this new standard does not affect the cash balance and the financial leverage (Cf. Note 9.5) as defined in the bond documentation.

1.3.4 Other

The effects of the application of the IFRIC 23 interpretation relating to uncertainty over income tax treatments, from 1 January 2019, are currently being analyzed.

1.4 OTHER INFORMATION

Seasonal variations

The activities of the Group are not subject to seasonal effects, note however that for the Print activity in order to optimize costs, the dates of publication of the printed directories (which determine the recognition of income and related expenses) may vary from one quarter to the next, as each printed directory appears only once a year.

Preparation of the financial statements

The preparation of the consolidated financial statements in accordance with the IFRS standards leads the Management of the Group to make estimations and issue assumptions, which can have an impact on the amounts of the assets and liabilities recognized on the date of the preparation of the financial statements and have a counterparty in the income statement. The Management made its estimations and issued its assumptions on the basis of past experience and by taking into account different factors deemed to be reasonable in order to value the assets and liabilities. The use of different assumptions might have a significant impact on these valuations. The main estimations made by the Management during the process of preparing the financial statements concern in particular the assumptions chosen for the valuation of the recoverable amount of the tangible and intangible fixed assets, pension liabilities, acquisition costs of contracts and provisions. The information provided in respect of the possible assets and liabilities and off-balance sheet commitments existing at the date of preparing the consolidated financial statements is also the subject of estimations.

1.5 GOING CONCERN

Despite the existence of negative consolidated equity, the Group has not identified any elements of a nature to compromise going concern

An agreement was reached in February 2019 in order to put in place a revolving credit facility (RCF) of €15 million with two banks. A working capital facility was signed in December 2018 with a financial partner. Other discussions are ongoing with several banks in order to achieve other similar agreements.

In addition, a technical reallocation between baskets in the bond documentation could be considered, which would allow the Company to gain flexibility in the use of working capital facilities. Such an amendment would only require the agreement of bondholders by a simple majority.

According to the cash outflows the Group is projecting (based in particular on the growth of Digital sales over 2019) and taking into account the financial facilities described above, the Group is in a position to finance its business activity in 2019 as well as the large outflows, related to the PSE, which will take place in the third and fourth quarter of 2019.

1.6 PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

As permitted under IAS 1 "Presentation of Financial Statements", the Group presents the income statement by type.

EBITDA is an alternate indicator of performance presented in the income statement in operating income and before taking depreciation and amortization into account.

1.7 ALTERNATIVE PERFORMANCE INDICATORS

In order to monitor and analyse the financial performance of the Group and the performance of its different activities, the Group Management uses alternative performance indicators, financial indicators not defined in the IFRS standards. Note 2 – Segment information partially refers to these alternative performance indicators.

NOTE 2 Segment information

In application of IFRS 8 "Operating segments", segment information is presented in compliance with the Group's internal reporting process used by Senior Management to measure the financial performance of the segments and allocate resources.

Solocal Group is developing its activities within two operating segments: Digital and Print and generated revenue for continued activities of €669.4 million in 2018, its Internet and Print activities represent 85.3% and 14.7% respectively.

Digital

In 2018, "Digital" business was comprised of two main segments:

- the Digital Presence range enables VSEs and SMEs to manage their activity on the Web through several dozen media channels including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Waze and Instagram in just a few clicks, in real time and automatically via a single mobile application or an online interface. This range represented revenues of €131.2 million in 2018;
- the Digital Advertising range enables businesses to augment their digital visibility beyond their natural online presence by tapping into local markets. This range represented revenues of €325.2 million in 2018.

Targeting VSEs and SMEs, the Digital Presence and Digital Advertising ranges are also aimed at large network accounts.

- the Websites service consists of creating search engine optimised websites (both window shopping and e-commerce) that cater to every purse on a subscription basis with automatic renewal. This range represented revenues of €107.2 million in 2018;
- Solocal also offers New services designed to facilitate daily business of companies, such as a customer relationship management (CRM) solution which will be developed in 2019. This offer represented revenues of €7 million in 2018.

Print

This segment comprises the Group's activities regarding advertising, distribution and the sale of advertising space in printed directories (PagesJaunes), as well as the Group's other activities called "Voice", concerning traditional direct marketing (logistics, franking, emailing) and information services by telephone and text (118 008) in addition to the reverse directory QuiDonc.

Solocal recorded revenues concerning continued Print activities of €98.4 million in 2018, down by 27% compared with 2017.

There were no new significant inter-segment transactions

2.1 BY BUSINESS SECTOR

The table below shows the breakdown of the main aggregates based on the different segments for 2018 and 2017:

	Financial year ended 31/12/2018				
(in thousands of euros)	Consolidated	Divested activities	Continued activities		
			Total	Recurring	Non recurring
Revenues	**670,410**	**983**	**669,427**	**669,427**	**-**
● Digital	572,019	983	571,036	571,036	-
● Print	98,391	-	98,391	98,391	-
EBITDA	**4,596**	**(142)**	**4,738**	**171,247**	**(166,509)**
● Digital	(17,400)	(142)	(17,258)	149,251	(166,509)
● Print	21,996	-	21,996	21,996	-

	Financial year ended 31/12/2017*				Financial year ended 31/12/2017 published				
		Continued activities					Continued activities		
*Financial year ended 31/12/2017 **	Divested activities	Total	Recurring	Non recurring	Consolidated	Divested activities	Total	Recurring	Non recurring
739,243	**11,511**	**727,732**	**727,732**	**-**	**764,941**	**9,092**	**755,849**	**755,849**	**-**
● 604,327	11,511	592,816	592,816	-	644,940	9,092	635,848	635,848	-
● 134,916	-	134,916	134,916	-	120,001	-	120,001	120,001	-
151,495	**(3,798)**	**155,293**	**170,426**	**(15,133)**	**179,970**	**(2,690)**	**182,660**	**195,983**	**(13,323)**
● 121,165	(3,798)	124,963	140,096	(15,133)	154,347	(2,690)	157,037	170,360	(13,323)
● 30,330	-	30,330	30,330	-	25,623	-	25,623	25,623	-

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

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Recurring EBITDA

Recurring EBITDA corresponds to EBITDA before taking into account the items defined as non-recurring. These non-recurring items concern a very limited number of cases of income and expenses of a non-usual, abnormal and rare nature and of particularly significant amounts. They correspond to:

- restructuring expenses: these are costs corresponding to a program planned and controlled by the Management, which significantly alter either the Company's line of business or the manner in which this activity is managed in accordance with the criteria specified by IAS 37;
- capital gains or losses related to disposals of assets.

In 2018, non-recurring items amounted to €166.5 million and mainly comprised non-recurring expenditure incurred within the framework of the Restructuring Plan (See Note 1.1.2). This plan concerns approximately 1,000 employees for a total net cost of €164.0 million.

In 2017, this amounted to €15.3 million and was mainly comprised of non-recurring personnel expenditure incurred to secure the continuity of operations in addition to the costs related to natural wastage and items related to the change in governance.

Divested activities

The Group isolates divested activities that are subsidiaries or business ranges that have been disposed of or discontinued. As for the presentation of the segment information, the comparable are restated on a twelve months basis from divested activities during the year.

During financial year 2018, the Group divested certain non-strategic activities ("divested activities"): Retail Explorer, NetVendeur, Effilab Australia and Effilab Dubaï.

2.2 BY GEOGRAPHIC REGION

Revenues are presented on the basis of the geographic location of customers. The capital employed, gross intangible and tangible fixed asset investments, and end of year headcount are shown by area of assets.

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
Revenues	**670,410**	**739,243**	**764,941**
• France	647,095	715,477	741,119
• Others	23,315	23,766	23,822
Assets	**671,081**	**714,534**	**724,208**
• France	654,757	694,085	702,819
• Others	16,324	20,449	21,389

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

NOTE 3 Consolidation principles

3.1 CONTROL ANALYSIS

Subsidiaries which are controlled by the Group, directly or indirectly, are fully consolidated.

Interests not controlled by the Group but over which the Group exercises a notable level of influence are consolidated in accordance with equity method.

The existence and effect of potential voting rights exercisable or convertible at the balance sheet date are taken into consideration when determining control or significant influence exercised over the entity.

In accordance with IFRS 5, the assets and liabilities of controlled entities deemed to be held for disposal are presented on different lines of the balance sheet. Moreover, the profit/loss of discontinued operations, if it is significant, must be shown on a separate line of the income statement. IFRS 5 defines a discontinued operation as a component of an entity comprising cash flows that can be clearly distinguished from the rest of the entity that has either been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations.

Material inter-company transactions and balances are eliminated in consolidation.

3.2 CHANGES IN THE SCOPE OF CONSOLIDATION

At the time of taking control of a company, de jure or facto, the assets, liabilities and potential liabilities of the acquired company are valued at their market value as at the date of the takeover; the difference between the cost of the takeover and the portion of the Group in the market value of these assets, liabilities and potential liabilities is reported as goodwill. The cost of the acquisition is the price paid by the Group within the framework of an acquisition, or the estimation of this cost if the transaction is conducted without any payment of cash with the exclusion of the expenses linked to the acquisition.

The difference between the book value of the non-controlling interests acquired following the acquisition and the price paid for their acquisition is recorded against equity. Goodwill is not amortized but is the subject of an annual impairment test in accordance with the methodology presented in Note 4.1 – Goodwill. The potential impairment charge is included in depreciation and amortization.

2018

The company PJOM was added to the consolidation perimeter. There were no disposals of sizeable businesses during the year.

2017

During the 2017 financial year, the Group divested two non-strategic activities:

- site avendrealouer.fr activity of diffusion of the classified advertisements of the entity PagesJaunes SA. The sale of this business on 30 November 2017 was made on the basis of a sale price of €19.8 million as at 30 November 2017. The sale price reached €21.3 million in the final price fixing procedure. The impact on the consolidated net result of this disposal in the Group's financial statements amounts to €11.9 million;
- all of Chronoresto's shares were sold on 31 October 2017 for €1. The net impact of this sale in the Group's financial statements amounts to -€5.3 million on the consolidated net income.

NOTE 4 Fixed assets

4.1 GOODWILL

Goodwill represents the difference between the purchase cost of shares in consolidated companies, including transaction expenses, and the Group's equity in the value of the underlying net assets at the date of acquisition.

In accordance with IFRS 3 "Business Combinations", goodwill is not amortized. It is tested for impairment at least once a year or more frequently when there is an indication that it may be impaired. IAS 36 "Impairment of Assets" requires these tests to be performed at the level of each cash generating unit (CGU) to which the goodwill has been allocated. In certain cases, CGUs may be combined if the combined CGUs represent the lowest level at which management monitors return on investment. (A cash generating unit is defined as the smallest homogeneous group of assets whose continuous use generates cash inflows that are largely independent of the cash inflows from other groups of assets.

To determine whether goodwill has been impaired, the consolidated net book value of the assets and liabilities of each CGU is compared to their recoverable amount. Goodwill impairment losses are recorded in the income statement.

The recoverable amount is the higher of the fair value less exit costs and value in use:

- fair value less exit costs is determined as the best estimate of the sale value net of exit costs in a transaction conducted under normal competitive conditions between knowledgeable, willing parties. This estimate is determined on the basis of the available market information, taking into account particular situations;
- the value in use applied by the Group is the present value of the future cash flows expected to be derived from the CGU, including goodwill. Cash flow projections are based on economic and regulatory assumptions and forecast trading conditions applied by the management of PagesJaunes, as follows:
  - cash flow projections are based on the three-year business plan,
  - beyond this period, cash flows are extrapolated using a perpetual growth rate that reflects the forecast long-term growth rate of the market for each specific business activity,
  - cash flows are discounted at rates that are deemed appropriate given the nature of the business activity and the country.

If the business is intended to be sold, the recoverable amount is determined on the basis of the fair value net of exit costs.

The segments, determined in accordance with IFRS 8 "Operating Segments", are as follows: Digital, on the one hand and Print & Voice on the other. As at 31 December 2018, all of the non-amortised goodwill was allocated to the Digital segment.

The level at which the Group measures the current value of goodwill corresponds to the level of each of the sectors which are groupings of product lines (Search local + transactional, sites and programmes).

Breakdown of the net value of goodwill by business sector:

	As at 31/12/2018			As at 31/12/2017			Change
(in thousands of euros)	Gross	Accumulated impairments	Net	Gross	Accumulated impairments	Net	Net
Digital	90,270	(1,400)	88,870	92,127	(1,400)	90,727	(1,857)
Print	75,282	(75,282)	-	75,282	(75,282)	-	-
TOTAL	**165,552**	**(76,682)**	**88,870**	**167,409**	**(76,682)**	**90,727**	**(1,857)**

The movements in the net value of goodwill can be analysed as follows:

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017 *
Balance at start of year	90,727	95,507
Acquisitions/disposals	(1,857)	(4,780)
Impairments	-	-
Impairments	-	-
Reclassifications and others	-	-
BALANCE AT END OF YEAR	**88,870**	**90,727**

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The change in goodwill in 2018 corresponds to the outflow in connection with the disposal of the subsidiary, Retail Explorer.

Goodwill value has been the subject of a review within the framework of closing the consolidated financial statements, on the basis of business plans, a perpetual growth rate of 2% and a post-tax discount rate of 8.5%. These rates are based on published sector studies.

The assumptions made in determining the recoverable values are similar from one cash-generating unit to the other: these are:

the revenue which reflects the number of customers, the ARPA, the penetration rate of the offers;

- costs with the levels of commercial costs required to handle the rate of customer acquisition and renewals, the positioning of the competition, the possibilities of adapting the costs to the changes in revenue or the effects of the natural attrition of the workforce;
- the level of the investment expenses that can be affected by the constant change in new technologies.
- The values assigned to each of these parameters reflect past experience, subject to anticipated developments during the life of the plan. These parameters are the main sensitivity factors.

In terms of sensitivity, an increase of 1% in the discount rate across all of the CGUs, a decrease of 1% in the perpetuity growth rate or a decrease of 1% in the margin rate of the last year of the business plans would not result in the recording of depreciation.

4.2 INTANGIBLE FIXED ASSETS

Intangible assets consist mainly of trademarks, licences and patents, research and development costs and software. They are stated at acquisition or production cost.

When intangible assets are acquired in a business combination, their cost is generally determined when the purchase price of the company acquired is allocated based on their respective market values. When such market value is not readily determinable, cost is determined using generally accepted valuation methods based on revenues, costs or other appropriate criteria.

Internally developed trademarks are not recognised in the balance sheet.

Brands

Trademarks having an indefinite useful life are not amortised, but are tested for impairment.

Licences and patents

Licences and patents are amortised on a straight-line basis over periods which correspond to the expected usage period, not exceeding twenty years.

Research and development costs

Under IAS 38 "Intangible Assets", development costs must be recognised as an intangible fixed asset when the following can be demonstrated:

- the technical feasibility necessary to complete the intangible asset with a view to its being put into service or sold;

the intention and financial and technical ability to complete the development project;

- its capacity to use or sell the intangible asset;
- the likelihood that the future economic benefits attributable to the development costs incurred will accrue to the Company;
- and the cost of this asset can be reliably valued.

It should be underlined that the process of determining the costs which satisfy these criteria requires significant judgements and estimates. Research and development costs not fulfilling the above criteria are expensed in the year in which they are incurred. Significant capitalised development costs are amortised on a straight-line basis over their useful life, generally not exceeding three years.

Software

Software is amortised on a straight-line basis over its useful life, not exceeding five years.

	As at 31/12/2018			As at 31/12/2017		
(in thousands of euros)	Gross value	Total depreciation and losses of value	Net value	Gross value	Total depreciation and losses of value	Net value
Software and application support	407,429	(311,806)	95,623	376,602	(267,960)	108,642
Other intangible fixed assets	10,577	(6,061)	4,516	18,934	(8,734)	10,200
TOTAL	418,006	(317,867)	100,139	395,537	(276,695)	118,842

No impairment was recorded in 2018 and 2017.

Movements in the net value of other intangible fixed assets can be analysed as follows:

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017
Opening balance	**118,842**	**128,074**
Acquisitions	110	537
Internally generated assets *	42,645	50,391
Effect of changes in the scope of consolidation	(419)	(738)
Exchange differences	15	(150)
Reclassifications	(7,818)	111
Disposals and accelerated amortisation	(3,088)	(4,093)
Depreciation charge	(50,148)	(55,289)
CLOSING BALANCE	**100,139**	**118,842**

* *Concerns all capitalised development expenses.*

4.3 TANGIBLE FIXED ASSETS

The gross value of tangible fixed assets corresponds to their purchase or production cost in accordance with IAS 16 "Property, plant and equipment". It is not the subject of any reassessment.

Finance leases

Assets acquired under leases that transfer the risks and rewards of ownership to entities of the Group (financial leases) are stated in fixed assets, with a corresponding financial obligation being recorded in liabilities. The risks and rewards of ownership are considered as having been transferred to the entities of the Group when:

- the lease transfers ownership of the asset to the lessee at the end of the lease term;
- the Group has the option to purchase and the conditions of the option are such that it is highly likely that ownership will be transferred at the end of the lease term;
- the lease term covers the major part of the estimated economic life of the asset;
- the discounted value of the total of the minimum fees provided for in the contract is close to the fair value of the asset.

At the same time, the assets in respect of which the risks and rewards associated with ownership are transferred by the entities of the Group to third parties under a lease contract are considered as having been sold.

Maintenance and repair costs are expenses as incurred, except where they serve to increase the asset's productivity or prolong its useful life.

Depreciation

Tangible fixed assets are depreciated on a basis that reflects the pattern in which their future economic benefits are expected to be consumed in the case of each asset item on the basis of the acquisition cost, less any residual value. The straight-line basis is usually applied over the following estimated useful lives: 25 to 30 years for buildings, 5 to 10 years for fittings, 1 to 5 years for other fixed assets.

These depreciation periods are reviewed annually and are adjusted if current estimated useful lives differ from previous estimates. These changes in accounting estimates are recognised prospectively.

	As at 31/12/2018			As at 31/12/2017		
(in thousands of euros)	Gross value	Total depreciation	Net value	Gross value	Total depreciation	Net value
IT and terminals	57,965	(54,798)	3,166	58,128	(54,139)	3,988
Others	68,685	(46,237)	22,448	58,033	(36,540)	21,493
TOTAL	**126,650**	**(101,035)**	**25,614**	**116,161**	**(90,679)**	**25,482**

No significant impairment was reported in the financial years ended on 31 December 2018 and 31 December 2017.

Movements in the net value of tangible fixed assets can be analysed as follows:

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017
Opening balance	**25,482**	**33,420**
Acquisitions	697	2,932
Subvention	1,212	(2,942)
Effect of changes in the scope of consolidation	(13)	(13)
Exchange differences	7	(52)
Reclassifications	7,817	(111)
Disposals and accelerated amortisation	(1,133)	(159)
Depreciation charge	(8,456)	(7,593)
Closing balance	25,615	25,482

4.4 DEPRECIATION OF FIXED ASSETS

Under IAS 36 "Impairment of Assets", the value in use of tangible and intangible fixed assets is tested when there is an indication of impairment, reviewed at each closing.

Intangible and tangible fixed assets are subject to a write down for impairment when, because of events or circumstances which have occurred during the period (such as obsolescence, physical deterioration, significant changes to the manner in which the asset is used, worse than expected performance, a drop in revenues or other external indicators, etc.), their recoverable amount appears to be lower than their net book value in the long term. The recoverable amount of an asset is the higher of its fair value less exit costs and its value in use.

Impairment tests are performed by asset or by group of assets by comparing their recoverable value and their net book value. When an impairment loss appears necessary, the amount recognized is equal to the difference between the net book value and the recoverable amount.

The recoverable amount of the assets is most often determined based on the value in use. The latter corresponds to the future economic benefits expected to be derived from the use of the asset and its subsequent disposal. It is assessed by the discounted cash flows method, based on economic assumptions and operating conditions expected by the Management of the Group.

NOTE 5 Sales

5.1 REVENUES

Solocal Group markets products and local communication services mainly in digital and printed form. The main activity, Internet, is comprised of Search Local and of Digital Marketing.

Revenues generated by the Group's activities are recognized and presented in a differentiated manner depending on the type of products (See Note 1.3.1.1). Revenues in financial year 2018 amounted to €670.4 million compared to €739.2 million in 2017 (See Note 2).

5.2 TRADE DEBTORS

The breakdown of the gross value and impairment of trade debtors is as follows:

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
Gross trade debtors	260,359	306,816	325,543
Provisions for impairment	(25,800)	(25,050)	(21,473)
NET TRADE DEBTORS	**234,559**	**281,766**	**304,070**

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

As at 31 December, trade debtors were due as follows:

			Overdue and not impaired					
(in thousands of euros)	Total	Not due	< 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	> 360 days
2018	234,559	219,459	963	3,823	1,786	2,657	1,774	4,097
2017	282,587	261,851	7,047	3,560	2,625	2,548	2,664	2,292
2017 published	304,891	283,942	7,260	3,560	2,625	2,548	2,664	2,292

The Group's portfolio of trade receivables does not present a significant risk of concentration (about 375,000 advertisers in France). In France, PagesJaunes' 20 largest customers represent 1.4% of these revenues (1.5% in 2017) and customers in the 10 largest business sections represent 13.5% of PagesJaunes revenues (13.6% in 2017). Provisions for bad debts remain at a very low level, with net provisions amounting to 0.2% of revenues in 2018 compared to 0.1% in 2017.

5.3 OTHER CURRENT ASSETS

The other current assets are made up as follows:

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017
VAT receivable	32,696	19,864
Sundry accounts receivable	350	2,316
Trade payables – Advances and instalments	2,923	2,480
Other current assets	6,525	9,043
TOTAL	**42,494**	**33,703**

The increase in the VAT receivables is explained by the increase of the trade payables for the period.

5.4 CONTRACT LIABILITIES

Liabilities in the balance sheet are mainly comprised of net advance payments from customers in the event of the related services not yet having been provided. This concerns sales of products recognized at a later date as revenues on the basis of the duration of appearing online ("Digital range") or publication ("Print range").

Contract liabilities amounted to €357.5 million as at 31 December 2018 compared with €427.2 million at 31 December 2017 (€340.9 million at 31 December 2017 published). This decrease must be examined, on the one hand, with the significant decrease in the level of the "Print & Voice" business, and on the other hand, with a change in the Internet product mix towards mainly Digital Marketing products with a shorter lifespan.

5.5 TRADE ACCOUNTS PAYABLE

Amounts owed to suppliers bear no interest and are payable in principle between 30 and 60 days. The changes concerning this item between 31 December 2017 and 31 December 2018 partly correspond to the constitution of franchises on leases in particular on the Citylights offices.

5.6 PROVISIONS

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when, at the end of the period, the Group has an obligation towards a third party resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

This obligation may be legal, regulatory or contractual. It may also derive from the Group's practices or public commitments, which have created a legitimate expectation among third parties concerned that the Group will meet certain responsibilities.

The amount recognized as a provision corresponds to the best estimate of the expenditure required of the Group to settle the present obligation. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded; an attached information is then provided.

Contingent liabilities, corresponding to potential obligations resulting from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Company's control, and to probable obligations that are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. They are disclosed in a note in the appendix.

Provisions for restructuring costs are recognised only when the restructuring has been announced and a detailed plan has been drawn up or implemented before the period end-date.

Provisions are discounted when the discounting adjustment is material.

NOTE 6 Purchases and other expenses

6.1 ADVERTISING AND SIMILAR EXPENSES

Expenses for advertising, promotion, sponsorship, communication and brand development are stated in full in the expenses for the year in which they are incurred.

NOTE 7 Personnel benefits, provisions and other liabilities

7.1 PERSONNEL EXPENSES

Personal expenses amount to €304.7 million for the year ended 31 December 2018 and are made up of the following:

(in thousands of euros, except staff count)		As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
Average staff count (full-time equivalent)		3,571	4,287	4,287
Salaries and charges		**304,016**	**382,796**	**381,879**
of which:	Wages and salaries	191,250	241,026	240,415
	Social charges	89,433	120,926	120,620
	Tax credit employment (CICE)	(2,340)	(3,473)	(3,473)
	Taxes on salaries and other items	25,673	24,317	24,317
Share-based payment		**(747)**	**(3,309)**	**(3,309)**
of which:	Stock options and free shares	2,197	-	-
	Reimbursement of social charges on free shares	(2,944)	(3,309)	(3,309)
Employee profit-sharing[1]		**1,459**	**4,922**	**4,922**
TOTAL STAFF EXPENSES		304,728	384,409	383,492

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*
(1) Incl. Corporate contribution.

The products related to the share-based payments identified in 2017 and 2018 come from the reimbursement demands of the state contributions provided for in the L. 137-13 Article of the CSS which were paid out with regards to the shared granted in 2014. The amount of €6.3 million was reimbursed end of 2018.

The demand is still under consideration regarding the reimbursement for the year 2015.

7.2 PERSONNEL BENEFITS, PROVISIONS AND OTHER LIABILITIES

The reduction of the provision related to non-current personnel benefits of €45.6 million mainly corresponds to amounts released from provisions within the framework of the restructuring plan (Cf. Note 1.1.2).

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017
Post-employment benefits	85,212	127,998
Other long-term benefits	8,558	11,393
NON-CURRENT PERSONNEL BENEFITS *	**93,770**	**139,391**
Other Provision for risks	23,500	12,997
Provisions for social or fiscal disputes	16,437	4,536
NON-CURRENT PROVISIONS	39,937	17,533

* *Cf. details in the following note. Non-current personnel benefits concern the French companies.*

Movements in provisions were as follows:

(in thousands of euros)	Opening balance	Charge for the year	Reversal of the year (unused)	Reversal of the year (utilised)	Changes in the scope of consolidation, reclassifications and others	Closing balance
Restructuring provisions (2018)	-	178,800	-	-	-	178,800
Restructuring provisions (2014)	24,507	1,002	(10,010)	(161)	-	15,337
Provisions for social and fiscal risks	5,015	3,077	(304)	(1,378)	-	6,410
Other provisions for risks	4,119	15	(527)	(1,029)	-	2,578
TOTAL PROVISIONS	**33,641**	**182,893**	**(10,841)**	**(2,568)**	**-**	**203,125**
of which non current	17,533	27,802	(10,010)	(161)	4,773	39,937
of which current	16,108	155,092	(831)	(2,407)	(4,773)	163,189

The provisions booked mainly cover employee-related disputes linked to the restructuring plan implemented in 2018 (Cf. Note 1.1.2). The current amount of this provision is €152 million.

Retirement benefits and similar commitments

In France, legislation provides for benefits to be paid to employees at retirement on the basis of their length of service and salary at retirement age.

In accordance with IAS 19, obligations under defined benefit schemes are measured by the projected unit credit method. According to this method, each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately to value the final obligation, using demographic hypotheses (turnover of the personnel, mortality, retirement age, etc.) and financial hypotheses (future increase in salary by category).

This final obligation is then discounted with a rate determined in reference to the yield on first-category long-term private bonds (or State bonds if there is no liquid market).

Actuarial differences related to post-employment benefits are recognized for the full amount in other comprehensive income i.e. a net positive impact of €0.8 million.

In order to have up-to-date data, the turnover tables were recalculated in 2018, on the basis of observations made between 2015 and 2018 and only taking into account the reasons for resignation in the turnover rate in accordance with IAS 19.

Other retirement schemes

These benefits are offered through defined contribution schemes for which the Group has no commitment other than the payment of contributions. The charge corresponding to the contributions paid is recognized in the income statement for the period.

Other long-term benefits which may be granted by the Group consist mainly of long-service awards that are also measured on an actuarial basis.

(in thousands of euros)	Post-employment benefits	Other long-term benefits	Total 31 December 2018	Post-employment benefits	Other long-term benefits	Total 31 December 2017
Change in value of commitments						
Total value of commitments at start of period	**128,403**	**11,692**	**140,096**	**78,608**	**10,159**	**88,766**
Adjustment of the opening period (change of method)	0	0	0	43,065	2,721	45,786
Total value of commitments at start of period (adjusted)	**128,403**	**11,692**	**140,096**	**121,673**	**12,880**	**134,552**
Cost of services rendered	9,099	556	9,655	7,408	915	8,322
Discounting cost	1,921	165	2,086	1,620	180	1,800
Reductions/liquidations	(3,495)	(302)	(3,797)	(2,256)	-	(2,256)
Actuarial (gains) or losses	(1,940)	885	(1,055)	876	(1,908)	(1,031)
Benefits paid	(240)	(312)	(552)	(475)	(374)	(849)
Changes in scope	-	-	-	(443)	-	(443)
Others	(48,236)	(3,648)	(51,884)	-	-	-
Total value of commitments at end of period (A)	**85,512**	**9,036**	**94,549**	**128,403**	**11,692**	**140,096**
Commitments at end of period relating to non-financed schemes	*85,512*	*9,036*	*94,549*	*128,403*	*11,692*	*140,096*
of which short term	300	478	778	402	300	700
of which long term	85,212	8,558	93,771	128,001	11,392	139,394
Pension charge						
Cost of services rendered	9,099	556	9,655	7,408	915	8,322
Discounting costs	1,921	165	2,086	1,620	180	1,800
Effect of reductions/liquidations	(3,495)	(302)	(3,797)	(2,256)	-	(2,256)
TOTAL PENSION CHARGE	**7,525**	**419**	**7,944**	**6,772**	**1,095**	**7,866**
Movements in the provision/(asset)						
Provision/(assets) at start of period	**128,403**	**11,692**	**140,096**	**121,673**	**12,880**	**134,552**
Pension charge	7,525	419	7,944	6,772	1,095	7,866
Contributions paid by the employer	-	-	-	-	-	-
Benefits paid directly by the employer	(240)	(312)	(552)	(475)	(374)	(849)
Change of scope	-	-	-	(443)	-	(443)
Actuarial gains or (losses)	(1,940)	885	(1,055)	876	(1,908)	(1,031)
Others	(48,236)	(3,648)	(51,884)	-	-	1
Provision/(assets) at end of period	**85,512**	**9,036**	**94,549**	**128,403**	**11,692**	**140,096**
Assumptions						
Discount rate *(in %)*	1.45%	1.45%	1.45%	1.50%	1.50%	1.50%
Expected long-term inflation rate *(in %)*	2.0%		2.00%	2.0%		2.0%
Expected long-term salary growth *(in %)*	Dependent on employee category and age			Dependent on employee category and age		
AMOUNT ENTERED AS A CHARGE IN RESPECT OF THE PERIOD	7,285	107	7,392	6,297	720	7,017

In 2018, the expense stated in respect of defined contribution pension plans amounted to €7.9 million.

The discount rate applied in valuing commitments as at 31 December 2018 is 1.45%, compared with 1.50% as at 31 December 2017.

IAS 19 sets the discount rate as being equal to the rate of bonds issued by first tier companies (rated AA or Aa at least) with a maturity date corresponding to the maturity of the commitment; if the market for these bonds is not liquid, the rate is equal to the corresponding State bonds.

Sensitivity of the discount rate on post-employment benefits (IFC):

A 0.50% increase in the discount rate leads to a decrease in the commitment of about 6.0%, or around €5.1 million, while a decrease of 0.50% in the discount rate leads to an increase in the commitment of about 5.7%, i.e. around €4.9 million.

Sensitivity of the discount rate on other long-term benefits (long-service awards):

An increase of 0.50% in the discount rate leads to a decrease in the commitment of 4.6% (less than €1 million), while a decrease of 0.50% in the discount rate leads to an increase in the commitment of 4.9% (less than €1 million).

For all post-employment benefits and other long-term benefits, an increase of 0.5% in the discount rate leads nearly to no impact in the expense for the year.

7.3 REMUNERATION OF THE CORPORATE OFFICERS

The table below shows the remuneration of persons who were members of Solocal Board of Directors and Executive Committee during or at the end of each financial year. It also includes the Directors representing employees and sitting on the Solocal Board of Directors.

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017
Short-term benefits[1]	6,873	5,935
of which employer charges	2,058	1,768
Post-employment benefits[2]	71	33
Other long term benefits[3]	1	1
End-of-contract benefits[4]	824	1,117
Equity benefits[5]	1,818	0
TOTAL	**9,587**	**7,086**

(1) Salaries, remuneration, profit-sharing and bonuses paid and social security contributions, paid holidays, directors' fees and non-monetary benefits entered in the accounts.
(2) Pensions, annuities, other benefits…
(3) Seniority leave, sabbatical leave, long-term benefits, deferred remuneration, profit-sharing and bonuses (if payable 12 months or more after the closing date).
(4) Severance pay, non-competition clause compensation, including social charges.
(5) Share-based payment including social charges relating to free grants of shares and stock options.

7.4 TRANSACTIONS WITH RELATED PARTIES

Following the resignation of Jean-Pierre Remy from his term as the Company's CEO on 30 June 2017, the Solocal Board of Directors, at its meeting of 5 September 2017, appointed Éric Boustouller as CEO of the Company starting on 11 October 2017.

Since he does not benefit from an employment contract, severance pay will paid to the CEO in the event of forced departure from the Company, subject to fulfilment of the performance condition. The amount of the severance pay will be equal to 18 months of the annual lump-sum remuneration (fixed and variable with targets reached) of the CEO.

Éric Boustouller will be subjected to a non-competition obligation in the event of termination of his term of office as Chief Executive Officer for any reason and in any form whatsoever in the conditions mentioned hereinafter: competition prohibition shall be limited to a period of 12 months commencing on the day on which his duties actually come to an end; the corresponding compensation shall amount, based on a non-competition period of 12 months, to 6 months' remuneration calculated on the basis of the monthly average of his total gross pay for the 12 months prior.

On termination of the term of office, the Company may, (i) renounce the benefit of the non-competition agreement (in which case it will not have to pay the corresponding compensation) or (ii) reduce the duration, the field of activities and/or the geographical scope of said commitment (in which case the amount of the non-competition compensation will be reduced accordingly).

The accumulation of the severance pay and non-competition obligation cannot exceed two years of remuneration, fixed and variable.

NOTE 8 Taxes

8.1 TAX PROOF

The corporation tax for the year results from the application of the effective tax rate at the end of the financial year to the pre-tax income.

The reconciliation of the theoretical tax, calculated on the basis of the statutory tax rate in France, and the effective tax is as follows:

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
Pretax net income from businesses	(94,075)	335,618	364,092
Statutory tax rate	34.43%	34.43%	34.43%
THEORETICAL TAX	**32,393**	**(115,564)**	**(125,369)**
Loss-making companies not integrated for tax purposes & Foreign subsidiaries	-	3,053	3,053
Share-based payment	648	1,139	1,139
Recognition of previously unrecognised tax losses	-	(1,072)	(1,072)
Corporate value added contribution (after tax)	(3,874)	(5,919)	(5,919)
Difference between the carrying amount of the extinguished financial liability and the fair value of the equity instruments issued	-	102,617	102,617
Ceiling of interest expense deductibility	(2,734)	(2,092)	(2,092)
Adjustment corporation tax of prior years	307	864	864
Other non-taxable/non-deductible items	(13,849)	(1,812)	(1,791)
EFFECTIVE TAX	**12,891**	**(18,786)**	**(28,570)**
of which current tax	(5,343)	(40,225)	(40,926)
of which deferred tax	18,234	21,439	12,356
Effective tax rate	13.7%	5.6%	7.8%
EFFECTIVE TAX RATE EXCLUDED GAIN FROM DEBT RESTRUCTURING	**13.7%**	**47.0%**	**43.8%**

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

The corporate income tax income was €13.0 million in 2018, consisting of -€5.3 million paid mainly under the CVAE (corporate value added contribution) and of deferred tax income of €18.2 million. This deferred tax income is mainly due to deferred tax assets generated in 2018 from the French tax consolidation (€27.0 million) on losses carried forward generated in 2018 as part of the French fiscal integration net of the cancellation of the differed tax asset previously recorded with regards to retirement benefits provisions and long-service award (€11 million) as a consequence of the restructuring plan departures.

8.2 BALANCE SHEET TAXES

In accordance with IAS 12 "Income Taxes", deferred taxes are recognised for all temporary differences between the book values of assets and liabilities and their tax basis, as well as for unused tax losses, by the liability method. Deferred tax assets are recognised only when their recovery is considered probable within a period of 3 to 5 years.

IAS 12 requires, in particular, the recognition of deferred tax liabilities on all intangible assets recognised in business combinations (trademarks, customer lists, etc.).

For investments in subsidiaries and associates, a deferred tax liability is recognised for any taxable temporary difference between the book value of shares and their tax base unless:

1. the Group is able to control the timing of the reversal of the temporary difference (distribution of dividends for example); and
2. it is probable that the temporary difference will not be reversed in the foreseeable future.

In practice, this means that for fully consolidated companies, a deferred tax liability is recognised for taxes payable on planned dividend distributions by these companies.

The deferred tax assets and liabilities are set off if there is a legally enforceable right allowing set-off against a future tax liability. Any set-offs are treated by tax group depending on a single tax authority.

The deferred taxes relating to items stated directly in shareholders' equity are also stated in shareholders' equity.

In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

The net balance sheet position is detailed as follows:

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017 *	As at 31/12/2017 published
Retirement benefits	22,022	33,194	33,194
Legal employee profit-sharing	340	1,299	1,299
Non-deductible provisions	24,483	197	197
Tax loss carryforward	27,030	-	-
Other differences	20,341	48,567	459
SUBTOTAL DEFERRED TAX ASSETS	**94,216**	**83,257**	**35,149**
Other differences	-	-	-
Depreciations accounted for tax purposes	(19,160)	(26,068)	(26,068)
SUBTOTAL DEFERRED TAX LIABILITIES	**(19,160)**	**(26,068)**	**(26,068)**
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	**75,056**	**57,189**	**9,081**

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

Deferred tax relating to non-deductible provisions corresponds essentially to the non-deductible part of the provision related to the restructuring plan. This represents, in the event of redundancy, the compensation specified in the relevant collective agreement and which exceeds the amount specified in law for an amount of €109.6 million which will become deductible upon disbursement.

No deferred tax asset relating to loss carryforwards of QDQ Media was recognised in the balance sheet, as this sub-group recorded a net loss in 2017 and 2018. The amount of deferred tax assets not recognised is estimated at €66.2 million as at 31 December 2018.

Net deferred tax assets on the balance sheet amounted to €75.1 million as at 31 December 2018 compared with €57.2 million as at 31 December 2017. The change is essentially due to deferred tax assets recognised for tax loss carryforwards generated in 2018 in the French tax consolidation.

The tax disbursed during the 2018 financial year was €15.8 million as against €44.8 million in 2017.

NOTE 9 Assets, liabilities & financial results

9.1 FINANCIAL ASSETS AND LIABILITIES

Financial assets include available-for-sale assets, held-to-maturity assets, loans and trade receivables and cash and cash equivalents.

Financial liabilities include borrowings, other financing, bank overdrafts and trade payables.

Financial assets and liabilities are measured and recognised in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement".

9.2 MEASUREMENT AND RECOGNITION OF FINANCIAL ASSETS

According to IFRS 9, the classification of financial assets is based on two valuation methods:

- the characteristics of the contractual cash flows of the financial asset ;
- the economic model followed by the entity for the management of the financial asset.

Valuation at amortised cost

The ownership of the financial asset is part of an economic model whereby the main objective is to hold financial assets in order to perceive the contractual cash ("economic model criteria"). This category is composed of:

Loans and receivables

Financial assets are measured at fair value and gains and losses arising from re-measurement at fair value are recognised in equity. Fair value corresponds to market price for listed securities and estimated value in use for unlisted securities, determined according to the most appropriate financial criteria in each case.

If there is any objective indication that these assets are impaired, the accumulated loss stated in equity is recognised in the income statement.

Loans and receivables

This category includes receivables from participating interests, other loans and receivables and trade accounts receivable. They are recognised initially at fair value and are subsequently measured at amortised cost by the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is deemed immaterial. Cash flows on loans and receivables at variable interest rates are re-measured periodically, to take into account changes in market interest rates. The re-measurement has the effect of increasing or reducing the effective interest rate and, consequently, the carrying value of the loan or receivable.

Loans or receivables are assessed for evidence of impairment. A financial asset is written down if its book value exceeds the recoverable amount estimated at the time of the impairment tests. The impairment loss is recognised in the income statement.

Assets at fair value through the income statement

Assets held for trading are assets which the Company intends to resell in the near term in order to realise a profit, which form part of a portfolio of financial instruments that are managed together and for which there is a practice of short-term disposal. This category also includes assets, which the Group has opted to classify in this category, irrespective of the criteria stated above.

These assets are carried in the balance sheet under short-term financial assets.

Cash and cash equivalents

Cash equivalents are held to meet short-term cash needs rather than for investment or other purposes. They consist of instruments that are readily convertible into known amounts of cash and are not exposed to any material risk of impairment. Cash and cash equivalents comprise cash available on demand and short-term investments with maturities generally of three months or less at the date of purchase. They are stated at historical cost, which is close to their realisable value.

9.3 MEASUREMENT AND RECOGNITION OF FINANCIAL LIABILITIES

With the exception of financial liabilities held for trading, which are measured at fair value, borrowings and other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost by the effective interest method.

Transaction costs that are directly attributable to the acquisition or issue of a financial liability are deducted from the liability's carrying value. This is because financial liabilities are initially recognised at cost, corresponding to the fair value of the sums paid or received in exchange for the liability. The costs are subsequently amortised over the life of the liability, by the effective interest method.

The effective interest rate is the rate, which discounts estimated future cash payments up to the maturity date or the nearest date of price adjustment to the market rate, to the net carrying amount of the financial liability.

9.4 NET FINANCIAL INCOME

The net financial income is made up as follows:

(AMOUNTS IN THOUSANDS OF EUROS)	As at 31/12/2018	As at 31/12/2017
Gain on debt restructuring through the issuance of equity instruments[3]	-	300,198
Costs related to financial restructuring[4]	-	(24,117)
Accelerated amortization of borrowing costs related to the old debt	-	(10,545)
NET GAIN FROM DEBT RESTRUCTURING AS AT 13 MARCH 2017	**-**	**265,536**
Interest and similar items on financial assets	106	395
Result of financial asset disposals	520	(2)
Change in fair value of hedging instruments	-	-
Discount income – hedging instruments	-	-
Dividends received	2	-
OTHER FINANCIAL INCOME	**628**	**393**
Interest on financial liabilities	(32,217)	(24,428)
Income/(expenses) on hedging instruments	-	36
Change in fair value of hedging instruments	-	-
Amortisation of loan issue expenses	-	(569)
Change in fair value of financial assets and liabilities	-	(476)
Other financial expenses & fees[1]	(3,042)	(1,082)
Accretion cost[2]	(2,084)	(1,801)
FINANCIAL EXPENSES	**(37,343)**	**(28,320)**
Gain (loss) on exchange	7	-
NET FINANCIAL INCOME	**(36,708)**	**237,609**

(1) Primarily composed of current costs linked to debt management.

(2) The accretion cost corresponds to the increase, during the financial year, of the current value of pension commitments.

(3) This amount includes on the one hand, in accordance with the application of IFRIC 19, the difference between the book value of the debt converted into equity instruments and the fair value of these same instruments which revealed non-monetary financial income of €298 million and on the other hand, revenue of €2.2 million on the partial repurchase of the bond loan.

(4) After deducting costs allocated directly as a reduction to the cash increase in capital.

9.5 CASH AND CASH EQUIVALENTS, NET FINANCIAL DEBT

Net financial debt corresponds to the total gross financial debt plus or minus the fair value of derivative asset and/or liability hedging instruments and minus cash and cash equivalents.

(in thousands of euros)	As at 31/12/2018	As at 31/12/2017
Accrued interest not yet due	-	-
Cash equivalents	5,046	10,044
Cash	76,598	77,452
Gross cash	**81,644**	**87,496**
Bank overdrafts	(121)	(1,358)
Net cash	**81,523**	**86,138**
Bank loan	-	-
Bond loan	397,835	397,835
Revolving credit facility drawn	-	-
Loans issue expenses	-	-
Lease liability	6,910	10,060
Fair value of hedging instruments	-	-
Price supplements on acquisition of securities	170	3,669
Accrued interest not yet due	1,389	1,439
Other financial liabilities	2,825	4,803
Gross financial debt	**409,129**	**417,806**
of which current	6,894	9,636
of which non-current	402,235	408,170
Net debt	**327,606**	**331,668**
NET DEBT OF CONSOLIDATED GROUP EXCLUDED LOAN ISSUE EXPENSES	327,606	331,668

Evolution of liabilities from financing activities

			Variations "non cash"					
(in thousands of euros)	As at 31/12/2017	Cash flows	Capital increase by offsetting receivables	Other Variations	Var. of change	Var. of FV	Reclass & changes in scope	As at 31/12/2018
Bank borrowing and Bond loan	397,835	-	-	-	-	-	-	397,835
Other loan	12,897	(785)	-	-	-	-	(9,361)	2,751
Current account	1,900	12	-	-	62	-	(1,900)	74
Earn-Out	3,669	(5,499)	-	-	-	-	2,000	170
Capital lease	66	(3,470)	-	-	-	-	10,314	6,910
Bank overdrafts	1,358	(1,237)	-	-	-	-	-	121
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	417,725	(10,979)	-	-	62	-	1,053	407,861

Cash and cash equivalents

As at 31 December 2018, cash equivalents amounted to €81.5 million and are mainly composed of non-blocked, remunerated, fixed-deposit accounts.

They are measured on the basis of their fair value.

Issuing of bonds

Following the realisation of the financial restructuring, the Group's residual gross debt was reduced to €397.8 million, redeveloped in the form of issuing bonds for €397,834,585 for which the settlement-delivery took place on 14 March 2017, reserved for creditors under the Credit Agreement, and of which the main details remain unchanged in 2018 are as follows:

Interest:

- calculation of interests: margin plus 3-month EURIBOR rate (EURIBOR being defined to include a minimum rate of 1%), payable in arrears on a quarterly basis;
- late payment interest: 1% increase in the applicable interest rate.

Margin: percentage per year according to the level of the Consolidated Net Leverage Ratio (consolidated net debt/consolidated EBITDA) at the end of the most recent reference period (Accounting Period), such as indicated in the table below (noting that the initial margin will be calculated based on a pro forma basis of the restructuring operations):

Consolidated net financial leverage ratio	Margin
More than 2.0:1	9.0 %
Less than or equal to 2.0:1 but more than 1.5:1	7.0 %
Less than or equal to 1.5:1 but more than 1.0:1	6.0 %
Less than or equal to 1.0:1 but more than 0.5:1	5.0 %
Less than or equal to 0.5:1	3.0 %

Maturity date: 15 March 2022.

Listing: listing on the official listing of the Luxembourg Stock Exchange and admission for trading on the Euro MTF market.

Early repayment or repurchasing:

- Solocal Group can at any time and in several times, reimburse all or a portion of the Bonds at a reimbursement price equal to 100% of the principal amount plus accrued and unpaid interest;
- moreover, the Bonds must be the object of a mandatory early reimbursement (subject to certain exceptions) entirely or in part, in the case of the occurrence of certain events, such as a Change of Control, Assets Sale or Net Debt Proceeds or Net Receivables Proceeds. Mandatory early reimbursements are also provided for by means of funds coming from a percentage of surplus cash flow, according to the Company's consolidated net leverage ratio.

Financial commitments:

- the net consolidated financial leverage ratio (Consolidated Leverage/Consolidated EBITDA) must be lower than 3.5: 1; This ratio was respected as at 31 December 2018;
- ▪the interest cover ratio (Consolidated EBITDA/Consolidated Net Interest Expense), must be greater than 3.0; and starting in 2017 and (ii) for any following year if the Consolidated Net Leverage Ratio at 31 December of the preceding year exceeds 1.5: 1, investment expense (excluding growth operations) (Capital Expenditure) concerning Solocal Group and its Subsidiaries are limited to 10% of consolidated revenue of Solocal Group and its subsidiaries. This ratio was respected as at 31 December 2018;

The Terms & Conditions of the notes moreover contain certain prohibitions, which prohibit Solocal Group and its Subsidiaries, apart from certain exceptions, in particular to:

- take on additional financial debt;
- give pledges;
- pay dividends or make distributions to shareholders; exceptionally, paying dividends or making distributions to shareholders is allowed if the Consolidated Net Leverage Ratio does not exceed 1.0: 1.

The restrictions contained in the Terms & Conditions of the notes and described hereinabove could affect the Group's ability to exercise its activities and limits its ability to react according to the conditions of the market or seize commercial opportunities which may arise. As an example, these restrictions could affect the Group's capacity to finance the investments for its activities, restructure its organisation or finance its needs in terms of capital. In addition, the Group's capacity to comply with these restrictive clauses could be affected by events beyond its control, such as economic, financial and industrial conditions. A failure by the Group in terms of its commitments or these restrictions could result in a fault in terms of the agreements mentioned hereinabove.

In case of a fault that would not be remedied or renounced, the bearers of notes could require that all of the outstanding amounts become due immediately.

Moreover, the Group could no longer be in a position to refinance its debt or obtain additional financing at satisfactory conditions.

The bond is indirectly secured by a pledge on the securities of PagesJaunes SA held by Solocal Group.

Price supplements on acquisition of securities

Within the framework of the acquisitions finalised in 2015, an earn-out was paid in 2018 for €2.8 million. As at 31 December 2018, there were no more latent earn-outs.

Other financial liabilities

Other financial liabilities mainly include the pre-financing of the CICE (tax credit for competition and employment)

9.6 POSITION OF FINANCIAL INSTRUMENTS IN BALANCE SHEET

		Breakdown according to IFRS 9						Breakdown by level in IFRS 13		
(in thousands of euros)	**Carrying amount in balance sheet**	**Fair value recognised in profit or loss**	**Derivative instruments (Fair value recognised in equity)**	**Available-for-sale assets**	**Loans and receivables (amortised cost)**	**Financial liabilities (amortised cost)**	**Others**	**Level 1 and Treasury**	**Level 2**	**Level 3**
Available-for-sale assets	-	-	-	-	-	-	-	-	-	-
Other non-current financial assets	6,919	-	-	-	6,919	-	-	-	6,919	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Net trade accounts receivable	234,559	-	-	-	234,559	-	-	-	234,559	-
Other current financial assets	2,006	2,006	-	-	-	-	-	-	2,006	-
Cash equivalents	5,046	5,046	-	-	-	-	-	5,046	-	-
Cash	76,598	76,598	-	-	-	-	-	76,598	-	-
Financial assets	**325,129**	**83,650**	**-**	**-**	**241,478**	**-**	**-**	**81,644**	**243,484**	**-**
Non-current financial liabilities and derivatives	402,235	170	-	-	-	402,065	-	402,235	-	-
Bank overdrafts and other short-term borrowing	5,626	-	-	-	-	5,626	-	-	5,626	-
Accrued interest	1,389	-	-	-	-	1,389	-	-	1,389	-
Trade accounts payable	115,391	-	-	-	-	115,391	-	-	115,391	-
FINANCIAL LIABILITIES	**524,641**	**170**	**-**	**-**	**-**	**524,471**	**-**	**402,065**	**122,406**	**-**

As at 31 December 2018, the market value of the bond loan was €398.4 million, i.e. a carrying value of €397.8 million

(in thousands of euros)	**Carrying value**	**Quotes as at 31/12/2017**	**Market value**
Bank borrowing	-	0.0%	-
Bond loan	397,835	98.00%	389,878
Revolving credit – facility RCF 3	-		-
LOANS	**397,835**	**98.00%**	**389,878**
Accrued interest not yet due	1,389		
Price supplements on acquisition of securities	170		
Other debts incl. debt costs	9,856		
CURRENT FINANCIAL LIABILITIES AND DERIVATIVES	**409,250**		

The Group has classified the valuations at fair value according to a hierarchy of fair values reflecting the importance of the data used to carry out the valuations. The hierarchy of fair values is made up of the following levels:

- level 1: prices (non-adjusted) listed on active markets with identical assets or liabilities;
- level 2: data other than the listed prices referred to in level 1, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. derivative price data); and
- level 3: data relating to assets or liabilities not based on observable market data (non-observable data)

In the 2018 financial year, there were no transfers between levels 1 and 2 in the hierarchy of fair values, nor any transfers to or from level 3.

9.7 EFFECT OF FINANCIAL INSTRUMENTS ON INCOME

		Breakdown according to IAS 39					
(in thousands of euros)	Impact in profit and loss	Fair value recognised in profit or loss	Derivative instruments	Available-for-sale assets	Loans and receivables (amortised cost)	Financial liabilities (amortised cost)	Others
Interest income	628	628	-	-	-	-	-
Interest expenses	(35,259)	-	-	-	-	(35,259)	-
Gain (loss) on foreign exchange	7	-	-	-	7	-	-
Derecognition	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Net gains/(net losses)	**(34,624)**	**628**	**-**	**-**	**7**	**(35,259)**	**-**
Accretion cost	(2,084)		-	-			-
NET FINANCIAL INCOME (CF. NOTE 9.4)	**(36,708)**						

NOTE 10 Financial risk management and capital management policy objectives

The Group's objective is to optimise its financial structure, the principal assessment criterion being the financial leverage (ratio of net debt to gross operating margin), in order to reduce the cost of its capital while maintaining financial flexibility enabling the Group to meet its development plan.

The two main financial management objectives are as follows:

- Solocal Group and the consolidated Solocal Group, are net borrowers and, in this context, the prime objective of Solocal Group is to secure and thus limit the cost of its debt;
- since the Group generates a substantial cash flow in line with the rate of the sales prospecting cycle and pays interest on its debt according to a different timescale, the Solocal Group produces cash surpluses and may find itself in a situation of temporary cash flow surplus. Since these surpluses are not long-lasting, the Group's objective is to invest them at the best possible interest rate with a very limited level of risk.

The Group also ensures that the commitments made in its banking and bond documentation are respected, including certain default and prepayment clauses. These clauses are linked, in particular, to compliance with operational and financial covenants such as the minimum level of coverage of the net consolidated interest charge by consolidates EBITDA and the maximum leverage, measured by the relationship between the consolidated net debt and consolidated EBITDA. Note that the EBITDA used in calculating these bank covenants differs from that used in these financial statements.

The Group has set a goal to reduce its financial leverage. As at 31 December 2018, the financial leverage covenant is 1.79 times specified in the bank documentation.

With a net debt of €326.9 million as at 31 December 2018 (Cf. Note 11.5), the financial leverage covenant of the Group represents 1.79 times the consolidated EBITDA as defined in the contract concluded with the financial institutions. Consequently, the Group is complying with its bank covenant on the financial leverage as at 31 December 2018.

In view of its financial structure, the Group is exposed to interest rate risk, liquidity risk and credit risk. The information communicated hereafter includes certain assumptions and anticipations which, by nature, may not prove to accurate, mainly as far as changes in interest rates are concerned, as well as the exposure of Solocal Group to the corresponding risks.

EXCHANGE RATE RISK

Solocal Group considers that the exchange rate risk is not significant as far as its activity is concerned, insofar as it is exercised mainly in the eurozone.

INTEREST RATE RISK

Solocal Group is exposed to the risk of interest rate fluctuations insofar as all of the bank debt is at a variable rate. In an environment of low rates, the Group feels that it is not in its best interest to hedge this short-term interest rate risk.

The main characteristics of the Group's bank debt are shown in Note 9.5.

LIQUIDITY RISK

Solocal Group has established a centralised cash management system with cash pooling including all its French subsidiaries and organised around a Solocal Group pivot. This method of managing liquidities associated with an internal reporting system enables the Group to anticipate and estimate future cash flows linked to the operational activities of its various subsidiaries and thus to optimise drawings on its credit lines when cash is required, and investments in the case of cash surpluses.

CREDIT RISK

Solocal Group enjoys relations with a large number of counterparties among which the most numerous are its customers. As at 31 December 2018, the overall amount of net trade debtors stood at €235 million. These receivables are detailed by maturity date (See Note 5.2). The exposure of the Group to a credit risk is linked to the specific characteristics of each of its customers. The default of one of its customers might lead to a limited financial loss as a result of the low average outstanding per customer.

COUNTERPARTY RISK

Solocal Group is exposed to counterparty risk essentially in its investments and interest rate hedging instruments. Solocal Group limits financial risk by selecting counterparts having a long-term rating higher than AA- (Standard & Poor's and/or Fitch IBCA) or Aa3 (Moody's). As at 31 December 2018, the Group's exposure was €5.0 million with respect of its investment transactions (See Note 11.6).

Furthermore, the management procedure for Solocal Group's financial operations involves the drawing up of a limited list of authorised signatures, outside of which the Chief Executive Officer's authorisation is compulsory. The banking documentation also limits the list of counterparties for interest rate hedging operations.

EQUITY RISK

Solocal Group considers that the equity risk is not significant insofar as the amount invested in own shares particularly under the liquidity contract remains limited and the investment of its cash surpluses is not exposed to equity market risk.

NOTE 11 Share-holders' equity

11.1 SHARE CAPITAL

The share capital of Solocal Group is comprised of 583,630,365 shares each with a par value of €0.10, representing a total amount of €58,363,037 (before deduction of treasury shares).

11.2 OTHER RESERVES AND OTHER ITEMS OF COMPREHENSIVE INCOME

The difference between the individual equity of Solocal Group and the consolidated equity of Solocal Group is explained by the application of different accounting principles.

This impact is essentially on the item concerning other consolidated reserves and other comprehensive income which are negative €1,474.4 million as at 31 December 2018 – compared with a negative amount of €1,395.0 million as at 31 December 2017 and is essentially comprised of:

- the portion of distributions in excess of the income for the year, mainly relating to exceptional distributions made in November 2006 for an amount of €2,519.7 million;
- actuarial differences relating to retirement benefits (IAS 19) for a negative amount of €44.0 million;
- counterparty in respect of the share-based payment expense for the open part of equity instrument with a negative amount of €59.0 million;
- differences linked to the first application of IFRS standards, in particular IFRS 15, for a negative amount of €94.4 million.

11.3 OWN SHARES

Under IAS 32, acquisition of own shares are recorded as a decrease in own capital on the basis of their acquisition cost. If own shares are disposed of, the profits or losses are recognised in the consolidated reserves for their amounts less tax.

Through the liquidity contract, the Company held 492,641 of its own shares as at 31 December 2018 representing €0.2 million compared to 402,274 on 31 December 2017, stated as a deduction from equity.

11.4 DIVIDENDS

Solocal Group did not distribute any dividends in 2018 and 2017.

11.5 EARNINGS PER SHARE

The Group discloses both basic earnings per share and diluted earnings per share. The number of shares used to calculate diluted earnings per share takes into account the conversion into ordinary shares of dilutive instruments outstanding at the period-end (unexercised options, free shares, etc.). If the basic earnings per share are negative, diluted loss per share represents the same amount as the basic loss. To permit direct comparisons of earnings per share, the weighted average number of shares outstanding for the reporting year and previous years is adjusted to take into account any shares issued at a discount to market price. Owned shares deducted from consolidated equity are not taken into account in the calculation of earnings per share.

NOTE 12 Stock options and free shares

12.1 SHARE-BASED PAYMENT

In accordance with IFRS 2 "Share-Based Payment", stock options, employee share issues and free grants of shares to employees of the Group are valued on their grant date.

The value of stock options is determined in particular by reference to the exercise price, the life of the options, the current price of the underlying shares, the expected share price volatility, expected dividends and the risk-free interest rate over the life of the options. The amount so determined (under the share-based payment heading) is recognised in personnel expenses on a straight-line basis over the period between the grant date and the exercise date – corresponding to the vesting period – and in equity for equity-settled plans or in liabilities to employees for cash-settled plans. The Group has opted for retrospective application of IFRS 2 to equity- and cash-settled plans. The new plans are valued in accordance with IFRS 2 using a binomial model.

The fair value of a free share is the market price of the share on the grant date after adjustment to take account of the loss of dividends expected during the vesting period. This expense is recorded on a straight-line basis over the vesting period and, if necessary, is adjusted to take account of the likelihood that the performance conditions will be fulfilled.

12.2 DESCRIPTION OF THE PLANS

12.2.1 Stock options

No stock-options plans have been granted by Solocal Group or by any of its subsidiaries in the last two years.

12.2.2 Free shares

Due to the performance conditions not being met, the right for the recipients of the 2014 and 2015 plans to receive these free shares was lost.

The Solocal Group shareholders, at the Extraordinary General Meeting of 9 March 2018, authorised the Board of Directors to establish, in favour of certain senior executives and employees of Solocal Group and affiliated companies, a performance share plan within the meaning of Articles L. 225-197-1 et seq. of the French Commercial Code.

Under this authorisation, the number of performance shares that may be granted free of charge is capped at 9,200,000 shares in the Company, including a maximum of 2,300,000 shares for the Company's corporate officers.

On 24 April 2018, this plan gave rise to the allocation of 9,050,000 performance shares to 73 beneficiaries, including 2,300,000 performance shares awarded to the Chief Executive Officer.

Under this plan, performance shares are subject to a three-year vesting period. No retention period is imposed on the beneficiaries.

The vesting of the shares is also subject to a continued employment condition and a performance condition based on the level of achievement of a target of EBITDA minus CAPEX and change in the Company's share price.

The Chief Executive Officer and the members of the Company's Executive Committee are required to retain at least 30% of the shares vesting to them until the end of their term of office as an ExCom Member or as the Chief Executive Officer of the Company.

In addition, the shareholders of the Company also authorised, at the Shareholders' Meeting of 9 March 2018, the Board of Directors to allocate free shares in the Company to Éric Boustouller in his capacity as Chief Executive Officer. The acceptance by Éric Boustouller of the position of Chief Executive Officer having led him to waive significant rights to long-term compensation in respect of his former position, it was agreed with him when he accepted the position of Chief Executive Officer that he would receive, subject to the approval of the Company's Shareholders' Meeting, compensation on taking up the office in the form of a free allocation of 1 million shares of the Company.

In application of this authorisation, the Board of Directors, at its meeting of 9 March 2018, decided to award 1 million free shares of the Company to Éric Boustouller.

The shares will vest after a period of 12 months, provided that Éric Boustouller is still present in the Company. This continued employment condition will be deemed fulfilled in the event of forced departure during the vesting period.

After a retention period of 12 months, Éric Boustouller will be required to retain at least two-thirds of the shares granted in this manner until the termination of his duties as Chief Executive Officer of the Company.

12.3 CHANGES IN STOCK OPTION PLANS AND FREE SHARES

	Closing balance as at 31/12/2017	Granted	Cancelled/lapsed	Closing balance as at 31/12/2018	Exercise price
Subscription share plans	**150,739**		**(15,391)**	**135,348**	
July 2010	71,514		(5,357)	66,157	€127.20
December 2010	7,438		(5,190)	2,248	€105.10
July 2009	71,787		(4,844)	66,943	€99.40
Free share plans		**10,050,000**		**10,050,000**	**Final vesting date**
April 2018		9,050,000		9,050,000	24/04/2021
March 2018 *		1,000,000		1,000,000	09/03/2019

* *This plan does not have any performance condition.*

At 31 December 2018, options under all share subscription plans could be exercised. These plans are expected to be settled through equity instruments.

12.4 EXPENSE RELATING TO STOCK OPTION PLANS AND FREE GRANTS OF SHARES

The impact on the income statement for financial year 2018 represents an income of €0.7 million compared to an income of €3.3 million in 2017 relating to the social charges regularisation of the employer contribution based on the fair value of the non-acquired instruments.

NOTE 13 Disputes and other contractual commitments

13.1 DISPUTES

In the ordinary course of business, SoLocal Group entities may be involved in a number of legal, arbitration and administrative proceedings. Provisions are only constituted for expenses that may result from such proceedings where they are considered suitable and their amount can be either quantified or estimated within a reasonable range. The amount of the provisions is based on an assessment of the risk on a case-by-case basis and largely depends on factors other than the particular stage of proceedings, although events occurring during the proceedings may call for a reassessment of this risk.

With the exception of the proceedings described below, the Group is not party to any legal or arbitration procedures that could reasonably be believed to have a material adverse effect on its earnings, operations or consolidated financial position.

2014 Employment Protection Plan

During the year 2013, PagesJaunes had to be reorganised again in order to guarantee its sustainability faced with a constantly changing and highly competitive professional environment. A project on changes in the model and the organisation of PagesJaunes was presented to the staff representation bodies concerned beginning in September 2013. At the same time, the Management negotiated with the trade unions a majority agreement on employee support measures. This agreement was signed on 20 November 2013. At the end of this work with the staff representatives, this plan called for reorganisation along with modifications in the employment contracts of the sales force, a project without direct lay-offs for which the net global balance, however, is the creation of 48 additional jobs within the Company. This agreement received validation via a ruling of the DIRECCTE on 2 January 2014.

311 employees refused the amendment to their employment contract linked to this reorganisation implemented at the end of 2013 and 280 of them were made redundant. One employee of the company decided to dispute the validation of the collective agreement relating to the job safeguarding plan before the administrative courts. The Versailles Administrative Court of Appeal, in a judgement of 22 October 2014 notified on 5 November, cancelled the validation by the DIRECCTE. On 22 July 2015, the Council of State rejected the appeal of the PagesJaunes and the Minister of Employment.

Consequently, multiple proceedings are in progress with the administrative as well as judicial courts. The administrative proceedings are now terminated.

With regard to the proceedings before the ordinary courts, more than 200 legal proceedings were brought before Employment Tribunals by employees invoking the consequences of the overruling of the administrative decision validating the collective agreement relating to the employment protection plan by the Versailles Administrative Court of Appeal which enables them to claim compensation.

On the date of this Document around ten cases had not been settled in the first instance.

Nearly 200 substantive decisions had been issued in the first instance and/or in the appeal courts. The vast majority of these decisions rejected redundancy invalidity claims and the fixed

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compensation consequences that stem from this, deeming that the redundancy was based on a real and serious cause and rejecting claims which challenge the economic reason, (but pronouncing payment orders based on Article L. 1235-16 of the Labour Code at a level close to the compensation floor provided by this legislation, i.e. between six and seven months' wages. One particular Court of Appeal upheld the rule cited by the Company, and dismissed all of the claimants' claims (35 cases).

Furthermore, certain decisions give rights to related requests: some relating to particular situations, (dispute over duration or conditions, holiday and rehabilitation periods, requests for commissions prior to the plan) others concern the payment of a supplement to the conventional redundancy compensation paid in the final settlement for all accounts and some different positions.

Finally, a number of cases are currently pending before the Court of Cassation at the initiative of PagesJaunes.

In the consolidated financial statements for 2015, Solocal recognised the exceptional impact of the court decisions that cancelled DIRECCTE's validation of the Employment protection plan. This additional provision is 35 million euros and is recognised in the consolidated financial statements as at 31 December 2015. It was based on a prudent assumption in a context of great legal uncertainty, increased recently by conflicting decisions of Employment Tribunals. As at 31 December 2018, the remaining provision on the statements was €15.3 million. compared with €23.4 million as at 31 December 2017.

Solocal continued to roll out its reorganisation plan and in 2016 launched a new PSE procedure for employees who could not be made redundant during the previous procedure because it had been deemed invalid.

A request for claims for the prejudice caused by the State to PagesJaunes due to incorrect validation of its PSE is underway. PagesJaunes initially requested compensation from the State for its loss resulting from the payment of compensation following the cancellation of the DIRECCTE decision, then approached the Cergy-Pontoise Administrative Court in July 2017 to obtain an order for the State to pay this sum to it. As it stands, no hearing date has been set.

Supplier dispute

PagesJaunes has been sued by a former distributor for the sudden termination of commercial relations. All of their claims were dismissed in the first instance, but they lodged an appeal. The provision recorded in the PagesJaunes 2016 accounts was therefore maintained, according to the requirements and the criteria usually adopted.

URSSAF (French Social Security Agency) dispute

In 2016, PagesJaunes was the subject of an inspection by the French Social Security Agency (URSSAF) in respect of the 2013, 2014 and 2015 financial years. As part of this process, the Company was notified of an adjustment of €2 million relating to the amount of employer contributions concerning performance shares ("AGA"). Solocal, PagesJaunes, ClicRDV, Mappy, Finemedia and Leadformance referred the matter to the URSSAF arbitration committee on 28 March 2017, as a safeguard measure, regarding the scenario in which the priority questions on constitutionality, (no. 2017-627 QPC and 2017-628 QPC) concerning the employer contribution paid in terms of non-acquired AGA, were to give rise to a decision of unconstitutionality, in order to obtain reimbursement of the employer contributions that were paid in terms of free shares allocated in 2014 and 2015.

URSSAF approved a reimbursement of the amounts concerning the 2014 plan which matured in June 2018. Given that the performance conditions had not been complied with, this was on the condition that no shares had been acquired (including the adjusted amounts of €6.3 million).

Tax control

PagesJaunes is undergoing a tax audit concerning financial years 2010 to 2013 and has received proposals for an adjustment concerning the Research Tax Credit. The company considered the adjustments as unfounded and has challenged them with the tax administration. The Company sent a dispute claim in the month of February 2018 in order to obtain partial reimbursement for the remaining reassessments. As the amounts that are not eligible for the research tax credit were settled on 18 April 2017, the provision was recorded in the statements as at 31 December 2017. Income will be recognised in the event of a favourable outcome to this recourse. On 13 September 2018 the Ministry of Research (to whom the Authority transferred the file) requested additional information from us for the 2012 and 2013 projects. The information requested, in our possession, was sent to the Ministry of Research on 16 October 2018.

Other

Following the investigation opened in June 2016 by the French Financial Markets Authority (AMF) relating to the Solocal Group's financial reporting between 2014 and 2016, the Solocal Group entered into an administrative composition agreement with the AMF, which the latter certified in December 2018. This agreement brought the AMF procedure to an end. The procedure covered the guidance revision timetable for the Solocal Group's 2015 net income, announced in April 2015, which was revised in November 2015 when the 2015 quarter 3 financial statements were published, primarily due to the consequences of cancelling the 2013 Employment protection plan by the French Council of State (*Conseil d'état*) in July 2015. The sum of €0.25 million is payable under the AMF agreement, but the agreement does not apportion any blame to the Solocal Group, and consequently the agreement does not constitute a penalty.

We have also strengthened our procedures and systems as regards the detection and qualification of potential classified information within the Company, as well as our Securities Trading Code of Conduct, which is available to all employees.

In common with other companies in the sector, the Solocal Group is frequently the subject of court proceedings brought in relation to errors in the publication of directories and other media. Generally the financial risk represented by each of these proceedings is relatively limited. However, an increase in their number may constitute a significant risk for the Company. As at 31 December 2018, the number of these proceedings amounted to eight, for a total of around €0.3 million. In these proceedings, our entities endeavour to negotiate out-of-court compensation, which significantly reduces the final total cost of such proceedings. However, no guarantee can be given that these proceedings will not have an adverse impact on our financial position.

Our Legal department monitors the risks connected with the most significant disputes, liaising with senior management and our subsidiaries and assisted by law firms.

13.2 CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET COMMITMENTS

Significant off-balance-sheet commitments are as follows:

	As at 31/12/2018				As at 31/12/2017
Contractual obligations	**Total**	**Payments due per period**			**Total**
(in thousands of euros)		**Less than 1 year**	**In 1 to 5 years**	**In more than 5 years**	
Operating leases	**148,003**	**40,601**	**84,801**	**22,601**	**138,267**
Paper, printing, distribution[1]	949	949	0	0	1,119
Other services[2]	20,542	10,994	9,548	0	16,364
Commitments for purchases of goods and services	**21,491**	**11,943**	**9,548**	**0**	**17,483**
TOTAL	169,494	52,543	94,350	22,601	155,750

(1) See details in the table below.
(2) The "Other services" section includes all firm orders placed as at 31 December 2018 for goods and services.

The "Other services" section includes all firm orders placed as at 31 December 2018 for goods and services deliverable from1 January 2019.

Leases

PagesJaunes has leased land, buildings, vehicles and equipment These leases are due to expire on different dates over the next five years.

The Management considers that these leases will be renewed or replaced on expiry by other leases under normal operating conditions.

These off-balance-sheet commitments related mainly to the signing, by Solocal Group, of commercial lease contracts before completion with two separate investors, concerning premises located in the towers of a property complex undergoing renovation named Citylights located at Boulogne-Billancourt.

The final lease agreements were signed for a term of ten years, as the Solocal Group waived its option allowing it to terminate the agreements every three years until the expiration of the final lease agreement. The lease agreements are therefore scheduled to come into effect on 9 May 2016 and expire on 8 May 2026.

The premises leased by Solocal Group for the entities of the Group represent an area of 35,702 m^2, for a total commitment pursuant to these contracts of €74.5 million (excluding expenses and rent indexing) as of 31 December 2018. Almost all of this area is charged back as part of the real estate services provided to the Group's subsidiaries.

Guarantee deposits for an amount of €4.1 million were paid following the move to the premises in Boulogne-Billancourt.

As at 31 December 2018, the Group's commitment under all leases amounted to €148.0 million, of which €40.6 million is payable in under one year.

Commitments for purchases of goods and services

Production of directories

For the production and distribution of its printed directories, the Group entities enter into contracts with their paper suppliers, printers and distributors. These contracts may be annual or multi-annual.

Only firm orders placed as at 31 December 2018, both with paper suppliers and with printers and distributors, were reported as off-balance-sheet commitments at that date, for a total amount of €0.9 million.

Other commitments given

The bond is indirectly secured by a pledge on the securities of PagesJaunes SA held by Solocal Group.

Other commitments received

The other significant off-balance-sheet commitments received are as follows:

	As at 31/12/2018				As at 31/12/2017
Contractual obligations	Total	Payments due per period			**Total**
(in thousands of euros)		Less than 1 year	In 1 to 5 years	In more than 5 years	
Operation leases – lessor	0	0	0	0	0
Other services	34,469	26,014	8,455	0	35,795
TOTAL	34,469	26,014	8,455	0	35,795

The other services correspond to that portion of the order backlog remaining to be recognised under sales and not yet billed (see Note 1.3.1.2).

NOTE 14 Events subsequent to the closing date

None.

NOTE 15 Scope of consolidation

		As at 31/12/2018		As at 31/12/2017	
Entities	**Country**	Interest	Voting rights	**Interest**	**Voting rights**
Solocal Group (consolidating entity)	France	100%	100%	100%	100%
PagesJaunes	France	100%	100%	100%	100%
SOMS	France	100%	100%	100%	100%
Mappy	France	100%	100%	100%	100%
Leadformance	France	100%	100%	100%	100%
ClicRDV	France	100%	100%	100%	100%
Fine Media	France	100%	100%	100%	100%
Effilab	France	100%	100%	100%	100%
PagesJaunes Outremer	France	100%	100%	100%	100%
GIE	France	100%	100%	100%	100%
QDQ Media	Spain	100%	100%	100%	100%
Optimizaclick	Spain	100%	100%	100%	100%
Trazada	Spain	100%	100%	100%	100%
Euro Directory	Luxembourg	100%	100%	100%	100%
PagesJaunes Finance & Co	Luxembourg	-	-	-	-
Digital To Store	United Kingdom	100%	100%	100%	100%
Yelster Digital	Austria	100%	100%	100%	100%
Orbit Interactive	Morocco	100%	100%	100%	100%
Retail Explorer[1]	France	-	-	100%	100%
NetVendeur[2]	France	-	-	100%	100%
Effilab Australia[3]	Australia	-	-	51%	51%
Effilab Dubaï[4]	United Arab Emirates	-	-	51%	51%

(1) Retail Explorer sold on 31 May 2018.
(2) NetVendeur sold on 9 March 2018.
(3) Effilab Australia sold on 28 June 2018.
(4) Effilab Dubaï sold on 19 June 2018.

NOTE 16 Audit fees

	Beas/Deloitte & Associates				Auditex/Ernst & Young			
	Amount		In % of fees		Amount		In % of fees	
(amounts in thousands of euros)	2018	2017	2018	2017	2018	2017	2018	2017
AUDIT								
Audit, statutory audit, certification and inspection of individual and consolidated accounts	**456**	**422**	**88%**	**76%**	**417**	**339**	**69%**	**70%**
• Including Solocal Group	172	125	33%	22%	132	125	22%	26%
• Including fully consolidated subsidiaries	284	297	55%	53%	285	215	47%	44%
Other services excluding certification and inspection of individual and consolidated accounts	**61**	**134**	**12%**	**24%**	**190**	**146**	**31%**	**30%**
• Including Solocal Group	61	134	12%	24%	190	141	31%	29%
• Including fully consolidated subsidiaries	-	-	0%	0%	-	5	0%	1%
SUBTOTAL	**517**	**556**	**100%**	**100%**	**607**	**485**	**100%**	**100%**
Other services provided by the networks to fully consolidated subsidiaries								
Legal, tax and social security -related	-	-	0%	0%	-	-	0%	0%
Others	-	-	0%	0%	-	-	0%	0%
SUBTOTAL	**-**	**-**	**0%**	**0%**	**-**	**-**	**0%**	**0%**
TOTAL	517	556	100%	100%	607	485	100%	100%

6.1.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended 31 December 2018

To the Annual General Meeting of the Solocal Group,

OPINION

In execution of the mission entrusted to us by your general shareholders' meeting, we have audited Solocal Group's consolidated financial statements for the year ended 31 December 2018, as attached to this report.

In our opinion, the consolidated financial statements give a true and fair view of the results of the operations for the past financial year as well as the financial position and net income at the end of the financial year, of the consolidated companies and entities included in the consolidation, in accordance with IFRS standards as adopted in the European Union.

The opinion set forth above is consistent with the content of our report to the Audit Committee.

BASIS OF THE OPINION

Terms of reference

We have carried out our audit in accordance with the professional standards of practice applicable in France. We believe that the information we collected is sufficient and appropriate to serve as a basis for our opinion.

Our responsibilities under these standards are set out in the "Responsibilities of the statutory auditors concerning the audit of the consolidated financial statements" section of this report.

Independence

We have carried out our audit mission in compliance with the rules of independence that are applicable to us, covering the period from 1 January 2018 to the date of issue of our report and, in particular, we have not provided services precluded by Article 5, paragraph 1, of (EU) rule No. 537/2014 or by the Code of Ethics for the profession of Statutory Auditor.

OBSERVATIONS

Without questioning the opinion expressed above, we draw your attention to Note 1.3.1.-"First application of IFRS 9 and IFRS 15" which presents the impact of the first application of IFRS 15 "Revenue from ordinary activities from Contracts with Customers" and IFRS 9 "Financial Instruments".

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In application of the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgement, were the most important for the audit of the consolidated financial statements for the financial year, as well as the responses we provided to these risks.

The assessments thus made fall within the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on items in these consolidated financial statements in isolation.

IFRS 15 "Revenue from Contracts with Customers" Impact of the first application Accounting for Internet revenues according to IAS 18

Key point of the audit	Handling the key point of the audit
Consolidated revenue as at 31 December 2018 amounted to €670.4m. The impact of the first application of IFRS 15 led to a reduction in 2017 revenue of €25.7m, broken down into a drop of €40.6m in the Digital business and an increase of €14.9m in the Print business owing to a change in spreading out income over time. Note 1.3.1 of the notes to the consolidated financial statements shows the methods for accounting for revenue as regards IFRS 15 and the impact of its first application. Accounting for revenue in accordance with IFRS 15 is based on significant judgements and estimates, namely for the identification of the different performance obligations, amongst which the price of the contract must be spread out and for which the pace of accounting for revenue may be different, depending on the control transfer model. Depending on the products, one or two separate service obligations were identified by the Company. Revenue from internet products is accounted for on a straight-line basis throughout the contract for each service obligation met on a continuous basis. For the other products, essentially the Print business, for which the transfer of control takes place on a given date, revenue is accounted for precisely at that time. Moreover, in terms of the normative analysis relating to the transition, the acquisition costs of the contracts previously accounted for as assets for €35m were not considered incremental under IFRS 15. They were restated for the transition and are now no longer activated but accounted for directly as expenses for the year t hey occur. Accounting for revenue and the effect of the transition to IFRS 15 constitutes a key point of the audit given their significant nature and the extent to which they are based on estimates and judgements implemented by the management, namely to determine the service obligations as well as the allocation of the price of the transaction to those obligations.	We have reviewed the process implemented by the Group to determine the criteria for recording revenue in accordance with the new IFRS 15. Our work in particular consisted in: • examining, for the principal typologies of offers, the normative analyses conducted by the Group as regards IFRS 15 as well as the estimates and judgements relating to the identification of the service obligations and the allocation of the price of the transaction for the contracts for which several separate obligations were identified; • using samples to compare the entry data used in determining the impact on revenue relating to the transition and for applying the new standard to financial year 2018 with the contracts; • creating specific procedures on computer systems. We have involved in the audit team members with special skills in information systems, who have analysed the parameters of the systems and recalculated the revenue and deferred income under the new guidelines for the first application and for revenues for financial year 2018; • checking in the consolidation documents of PagesJaunes, the only subsidiary concerned, to make certain that all the non-incremental acquisition costs have been restated as at 1st January 2017 and are no longer activated; • analysing the different impacts on opening, namely on equity and deferred income. We have also examined the appropriate nature of the information presented in Note 1.3.1 of the notes to the consolidated financial statements.

Accounting for and evaluating the development costs under assets

Key point of the audit	Handling the key point of the audit
The net book value of the consolidated capitalised development costs as at 31 December 2018 represents €93m or 14% of the Group's total assets. As described in Note 4.2 of the notes to the consolidated financial statements, the Group records development costs as intangible assets when the IAS 38 criteria - for intangible assets are demonstrated, particularly when technical feasibility, the financial intent and capacity and the technical know-how to carry through with a development project, the ability to use or sell the intangible asset, the probability that the future economic benefits attributable to the development expenses will go to the Company, and the reliability of the evaluation of the costs of this asset are assured. Significant capitalised development costs are amortised using the straight-line method over their useful life, which generally does not exceed three years. Determining the projects and costs that can be recorded under assets requires significant judgements and estimates. That is the reason for which evaluating these intangible assets is a key point of the audit.	We have reviewed the process implemented by the Group to determine if the criteria for recording the development costs under assets are met. Our work in particular consisted in: ● on the significant costs attached to internal developments accounted for as intangible assets during the period; ● comparing amounts recorded in the books with data from operational time tracking systems charged to development projects; ● analysing and testing, by sampling, the principal projects and amounts capitalised during the period under the IAS 38 criteria; ● for the main development projects put into production during the year, comparing the commissioning date with the commissioning minutes drawn up and the useful life with the explanations of the operational staff; ● for projects from previous years, examining the indicators of impairment and their possible consequences on the net book value of the assets. We also verified the appropriate nature of the information presented in Note 4.2 of the notes to the consolidated financial statements.

Evaluating and recording the transformation plan

Key point of the audit	Handling the key point of the audit
On 13 February 2018, the Group presented its strategic project entitled "SoLocal 2020". The project involved on the one hand, a reduction in staff, reflected in the introduction of an employee protection plan, and on the other hand, closing commercial branches and identifying vacant premises. In addition, a provision relating to premises that have become vacant was acknowledged. In all, the net expense recognised for the financial year is €164m. The remaining provision as at 31 December 2018 is €128m. Note 1.1.2 of the notes to the consolidated financial statements shows the methods for evaluating and recording this provision. We considered that evaluating and recording this provision constituted a key point of the audit owing to: ● the significant amount; ● a significant effect on the Group's results, in the event of an error in judgement of a change in estimate;	We have reviewed the provisions of the "Solocal 2020" project as well as related plans for a staff reduction and the closure of commercial branches. We also reviewed the process implemented by the management to determine the methods for recording them on the books and the evaluation assumptions of these provisions. Our work in particular consisted in: ● analysing the principles and methods of evaluating and recording these provisions as regards the IAS 19 standards - Benefits of personnel and IAS 37 - Provisions, any liabilities and assets; ● examining the approach used by the management and the judgements made by it. For the social aspect, we analysed the principal assumptions such as the probability that an employee might reach the end of his or her mobility leave and opt for support measures. Concerning the provision relating to vacant premises and branch closures, we examined the contractual data underpinning the evaluation of the provision; ● examining the consistency of the basic data used with the corresponding accounting and social data; ● verifying the calculation formulas applied and by sampling the source data. We have also examined the appropriateness of the information presented in Note 1.1.2 to the consolidated financial statements.

Note on continued operations

Key point of the audit	Handling the key point of the audit
As at 31 December 2018, the Group had a net loss of €81m as well as negative equity of €679m, €814m in current liabilities and €374m in current assets. Furthermore, major cash expenses relating to the PSE (Employment Protection Plan) are planned for the third and fourth quarters of 2019. As indicated in Note 1.5 of the consolidated income statements, regarding the cash estimates it has (assuming in particular a growth in digital sales for the entire financial year 2019), and including the financing facilities described below, the management estimates that the Group should have the ability to finance its cash needs and meet its financial commitments. • An agreement was reached in February 2019 to establish a €15m renewable credit facility with two banking partners; • a working capital line was set up in December 2018 with a financial partner; • other discussions are ongoing with several banking establishments to enter into other agreements of the same type; • moreover, the management believes that a technical reshuffling of the baskets planned by the bank documentation could be considered which would make it possible to gain in flexibility in the use of the working capital lines. Such a reshuffling would require agreement by only a simple majority of bondholders. Thus, the evaluation of the assumption of continuity of operations on which the consolidated financial statements were established is based on the judgement by the management, namely regarding: • future prospects of operational activity underpinning the budget adopted by the Board of Directors; • estimates of future cash flow. • the ability of the Group to rearrange the baskets planned by the banking documentation and/or to mobilise a renewable credit facility and/or bilateral financing lines. Therefore, we considered the evaluation of the assumption of business continuity as a key point of the audit.	We reviewed the process implemented by the management to evaluate the assumption of business continuity over a twelve-month period starting with the closing. Our work in particular consisted in: • reviewing the procedures implemented to draft cash estimates; • comparing the starting point of the table of cash estimates with the financial statements audited as at 31 December 2018; • comparing the future cash flow estimated with the prospects of business continuity from the budget validated by the Board of Directors in its meeting of 14 December 2018 and confirmed by the introduction of a 2019-2021 business plan in its meeting of 13 February 2019; • reviewing the principal assumptions used to prepare the budget and cash flow estimates and assessing the consistency with our knowledge of the Company; • recalculating cash estimates and the financial need based on them; • analysing the contract on the working capital line obtained in December 2018, • obtaining confirmation of the agreement to establish a renewable credit facility in February 2019; • discussing with the Management the progress made in discussions with the bondholders for rearranging the baskets; • interviewing the management regarding its knowledge of events or circumstances prior to closing that would be likely to question these estimates. We also verified the appropriate nature of the information relating to the business continuity presented in Note 1.5 of the notes to the consolidated financial statement.

SPECIFIC VERIFICATIONS

In accordance with the professional standards applicable in France, we also conducted the specific audits required by law and regulations of the information given in the Group's Management Report to the Board of Directors.

We have no matters to report regarding the fair presentation of this information or its consistency with the consolidated financial statements.

We attest that the consolidated statement on non-financial performance under Article L.225-102-1 of the Commercial Code is included in the Group management report, given that, in accordance with the provisions of Article L.823-10 of said Code, the information contained in this statement was not audited by us in terms of fairness and consistency with the consolidated financial statements and must be audited by an independent outside agency.

INFORMATION RESULTING FROM OTHER LEGAL AND REGULATORY OBLIGATIONS

Appointment of the Statutory Auditors

We were appointed as statutory auditors of the Solocal Group company by your 19 October 2016 shareholders' meeting for the B.E.A.S. firm, an entity of the Deloitte network, and for the AUDITEX firm, a member of the ERNST & YOUNG Global Limited network.

As at 31 December 2018, the firms B.E.A.S. and AUDITEX were in the third year of their mission without interruption.

Deloitte & Associés and Ernst & Young Audit previously served as Solocal Group's Statutory Auditors from 2003 to 2015 and from 2004 to 2015 respectively, including twelve years for both of these firms since the Company's securities were admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND CORPORATE GOVERNANCE OFFICERS IN THE CONSOLIDATED FINANCIAL STATEMENTS

It is the responsibility of management to prepare consolidated financial statements that present a true and fair view in accordance with the IFRS as adopted in the European Union, as well as to implement the internal control that it deems necessary for the preparation of consolidated financial statements containing no material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, to present in these accounts, if applicable, the necessary information relating to the continuity of operations and apply the going concern accounting policy unless it is intended to wind up the company or cease trading.

It is the duty of the Audit Committee to monitor the process of compiling financial information and to monitor effectiveness of the internal control and risk management systems, and, where relevant, of the internal audit system in terms of the procedures for compiling and processing accounting and financial information.

The consolidated financial statements were prepared by the Board of Directors.

RESPONSIBILITIES OF THE AUDITORS RELATING TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Audit objectives and approach

We are responsible for preparing a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements. Reasonable assurance means a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect any material misstatement. Misstatements may originate from fraud or be the result of errors and are considered as material if there is a reasonable expectation that they could, taken individually or cumulatively, have an impact on economic decisions that users of the financial statements will take based on the latter.

As specified by Article L. 823-10-1 of the French Commercial Code, our mission to audit the annual financial statements does not include guaranteeing the viability or quality of the management of your Company.

In an audit carried out in accordance with the standards of professional practice applicable in France, the Statutory Auditor exercises their professional judgement throughout this audit. In addition:

- they identify and assess the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to address these risks, and collects sufficient and appropriate elements to base its opinion. The risk of not detecting a material misstatement originating from fraud is higher than that of failing to detect a material misstatement resulting from an error, as fraud may involve collusion, falsification, deliberate omissions, false statements or bypassing internal audit;
- the auditor takes note of the internal control system relating to the audit in order to define audit procedures that are appropriate in the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal audit;
- they assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as their information provided in the consolidated financial statements;

- the auditor assesses the appropriateness of the application by management of the going concern accounting principle and, according to the elements collected, the existence or otherwise of significant uncertainty related to events or circumstances likely to compromise the Company's ability to continue operations. This assessment is based on the evidence collected up to the date of his report, it being recalled, however, that later events could compromise the continuity of operations. If they conclude that there is significant uncertainty, they draw the attention of readers of their report to the information provided in the consolidated financial statements about this uncertainty or, if this information is not provided or is not relevant, they issue a qualified certification or a refusal to certify;
- they assess the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements reflect the underlying transactions and events in such a way as to give a true and fair view of them;
- concerning the financial information of the persons or entities included in the scope of consolidation, they collect information that they deem sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for the management, supervision and execution of the audit of the consolidated financial statements as well as the opinion expressed on these statements.

Report to the Audit Committee

We present a Audit Committee report, which outlines the scope of the audit work and the work program implemented, as well as the conclusions arising from our work. We also bring to its notice, where appropriate, any significant weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the information disclosed in the report to the Audit Committee are the risks of material misstatement that we consider to have been the most important for the audit of the consolidated financial statements for the financial year and which therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit Committee with the declaration stipulated by Article 6 of (EU) regulation No. 537-2014 confirming our independence within the meaning of the rules applicable in France as laid down in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics of the audit profession. If necessary, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris-La Défense, 28 February 2019

The Statutory Auditors,

B.E.A.S.	AUDITEX
An entity of the Deloitte network	Member of the Ernst & Young Global Limited network
Jean-François Viat	**Vincent de La Bachelerie**

6.2 COMPANY FINANCIAL STATEMENTS

6.2.1 BALANCE SHEET

		2018			2017	
(in thousands of euros)	**Notes**	**Gross**	**Depreciation, amortisation and provisions**	**Net**	**Net**	**Variation**
Asset						
Intangible fixed assets	*5.1*	424	(424)	0	-	-
Tangible fixed assets	*5.1*	17,162	(4,524)	12,638	14,348	(1,710)
Interests and other securities	*5.2*	3,140,093	(1,934,295)	1,205,798	2,301,162	(1,095,364)
Claims related to interests	*5.2*	12,478	(10,500)	1,978	1,986	(8)
Other long-term investments		4,967	-	4,967	5,203	(236)
TOTAL FIXED ASSETS		**3,175,124**	**(1,949,743)**	**1,225,381**	**2,322,699**	**(1,097,319)**
Advances and prepayments		36		36	638	(602)
Trade debtors	*5.3*	1,842		1,842	1,000	842
Tax and social security claims		20,158		20,158	6,995	13,163
Claims on subsidiaries (tax integration)	*5.10*	492		492	9,927	(9,435)
Subsidiary current accounts	*5.4*	70,689	(1,519)	69,170	33,810	35,360
Receivables on disposals of fixed assets	*5.2*	-		0	-	-
Sundry claims		2,218		2,218	2,985	(767)
Marketable securities and treasury shares	*5.4*	250	-	250	337	(86)
Cash and cash equivalents	*5.4*	36,676		36,676	41,164	(4,488)
Prepaid expenses		119		119	73	46
TOTAL CURRENT ASSETS		**132,481**	**(1,519)**	**130,962**	**96,929**	**34,033**
Currency exchange adjustment		-		0	-	-
TOTAL ASSETS		**3,307,605**	**(1,951,262)**	**1,356,342**	**2,419,628**	**(1,063,286)**
Liabilities						
Capital				58,363	58,244	119
Issue Premium				728,078	725,826	2,253
Legal reserve				5,824	5,620	205
Other Reserves				38,175	38,175	-
Retained earnings				29,437	8,639	20,797
Profit/loss for the year				(14,381)	21,002	(35,383)
Provisions regulated				1,092	1,008	84
EQUITY	**5.5**			**846,588**	**858,514**	**(11,926)**
Provisions for risks and contingencies				6,700	-	6,700
PROVISIONS FOR RISKS AND CONTINGENCIES	**5.7**			**6,700**	**-**	**6,700**
Financial debts	*5.8*			**427,843**	**1,508,814**	**(1,080,971)**
Loans and financial debts from credit institutions				1,391	1,415	(24)
Sundry loans and financial debts				403,235	986,888	(583,654)
Subsidiary current accounts				23,146	520,500	(497,354)
Special bank loans				72	11	60
Operating debts				**51,628**	**38,555**	**13,072**
Trade creditors and related accounts	*5.8*			41,635	31,317	10,318
Tax and social security debts				9,993	7,239	2,754
Other debts	*5.10*			**23,584**	**13,737**	**9,846**
Subsidiary debts (tax integration)				22,171	2,422	19,749
Sundry debts				1,412	11,315	(9,903)
Deferred income				0	0	-
TOTAL DEBT				**503,054**	**1,561,107**	**(1,058,053)**
Unrealised losses from foreign exchange				0	8	(8)
TOTAL LIABILITIES				**1,356,342**	**2,419,628**	**(1,063,286)**

6.2.2 INCOME STATEMENT

(in thousands of euros)	Notes	2018	2017	Income statement Variation
Provision of services		903	1,905	(1,002)
Related revenues		19,409	21,153	(1,745)
Writeback of provisions and transfers of expenses		-	1,645	(1,645)
Other proceeds		0	6	(6)
Operating income	*5.11*	**20,312**	**24,709**	**(4,397)**
Purchases and provision of services		3,066	2,229	837
Purchases of materials and supplies not stocked		64	46	18
External services		15,000	19,097	(4,097)
Other external services		10,843	17,307	(6,464)
Duties and taxes and similar payments		2,711	1,763	948
Salaries		977	805	172
Social security contributions		589	328	261
Other expenses		501	2,135	(1,634)
Depreciation and amortisation and provisions on current assets		1,737	1,729	8
Allocations to provisions for risks and expenses		-	-	-
Operating expenses	*5.12*	**35,488**	**45,439**	**(9,951)**
OPERATING INCOME		(15,176)	(20,730)	5,554
Proceeds from interests – dividend		47,739	64,081	(16,342)
Financial revenues on marketable securities and claims on fixed assets		647	1,217	(571)
Other financial income		-	-	-
Amounts released from provisions		1,752	8,364	(6,613)
Foreign exchange gains		-	1	(1)
Financial income		**50,137**	**73,664**	**(23,527)**
Interest and similar expenses		36,569	44,996	(8,427)
Other financial expenses		503	418	85
Allocations to provisions		8,109	37,204	(29,095)
Foreign exchange losses		3	1	2
Financial expenses		**45,185**	**82,618**	**(37,434)**
NET FINANCIAL EXPENSE	*5.13*	4,952	(8,955)	13,907
CURRENT INCOME/EXPENSES		(10,224)	(29,685)	19,461
Exceptional income on management transactions		-	-	-
Exceptional income on capital transactions		0	10	(10)
Writeback of provisions and transfer of expenses		314	2,486	(2172)
Exceptional income		**314**	**2,496**	**(2,182)**
Exceptional expenses on management transactions		2,086	1,079	1,006
Exceptional expenses on capital transactions		1,267	5,291	(4,024)
Depreciation, amortisation and provisions		6,784	106	6,678
Exceptional expenses		**10,137**	**6,477**	**3,660**
EXCEPTIONAL PROFIT/LOSS	*5.14*	(9,822)	(3,980)	(5,842)
Employee profit sharing		-	-	-
Tax on profits (+ income/- expenses)	*5.10*	5,665	54,667	(49,002)
NET INCOME		(14,381)	21,002	(35,383)

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6.2.3 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTE 1 Business activities

Solocal is a holding company. As such, it has subsidiaries whose mission is to offer its customers digital services and solutions to increase their visibility by creating and updating the best local professional content, personalised for users.

The accounting information provided below covers the 12-month period from 1 January 2018 to 31 December 2018.

NOTE 2 Highlights

RESTRUCTURING

On 13 February 2018, the Company presented its strategic project entitled "Solocal 2020". This transformation project, developed to enable the Company to recover sustainable growth with effect from 2019, involves cutting around 1,000 positions over the 2018-2019 period, through the implementation of an Employment Protection Plan in its subsidiary PagesJaunes SA.

This transformation project also comprises measures to improve operational efficiency, notably including the grouping of the telesales, customer support and production activities within regional centres.

The Company therefore classified part of the property expenses as exceptional profit/loss for €1.7 million and established a provision of €6.7 million relative to the best estimate of costs for exiting the unoccupied premises of Citylights.

EQUITY INTERESTS

A capital reduction by offsetting receivables was decided by the General Meeting of 29 December 2017, leading to a reduction of the capital of PagesJaunes SA in the amount of €1,087 million by compensation of receivables. The value of the equity interests of PagesJaunes SA held by Solocal was therefore adjusted by this amount.

The net book value of these equity interests stood at €1.135 million at 31 December 2018, with the measurement test that was carried out confirming this value.

NOTE 3 Accounting principles and methods

The annual financial statements of Solocal were prepared under the responsibility of the Chief Executive Officer and were approved by the Board of Directors on 19 February 2019.

The annual financial statements of Solocal were prepared in accordance with the legislative and regulatory provisions in force in France and in accordance with regulation ANC No. 2018-07 relative to rewriting the general chart of accounts, it being understood that the presentation of the balance sheet and income statement was adapted to the Company's holding activity.

The accounting policies have been applied in accordance with the principle of caution in accordance with the basic assumptions: continuity of operations, consistency of accounting methods from one financial year to another, independence of financial years, in accordance with the general rules for the preparation and presentation of the annual financial statements.

The basic method adopted for the evaluation of the elements booked to the accounts is the historical cost method.

NOTE 4 Note on the continuity of operations

The Company has not identified any items likely to compromise the continuity of operations.

An agreement was reached with two banking partners in February 2019 for the establishment of a €15 million revolving credit facility. A working capital line was introduced in December 2018 with a financial partner. Other discussions are ongoing with several banking establishments to enter into other agreements of the same type.

Moreover, the management believes that a technical reshuffling of the baskets planned by the bank documentation could be considered, which would make it possible to gain in flexibility in the use of the working capital lines. Such a reshuffling would require agreement by only a simple majority of bondholders.

Given the cash estimates (assuming in particular a growth in digital sales throughout financial year 2019) and including the financing facilities described above, the Company has the ability to finance its business activity and in particular to face major cash expenses related to the Employment Protection Plan in the third and fourth quarters of 2019.

NOTE 5 Additional information on the balance sheet and income statement

5.1 TANGIBLE AND INTANGIBLE FIXED ASSETS

Intangible fixed assets include software, which is amortised on a prorated basis over three years.

Property, plant and equipment includes office equipment and furniture depreciable over ten years, computer equipment depreciable over three years, and fixed assets under construction.

The variation in intangible and tangible fixed assets breaks down as follows:

Gross	31/12/2017	Acquisitions	Reduction	31/12/2018
Software	424	-	-	424
Fittings	12,771	136	-	12,908
IT equipment	158	-	-	158
Furniture	4,087	-	-	4,087
Fixed assets under construction	118	-	109	9
GROSS TOTAL	**17,559**	**136**	**109**	**17,586**

Depreciation	31/12/2017	Allowances	Amounts released	31/12/2018
Software	424	-	-	424
Fittings	2,045	1,282	-	3,327
IT equipment	78	49	-	126
Furniture	664	407	-	1,071
TOTAL AMORTISATION	**3,211**	**1,737**	**-**	**4,948**

5.2 INVESTMENTS IN ASSOCIATES AND RELATED RECEIVABLES

Equity interests in associates are recorded at their historical acquisition cost, which includes any costs directly related to the acquisition.

Impairment is recognised if the historical cost of these securities is greater than their value in use, as determined by Solocal's management on the basis of various criteria, such as market value, the outlook for growth and profitability, shareholders' equity and each equity interest's specific characteristics.

When the value in use is determined by discounting expected cash flows adjusted to account for net debt, the latter are determined in the following manner:

- the cash flows used are those projected in business plans that cover a sufficiently long period, which is usually three years;
- beyond this period, cash flows are extrapolated using a perpetual growth rate that reflects the forecast long-term growth rate of the market for each specific business activity;
- cash flows are discounted at rates that are deemed appropriate given the nature of the business activity and the country.

The table below shows the change in investments in associates and related receivables:

	Financial year ended 31/12				
				2018	2017
(in thousands of euros)	% of interest	Value gross	Provision	Net value accounting	Net value accounting
Interests					
PagesJaunes	100%	2,918,338	(1,783,020)	1,135,318	2,222,018
QDQ Media	100%	91,719	(91,719)	-	-
Mappy	100%	37,282	(18,048)	19,234	19,234
Solocal Marketing Services	100%	7,275	-	7,275	7,275
Euro Directory	100%	13,251	(13,251)	0	0
Yelster Digital	100%	14,997	(14,100)	897	897
PagesJaunes Outre-Mer	100%	76	-	76	76
NetVendeur	0%	-	-	-	-
Cristallerie 5	100%	6	-	6	6
Fine Media	100%	12,240	(7,954)	4,286	12,240
ClicRDV	100%	6,485	-	6,485	6,485
Digital To Store	100%	188	-	188	188
Effilab	100%	20,532	-	20,532	21,242
Leadformance	100%	17,301	(6,203)	11,098	11,098
Orbit Interactive	100%	76	-	76	76
Cityone	100%	-	-	-	-
GIE Solocal (economic interest group)	15.75%	2	-	2	2
Alliance Gravity	11%	250	-	250	250
TOTAL		**3,140,018**	**(1,934,295)**	**1,205,723**	**2,301,087**
Other non-current securities					
Idenum	5%	75	-	75	75
TOTAL		**75**	**-**	**75**	**75**
Total interests and other securities		**3,140,093**	**(1,934,295)**	**1,205,798**	**2,301,162**
Claims related to interests					
QDQ Media (participating loan)		12,300	(10,500)	1,800	1,800
QDQ accrued interest not yet due		178	-	178	186
Mappy		-	-	-	-
Mappy accrued interest not yet due		-	-	-	-
Leadformance		-	-	-	-
Leadformance accrued interest not yet due		-	-	-	-
TOTAL		**12,478**	**(10,500)**	**1,978**	**1,986**

The movements for the financial year are mainly the following:

In 2018, an additional impairment of PagesJaunes shares was recognised for an amount of €8.0 million, bringing the net value of the shares to €4.3 million. This depreciation is the result of the normal process of asset evaluation tests carried out every year and does not affect business cash. It is based on shareholders' equity and the discounted cash flow method restated for net debt

On 9 March 2018, Solocal sold 100% of the NetVendeur securities.

Moreover, on 22 January 2018, the shareholders approved the share capital reduction of PJSA in the amount of €1.087 million. The gross value of the equity interests of PagesJaunes held by Solocal was adjusted accordingly (see Highlights).

5.3 TRADE DEBTORS, IMPAIRMENT OF RECEIVABLES AND OTHER RECEIVABLES

	Financial year ended 31/12	
(in thousands of euros)	**2018**	**2017**
Gross trade debtors	1,842	1,000
Depreciation	-	-
NET TRADE ACCOUNTS RECEIVABLE	1,842	1,000

The above receivables include the services that Solocal invoices to its subsidiaries.

All trade debtors and other receivables are less than one year.

5.4 CASH AND CASH EQUIVALENTS, MARKETABLE SECURITIES, CURRENT ACCOUNTS AND DEBT

Cash and cash equivalents at 31 December 2018 consisted of immediately available cash assets and short-term investments with a maturity of no more than three months when acquired.

Any provisions on treasury shares are based on their average price during the last month of the year.

	Financial year ended 31/12	
(in thousands of euros)	**2018**	**2017**
Net asset current accounts	**69,170**	**33,810**
of which accrued interest not yet due	-	-
Own shares	250	344
Treasury shares – provision	-	(7)
Other marketable securities	-	0
Cash and cash equivalents	36,676	41,164
Cash and cash equivalents, marketable securities and current accounts	**106,097**	**75,312**
Loans and financial debts from credit institutions	-	-
Revolving credit facility drawn (RCF)	-	-
Accrued interest	-	-
LOANS AND FINANCIAL DEBTS FROM CREDIT INSTITUTIONS SUBTOTAL	**-**	**-**
Loans and financial debts from Companycompanies	-	580,000
Accrued interest	-	496
PJ Finance & Co bond borrowings	-	-
Accrued interest not yet due on non-convertible bond borrowings Obligataire Finance & Co	-	-
Mandatory convertible bonds	3,310	5,681
Non-convertible bond borrowings	397,835	397,835
Accrued interest not yet due on non-convertible bond borrowings	1,391	1,415
Debt relating to future claims transferred – CICE	2,086	2,873
Accrued interest not yet due (ICNE) Tax credit employment (CICE)	4	4
LOANS AND FINANCIAL DEBTS SUBTOTAL	**404,626**	**988,303**
Liability current accounts	23,146	520,500
of which accrued interest not yet due	-	-
Other financial debts – bank overdrafts	72	11

(in thousands of euros)	Financial year ended 31/12 2018	2017
GROSS FINANCIAL DEBT	427,843	1,508,814
Portion due in less than one year	26,698	1,105,298
Portion due after more than one year	401,145	403,516
NET CASH (DEBT)	(321,747)	(1,433,503)
Financial debt	**1,508,814**	**1,508,814**
Borrowing and financial debt with credit institutions	1,391	1,415
Miscellaneous borrowings and financial debt	403,235	986,888
Subsidiary current accounts	23,146	520,500
Bank overdrafts	72	11
Subsidiary current accounts	**-**	**33,810**
Marketable securities and treasury shares	**250**	**337**
Available reserves	**36,676**	**41,164**
NET CASH ON BALANCE SHEET	321,747	1,433,503

Non-convertible bond borrowings

Following the completion, in 2017, of the financial restructuring, the Company's remaining gross debt was reduced to €404.6 million, mainly comprising non-convertible bonds in the amount of €397.8 million, reserved to creditors under the Credits Contract, and whose principal conditions are as follows:

Interest:

- calculation of interest: margin plus 3-month EURIBOR rate (EURIBOR being defined to include a minimum rate of 1%), payable in arrears on a quarterly basis;
- late payment interest: 1% increase in the applicable interest rate.

Margin: percentage per year according to the level of the Consolidated Net Financial Leverage Ratio (consolidated net debt/consolidated EBITDA) at the end of the most recent half-year reference period (Accounting Period), as indicated in the table below (it being stated that the initial margin will be calculated based on a pro forma basis of the restructuring transactions):

Net consolidated Leverage Ratio	Margin
Higher than 2.0: 1	9.0%
Lower or equal to 2.0: 2.0 but higher than 1.5: 1.5	7.0%
Less than or equal to 1.5:1 but greater than 1.0:1	6.0%
Less than or equal to 1.0:1 but greater than 0.5:1	5.0%
Less than or equal to 0.5:0.5	3.0%

Maturity date: 15 March 2022.

Listing: listing on the official listing of the Luxembourg Stock Exchange and admission for trading on the Euro MTF market.

Early repayment or repurchasing:

Solocal may, at all times and in several instalments, redeem all or part of the Bonds at a redemption price equal to 100% of the principal amount plus interest accrued and not paid; moreover, the Bonds must be subject to early redemption (subject to certain exceptions) in all or in part, should certain events occur such as a change in control, a disposal of assets or the receipt of debt-free income or income net of receivables. Mandatory early reimbursements are also provided for by means of funds coming from a percentage of surplus cash flow, according to the Company's Consolidated Net Leverage Ratio.

Financial commitments:

- the net consolidated financial leverage ratio (Consolidated Net Debt/Consolidated EBITDA) must be lower than 3.5:1. This ratio is respected on 31 December 2018;
- the interest hedging ratio (Consolidated EBITDA/Consolidated Net Interest Expense), must be greater than 3.0:1. This ratio is respected on 31 December 2018; and
- starting in 2017 and for every year thereafter if the consolidated net leverage ratio exceeds 1.5:1 as at 31 December of the previous year while investment expenses (not including growth operations) concerning Solocal and its subsidiaries are limited to 10% of the consolidated revenues of Solocal and its subsidiaries.

The Terms & Conditions of the Bonds moreover contain prohibitions under which, with certain undertakings, Solocal and its subsidiaries, are not to:

- take on additional financial debt;
- give pledges;
- proceed with payment of dividends or carry out distributions to shareholders;
- by derogation payment of dividends or distributions to shareholders is permitted if the Consolidated Net Leverage Ratio does not exceed 1.0:1.

The restrictions contained in the Terms & Conditions of the Notes and described hereinabove could affect the Company's ability to exercise its activities and limits its ability to react according to the conditions of the market or seize commercial opportunities which may arise. As an example, these restrictions could affect the Company's capacity to finance the investments for its activities, restructure its organisation or finance its needs in terms of capital. In addition, the Company's capacity to comply with these restrictive clauses could be affected by events beyond its control, such as economic, financial and industrial conditions. A failure by the Company in terms of its commitments or these restrictions could result in a fault in terms of the agreements mentioned hereinabove.

In case of a fault that would not be remedied or renounced, the bearers of notes could require that all of the outstanding amounts become due immediately.

This could activate the cross default clauses of other Company loans. This type of event could have a material adverse effect for the Company, leading to insolvency or liquidation of the Company.

In 2018, Solocal used its CICE tax credit to obtain a €2.1 million bank loan. The cash received increased debt by a corresponding amount. The claim on the government was reclassified as a claim on the bank.

Mandatory convertible bonds

Bonds have been converted to shares for an amount of €2.3 million, representing a residual amount of €3.3 million on 31 December 2018

Current accounts

Current accounts with subsidiaries are subject to a cash-management agreement with each subsidiary. They bear interest at the EONIA rate plus or minus a margin, depending on whether the account has a debit or credit balance.

All net current account receivables (€69.2 million) are due in less than one year.

5.5 SHARE CAPITAL AND CHANGES IN SHAREHOLDERS' EQUITY

Share capital

The share capital of Solocal is composed of 583,630,365 shares with a nominal value of €0.10 each, i.e. a total sum of €58,363,037.

Date	Description	Number of shares	Unit value	**Capital** *(in thousands of euros)*
December 2018	Share capital at year-end	583,630,365	0.10	58,363,037
December 2017	Share capital at year-end	582,444,800	0.10	58,244,480

Change in shareholders' equity

The table below shows the breakdown of the increase in Solocal's shareholders' equity in 2018:

(in thousands of euros)	Number of shares	Share capital	Issue Premium	Legal reserve	Other Reserves	Retained earnings	Profit/ Loss	Provisions regulated	Equity
As at 31 December	**582,444,800**	**58,244**	**725,826**	**5,620**	**38,175**	**8,639**	**21,002**	**1,008**	**858,514**
Conversion of mandatory convertible bonds	1,185,565	119	2,253	-	-	-	-	-	-
Reverse stock split	-	-	-	-	-	-	-	-	-
Appropriation of net income	-	-	-	205	-	20,797	(21,002)	-	-
2018 Profit/Loss	-	-	-	-	-	-	(14,381)	-	(14,381)
Allocation to regulated provisions 2017	-	-	-	-	-	-	-	84	84
AS AT 31 DECEMBER 2018	**583,630,365**	**58,363**	**728,078**	**5,824**	**38,175**	**29,437**	**(14,381)**	**1,092**	**846,588**

During the financial year, the share capital of Solocal increased from 58.2 million (i.e. 528,444,800 shares in 2017) to 58.3 million (i.e. 583,630,365 shares). This capital increase was carried out through the conversion of shares.

5.6 STOCK OPTIONS AND BONUS SHARES

Stock-options

No stock options plan has been granted by Solocal or any of its subsidiaries over the last two years.

Bonus shares

Due to the performance conditions not being met, the right for the recipients of the 2014 and 2015 plans to receive these bonus shares was lost.

Solocal shareholders, at the Extraordinary General Meeting of 9 March 2018, authorised the Board of Directors to establish, in favour of certain senior executives and employees of Solocal and affiliated companies, a performance share plan pursuant to Articles L. 225-197-1 et seq. of the French Commercial Code.

Under this authorisation, the number of performance shares that may be granted free of charge is capped at 9,200,000 shares in the Company, including a maximum of 2,300,000 shares for the Company's corporate officers.

On 24 April 2018, this plan gave rise to the allocation of 9,050,000 performance shares to 73 beneficiaries, including 2,300,000 performance shares awarded to the Chief Executive Officer.

In addition, the shareholders of the Company also authorised, at the Shareholders' Meeting of 9 March 2018, the Board of Directors to allocate free shares in the Company to Éric Boustouller in his capacity as Chief Executive Officer.

The shares will vest after a period of 12 months, provided that Éric Boustouller is still present in the Company. This continued employment condition will be deemed fulfilled in the event of forced departure during the vesting period.

After a retention period of 12 months, Éric Boustouller will be required to retain at least two-thirds of the shares granted in this manner until the termination of his duties as Chief Executive Officer of the Company.

5.7 PROVISION FOR RISKS AND CONTINGENCIES

In 2018, retirement benefits and long-service awards were not recognised in the financial statements because the Company's workforce consists of only one corporate officer.

The other provisions for the risks to which Solocal is exposed are based on the best possible estimates.

A provision of €6.7 million was established on 31 December 2018 for the cost of rent for the unoccupied premises of Citylights and refurbishment expenses following the establishment of the Employment Protection Plan by Solocal (see "Highlights").

5.8 DEBT MATURITY SCHEDULE

	Financial year ended 31/12/2018		
(in thousands of euros)	Gross	after maximum of one year	after more than one year
Loans and financial debts from credit institutions	1,391	1,391	-
Debt relating to future claims transferred – CICE	2,090	2,090	-
Accrued interest not yet due (ICNE) Tax credit employment (CICE)	-	-	-
Loans and financial debts from Group companies	-	-	-
Convertible bond borrowings MCB (mandatory convertible bonds)	3,310	-	3,310
Non-convertible bond borrowings	397,835	-	397,835
LOANS AND FINANCIAL DEBTS SUBTOTAL	**404,626**	**3,481**	**401,145**
Current accounts	**23,146**	**23,146**	**-**
Special bank loans	72	72	-
Trade creditors and related accounts	41,635	17,424	24,211
Tax and social security debts	9,993	9,993	-
Subsidiary debts (tax integration)	22,171	22,171	-
Sundry debts	1,412	-	-
TOTAL	**503,054**	**76,287**	**425,356**

Trade accounts payable at more than one year are essentially composed of the impact of smoothing the rent exemptions obtained for the premises of Citylights in Boulogne-Billancourt

The payment of rents began in September 2018 pursuant to the negotiated rent exemption.

5.9 ACCRUED INCOME AND EXPENSES

Income receivable	Financial year ended 31 December	
(in thousands of euros)	2018	2017
Trade debtors – Invoices to be drawn up	368	738
Tax and social security claims – Corporate income tax	6,812	-
Tax and social security claims – VAT	7,479	4,543
Sundry claims – Financial income receivable	85	85
TOTAL	14,744	5,367

Expenses payable	Financial year ended 31 December	
(in thousands of euros)	2018	2017
Financial debts – Accrued interest not yet due	1,391	1,910
Trade creditors and related accounts	37,654	28,258
Tax and social security debts – VAT, taxes, salaries and social security contributions	5,896	584
Tax and social security debts – Corporation Tax	-	5,362
Sundry debts	1,238	5,646
TOTAL	46,178	41,760

At 31 December 2018, the change in income receivables corresponded to the recognition of a tax receivable of €6.8 million recognised as income related to tax consolidation, which will be offset against future taxable profit.

5.10 CORPORATE INCOME TAX

Tax consolidation

On 3 December 2004, Solocal opted to comply with the rules that apply to tax groups pursuant to Articles 223A et seq. of the French Tax Code, for a renewable period of five years as of 1 January 2005. In doing so, Solocal made itself solely liable for the corporate income tax on all of the earnings of the tax consolidation group formed by itself and the companies in which it directly or indirectly holds at least 95% of the share capital and which agreed to join this group.

In the accounts, Solocal recognises:

- in "Asset tax integration current accounts" set against the account for tax on profit, the amount of tax due by the profitable companies that are members of the tax consolidation;
- in "Liability tax integration current accounts" set against the income tax, the amount of the tax due pursuant to the tax consolidation.

At 31 December 2017, the tax group in addition to the Solocal, the head of the tax group, consolidated 9 companies as at 31 December 2018. The subsidiaries that are consolidated for tax purposes are PagesJaunes, SoMS, Mappy, PagesJaunes Outre-mer, ClicRDV, Fine Media, Leadformance, Cristallerie 5 and Effilab.

Under the tax consolidation agreement between Solocal and its subsidiaries within the tax consolidation group, Solocal, as the head of the tax group, recognises any consolidated tax gain as income for the year.

The net Corporation Tax debt for 2018, after the application of tax credits, is €6.8 million.

The tax income recorded for 2018 totals €5.7 million.

Balance sheet position

	Financial year ended 31/12	
(in thousands of euros)	2018	2017
Asset tax integration current accounts	492	9,927
State – Corporation Tax claim	6,812	-
Liability tax integration current accounts	(22,171)	(2,422)
State – Corporation Tax due	-	5,362
NET BALANCE SHEET POSITION – ASSETS/LIABILITIES	**(14,867)**	**12,868**
Group Corporation Tax due after tax credit	6,812	-
NET GROUP CORPORATION TAX DEBT	6,812	-

Tax consolidation current accounts with subsidiaries show a net receivable of €21.7 million at 31 December 2018. This balance consists of the share of 2018 Corporation Tax owed by each subsidiary under the tax consolidation agreements.

Underlying and deferred tax position

Future tax debt relief (in thousands of euros)	Gross
Provision for lump-sum retirement payments	0
Special depreciation allowances	1,092
Loss carry forwards	87,590
TOTAL	88,682

Expenses recognised in 2018 and during the previous years and leading to future tax savings stood at €95.2 million at 31 December 2018, representing, based on the income tax rate currently adopted for the respective periods, a reduction in the future tax liability of approximately €30 million.

In 2018, Solocal used its CICE tax credit to obtain a €2.1 million bank loan. The cash received increased debt by a corresponding amount. The claim on the government was reclassified as a claim on the bank.

5.11 BREAKDOWN OF REVENUES

Revenues totalled €20.3 million in 2018, versus €23.1 million in 2017, and consisted of:

	Financial year ended 31/12	
(in thousands of euros)	2018	2017
Assistance for subsidiaries	903	1,476
Charging back of employee expenses	-	429
Charging back of property services	19,409	21,153
Other	-	-
REVENUES	20,312	23,058

Revenues primarily includes real estate services invoiced to the subsidiaries.

5.12 OPERATING EXPENSES

Operating expenses stood at €35.5 million in 2018, against €45.4 million in 2017, representing a reduction of €10.0 million. They broke down mainly as follows:

personnel expenses totalled €1.6 million in 2018, compared with €1.1 million in 2017, with an average workforce of one in 2018, compared with two in 2017;

other operating expenses increased from €44.3 million in 2017 to €34.0 million in 2018. This decrease of €10.3 million is attributable mainly to the €9.2 million reduction in debt refinancing costs (from €10.7 million in 2017 to €1.5 million in 2018).

The Solocal company posted an operating loss of €15.2 million in 2018, having posted a loss of €20.7 million in 2017.

5.13 NET FINANCIAL INCOME

	Financial year ended 31/12	
(in thousands of euros)	**2018**	**2017**
Dividends	47,739	64,081
Financial income relating to derivatives	-	-
Other financial income	647	1,217
Amounts released from provisions	1,752	8,364
EXCHANGE-RATE GAIN	-	1
Financial income	**50,137**	**73,664**
Interest on loans and sundry financial debts	32,560	32,707
Financial expenses relating to derivatives	-	-
Other financial expenses	503	418
Accretion expense on pension commitments	-	-
Allowances for financial provisions	8,109	37,204
Gross value of claims transferred	4,009	12,289
Exchange-rate losses	3	1
Financial expenses	**45,185**	**82,618**
Net financial expense	**4,952**	**(8,955)**

The financial income for 2018 includes dividends received from its subsidiaries for €47.7 million, notably including PagesJaunes for €40.1 million and SoMS for €7.0 million and reversals of provisions for depreciation of receivables, securities and current accounts for an amount of €1.8 million.

It also includes financial expenses relative to interest on borrowings for €32.6 million against €32.7 million in 2017 related to debt restructuring, as well as to the disposal of the current accounts of Retail and NetVendeur for €4 million. It also includes the impairment of FINEMEDIA securities for €8.0 million.

5.14 EXTRAORDINARY INCOME

	Financial year ended 31/12	
(in thousands of euros)	**2018**	**2017**
Proceeds from transfers	0	10
Amount released on provision and depreciation	-	154
Other proceeds	314	2,333
Transfer of expenses	-	-
EXCEPTIONAL INCOME	**314**	**2,496**
Net book value of asset items sold	1,267	5,291
Special depreciation allowances	84	106
Allocations to exceptional provisions	6,700	
Other expenses	2,086	1,079
EXCEPTIONAL EXPENSES	**10,137**	**6,477**
EXCEPTIONAL PROFIT/LOSS	(9,822)	(3,980)

The exceptional loss stood at €9.8 million in 2018, against a loss of €4.0 million in 2017.

Exceptional income amounted to €0.3 million and consisted of the additional income resulting from the cancellation of employer contribution charges following the discontinuation of the previous free share allocation plans. The amount recognised in 2017 stood at €2.3 million. These proceeds were repaid at the end of 2018.

Exceptional expenses in 2018 amounted to €10.1 million. They are mainly composed of impacts related to the restructuring plan put in place in 2018, which resulted, for the Company, in the classification of part of the property expenses as exceptional income for €1.7 million, and the establishment of a provision of €6.7 million relative to the best estimate of the costs of exiting onerous contracts.

Solocal paid an amount of €0.3 million in respect of an out-of-court administrative settlement with the French Financial Markets Authority (AMF) due to the consequences of the cancellation of the 2013 Employment Protection Plan by the Council of State in July 2015 (see "Highlights").

NOTE 6. Other

6.1 OFF-BALANCE-SHEET COMMITMENTS

Securities pledged

The bond is directly secured by a pledge on the securities of PagesJaunes SA held by Solocal.

The Company also agreed to pledge to the lending banks a financial instrument account consisting of the securities of any subsidiary that becomes a "material subsidiary", pursuant to the terms of the bond agreement, as collateral for all sums owed (including principal, interest, commissions, fees and costs) by the Company.

Leaseback commitments

Solocal completed a sale and leaseback transaction on behalf of its PagesJaunes SA, Mappy and SoMS subsidiaries for an amount of €10 million in 2017. The financing period is 36 months for a total commitment of €13 million.

A security deposit of €1.0 million was paid consecutive to this transaction, a third of which was repaid in 2018

Leases

Solocal signed commercial lease contracts before completion with two separate investors, concerning premises located in the towers of a property complex undergoing renovation named Citylights located in Boulogne-Billancourt.

The final lease agreements were signed for a term of ten years, as the Solocal waived its option allowing it to terminate the agreements every three years until the expiration of the final lease agreement. The lease agreements came into effect on 9 May 2016 and will expire on 8 May 2026.

The premises leased by Solocal for the entities of the group represent an area of 35,702m^2, for a total commitment pursuant to these contracts of €123.2 million (excluding expenses and rent indexing) as of 31 December 2018. Almost all of this area is charged back as part of the real estate services provided to the Company's subsidiaries.

Guaranteed deposits amounting to €4.1 million were paid following the move to the Boulogne-Billancourt premises.

6.2 DIRECTORS' FEES AND COMPENSATION OF CORPORATE OFFICERS

Directors' fees paid amounted to €0.5 million for 2018, and the same for 2017.

Gross compensation paid to corporate officers amounted to €0.7 million in 2018 and €2.0 million in 2017.

6.3 WORKFORCE

	Financial year ended 31/12	
Average full-time equivalent	**2018**	**2017**
Executives	1.0	1.7
Employees	-	-
TOTAL	1.0	1.7

6.4 EVENTS SUBSEQUENT TO THE CLOSING DATE

N/A.

6.2.4 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Financial year ended 31 December 2018

To the Annual General Meeting of the Solocal Group,

OPINION

Pursuant to the assignment entrusted to us by your shareholder's meeting, we have audited the relevant annual financial statements of Solocal Group for the financial year ended 31 December 2018, as attached to this report.

We certify that the annual financial statements are, under French accounting principles and rules, correct and true and fairly present the results of the past financial year's transactions and the Company's financial position, assets and liabilities at the end of that year.

The opinion set forth above is consistent with the content of our report to the Audit Committee.

BASIS OF THE OPINION

Terms of reference

We have carried out our audit in accordance with the professional standards of practice applicable in France. We believe that the information we collected is sufficient and appropriate to serve as a basis for our opinion.

The responsibilities incumbent upon us pursuant to these standards are set out in the section "Responsibilities of Statutory Auditors relating to audits of annual financial statements" of this report.

Independence

We have carried out our audit mission in compliance with the rules of independence that are applicable to us, covering the period from 1 January 2018 to the date of issue of our report and, in particular, we have not provided services precluded by Article 5, paragraph 1, of (EU) rule No. 537/2014 or by the Code of Ethics for the profession of Statutory Auditor.

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code on the justification of our assessments, your attention is drawn to a number of key audit matters dealing with the risks of material misstatement which, according to our professional judgement, have been most important for the audit of the annual financial statements for the year, together with our responses to these risks.

These assessments were made within the context of our overall audit of the annual financial statements and therefore served as a basis for our opinion, as expressed above. We express no opinion on elements of these annual financial statements taken in isolation.

Evaluation of equity interests

Key points of the audit	Handling the key point of the audit
As at 31 December 2018, equity interests are posted in the balance sheet at a net book value of €1.205 million, i.e. 89% of total assets. As indicated in note 5.2 to the annual financial statements, a depreciation is recorded if this value is higher than the value in use, as determined by management against various criteria such as market value, growth and profitability outlook, and equity, taking into account the specific nature of each equity interest. When the value in use is determined by discounting expected cash flows adjusted to account for net debt, the latter are determined in the following manner: • the cash flows used are those projected in business plans that cover a sufficiently long period, which is usually three years; • beyond this period, cash flows are extrapolated using a perpetual growth rate that reflects the forecast long-term growth rate of the market for each specific business activity; • cash flows are discounted at rates that are deemed appropriate given the nature of the business activity and the country. Given the value of the equity interests in the balance sheet, the complexity of the models used and their sensitivity to variations of the data and assumptions on which the estimates are based, notably the discounted cash flows, we have considered the correct valuation of the recoverable value of the equity interests as a key audit matter.	We have noted the process used by the Company to assess the useful value of equity interests and the controls put in place. Our work in particular consisted in: • obtaining estimates of cash flow and business operations of the entities concerned prepared by their operational departments and assessing the consistency thereof with the estimates from the latest strategic plans, established by their general management for each of those activities and approved by the Board of Directors, if necessary; • examining their consistency with the economic environment of the assumptions used by the management, particularly on the discount rate, in connection with our evaluation specialists; • comparing the estimates used for previous periods with the corresponding updated figures in order to assess the completion of past objectives; • comparing the data used to determine the cash flows in carrying out impairment tests on equity interests with the source data for each entity; • verifying the mathematical precision of the calculations of useful value used by the Company. We also reviewed the appropriateness of the information set out in Note 5.2 of the notes to the annual financial statements.

Note on continued operation

Key points of the audit	Handling the key point of the audit
As at 31 December 2018, the Company had a net loss of €14 million as well as €503 million in debts and €132 million in current assets. Furthermore, major cash expenses relating to the PSE (Employment Protection Plan) are planned for the third and fourth quarters of 2019. As indicated in Note 4 of the notes to the annual financial statements, regarding the cash estimates it has (assuming in particular a growth in digital sales for the entire financial year 2019), and including the financing facilities described below, the management estimates that the Group should have the ability to finance its cash needs and meet its financial commitments. ● an agreement was reached in February 2019 to establish a €15 million renewable credit facility with two banking partners; ● a working capital line was set up in December 2018 with a financial partner; ● other discussions are ongoing with several banking establishments to enter into other agreements of the same type; ● moreover, the management believes that a technical reshuffling of the baskets planned by the bank documentation could be considered which would make it possible to gain in flexibility in the use of the working capital lines. Such a reshuffling would require agreement by only a simple majority of bondholders. Thus, the evaluation of the assumption of continuity of operations on which the annual financial statements were established is based on the judgement by the management, namely regarding: ● future prospects of operational activity underpinning the budget adopted by the Board of Directors; ● estimates of future cash flow; ● the ability of the Group to rearrange the baskets planned by the banking documentation and/or to mobilise a renewable credit facility and/or bilateral financing lines. Therefore, we considered the evaluation of the assumption of business continuity as a key point of the audit.	We reviewed the process implemented by the management to evaluate the assumption of business continuity over a twelve-month period starting with the closing. Our work in particular consisted in: ● reviewing the procedures implemented to draft cash estimates; ● comparing the starting point of the table of cash estimates with the financial statements audited as at 31 December 2018; ● comparing the future cash flow estimated with the prospects of business continuity from the budget validated by the Board of Directors in its meeting of 14 December 2018 and confirmed by the introduction of a 2019-2021 business plan in its meeting of 13 February 2019, ● reviewing the principal assumptions used to prepare the budget and cash flow estimates and assessing the consistency with our knowledge of the Company; ● recalculating cash estimates and the financial need based on them; ● analysing the contract on the working capital line obtained in December 2018; ● obtaining confirmation of the agreement to establish a renewable credit facility in February 2019; ● discussing with the Management the progress made in discussions with the bondholders for rearranging the baskets; ● interviewing the management regarding its knowledge of events or circumstances prior to closing that would be likely to question these estimates. We also verified the appropriate nature of the information relating to the business continuity presented in Note 4 of the notes to the annual financial statements.

SPECIFIC VERIFICATIONS

In accordance with the professional standards applicable in France we also conducted the specific audits required by law and regulations.

Information given in the management report and in the other documents on the financial position and the annual financial statements issued to shareholders

We have no observations to make as regards the accuracy and consistency of the information provided with the annual financial statements in the management report from the Board of Directors and in the other documents on the financial position and the annual financial statements issued to shareholders.

We attest to the fairness and consistency with the annual financial statements of the information relating to the payment deadlines mentioned in Article D. 441 -4 of the French Commercial Code.

Report on corporate governance

We certify that the information required by Articles L. 225-37-3 and the Board of Directors L. 225-37-4 of the French Commercial Code is set out in the corporate governance report.

concerning the information provided pursuant to Article L. 225-37-3 of the French Commercial Code relating to the remuneration and benefits received by the corporate officers and any other commitments made to them, we verified that it was consistent with the financial statements, or the underlying information used to prepare them and, where appropriate, with the information your Company has obtained from companies that control your Company or are controlled by it; Based on this work, we certify that this information is accurate and fair.

Concerning the information relating to elements that your Company considered liable to have an impact on a tender offer or a public exchange offer pursuant to Article L. 225-37-5 of the Commercial Code, we verified that it complies with the documents which it is derived from and which were disclosed to us. Based on this work, we have no comments to make on this information.

Other information

In accordance with French law, we have ensured that the various information on the identity of the holders of share capital and voting rights have been provided in the management report.

INFORMATION RESULTING FROM OTHER LEGAL AND REGULATORY OBLIGATIONS

Appointment of the Statutory Auditors

We have been appointed statutory auditors of the Solocal Group by your 19 October 2016 shareholders' meeting for B.E.A.S., an entity of the Deloitte network, and for Auditex, a member of the ERNST & YOUNG Global Limited network.

As at 31 December 2018, the firms B.E.A.S. and AUDITEX were in the third year of their mission without interruption.

Deloitte & Associés and Ernst & Young Audit previously served as Solocal Group's Statutory Auditors from 2003 to 2015 and from 2004 to 2015 respectively, including twelve years for both of these firms since the Company's securities were admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND OF THE PERSONS RESPONSIBLE FOR CORPORATE GOVERNANCE IN TERMS OF THE ANNUAL FINANCIAL STATEMENTS

It is the responsibility of the management to prepare annual financial statements that present a true and fair view of the Company in accordance with French accounting rules and principles, and to set up the internal control that it deems necessary for the preparation of annual financial statements that do not contain any material misstatements, whether these originate from fraud or are the result of errors.

When preparing annual financial statements, it is the duty of the management to assess the ability of the Company to continue operations and to present in these financial statements, if need be, the necessary going concern information and apply the going concern accounting policy, unless it is intended to wind up or cease trading.

It is the duty of the Audit Committee to monitor the process of compiling financial information and to monitor effectiveness of the internal control and risk management systems, and, where relevant, of the internal audit system in terms of the procedures for compiling and processing accounting and financial information.

The annual financial statements were prepared by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS CONCERNING THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Audit objective and approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements overall do not contain any material misstatements. Reasonable assurance equates to a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice will always detect any material misstatement. Misstatements may originate from fraud or be the result of errors and are considered as material if there is a reasonable expectation that they could, taken individually or cumulatively, have an impact on economic decisions that users of the financial statements will take based on the latter.

As specified by Article L. 823-10-1 of the French Commercial Code, our mission to audit the annual financial statements does not include guaranteeing the viability or quality of the management of your Company.

- In an audit carried out in accordance with the standards of professional practice applicable in France, the Statutory Auditor exercises their professional judgement throughout this audit. In addition:the auditor identifies and assesses the risks that the annual financial statements include material misstatements, whether these originate from fraud or are the result of errors, defines and implements audit procedures to deal with these risks, and collects the documentary evidence that they deem sufficient and appropriate to form their opinion. The risk of not detecting a material misstatement originating from fraud is higher than that of failing to detect a material misstatement resulting from an error, as fraud may involve collusion, falsification, deliberate omissions, false statements or bypassing internal audit;
- the auditor takes note of the internal control system relating to the audit in order to define audit procedures that are appropriate in the circumstances, and not with the aim of expressing an opinion on the effectiveness of internal audit;
- they assess the appropriateness of the accounting methods adopted and the reasonableness of accounting estimates made by management, as well as information concerning these provided in the annual financial statements;
- the auditor assesses the appropriateness of the application by management of the going concern accounting principle and, according to the elements collected, the existence or otherwise of significant uncertainty related to events or circumstances likely to compromise the Company's ability to continue operations. This assessment is based on the evidence collected up to the date of his report, it being recalled, however, that later events could compromise the continuity of operations. If the auditor concludes that significant uncertainty exists, they draw the attention of readers of their report to the information supplied in the annual financial statements on the subject of this uncertainty or, if this information is missing or inadequate, issues a qualified or disclaimer opinion;
- they assess the overall presentation of the annual financial statements and whether these reflect the underlying transactions and events so as to give a true and fair view of the Company.

Report to the Audit Committee

We are submitting to the Audit Committee a report that presents the extent of the auditing work and the work program implemented as well as the conclusions resulting from our work. We also bring to its notice, where appropriate, any significant weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the elements disclosed in the report to the Audit Committee are the risks of material misstatement that we consider to have been the most important for the audit of the annual financial statements for the financial year and which therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit Committee with the declaration stipulated by Article 6 of (EU) rule No. 537-2014 confirming our independence within the meaning of the rules applicable in France as laid down in particular by the Articles L. 822-10 to L. 822-14 of the French Commercial Code and in Code of Ethics of the audit profession. If necessary, we discuss with the Audit Committee the risks to our independence and the safeguards applied.

Paris-La Défense, 28 February 2019

The Statutory Auditors

AUDITEX
Member of the Ernst & Young Global Limited network

Vincent de la Bachelerie

B.E.A.S.
An entity of the Deloitte network

Jean-François Viat

6.2.5 BOARD OF DIRECTORS' REPORT TO THE SOLOCAL COMBINED GENERAL MEETING OF 11 APRIL 2019

Annual financial statements for the financial year ended 31 December 2018

Ladies and Gentlemen,

We have called this Combined General Meeting, in accordance with the provisions of the law and the Company's Articles of Association, specifically to ask you to vote on:

Resolutions incumbent upon the Ordinary General Shareholders' Meeting

- approval of the Company financial statements for the financial year ended on 31 December 2018;
- approval of the consolidated financial statements for the financial year ended on 31 December 2018;
- appropriation of the net income for the financial year ended on 31 December 2018, as shown in the Company financial statements;
- approval of the agreements within the scope of*Article L. 225-38 of the French Commercial Code;
- approval of the components of the remuneration paid or granted for the financial year 2018 to Mr Pierre Danon, Chairman of the Board of Directors;
- approval of the components of the remuneration paid or granted for the financial year 2018 to Mr Éric Boustouller;
- approval of the principles and criteria for the determination, allocation and granting of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable for the financial year 2019 to the Chairman of the Board of Directors;
- approval of the principles and criteria for the determination, allocation and granting of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable for the financial year 2019 to the Chief Executive Officer;
- ratification of the co-opting of Mr Éric Boustouller as Director;
- renewal of the term of Mr Pierre Danon as Director;
- granting of authorisation to the Board of Directors to buy or transfer Solocal shares.

Resolutions falling within the scope of competence of the Extraordinary General Meeting:

- authorisation granted to the Board of Directors to allocate free shares of the Company to employees or corporate officers of the Solocal, who waive their preferential subscription rights;
- authorisation granted to the Board of Directors to allocate free shares of the Company to all employees of the Solocal's French companies, who waive their preferential subscription rights;
- powers.

The required notices were sent to you as required by law and all documents and items required by the regulations in effect were made available to you within the legal time-frames.

This Board of Directors' report concerns the agenda and the text of the draft resolutions as drawn up by the Board of Directors at its meeting on 19 February 2019.

I. HIGHLIGHTS OF THE FINANCIAL YEAR

Restructuring

On 13 February 2018, the Company presented its strategic project entitled "Solocal 2020". This transformation project, developed to enable the Company to recover sustainable growth with effect from 2019, involves cutting around 1,000 positions over the 2018-2019 period, through the implementation of two Employment Protection Plans in its subsidiary PagesJaunes SA.

This transformation project also comprises measures to improve operational efficiency, notably including the grouping of the telesales, customer support and production activities within regional centres. This will lead to the closure or merging of regional commercial branches during 2018 and 2019.

The Company therefore classified part of the property expenses as exceptional profit/loss for €1.7 million and established a provision of €6.7 million relating to the best estimate of costs for exiting the unoccupied premises of Citylights.

Equity interests

A capital reduction by offsetting receivables was decided by the General Meeting of 29 December 2017, leading to a reduction of the capital of PagesJaunes SA in the amount of €1,087 million by offsetting receivables. The value of the equity interests of PagesJaunes SA held by Solocal was therefore adjusted by this amount.

The net book value of these equity interests stood at €1,135 million at 31 December 2018, with the measurement test that was carried out confirming this value.

Other

We have also strengthened our procedures and systems as regards the detection and qualification of potential classified information within the Company, as well as our Securities Trading Code of Conduct, which is available to all employees.

II. SOLOCAL BUSINESS ACTIVITY, KEY FINANCIAL FIGURES AND PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The Solocal is a holding company and, as such, has subsidiaries whose mission is to "reveal local know-how everywhere and boost local revenues of businesses". The Company offers its customers digital services and solutions to increase their visibility and local contacts and creates and updates the best personalised professional local content for users.

Operating income

The Solocal company posted revenues of €20.3 million in 2018, compared with €23.1 million in 2017. These revenues were mainly generated from the invoicing of real estate services to all subsidiaries.

Operating expenses

Personnel expenses stood at €1.5 million in 2018, against €1.1 million in 2017, for an average workforce of one person in 2018 against two persons in 2017.

Other operating expenses increased from €44.3 million in 2017 to €33.9 million in 2018. This drop of €10.4 million is mainly explained by the reduction in expenses related to the refinancing of the debt of €9.2 million, representing €10.7 million in 2017, against €1.5 million in 2018.

The Solocal company posted an operating loss of €15.2 million in 2018, having posted a loss of €20.7 million in 2017.

Net financial expense

Financial revenues totalled €50.1 million in 2018, compared with €73.7 million in 2017.

In 2018, financial revenues mainly consisted of:

- dividends received from PagesJaunes SA, Solocal Marketing Services SA, ClicRDV SAS, PagesJaunes Outre-Mer SA for €47.7 million, including PagesJaunes for €40.1 million and Solocal Marketing Services for €7.0 million;
- reversals of provision for €1.3 million related to the sale of ECM and NetVendeur for €1.

Financial expenses totalled €45.2 million in 2018, against €82.6 million in 2017. They consist mainly of interest expense on bank loans and on subsidiary loans and current accounts, which totalled €32.5 million in 2018, compared with €32.7 million in 2017.

The average interest rate on debt increased from 7.6% in 2017 to 8.0% in 2018.

The net financial gain was €4.9 million in 2018, compared to a loss of €9.0 million in 2017.

Exceptional profit/loss

The exceptional loss stood at €9.8 million in 2018, against a loss of €4.0 million in 2017.

Exceptional income amounted to €0.3 million and consisted of the additional income recognised in 2017 for the cancellation of employer contribution charges following the discontinuation of the previous free share allocation plans. This income was reimbursed at the end of 2018.

Exceptional expenses in 2018 amounted to €10.1 million. They are mainly composed of impacts related to the restructuring plan put in place in 2018, which resulted, for the Company, in the classification of part of the property expenses as exceptional income for €1.7 million, and the establishment of a provision of €6.7 million relative to the best estimate of the costs of exiting the premises occupied by Citylight.

In addition, Solocal paid a sum of €0.3 million under an administrative composition agreement with the AMF because of the consequences of the cancellation of the 2013 employment protection plan by the French Council of State (Conseil d'État) in July 2015 (see Highlights).

Corporate income tax

On 3 December 2004, Solocal opted to comply with the rules that apply to tax groups pursuant to Articles 223-A et seq. of the French Tax Code, for a renewable period of five years. In doing so, Solocal made itself solely liable for the corporate income tax on all of the earnings of the tax consolidation group formed by itself and the companies in which it directly or indirectly holds at least 95% of the share capital and which agreed to join this group.

The tax consolidated subsidiaries as at 31 December 2018, are PagesJaunes, Solocal Marketing Services, Mappy, PagesJaunes Outre-Mer, ClicRDV, Fine Media, Cristallerie 5, Leadformance and Effilab.

Solocal thus recorded tax income of €5.7 million in 2018, mainly from the tax consolidation gain. In 2017, this tax income stood at €54.7 million.

Net income

Solocal posted a net loss of €14.4 million in 2018, compared with a profit of €21.0 million in 2017.

Appended to this report and pursuant to Article R. 225-102 of the French Commercial Code, is a table of our Company's earnings over the past five financial years.

III. SHARE CAPITAL STRUCTURE

The following table shows Solocal's shareholders and the number of shares held at 31 December 2018:

	Number of shares	% of share capital	Exercisable voting rights	% of voting rights
J O Hambro Capital Management	62,940,565	10.8%	61,342,670	10.5%
River and Mercantile AM	41,778,607	7.2%	41,678,607	7.1%
DNCA	40,750,000	7.0%	40,750,000	7.0%
Edmond de Rothschild AM	30,491,989	5.2%	30,491,989	5.2%
Free float	406,521,630	69.7%	410,717,811	70.1%
Solocal employees(1)	654,933	0.1%	654,933	0.1%
Treasury shares held(2)	492,641	0.1%	-	-
TOTAL	**583,630,365**	**100.0%**	**585,736,010**	**100.0%**

(1) Under the Solocal savings plan (PEG).
(2) 402,274 treasury shares are held under a liquidity agreement implemented on 2 December 2012.

No subsidiary of Solocal holds interests in Solocal.

IV. REPORT ON CORPORATE GOVERNANCE

In accordance with Article L. 225-37 of the French Commercial Code, the report on corporate governance is attached as an Appendix to this management report.

V. COMPENSATION AND BENEFITS GRANTED TO SOLOCAL CORPORATE OFFICERS BY SOLOCAL

To executive corporate officers

Summary table of the compensation of each executive corporate officer

	FY 2018		2017 financial year	
	Amount due	Amount paid	Amount due	Amount paid
Pierre Danon, Chairman of the Board of Directors (since 5 September 2017)				
Fixed compensation	-	-	-	-
Annual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	150,000	150,000	45,000	45,000
Benefits in kind(1)	-	-	-	-
TOTAL	**150,000**	**150,000**	**45,000**	**45,000**
Éric Boustouller, CEO (since 11 October 2017)				
Fixed compensation	520,008	520,008	116,214	116,214
Annual variable compensation	353,600	116,214	116,214	0
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind(1)	21,849	21,849	4,819	4,819
TOTAL	**895,457**	**658,071**	**237,247**	**121,033**
TOTAL	**1,045,457**	**808,071**	**282,247**	**166,033**

(1) Company vehicle and payment of unemployment insurance contributions.

Information relating to the terms for application of the variable portion of the Chief Executive Officer is described in the corporate governance report.

To non-executive officers

Table of Directors' fees and other compensation received by non-executive officers*

Non-executive officers	Amounts due in 2018	Amounts due in 2017
David Amar[(1)]		
Directors' fees	37,500	29,498
Other compensation	-	-
Philippe de Verdalle[(2)]		
Directors' fees	37,500	29,498
Other compensation	-	-
Jacques-Henri David		
Directors' fees	37,500	41,244
Other compensation	-	-
Delphine Grison[(3)]		
Directors' fees	37,500	20,000
Other compensation	-	-
Sandrine Dufour[(4)]		
Directors' fees	0	37,500
Other compensation	-	-
Alexandre Loussert		
Directors' fees	37,500	41,746
Other compensation	-	-
Arnaud Marion[(5)]		
Directors' fees	37,500	29,498
Other compensation	-	-
Joelle Obadia		
Directors' fees	0	30,906
Other compensation	108,868	101,586
Marie Christine Levet[(6)]		
Directors' fees	37,500	-
Other compensation	-	-
Lucile Ribot[(7)]		
Directors' fees	37,500	-
Other compensation	-	-
Sandrine Dufour[(4)]		
Directors' fees	37,500	29,498
Other compensation	-	-

* *The amounts indicated do not take into account the 30% withholding tax for foreign tax residents and the 21% withholding tax for French tax residents.*

(1) *Mr David Amar was appointed at the Annual General Meeting on 13 June 2017.*

(2) *Mr Philippe de Verdalle was appointed at the Annual General Meeting on 13 June 2017*

(3) *Ms Delphine Grison was appointed at the Annual General Meeting on 13 June 2017.*

(4) *Ms Sandrine Dufour resigned at the Board of Directors meeting on 9 March 2018.*

(5) *Mr Arnaud Marion resigned at the Board of Directors meeting on 14 December 2018 (appointed at the General Shareholders' Meeting of 19 October 2016, having waived his right to receive Directors' fees at the General Shareholders Meeting of 13 June 2017).*

(6) *Ms Marie-Christine Levet was co-opted at the Board of Directors meeting on 15 December 2017.*

(7) *Ms Lucile Ribot was appointed at the General Shareholders' Meeting of 9 March 2018.*

(8) *Ms Sophie Sursock was appointed at General Shareholders' Meeting of 13 June 2017.*

The Company has not put in place any additional specific pension scheme for its corporate officers.

The Combined General Shareholders' Meeting of 11 June 2015 set the annual amount of Directors' fees allocated to Board members at €490,000 from this year on and until otherwise decided at a General Shareholders' Meeting.

As in previous years, the payment of 2018 Directors' fees was made in two instalments: the first to take into account the meetings of the Board of Directors and Committees until 30 June 2018 and the second for meetings between 1 July and 31 December 2018.

For 2019, the Board of Directors has decided to modify the rules for the distribution of the €490,000 Directors' fees budget as follows:

- €150,000 for the Chairman;
- equal distribution for the Directors, i.e. €37,700 per Director; subject to attendance at all meetings of the Board of Directors and the Committees of which they are members;
- €8,000 lump sum for the Chairman of the Audit Committee;
- €4,000 lump sum for the members of the Audit Committee;
- €5,000 lump sum for the Chairmen of the Remuneration and Appointments Committee, the Strategy Committee and the M&A Committee;
- €2,500 lump sum for the members of the Remuneration and Appointments Committee, the Strategy Committee and the M&A Committee;

With, however, three exceptions:

- prorated allocation for Directors who resigned during the year;
- reduction in the amount paid for the Directors who were absent in a significant proportion given the principle of full participation in all the meetings of the Board of Directors;
- no Directors' fees for internal Directors.

VI. SHARE SUBSCRIPTION OR PURCHASE OPTIONS AND ALLOCATIONS OF SOLOCAL PERFORMANCE SHARES

Share subscription or purchase option grants

2005 Plan

The Company set up a share subscription option plan on 28 June 2005 which, having matured on 28 June 2015, has been cancelled.

2007 Plan

Similarly, the Company implemented a second share subscription plan on 20 December 2007, which upon expiry on 19 December 2017, was cancelled.

2009 Plan

In 2009, the Company put in place three share subscription plans: on 23 July 2009 for 1,145,000 options at a strike price of €6.71 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017), on 29 October 2009 for 87,000 options at a strike price of €8.84 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017), on 17 December 2009 for 75,000 options at a strike price of €7.82 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017). These plans all have the same characteristics as the first plan: 10-year terms and options fully vested after three years.

2010 Plan

In 2010, the Company put in place two share subscription plans: on 27 July 2010 for 1,336,000 options at a strike price of €8.58 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017), and on 16 December 2010 for 166,000 options at a strike price of €7.09 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017).

These plans all have the same characteristics as the first plan: ten-year terms and options fully vested after three years.

Given the capital increase completed on 6 June 2014, and in accordance with the law and regulations applicable to each of these plans, the Board of Directors decided, at its meeting of 19 June 2014, to adjust the conditions of the existing share subscription options, both in terms of the strike price of the options and the number of shares that can be obtained by exercising the options.

Similarly, in order to take into account the Company's reverse stock split of 26 October 2015, the Chief Executive Officer, making use of the powers conferred upon him by the Board of Directors on 21 July 2015, decided to adjust the exercise parity of the options for each individual plan, adopting a new parity equal to the current exercise parity of each option multiplied by a ratio of 1/30 (corresponding to the number of shares making up the share capital after the reverse stock split, divided by the number of shares making up the share capital before the reverse stock split but taking into account the waiver by a Company shareholder of the reverse stock split of 23 old shares); it being specified that (i) for all options from which each holder benefits under a plan, the result (per beneficiary and per plan) shall be rounded down to the nearest whole number of new shares and that (ii) the other characteristics of the options shall remain unchanged.

Consequently, any holder of options who could (prior to the adjustment of 2015), by exercising an option, subscribe to one (1) share with a par value of €0.20 at a specific strike price, may now, by exercising that same option, subscribe to one-thirtieth of a share with a par value of €6 at the adjusted strike price. As such, a holder of options who could (prior to the adjustment of 2015), by exercising all the options he held under one plan, subscribe to thirty-one (31) shares with a par value of €0.20 each for a total price of €179.40 (€5.78 multiplied by 31), could, by exercising those same options, subscribe to one (1) share with a nominal value of €6 for a total price of €173.61.

In light of the capital increase completed on 14 March 2017, and in accordance with the law and regulations applicable to each of the current option plans (allocation by the Board of Directors at its meetings of 20 December 2007, 23 July 2009, 29 October 2009, 17 December 2009, 27 July 2010 and 16 December 2010), in order to take account of (i) the issue of new shares with rights issue for shareholders and (ii) the allocation of free shares, the Board of Directors decided, at its meeting of 24 April 2017, to adjust the conditions of the existing share subscription options, both in terms of the strike price of the options and the number of options held by each option holder.

In accordance with Article L. 225-184 of the French Commercial Code, information on the granting and exercise of Company stock options in 2018 is provided below:

Share subscription or purchase options granted during the year 2018 to each executive corporate officer by the issuer or by any Group company

Name of executive corporate officer	Plan No. and date	Type of option (purchase of subscription)	Valuation of options under the consolidated accounts method	Number of options granted during the year	Strike price	Exercise period
Pierre Danon	-	-	-	-	-	-
Éric Boustouller	-	-	-	-	-	-

Share subscription or purchase options exercised during the year 2018 by each executive corporate officer

Name of executive corporate officer	Plan No. and date	Number of options exercised during the year	Exercise price
Pierre Danon	-	-	-
Éric Boustouller	-	-	-

Granting of performance shares

2006 and 2008 Plans

The Extraordinary General Shareholders' Meeting of 19 April 2006 authorised the Board of Directors to set up, in favour of certain Company senior executives and employees, a performance share incentive plan, within the meaning of Articles L. 225-197-1 to L. 225-197-5 of the French Commercial Code, to enable them to profit from the Company's development. This authorisation was granted for a period of 38 months and the total number of shares freely allotted under this resolution may not represent more than 0.5% of the Company's share capital at the date of this General Shareholders' Meeting, i.e. 1,393,948 shares.

The Board of Directors approved the conditions of an initial share allotment plan on 30 May 2006. This plan gave rise to the initial allotment of 602,361 shares to 591 Company employees on 30 May 2006. Since the performance conditions were not met, the beneficiaries lost their entitlement to these free shares.

A second share allotment plan was approved on 20 November 2006 and gave rise to the allotment of 778,638 shares to 611 Company employees. Given the fact that the performance conditions were not satisfied for one of the two years concerned, only 50% of these shares were finally acquired by the beneficiaries on 20 November 2008.

A third plan was approved on 14 February 2008, giving rise to the allotment of 12 shares to 15 Company employees. Since the performance conditions were not met, the beneficiaries lost their entitlement to these free shares.

2011, 2012 and 2013 Plans

The shareholders of the Solocal company, at the Combined General Shareholders' Meeting of 7 June 2011, authorised the Board of Directors to set up, in favour of certain senior executives and employees of Solocal and affiliated companies, a performance share incentive plan, within the meaning of Articles L. 225-197-1 to L. 225-197-6 of the French Commercial Code.

This plan gave rise to the initial allotment of 1,226,000 shares to 41 Group employees on 26 October 2011. A second share allotment plan was approved on 16 December 2011 and gave rise to the allotment of 84,000 shares to three Group employees. Given the partial fulfilment of the performance conditions of these two plans, approximately 45% of these shares were definitively acquired by the beneficiaries on 31 March 2014.

A third allotment plan was approved on 11 December 2012 and gave rise to the allotment of 2,624,000 shares to 47 beneficiaries. A new allotment plan was approved on 11 December 2013 and gave rise to the allotment of 280,000 shares to 10 beneficiaries.

For performance shares granted under the plans of 11 December 2012 and 11 December 2013, the Board of Directors decided, at its meeting of 19 June 2014, to apply an adjustment reflecting the impact of the capital increase in cash with rights issue. Given the partial fulfilment of the performance conditions of these two plans, approximately 70.7% of these shares were definitively acquired by the beneficiaries. This rate corresponds to the 74.6% fulfilment of the performance conditions relating to revenues (weighted at 2/3) and the 63.0% fulfilment of the performance conditions relating to the GOM (weighted at 1/3).

2014 and 2015 Plans

The Solocal shareholders, at the Extraordinary General Meeting of 29 April 2014, authorised the Board of Directors to set up, in favour of certain senior executives and employees of Solocal and affiliated companies, a performance share incentive plan, within the meaning of Articles L. 225-197-1 et seq. of the French Commercial Code.

The Chief Executive Officer, making use of the powers granted to him by the Board of Directors of the Company at its meeting of 21 July 2015, decided by decisions of 26 October 2015 to adjust the number of performance shares allocated in December 2013 and June 2014 to reflect the Company's reverse stock split as follows: completion of the adjustment of the parity adopted for the reverse stock split, that is to say, for each beneficiary of performance shares, by applying a ratio of 1/30 (corresponding to the number of shares making up the share capital after the reverse stock split, divided by the number of shares making up the share capital before the reverse stock split, but taking into account the waiver by a Company shareholder of the reverse stock split of 23 old shares) to the number of performance shares to which the holder would have been entitled in the absence of an adjustment; it being specified that (i) the result (per beneficiary and per plan) shall be rounded down to the nearest whole number of new shares and that (ii) the other characteristics of the performance shares shall remain unchanged.

On 19 June 2014, this plan gave rise to the allotment of 45,221,000 shares to 112 beneficiaries. A second share allotment plan was approved on 9 February 2015 and gave rise to the allotment of 2,305,000 shares to 12 Group employees.Consequently, a beneficiary of performance shares who (prior to the adjustment of 2015), under a plan, was entitled to thirty-one (31) performance shares with a par value of €0.20, will now be entitled, under that same plan, to one (1) share with a par value of €6. In light of the capital increase completed on 14 March 2017, and in accordance with the regulations applicable to the allocation plans still in the vesting period (granted by the Board of Directors at its meetings of 19 June 2014 and 9 February 2015), in order to take account of (i) the issue of new shares with rights issue for shareholders and (ii) the allocation of free shares, the Board of Directors decided, at its meeting of 24 April 2017, to adjust the conditions of the performance share plans, in terms of the number of performance shares to be allocated to each beneficiary.Since the performance conditions were not met, the beneficiaries lost their entitlement to these free shares.

2018 Plan

The Solocal shareholders, at the Extraordinary General Meeting of 9 March 2018, authorised the Board of Directors to establish, in favour of certain senior executives and employees of Solocal and affiliated companies, a performance share plan within the meaning of Articles L. 225-197-1 et seq. of the French Commercial Code.

Under this authorisation, the number of performance shares that may be granted free of charge is capped at 9,200,000 shares in the Company, including a maximum of 2,300,000 shares for the Company's corporate officers.

On 24 April 2018, this plan gave rise to the allocation of 9,050,000 performance shares to 73 beneficiaries, including 2,300,000 performance shares awarded to the Chief Executive Officer.

Under this plan, performance shares are subject to a three-year vesting period. No retention period is imposed on the beneficiaries.

The vesting of the shares is also subject to a continued employment condition and a performance condition based on the level of achievement of a target of EBITDA less CAPEX and change in the Company's share price.

The Chief Executive Officer and the members of the Company's Executive Committee are required to retain at least 30% of the shares vesting to them until their term of office ceases.

2019 Plan

It is proposed that the General Meeting of 11 April 2019 authorise the Board of Directors, with the right to sub-delegate, under the terms set out by law, for a period of 12 months, to proceed, on one or more occasions, to free share allotments of existing or future shares of the Company. The draft plan is described in Section XXIII "Resolutions presented to the Combined General Meeting of 11 April 2019" of this report.

Performance shares granted to each executive corporate officer during the year 2018

Performance shares granted during the financial year by the General Shareholders' Meeting to each executive corporate officer by the issuer or a Group company (nominative list)	Plan No. and date	Number of shares granted during the year	Valuation of shares according to method applied for the consolidated accounts	Vesting date	End of lock-up period	Performance conditions
Éric Boustouller	24 April 2018	2,300,000	€0.3 million	24 April 2021	24 April 2021	EBITDA less CAPEX and change in share price

Performance shares made available during the 2018 financial year for each executive corporate officer

Performance shares made available for each executive corporate officer	Plan date	Number of shares released from lock-up during the year	Function
Éric Boustouller		-	-

	Solocal Plan
Number of performance shares granted during financial year 2018 to the 10 largest beneficiaries of the Company, excluding corporate officers	**3,950,000**

VII. CORPORATE OFFICER TRANSACTIONS INVOLVING SOLOCAL SHARES

The table below presents transactions involving Solocal shares declared to the AMF and carried out during the 2018 financial year by corporate[1] officers and persons connected to them[2], in accordance with Article 223-26 of the AMF's General Regulations.

Person concerned	Financial instrument	Type of transaction	Date of transaction	Number of transactions	Number of shares	Average unit price	Amount of the transaction
Philippe De Verdalle Director	Shares	Acquisitions	6 March 2018	1	35,000	€1.1588	€40,588.00
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	9 March 2018	1	150,000	€1.1336	€170,040.00
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	14 March 2018	1	150,000	€1.1510	€172,650.00
Lucile Ribot Director	Shares	Acquisitions	15 March 2018	1	10,000	€1.2090	€12,090.00
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	26 April 2018	1	1,000,000	€1.0618	€1,061,800
Lucile Ribot Director	Shares	Acquisitions	27 April 2018	1	9,200	€1.0870	€10,000.04
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	16 August 2018	2	300,000	€1.0280	€308,400.00
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	20 August 2018	1	200,000	€1.0225	€204,500.00
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	17 September 12018	4	1,000,000	€1.0108	€1,010,800
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	18 September 2018	3	500,000	€1.0161	€508,050.00
Pierre Danon Chairman of the Board of Directors	Shares	Acquisitions	26 October 2018	1	137,662	€0.653372	€89,944.50
Alexandre Loussert Director	Shares	Acquisitions	26 October 2018	1	20,000	€0.6355	€12,710.00
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	26 October 2018	3	2,000,000	€0.6372	€1,274,4000
Alexandre Loussert Director	Shares	Acquisitions	20 November 2018	1	20,000	€0.5665	€11,330.00
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	18 December 2018	1	684,954	€0.4937	€338,161.79
Amar Family Office Legal entity linked to David Amar Director	Shares	Acquisitions	20 December 2018	1	315,046	0.5000	€157,023.00
Alexandre Loussert Director	Shares	Acquisitions	18 December 2018	3	30,000	€0.4886	€14,859.00

(1) Entities determined in accordance with Article L. 621-18-2 of the French Monetary and Financial Code.
(2) Entities linked within the meaning of Article R. 621-43-1 of the French Monetary and Financial Code.

VIII. SOLOCAL'S TRADING IN ITS OWN SHARES DURING THE YEAR

Summary of transactions carried out in connection with the programme approved by the General Shareholders' Meeting

Number of shares making up the share capital of Solocal as at 31/12/2018	583,630,365
Treasury shares held directly or indirectly as at 01/01/2018	**402,274**
Number of shares purchased in 2018	9,116,615
Average weighted price of shares bought	**0.961**
Number of shares sold	9,026,248
Average price of shares sold	**0.961**
Performance shares transfers	9,050,000
Performance shares eliminated	0
Treasury shares held directly or indirectly as at 12/31/2018	**492,641**
Carrying value of the portfolio (valued at purchase price) as at 31/12/2018	250,438
Market value of the share portfolio as at 31/12/2018	**248,045**

At 31 December 2018, the 492,641 shares held by the Company were assigned in full to the liquidity target.

IX. MATERIAL POST-BALANCE SHEET EVENTS

N/A.

X. HUMAN RESOURCES REPORT

As at 31 December 2018, Solocal no longer has any employees. All employees of Solocal have been transferred to an economic interest group (GIE) called "GIE So Local" whose objectives include pooling GIE members' human and material resources for certain general services and support functions with a view to spreading the corresponding costs. The GIE has nine members including Solocal and eight group subsidiaries. At the end of December 2018, GIE So Local had 39 employees.

All information relating to the Solocal's employees can be found in the Company's 2018 extra-financial performance report, appended to this report.

XI. EMPLOYEE PROFIT SHARING

In accordance with the provisions of Article L. 225-102 of the French Commercial Code, we hereby provide an employee profit-sharing statement. Of the 583,630,365 shares making up the share capital as at 31 December 2018, 654,933 shares are held by employees.

XII. RESEARCH AND DEVELOPMENT

At the forefront of its industry, So Local's expert staff and numerous partnerships enable it to conduct cutting-edge research and development. These teams bring together the best specialists in their respective fields with the aim of promoting innovation and excellence.

XIII. ENVIRONMENTAL IMPACT OF THE COMPANY'S ACTIVITIES AND SUSTAINABLE DEVELOPMENT COMMITMENTS

This information can be found in the sections relating to the Company's corporate social responsibility, appended to this report.

XIV. PREVENTING DISCRIMINATION AND PROMOTING DIVERSITY

This information can be found in the sections relating to the Company's corporate social responsibility, appended to this report.

XV. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

1. Internal control and risk management guidelines, objectives and scope

1.1. Internal control and risk management guidelines

In order to achieve its objectives, Solocal has set forth and implemented general guidelines for internal control that are largely based on the guidance published in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and on the AMF's internal control framework and recommendations. The following description of our internal control and risk management procedures is based on this framework. The assessment made for this purpose was carried out in accordance with the key points of this framework and its implementation guidance. It also takes into account the work of IFACI, the French Internal Control and Audit Institute.

1.2. Internal control definition and objectives

Internal control at Solocal is a set of processes and measures that are defined by senior management, implemented by employees and which serve to meet the following objectives:

- compliance with the applicable laws and regulations in force, both inside and outside the Company;
- observance of the Board of Directors' instructions and guidelines;
- prevention and control of operational risks, financial risks and the risk of error and fraud;
- optimisation of internal processes by ensuring that operations are effective and that resources are used efficiently;
- the quality and accuracy of accounting, financial and management information.

These principles are underpinned by:

- a policy that fosters the development of an internal control culture;
- the identification and analysis of risk factors that could compromise the achievement of the Company's objectives;
- an organisation and procedures designed to ensure the implementation of senior management's strategies;
- the periodic review of control activities and a continuous effort to improve;
- a process for distributing internal control information.

However, as with any control system, the rules and principles implemented cannot provide absolute assurance that all risks will be eliminated or controlled.

1.3. Internal control scope

The procedures described below apply to all subsidiaries.

The internal control measures employed within each entity (i.e. division or subsidiary) involve implementing the Company's procedures and specifying and implementing procedures that are specific to each business line, in accordance with the entity's organisation, culture, risk factors and operational characteristics.

2. The Internal Control Environment

2.1. Rules of conduct and ethics applying to all employees

Solocal's growth is underpinned by the values and principles of its Professional Ethics Charter. These values and principles are intended to serve the interests of its customers, shareholders and employees and the communities and countries in which it operates, while protecting the environment and the needs of future generations.

These values and principles are aligned with such fundamental and universal principles as those of the Universal Declaration of Human Rights, those set forth in International Labour Organization agreements (in particular regarding the prevention of child and forced labour) and those of the OECD (most notably in relation to efforts to fight corruption). They also address our commitments in other areas, such as sustainable development. These values and principles guide the actions of Solocal and its subsidiaries and provide a framework for all employees, regardless of their position and duties It is thus everyone's responsibility, and especially that of Company and subsidiary senior managers, to observe and promote these values and implement these principles.

These rules, presented on the Solocal corporate website at www.solocal.com/en and on our intranet, cover the following:

- Solocal's values;
- the principles that underlie Company actions that may affect customers, shareholders, employees, suppliers, competitors or the environment;
- the principles that guide individual behaviour and which serve to ensure good relationships with customers and suppliers, protect the Company's assets, ensure compliance with the Company's rules and values, prevent conflicts of interest and ensure ethical stock trading.

In addition to the Professional Ethics Charter, a Securities Trading Code of Conduct has also been drafted to deal specifically with stock-trading issues.

It informs the employees and Directors of Solocal companies of the rules and principles that govern the trading of securities, of the need to comply scrupulously with these rules, and of the various preventive measures that we have implemented to enable all employees to invest securely in our listed securities.

In this context, and to reduce risks, Solocal ensures that all of its employees whose work involves sensitive information sign a confidentiality agreement, particularly when they work with people outside the Company who may not be bound by a confidentiality obligation under their own rules of professional ethics.

Accordingly, any permanent or occasional insider who has doubts or questions about selling or purchasing the securities of a Group company, or about the nature of the information that he or she can disclose, must consult his or her manager or the Chairman of the Company's Ethics Committee, or if applicable, the Ethics Committee of their specific company. If they are a Director, they must contact the Chairman of the Board of Directors.

2.2. Senior management's responsibility and commitment

The Company has set up a risk management policy which is overseen by senior management. This policy is reviewed twice yearly with the Company's various subsidiaries and divisions. The updating of risks and the monitoring of associated actions are consolidated, then presented to the senior management Executive Committee at least once a year.

A risk correspondent has been appointed in each of the Company's subsidiaries and divisions. These correspondents, of which there are around 50 within the Company, report to the Institutional Relations, CSR, Ethics and Risk division, attached to the General Secretariat.

2.3. Human resources and skills management policy

Solocal's performance depends directly on the skills of its employees and on its ability to manage and adapt its human resources. The Company Human Resources division works in close partnership with the operational divisions. It develops, proposes and manages human resources, so as to help with the implementation of the Company's strategy. In order to better respond to the needs of employees and managers, the Company HR division is divided into four sub-divisions: HR Operations, HR Development, Compensation & Benefits, personnel management and the division responsible for Employee Relations.

The role of the HR Operations division is to provide HR support to the managers of the divisions and departments within its remit and manage their employees. It provides expert knowledge of the division's structure, composition and mission, as well as the Company's business units

The role of the HR Development division is to define HR policies and improve processes. It deploys the Company's HR policy and resources to the HR Operations division and to regional and local HR managers in particular, providing them with the tools and advice they need to do the best job they can.

Since Solocal is determined to make quality of life in the workplace a priority in the context of helping employees to learn new working methods and adapt to changes in their jobs, the focus since 2015 has been on taking action in response to specific situations that employees have encountered during the transformation of the Company. These actions are described in detail in chapter 8 of the Registration Document.

2.4. Information Systems

Solocal's various information systems are composed of:

- business activity software: in particular tools for selling, as well as for creating and storing digital content and dedicated internet sites;
- business management software: e.g. accounting and financial applications;
- communication software: messaging systems, collaborative tools (Intranet), etc.;

The ISD division (which manages the information systems) and the technical department of the Products division are largely responsible for supervising the Company's information systems and in particular for ensuring that they will enable the Company to achieve its long-term objectives. They work closely with the Risk division, which monitors and manages IT risks in terms of reliability, business continuity, legal and regulatory compliance as well as operational objectives. Actions directly linked to risk and security control are reviewed twice yearly by the Risk division, in partnership with the relevant operations teams.

3. Risk monitoring and management

3.1. Organisational framework

Like any company, Solocal's business activities expose it to various risks. The main risks that have been identified are described in "Risk factors" chapter of this Registration Document. Risk management is a priority for the Company, and is conducted both by subsidiaries and the parent company, which compiles information.

- Risk management serves to:
- develop a comprehensive, systematic, integrated and flexible method for identifying, assessing, analysing and managing risks and for promoting risk control;
- develop risk management best practices;

prevent risks that threaten the Company and mitigate their consequences.

The risk management policy applies to all Solocal entities. Solocal has set up a risk governance system based on a Risk division attached to the General Secretariat, together with a network of around 50 risk correspondents.

3.2. Risk identification and analysis process

Certain Company procedures contribute to the identification of risks. In particular, they cover the following elements:

- a risk assessment and classification method that has been in place since 2005.

This method is based on risk mapping which ranks the main risks to which the Company believes it may be exposed, in terms of their level of seriousness and likelihood of occurrence, and assesses the level of coverage;

- risk and security reviews, which are conducted at least annually;
- a network of risk correspondents who oversee the operational implementation of the risk and security policy and which is supervised by a dedicated governance unit;
- a risk management system that includes the description and monitoring of related risk coverage actions. This system also includes a dashboard which monitors action plans to minimise risks.

4. Controls

The first level of control is the one exercised by the functional and operational departments using standard procedures and processes. Solocal has put in place the following three lines of control: operational management/risk management and internal control/internal audit. The objective of these systems is to harmoniously combine regulatory measures (instructions and directives), organisational measures (organisational charts and processes) and technical measures (mostly IT and communication) based on certain basic principles:

- these systems provide the Company's management and its Board of Directors with reasonable and not absolute assurance;
- these systems are not simply a collection of manuals and procedures but are implemented by employees at all levels of the organisation.

4.1. Internal audit

The Internal Audit team ensures that the internal control system is mature and appropriate by evaluating its effectiveness and efficiency, while promoting continuous improvement. On the basis of a risk assessment, the Internal Audit team evaluates the internal control system's relevance and effectiveness by assessing the quality of the Company's control environment, the work of internal governance bodies, the reliability and integrity of financial and operational information, operational effectiveness and efficiency, asset protection, and legal, regulatory and contractual compliance. The Internal Audit Charter, approved by the Chief Executive Officer and the Audit Committee, sets forth the guidelines that all entities must observe with respect to internal audit.

Solocal's Internal Audit team is responsible for performing the tasks set out in the audit plan at the beginning of the year. It reports directly to the Company's senior management, and to the Audit Committee with regards to its operations.

Internal Audit staff perform three types of audits:

- audits on the compliance and effectiveness of processes and activities;
- audits on the maturity of internal control;
- audits on the compliance or performance of specific themes selected by the Audit Committee.

Scheduled operational security compliance audits are also conducted and followed up.

4.2. Internal control

The internal control system is composed of the various policies and procedures implemented by an entity's department to provide the greatest possible assurance that its business activities are being managed effectively. By performing controls, identifying any corrective actions that may be necessary and making sure that recommendations are followed, the internal control system ensures that these policies and procedures are effective and properly implemented.

The internal control system involves the entire Company, all of Solocal's governance bodies and employees.

The organisation of internal control requires centralised supervision and leadership that is supported by a network of correspondents within the Company's various departments and entities.

The Internal Control Charter sets forth the guidelines that all entities must observe with respect to internal control.

This charter:

- specifies the scope, objectives and limits of Solocal's internal control system;
- indicates the people who are responsible for the system;
- specifies the internal control standards and guidelines to be observed throughout the Company.

4.3. Contribution of the Statutory Auditors

The work of the Statutory Auditors includes a limited interim Company level review and, toward the end of the year, a pre-closing review followed by a full audit of the financial statements at 31 December. The Statutory Auditors also perform limited reviews on the internal control systems of the Company's main subsidiaries, in accordance with an audit plan submitted to the Audit Committee's Internal Audit unit. The main recommendations are presented to the Financial divisions and to the Audit Committee.

Generally speaking, efforts to continuously improve processes and standards serve to enhance operational control, effectiveness and efficiency.

5. Internal control procedures relating to the preparation and processing of accounting and financial information

Solocal's Finance division is responsible for preparing the accounting and financial information.

To increase the reliability of published accounting and financial information, a series of Committees, rules, procedures, controls, a skills management policy, and a continuous process to improve procedures have been implemented.

Specific internal control procedures for accounting and financial information have thus been set up via:

- the Company's financial accounting and management organisation;
- a unified financial and management accounting reporting process;
- Company-wide accounting methods and guidelines;
- the scheduling of year-end work on Company accounts;
- financial communication.

5.1. Accounting and management control

The Accounting and Consolidation division, the Management Control and the Corporate Finance division perform essential tasks to ensure that Solocal's financial information is consistent. These divisions report to the Company's Chief Financial Officer.

Therefore, their tasks include:

- preparing Solocal's Company financial statements and consolidated financial statements within the time constraints of financial markets, legal and regulatory requirements and contractual obligations;
- managing the budgeting and forecasting process and preparing the monthly management report as quickly as possible, while ensuring that data is consistent;
- preparing the documents necessary to communicate financial results and to enable Solocal's management to prepare its management report;
- designing and implementing Solocal's accounting and management methods, procedures and guidelines;
- identifying and overseeing any changes to Solocal's accounting and management information systems that may be necessary.

5.2. The unified accounting and management reporting system

The Company's business management cycle is composed of four basic components:

- the three-year strategic marketing plan;
- the budget process;
- monthly reporting;
- business and financial performance reviews.

a. The strategic business plan

Each year, Solocal prepares a strategic Business Plan for the coming three years. This strategic Business Plan takes into account the Company's strategic priorities and any changes in market trends, business segments or the competitive environment.

b. The budget process

The budget process IT involves the following steps:

- in the autumn, each entity updates its budget for the current year and prepares next year's budget, which is broken down month by month;
- in the spring, the initial budget forecast for the year is updated and this updated budget is used to prepare the strategic marketing plan;
- in the summer, the budget for the second half of the year is updated on the basis of the results of the previous six months.

To improve the management and monitoring of performance, an ongoing reforecasting process has been implemented.

c. Monthly reporting

Monthly reporting is a major component of the financial information and control system. It is the main tool that Solocal's management uses to monitor trends and performance and make decisions going forward. This reporting comprises several documents that are prepared by the Management Control and Accounting and Consolidation divisions, and communicated to Solocal's management.

Monthly reporting includes quantified data, commentary on trends, and performance indicators.

The Management Control and Accounting and Consolidation divisions use a unified consolidation tool to ensure that budgeted figures, actual figures and reforecasts are reported in a consistent and uniform manner.

d. Business and financial performance reviews

Quarterly business performance reviews with all subsidiary senior managers and monthly financial reviews with Financial divisions are a key component of Solocal's management and control system. Their main objective is to ensure that the actions undertaken are consistent with Company priorities and long-term goals.

5.3. Shared Company accounting methods and framework

The Company prepares its provisional and actual consolidated financial statements in accordance with the "unification principle". This involves:

- uniform accounting methods, standards and consolidation rules;
- standardised presentation formats;
- the use of a Company-wide consolidation application.

Solocal has a single accounting system that standardises the reporting of all consolidated items, including off-balance sheet commitments. All of the consolidated entities have adopted this system. Solocal prepares its consolidated financial statements in compliance with IFRS standards (European regulation 1606/2002 of 19 July 2002).

The consolidated accounting documents are prepared in accordance with local accounting principles and are restated to comply with Company and IFRS standards, as adopted by the European Union and the IASB. The Company's Finance division sends out memoranda specifying the year-end closing process and timetable. Each subsidiary adapts these processes and timetables as necessary.

5.4. The scheduling of year-end work on Company accounts

In order to meet accounting deadlines, and enable the Board of Directors to publish consolidated financial statements from February, the Company has established a detailed planning programme for its year-end accounting work. This programme includes:

- budget monitoring processes;
- preparation of pre-closing accounts;
- documented closing processes;
- the anticipated treatment of estimates and complex accounting transactions.

The progress that Solocal has made in preparing year-end accounts can largely be attributed to greater co-ordination between Company divisions and functions, more accurate forecasts, better control over financial processes, and better preparation and speedier execution of account-closure processes.

5.5. Financial Communication

The preparation and control of financial information are organised in a manner that is consistent with the Company's management organisation and systems. This ensures the integrity, accuracy, quality and consistency of this information and its compliance with applicable legal and regulatory requirements and professional standards.

The Chief Executive Officer and the Chief Financial Officer systematically prepare, review and approve all financial information that must be publicly disclosed, prior to its examination by the Board of Directors, in order to guarantee its quality and reliability. This review covers, among other things, press releases containing financial information and presentations to investors.

The Finance division's Investor Relations division, in collaboration with management control and the Legal division, is responsible for drawing up the following periodic and permanent information documents and distributing them to regulatory authorities, the financial market authority (the AMF) and other intended recipients:

- periodic financial press releases (quarterly, half-yearly and annual results) and ad hoc press releases (e.g. to announce transformation and restructuring projects, external growth operations, divestments, financing transactions, changes in governance, and strategic partnerships);
- presentations at meetings with financial analysts or investors;
- the Registration Document;
- presentation for the General Shareholders' Meeting.

Solocal strives to provide information that is easy to understand, relevant and reliable, and to comply with stock market regulations and sound principles of corporate governance.

6. Financial risks linked to climate change

The risks linked to the effects of climate change and the measures taken by Solocal to reduce them are presented in the statement on extra-financial performance (déclaration de performance extra-financière – DPEF).

7. Information and communication

All of the Company's press releases and major regulatory documents are posted on Solocal's intranet, which is accessible to all employees.

Collaborative tools and other applications available on the intranet also ensure efficient distribution of information to everyone throughout the Company.

8. Outlook

For 2019, Solocal will continue to provide audit, internal control and risk management support to operational entities and to empower them in these areas.

XVI. MAIN RISKS AND UNCERTAINTIES

- Foreign exchange risk

  See Note 10 to the consolidated financial statements.
- Liquidity risk

  See Note 10 to the consolidated financial statements.
- Interest rate risk

  See Note 10 to the consolidated financial statements.
- Credit counterparty risk

  See Note 10 to the consolidated financial statements.
- Equity risk

  See Note 10 to the consolidated financial statements.

XVII. NON TAX-DEDUCTIBLE EXPENDITURES

Pursuant to Article 223 quater of the French Tax Code, we hereby inform you that the expenditures and expenses described in paragraph 4 of Article 39 of said Code totalled €68,759 in 2018 and that the corresponding tax was €22,920.

XVIII. SUPPLIER PAYMENT TIMES

All of the trade accounts payables on the balance sheet at 31 December 2018, which total €2.7 million (excluding accrued expenses); overdue trade receivables amounted to €1.5 million.

	Article D. 441 I. 1: Invoices received not settled at the end of the period						Article D. 441 I. 2: Invoices issued not settled at the end of the period					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and more)	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day and more)
(A) Tranches past due												
Number of invoices concerned		1	3		59	63						2
Total amount of invoices concerned (including VAT)		1,822,645	863,327		34,735	2,720,707		1,474,156				1,474,156
Percentage of the total amount of purchases for the year (including VAT)		5.42%	2.48%		0.10%	7.82%						
Percentage of revenue for the year (including VAT)								7.26%				7.26%

XIX. BUSINESS DEVELOPMENT OUTLOOK

Solocal intends to refinance its debt as soon as market conditions are right.

XX. LOANS OF LESS THAN TWO YEARS GRANTED BY SOLOCAL

In accordance with Article L. 511-6 3) bis of the French Monetary and Financial Code, we inform you that Solocal has not, as an ancillary activity to its main activity, granted loans due in less than two years to microbusinesses, SMEs or medium-sized companies with which it has economic ties justifying such loans.

XXI. BRANCH(ES)

Please note that Solocal had no branches as of 1 January 2019.

XXII. DEVELOPMENT OF THE BUSINESS OF THE MAIN SUBSIDIARIES

Solocal generated revenues of €669.4 million in 2018 (for the scope of continued activities excluding the entities divested in 2018), its Digital and Print activities representing respectively 85.3% and 14.7% of said revenues. In 2018, Digital was mainly driven by the three digital service ranges - Digital Presence, Digital Advertising and Websites – and the Print activity by the Company's historic business of publishing printed directories.

Digital

In 2018, Solocal recorded €571.0 million Digital revenues, representing 85.3% of Company revenues.

The Digital Presence package enables VSEs and SMEs to manage their activity on the Web through several dozen media channels including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Waze and Instagram in just a few clicks, in real time and automatically via a single mobile app or an online interface. This offer represented revenue of €153 million in 2018;

The Digital Advertising package enables businesses to augment their digital visibility beyond their natural online presence by tapping into local markets. This package represented revenues of €326 million in 2018.

Designed for small and medium-sized businesses, the Digital Presence and Digital Advertising ranges are also available for large network accounts:

The Websites service consists of creating search engine optimised websites (both window shopping and e-commerce) that cater to every purse on a subscription basis with automatic renewal. This package represented revenues of €107 million in 2018.

Solocal also offers new services designed to facilitate the daily business of companies, such as a customer relationship management (CRM) solution which will be developed in 2019. This offer represented revenues of €7 million in 2018.

Print

Print activities generated €98.4 million in 2018. This business line incorporates the Company's activities in the publication, distribution and sale of advertising space in printed directories (PagesJaunes, PagesBlanches), as well as the Company's other "Voice" activities which include telephone directory and reverse directory services.

During financial year 2018, the Company divested four non-strategic activities ("divested activities"): Retail Explorer, Net Vendeur, Effilab Australia and Effilab Dubai.

The accounts published by the Company as at 31 December 2018 are the following: EBITDA as at 31 December 2017 is -€0.1 million compared to -€3.8 million as at 31 December 2017.

In the presentation of its results and financial review, Solocal isolates the momentum of the continued activities from that of the activities that it is disposing of. The comments on the financial performance indicators concern the scope of continued activities.

The financial statements published by the Company as at 31 December 2018 are made up as follows:

	Financial year ended 31 December 2018					Financial years ended 31 December 2017*					
			Continued activities					Continued activities			
(in million euros)	Consolidated	Divested activities	Total	Recurring	Non recurring	Consolidated	Divested activities	Total	Recurring	Non recurring	Change recurring 2018/2017
Revenues	**670.4**	**1.0**	**669.4**	**669.4**	**-**	**739.2**	**11.5**	**727.7**	**727.7**	**-**	**-8.0%**
Net external expenses	(197.1)	(0.6)	(196.5)	(192.1)	(4.4)	(203.3)	(7.7)	(195.7)	(190.8)	(4.9)	0.7%
Personnel expenses	(304.7)	(0.6)	(304.2)	(306.1)	1.9	(384.4)	(7.6)	(376.8)	(366.5)	(10.3)	-16.5%
Restructuring costs	(164.0)	-	(164.0)	-	(164.0)	-	-	-	-	-	-
EBITDA	**4.6**	**(0.1)**	**4.7**	**171.2**	**(166.5)**	**151.5**	**(3.8)**	**155.3**	**170.4**	**(15.1)**	**0.5%**
As % of revenues				*25.6%*		*20.5%*		*21.3%*	*23.4%*		
Depreciation and amortisation	(62.0)	(0.1)	(61.9)	(61.9)	-	(53.5)	10.4	(63.9)	(63.9)	-	-3.1%
Operating income	**(57.4)**	**(0.2)**	**(57.1)**	**109.4**	**(166.5)**	**98.0**	**6.6**	**91.4**	**106.6**	**(15.1)**	**2.6%**
As % of revenues				*16.3%*		*13.3%*		*12.6%*	*14.6%*		
Net gain from debt restructuring as at 13 March 2017	-	-	-		-	265.8	-	265.8	-	265.8	-
Other financial income	0.1	-	0.1	0.1	-	0.4	(0.0)	0.4	0.4	-	-75.0%
Financial expenses	(35.3)	(0.0)	(35.3)	(35.3)	-	(26.8)	-	(26.8)	(26.8)	-	31.7%
Net financial expense	**(36.7)**	**(0.0)**	**(36.7)**	**(36.7)**	**-**	**237.6**	**(0.0)**	**237.6**	**(28.2)**	**265.8**	**30.1%**
Income before tax	**(94.1)**	**(0.2)**	**(93.9)**	**72.7**	**(166.5)**	**335.6**	**6.6**	**329.0**	**78.4**	**250.7**	**-7.3%**
Corporate income tax	12.9	0.0	12.9	(44.5)	57.3	(18.8)	(1.5)	(17.3)	(35.0)	17.7	27.1%
Income for the period	**(81.2)**	**(0.2)**	**(81.0)**	**28.2**	**(109.2)**	**316.8**	**5.1**	**311.8**	**43.4**	**268.3**	**-35.0%**

* *Restated for the impact of the first application of IFRS 9 and IFRS 15.*

XXIII. RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF 11 APRIL 2019

RESOLUTIONS INCUMBENT UPON THE ORDINARY GENERAL MEETING (FIRST TO ELEVENTH RESOLUTIONS)

Approval of the Company and consolidated financial statements for the financial year ended on 31 December 2018 (first and second resolutions)

Under the terms of the first and second resolutions, we ask that you approve the Company financial statements (first resolution) and the consolidated financial statements (second resolution) of the Company for the financial year ended on 31 December 2018.

In addition, we specify that the overall amount of expenses and charges within the scope of the provisions of 4 of Article 39 of the French Tax Code for the financial year ended on 31 December 2018 amounted to €68,759 and that the taxes incurred for these expenses and charges amounted to €22,920.

Appropriation of net income for the financial year ended on 31 December 2018 (third resolution)

Under the terms of the third resolution, we ask that you:

- note that the loss for the financial year ended on 31 December 2018 was €14,381,009.75;
- allocate the entire loss of the year ended 31 December 2018 to the "retained earnings" item, the credit balance of which, after this appropriation, will be €15,055,590.94.
- note that no dividend was distributed for the preceding three financial years.

A table showing the results of the Company over the past five financial years is appended to the Board of Directors' management report pursuant to Article R. 225-102 of the French Commercial Code.

Approval of the agreements within the scope of Article L. 225-38 of the French Commercial Code (fourth resolution)

Under the terms of the fourth resolution, we ask that you approve the related-party agreements signed during the financial year ended on 31 December 2018 in application of Articles L. 225-38 et seq. of the French Commercial Code.

A list of the agreements, as well the agreements signed during previous financial years which continued in effect during the financial year ended on 31 December 2018, is provided in the Statutory Auditors' special report. They are also provided in Part III of the Board of Directors' corporate governance report.

Approval of the components of the compensation paid or granted for the 2018 financial year to Mr Pierre Danon and Mr Éric Boustouller (fifth and sixth resolutions) ("ex-post" vote)

Under the terms of the fifth and sixth resolutions, we ask you to approve the fixed, variable and exceptional components of the total compensation and benefits of all types paid or granted for the 2018 financial year to Mr Pierre Danon, Chairman of the Board of Directors, and to Mr Éric Boustouller, Chief Executive Officer, pursuant to Article L. 225-100 of the French Commercial Code.

These components of compensation paid or granted for the 2018 financial year to Mr Pierre Danon and Mr Éric Boustouller are presented in detail in *"Section II: Principles and criteria for the determination of the remuneration of corporate officers in respect of the 2018 financial year (Article L. 225-37-2 of the French Commercial Code"* of the report referred to in Article L. 225-37 of the French Commercial Code, presented together with this report at the General Meeting.

In accordance with Article L. 225-37-2 of the French Commercial Code, it is specified that the payment of the aforementioned variable and exceptional components of remuneration is, for the persons concerned, conditional upon your approval of the associated components of remuneration in respect of the financial year ended 31 December 2018, in accordance with the conditions set out in Article L. 225-100 of the French Commercial Code.

Approval of the principles and criteria for the determination, allocation and granting of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable for the 2019 financial year ended to the Chairman of the Board of Directors and the Chief Executive Officer (seventh and eighth resolutions (ex ante vote)

Under the terms of the seventh and eighth resolutions, we propose that you approve the principles and criteria for the determination, allocation and granting of the fixed, variable and exceptional components of the total remuneration and benefits of all types attributable for the 2019 financial year to the Chairman of the Board of Directors and the Chief Executive Officer, pursuant to Article L. 225-37-2 of the French Commercial Code.

The description of the principles and criteria for the allocation, distribution and granting of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable for the 2019 financial year to the Chairman of the Board of Directors and the Chief Executive Officer are presented in detail in *"Section I: Principles and criteria for the determination of the remuneration of corporate officers in respect of the 2019 financial year (Article L. 225-37-2 of the French Commercial Code)"* of the report referred to in Article L. 225-37 of the French Commercial Code, presented together with this report at the General Meeting.

In accordance with Article L. 225-37-2 of the French Commercial Code, it is specified that the payment of variable and exceptional components of the remuneration is, for all persons concerned, conditional upon the prior approval by an Ordinary General Meeting of the associated components of remuneration in accordance with the conditions set out in Article L. 225-100 of the French Commercial Code (namely, for each person concerned, approval by the General Meeting to be held in 2020 of the variable and exceptional components of the total remuneration paid or owed to said person for the financial year ending 31 December 2019).

Ratification of the co-opting of Mr Éric Boustouller as Director (ninth resolution)

According to the ninth resolution, it is proposed that the General Meeting ratify the co-opting by the Board of Directors at its meeting of 14 December 2018 of Mr Éric Boustouller as Director, to replace Mr Arnaud Marion, for the remainder of his term of office, i.e. until the General Meeting convened to vote on the financial statements for the financial year ended 31 December 2019, to be held in 2020.

A graduate of the "Institut d'études politiques" in Paris, Mr Éric Boustouller was Compaq France's General Sales Manager, Microsoft France Deputy Chief Executive Officer (2002-2005) and then Chief Executive Officer and Vice-President of Microsoft International (2005-2012). Since 2012, he has been Corporate Vice-President of Microsoft Corporation and Area Vice-President of Microsoft Western Europe.

Mr Éric Boustouller has been Chief Executive Officer of the Company since 11 October 2017.

Mr Éric Boustouller holds 189,620 Company shares. It should be noted that on 9 March 2019 Mr Éric Boustouller will acquire one million shares in the Company pursuant to the third resolution of the General Shareholders' Meeting of 9 March 2018.

Renewal of the term of Mr Pierre Danon as Director (tenth resolution)

Under the terms of the tenth resolution, it is proposed that the General Meeting renew the term of Mr Pierre Danon as Director for a term of four years expiring at the end of the General Shareholders' Meeting which in 2023 shall approve the corporate financial statements for the financial year ended 31 December 2022.

Mr Pierre Danon, a graduate in Civil Engineering from Ponts et Chaussées, and in Law from the Institut supérieur des affaires, has held senior management and Director positions in several companies, including as President of Xerox Europe, CEO of British Telecom Retail, Chairman & Chief Executive Officer of Numericable-Completel, and, from 2008 to 2018, Vice-Chairman and Chairman of TDC in Copenhagen. He has served as Executive Chairman of Volia, in Kiev, since 2011. In 2013, he was appointed Vice-Chairman of Agrogénération in Paris, Director of CIEL group and Chairman of ProContact at Mauritius.

Mr Pierre Danon has been Chairman of the Company's Board of Directors since 5 September 2017.

Mr Pierre Danon holds 398,192 Company shares.

Granting of authorisation to the Board of Directors to buy or transfer Solocal shares (eleventh resolution)

We ask that you grant the Board of Directors authorisation, for another 18-month period, to implement a Company share buy-back programme and thereby authorise the Company, in accordance with Articles L. 225-209 et seq. of the French Commercial Code, to buy back its own shares up to a maximum of 10% of its share capital.

RESOLUTIONS INCUMBENT UPON THE EXTRAORDINARY GENERAL MEETING (TWELFTH AND THIRTEENTH RESOLUTIONS)

Authorisation granted to the Board of Directors to allocate free shares of the Company (twelfth resolution)

The Board of Directors wishes to continue to dispose of instruments to ensure long-term incentives for Company employees and corporate officers, with two main objectives:

- to align the beneficiaries' interests with the value creation realised by the firm for the benefit of its various stakeholders, in particular its shareholders; and
- to contribute effectively to the policy of attractiveness and talent retention.

The Board of Directors, after taking into account the recommendations of the AFEP/MEDEF Corporate Governance Code of June 2013, amended in June 2018, and in line with the performance share allocation plan set up in 2018, submit for your approval the adoption of a new long-term incentive plan, through the allocation of performance shares.

It is recalled that the previous approval granted by your assembly was for a period of 12 months and therefore ended on 9 March 2019.

It is proposed that the General Meeting authorise the Board of Directors, with the right to sub-delegate, under the terms set out by law, for a period of 12 months, to proceed, on one or more occasions, to free allotments of existing or future shares of the Company.

The beneficiaries must be employees or corporate officers of the Company or of French or foreign related companies or Company as within the meaning of Article L. 225-197-2 of the French Commercial Code or certain categories thereof.

The total number of performance shares that could be allocated under this authorisation would represent a maximum of 5.5 million shares, including a maximum of 1.5 million shares in favour of the Company's corporate officers.

Any allocated for free of shares pursuant to this authorisation must be subject to a performance condition and a presence condition, the terms and conditions of which would be set by the Board of Directors.

The performance condition would be assessed over three years and would be based on two criteria:

- an off-market criterion: the Meeting, during the relevant period, of the annual Free Cash Flow objectives set by the Board of Directors; and
- a market criterion: the evolution of the Company's share price, with reference to a share price at the end of the period of at least two euros.

The two criteria would be applied as follows:

(i) first criterion: the definitive allocation rate (before application of the coefficient linked to the second criterion), determined at the end of the period of the plan, will be 85% conditional on the achievement of the annual Free Cash Flow objectives during the three years of the period of the plan and 15% on an appraisal of the achievement of that 'Free Cash Flow' objective over the period of the plan;

(ii) second criterion: the evolution of the stock market price: the final allocation rate will also depend on the price of the Solocal share at the end of the period of the plan with a target objective of two euros.

Thus, the following coefficient will be applied to the number of shares allocated by application of the first criterion:

- if the share price is higher than or equal to two euros at the end of 2021 (based on an average of twenty trading days), the number of shares allocated by application of the first criterion will be multiplied by 1;
- if the share price is lower than two euros at the end of 2021 (based on an average of twenty stock exchange days), the number of shares allocated by application of the first criterion will be multiplied by 0.75 for the Managing Director, 0.825 for the other members of the Executive Committee and 0.90 for the other eligible beneficiaries.

The Board of Directors may lay down the conditions under which the aforementioned criteria would be adapted in case of an event affecting their relevance (in particular the market criterion), for example in the event of the delisting of the Company's shares.

With regard to the Company's corporate officers only, a "claw back" condition would be applicable, for allocations starting in 2019, throughout the vesting period and, for the shares subject to retention obligations, during the retention period. Thus, if it should appear a posteriori that the shares were awarded on the basis of information known by the beneficiary to be inaccurate and that led to an inaccurate assessment by the Board of Directors of the aggregates selected for the assessment of the performance condition, the benefit of the relevant performance shares would be lost automatically. This clause would be assessed under French law.

The vesting period would be three years and there would be no holding period imposed on the beneficiaries. By way of exception, the members of the Executive Committee (or of any replacement body) of the Company (on the final allocation date) would be under an obligation to retain 30% of the shares definitively allocated thereto and until the termination of their office on the Executive Committee.

In the event of the disability of a beneficiary under the conditions set forth by law, or in the event of the death thereof, the performance and presence conditions shall be deemed satisfied and the final allocation of shares shall occur prior to the end of the vesting period.

Authorisation to grant free shares to all employees of Solocal's French companies (thirteenth resolution)

The Board of Directors wishes to dispose of instruments to involve all employees in the Company's capital.

Your General Meeting of 9 March 2018, has already authorised (for a period of 26 months) the Board of Directors to carry out, on one or more occasions, share capital increases reserved for employees who are members of Solocal's company savings plan. This authorisation is capped at a par value of €1,150,000 (corresponding to the issue of 11,500,000 shares with a nominal value of 10 cents) (nineteenth resolution approved by the General Meeting of 9 March 2018).

In addition, the Board of Directors asks you to authorise it to allocate, for a period of 13 months, free shares of the Company as part of a so-called "Plan for Everyone" plan. If it is implemented alone or in combination with a capital increase reserved for employees (based on the nineteenth resolution approved by the General Meeting of 9 March 2018), the allocation would be for all employees of the Solocal's French companies.

The number of shares allocated may not exceed 100 shares per beneficiary. The total number of free shares that may be allocated should not exceed 400,000 shares.

The breakdown must be uniform, proportional to the length of time the employee has been with the Company during the year, or must meet these criteria jointly.

The definitive allocation of all existing shares or new shares would be conditional on the beneficiary's meeting of a presence condition whose characteristics would be determined by the Board of Directors.

The vesting period would be at least one year and the holding period would be at least one year; the duration of these periods would be set by the Board of Directors.

To limit the dilutive impact for shareholders, the Board of Directors proposes that the General Meeting determine that the ceiling of €1,150,000 set by the nineteenth resolution adopted by the General Meeting of 9 March 2018 will be common (i) to the share allocations pursuant to the capital increase plan reserved for employees (purpose of the aforementioned nineteenth resolution), and (ii) to the free share allocation plan to all employees (purpose of the thirteenth resolution submitted to your Meeting); accordingly, the par value of the Company shares allocated for free under the fourteenth resolution submitted to your Meeting will be charged to the aforementioned ceiling of €1,150,000.

Your Board asks that you approve the resolutions it has submitted to your vote.

Done in Boulogne Billancourt, 19 February 2019

The Board of Directors

Financial performance over the past five years (pursuant to Articles R. 225-81, 3° and R. 225-83, 6° of the French Commercial Code)

Type of information *(with the exception of share capital, all amounts are in thousands of euros)*	**Year 2014**	**Year 2015**	**Year 2016**	**2017 financial year**	**FY 2018**
1 – Financial position at year-end					
a) Share capital	232,345,434	233,259,384	233,259,384	58,244,480	58,363,037
b) Number of outstanding ordinary shares	1,161,727,170	38,876,565	38,876,565	582,444,800	583,630,365
2 – Key financial figures					
a) Revenues excl. Tax[2]	9,071	13,047	24,080	24,709	20,312
b) Earnings before tax, profit-sharing, depreciation, amortisation and provisions	(142,015)	(152,278)	(98,531)	(4,788)	(5,167)
c) Corporate income tax	(56,153)	14,089	(51,474)	(54,667)	(5,665)
d) Employee profit-sharing owed for the year	-	-	-	-	-
e) Earnings after tax, depreciation, amortisation and provisions	(132,193)	(1,785,325)	8,640	21,002	(14,381)
f) Amount of earnings distributed in n+1[1]	-	-	-	-	-
3 – Key financial figures per share *(in euros)*					
a) Earnings after tax & profit-sharing but before depreciation, amortisation and provisions	(0.11)	(4.28)	(1.21)	0.09	-0.02
b) Earnings after tax, profit-sharing, depreciation, amortisation and provisions	(0.07)	(45.92)	0.22	0.04	0.00
c) Dividend paid per share in n+1[1]	0.00	0.00	0.00	0.00	0.00
4 – Personnel					
a) Average number of salaried employees during the year	43	43	38	2	1
b) Total payroll	7,536	8,107	7,986	805	977
c) Amount of employment benefits paid	5,791	3,997	3,833	328	589

(1) Or submitted to the General Shareholders' Meeting for the last financial year (before deduction of treasury shares).
(2) The amounts entered under Revenues excl. tax include all operating income.

INFORMATION ON THE COMPANY AND ITS CAPITAL

7.1 GENERAL INFORMATION ON THE COMPANY

7.1.1 CORPORATE NAME AND TRADING NAME

The name of the Company is "Solocal Group".

The Group has profoundly transformed itself in order to adapt to technological and societal changes. The name "Solocal Group" expresses our current strength: local and digital services.

7.1.2 REGISTRATION LOCATION AND NUMBER

Trade and Companies Register number: RCS Nanterre 552 028 425.

APE code: 7010 Z.

7.1.3 DATE OF INCORPORATION AND TERM (ARTICLE 5 OF THE ARTICLES OF ASSOCIATION)

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

7.1.4 REGISTERED OFFICE, LEGAL FORM AND LEGISLATION

Head Office of the Company and a large part of the subsidiaries of the Group: 204, Rond-Point du Pont-de-Sèvres, 92100 Boulogne-Billancourt.

Telephone: +33 (0)1 46 23 30 00.

Company's country of origin: France.

Solocal Group is a public limited company with a Board of Directors subject to the provision of Articles L. 210-1 ff. of the French Commercial Code.

7.2 MEMORANDUM AND ARTICLES OF ASSOCIATION

7.2.1 CORPORATE PURPOSE

In accordance with Article 3 of the Articles of Association, the Company's corporate purpose, in France and abroad, is to:

- acquire and hold shares, interests or other securities in French or foreign legal entities, to define the policies to be implemented by subsidiary companies and to provide any and all services to companies in which it holds shares;
- acquire by any means, without exception or reservation, to hold by any means and in any capacity, to manage and, if appropriate, to transfer by any means, without exception or reservation, all or part of any majority or minority interests that may be directly or indirectly related to the Company's corporate purpose and to any similar or ancillary purpose.

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

- publish, on its own behalf or on behalf of third parties, all directories using any current or future publication processes and means, to provide information services by any current or future processes and means and to carry on the business of advertising in all its forms, by any method and for any purpose;
- advise, research, design, produce, update and maintain all services related to any type of information distribution system on an open or closed network, whether connected via computer or telephone, wire-based, satellite, cable or other methods, as well as any other activity related to such services, and especially to Internet or Intranet sites;
- collect, acquire, enhance, manage, process, market, or host data and files of any kind;
- perform all activities related, directly or indirectly, to such services or which represent a prerequisite or accessory, the condition or extension of such services or which are likely to encourage or develop them;
- and, in general, to undertake any industrial, commercial, financial, civil, movable property or real estate transactions that may be directly or indirectly related to any of the aforementioned purposes or to any similar or related corporate purposes.

PROVISIONS IN THE ARTICLES OF INCORPORATION, ARTICLES OF ASSOCIATION AND THE INTERNAL REGULATIONS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

The Company is administered by a Board of Directors composed of 3 to 18 members (subject to legal exceptions in the event of a merger). There are currently 10 Directors on the Board.

Directors are elected by the shareholders at Ordinary General Shareholders' Meetings. Each Director must hold at least one Company share. Pursuant to the Company's Articles of Association, each Director is elected for a four-year term. There is no limit to the number of times a Director may be re-elected.

The Board of Directors includes a Director who represents the Company's employees as well as the employees of its direct or indirect subsidiaries (as defined in Article L. 225-27 of the French Commercial Code) whose registered office is located on French territory.

This Director is elected in two rounds by majority vote. All staff members who meet the conditions set by law are eligible to vote and stand for election. Each candidacy must include, in addition to the candidate's name, the name of a substitute who may replace him or her in the event of absence for any reason.

The Director representing the employees is elected for a four-year term. The first Director representing the employees shall assume his or her position on the Board at the first meeting of the Board of Directors, held after publication of the complete results of the first elections. The next Director representing the employees shall assume his or her position on expiry of the term of the outgoing Director representing the employees.

If a Director representing the employees ceases to be a member of staff, his or her responsibilities as a Director are terminated.

The Board of Directors elects a Chairman from among its members. The Chairman is elected for his or her entire term as a Director, and may be re-elected.

The Board of Directors meets on a notice from the Chairman. Meetings may be called by any method, including verbally in an emergency, and as often as the Chairman deems necessary. They may be held at the registered office or any other location indicated in the notice of meeting.

When the Board of Directors has not met for more than two months, at least one-third of the Board members may ask the Chairman at any time to call a Board meeting based on a specific agenda. The Chief Executive Officer may also ask the Chairman at any time to call a meeting of the Board of Directors based on a given agenda.

The Board of Directors' deliberations are valid only if at least half of its members are present.

Decisions are taken by a majority vote of the members who are present or represented. In the event of a tied vote, the Chairman of the meeting shall cast the deciding vote.

Subject to legal and regulatory provisions, meetings of the Board of Directors may be held by means of videoconference or any other means of telecommunication. Any Director participating in a Board meeting by means of videoconference or other means of telecommunication is deemed to be in attendance for the purposes of quorum and majority. The Board of Directors sets out the overall strategic direction for the Company's business activities and ensures it is implemented. Subject to any powers expressly granted to Shareholders' Meetings and within the limits of the corporate purpose, the Board deals with all matters relating to the proper functioning of the Company and governs the Company's business through its deliberations.

The Board of Directors may carry out any controls and checks it deems appropriate.

The Chairman or the Company's Chief Executive Officer is required to provide each Director with all documents and information they need to fulfil their duties.

INTERNAL REGULATIONS

At its meeting of 23 September 2004, the Board drew up rules of procedure based on those recommended in the AFEP-MEDEF Corporate Governance Code. These rules of procedure specify the guiding principles for the operation of the Board and the rights and duties of the Directors.

The main provisions of the rules of procedure of the Board of Directors are summarised in this section.

PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

Strategic direction

Pursuant to Article 17 of the Articles of Association, the Board of Directors determines the overall strategic orientation of the Company's activities and ensures, it is implemented.

This means that the Board makes all decisions related to the Company's major strategic, economic, social, financial and technological objectives and ensures that these decisions are implemented.

The medium-term objectives for the Group's activities are defined, each year, in a strategic plan, which is prepared and presented by the Chief Executive Officer to the Board of Directors for approval. This draft includes, projected trends for the Group's key operational and financial indicators in particular. The Chief Executive Officer presents a draft annual budget based on these objectives.

The Chief Executive Officer is responsible for implementing the objectives set out in the strategic plan.

The Chief Executive Officer informs the Board of Directors of any problems or, more generally, any matter which may affect the achievement of any of the objectives of the strategic plan.

Committees of the Board of Directors

In order to prepare its work, the Board of Directors set up three Committees within the Company, namely an Audit Committee, a Remuneration and Appointments Committee and a Strategic Committee, the latter having been created by the Board of Directors at its meeting on 13 June 2017. The operating conditions and areas of authority of each Committee are stipulated in the Charters of these Committees, which are approved by the Board of Directors.

The Board of Directors, at its meeting on 9 November 2017, also created three Ad Hoc Committees, namely an ad hoc Committee on Refinancing, an Ad Hoc Committee on the Equity Story and Ad Hoc Committee on monitoring the restructuring of the Company. These Ad Hoc Committees are now defunct.

DUTIES AND RESPONSIBILITIES OF THE DIRECTORS

Directors' duty of confidentiality

Directors are bound by an absolute obligation of confidentiality with regard to the content of discussions and deliberations by the Board and its Committees and any information presented to them.

Director's duty of independence

In carrying out the mandate entrusted to them, Directors must make all decisions independently of any interest other than that of the Company.

All Directors are required to inform the Chairman of any situation affecting them that could create a conflict of interest with the Company or any Group Company. Where appropriate, the Chairman may seek the opinion of the Remuneration and Appointments Committee.

At the end of this process, it is the responsibility of the Director in question to act accordingly, under the terms of the applicable legislation.

Duties of Directors with regard to securities of the Company

Each Director must hold at least one Company share.

Any Company shares held by Directors at the time they join the Board must be registered in their own names, as well as any shares they acquire during their term of office.

Directors are forbidden to:

- execute any transaction on the securities of the traded companies of the Group as long as they hold privileged information;
- make short sales on these securities directly or indirectly.

The first prohibition applies in particular during the period of preparing and presenting the Group's annual and semi-annual results and quarterly information.

It also applies during special periods when projects or transactions that warrant such a prohibition are being prepared.

The Ethics Charter, which specifies the rules relating to inside information, applies to the Directors.

Director's duty of care

In accepting the office entrusted to them, Directors agree to fully assume all their responsibilities and, in particular, to:

- devote whatever time is required to study matters dealt with by the Board and, if applicable, any Committees of which they are members;
- request all additional information, they consider necessary;
- ensure that these regulations are applied;
- freely form their opinion before any decision, considering only the Company's interest;
- actively participate in all Board meetings, unless they are unable to do so;
- make all proposals to improve the working conditions of the Board and its Committees.

The Board constantly seeks to improve the information communicated to shareholders. Each Director must play a part in achieving this goal, particularly through his or her contribution to the work of the Board's Committees.

Directors agree to tender their resignation to the Board when they believe, in good faith, that they are no longer able to fully assume their responsibilities.

ETHICS CHARTER

At its meeting on 23 September 2004, the Board of Directors adopted a Professional Ethics charter (available on the PagesJaunes Groupe website at http://www.solocal.com).

This Charter sets out the Group's values and presents its principles for dealing with customers, shareholders, employees, suppliers, and competitors, and with respect to the environment and the countries in which it operates.

In addition, it stipulates a number of principles of personal conduct that each Group employee, Director and executive must respect, and which encourage honest and ethical conduct on their part, as well as accurate, complete and timely communication of published information.

The Professional Ethics charter refers to the principles and rules applicable to stock market ethics and the requirement to comply with them scrupulously. It imposes certain preventive measures including, closed periods when "permanent insiders", such as members of the Board of Directors and other executives, are not permitted to trade in the Company's shares.

The Professional Ethics charter applies to each member of the Board of Directors and to all of the Group's executives and employees.

CHAIRMAN OF THE BOARD OF DIRECTORS AND MANAGEMENT

The Chairman of the Board of Directors is an individual elected by the Board from among its members. Furthermore, the Board of Directors may decide whether to separate or combine the positions of Chairman of the Board and Chief Executive Officer. If the decision is taken to separate these roles, the Board of Directors appoints the Chief Executive Officer.

The Board of Directors elects a Vice-Chairman from among its independent members. The Vice-Chairman is elected for his or her entire term as a Director, and may be re-elected.

The Vice-Chairman:

- exercises the powers of the Chairman in the event of impossibility, absence or unavailability of the Chairman, under the same conditions as the Chairman;
- shall be available for and may meet and listen to the Company's shareholders;
- shall be available and listen to the Directors of the Company to discuss the proper functioning of the Board of Directors.

Mr David Amar was elected Vice-Chairman by the Board of Directors at its meeting of 14 February 2018.

On 5 November 2014, the Board of Directors opted to separate the roles of Chairman of the Board of Directors and Chief Executive Officer in line with corporate governance best practice. During the change in governance in 2017, the Board of Directors decided to keep the two roles separate. The choice of governance model is largely due to the Company's wish to make a clear distinction between responsibility for strategic guidance and oversight, which lies with the Board of Directors, and the Chief Executive Officer's operational and executive powers. This governance model also enables the Group to benefit from the complementary skills and experience of the Chief Executive Officer and the Chairman of the Board of Directors.

The Chief Executive Officer, subject to the powers expressly granted to Shareholders' Meetings and the Board of Directors, and within the limits of the corporate purpose, is vested with the widest powers to act, in all circumstances, in the name of the Company, with the following stipulations:

(i) the Chief Executive Officer must present a draft strategic plan to the Board of Directors each year defining the Group's medium-term business objectives, including projected trends for the Group's key operational and financial indicators, in addition to a draft annual budget;

(ii) the following decisions are subject to prior approval by the Board of Directors:

- the annual budget and any significant changes thereto,
- the annual and three-year business plans,
- the acquisition or disposal of a business by Solocal or one of its subsidiaries that is not included in the annual budget, the total amount of which, including all liabilities and off-balance sheet commitments exceeds €10 million,
- any investments or divestments not included in the annual budget for fixed assets for an amount, including all liabilities and other off-balance sheet commitments, in excess of €10 million,

- amendments to the employment contract, hiring/appointment/dismissal/removal of the Chief Financial Officer of the Company; any amendment to the employment contract, hiring/appointment or dismissal/removal of the Group's Human Resources Director and the Secretary to the Board of Directors shall not require prior authorisation by the Board of Directors, but shall require the prior agreement of the Remuneration and Appointments Committee,
- any increase in the total indebtedness of Solocal or one of its subsidiaries that exceeds the amount authorised under the financing or loan agreements previously authorised by Solocal Group's Board of Directors,
- the execution of any agreement in order to create a joint-venture with a third party, not included in the annual budget and generating a commitment for Solocal or one of its subsidiaries for a total amount greater than €10 million over the duration of the joint-venture,
- any decision to have the securities of Solocal or one of its subsidiaries listed on a regulated exchange and any subsequent action to have additional Solocal or subsidiary securities listed if already listed on a regulated exchange,
- any decision to delist or buy back shares (except share purchases under liquidity agreements previously authorised by the Board of Directors),
- the acquisition or subscription, by Solocal or one of its subsidiaries, of shares, other equity securities or securities giving access to the capital of any company (x) the value of which, including all liabilities and other off-balance sheet commitments, exceeds €10 million, provided that the liability of Solocal or one of its subsidiaries is limited and the transaction is not already included in the annual budget, or (y) any company irrespective of the amount invested if Solocal or one of its subsidiaries is acting as an unlimited liability partner in such a company,
- any diversification of the business activities of Solocal or one of its subsidiaries that is unrelated to previous business activities, or any diversification that is related to previous business activities but is not included in the annual budget and involves a financial commitment that exceeds €10 million,
- any sale, transfer or termination of a major business activity of Solocal or one of its subsidiaries that is not included in the annual budget or the three-year business plan,
- any incentive plan (as defined under French labour law or the labour law of another country, with the exception of a mandatory or standard voluntary profit-sharing plan) to be implemented in Solocal Group or within one of its subsidiaries, or any measure that encourages employees to directly or indirectly acquire shares in Solocal Group or one of its subsidiaries,
- any authorisation or instruction given to a Solocal subsidiary to examine or undertake any of the transactions referred to in this appendix,
- the execution of any agreement not included in the annual budget that would imply payments or supply of goods or services by Solocal or its subsidiaries for an annual amount greater than a total of €10 million,
- any decision relating to plans for the merger or demerger of a Solocal Group subsidiary, the spin-off of the assets of a Solocal subsidiary, or a long-term agreement to manage a Solocal subsidiary, that is not included in the annual budget or the three-year business plan, excluding internal reorganisation that has no material impact on Solocal's position,
- any transfer or sale in order to provide collateral, any decision to grant a security interest or pledge by Solocal or one of its subsidiaries, in order to meet debts or honour guarantees given to third parties not included in the annual budget for a total amount greater than €10 million per year,
- any loans made by Solocal or one of its subsidiaries that are not included in the annual budget the cumulative amounts of which exceed €5 million.

DEPUTY CHIEF EXECUTIVE OFFICER

At the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more individuals charged with assisting the Chairman, with the title of Deputy Chief Executive Officer. The maximum number of Deputy Chief Executive Officers is five. In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of powers given to Deputy Chief Executive Officers.

RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHING TO EACH CLASS OF THE EXISTING SHARES

Fully paid-up shares may be in registered or bearer form, at the shareholder's discretion. They must be registered until they are fully paid up. They are registered in the Company's records or with an authorised intermediary under the terms and conditions set out in law.

In order to be able to identify bearer shares, under current legal and regulatory conditions and subject to applicable legal or regulatory penalties, the Company may, among other things, request any organisation or intermediary, including the central custodian of financial instruments, for information required by law or regulations enabling the identification of holders of Company shares giving immediate or future voting rights at Shareholders' Meetings and, in particular, the number of shares held by each of them and, if applicable, any restrictions that may apply to those shares.

Any intermediary registered on behalf of an owner who is not resident within France is required, under the terms set out in Article L. 228-1 of the French Commercial Code, to reveal the identity of the owners of such shares within 10 days, on request by the Company or its legal representative at any time.

Where the Company has reasons to believe that holders of registered or bearer shares who are known to the Company are holding those shares on behalf of third-party shareholders, it is entitled to request those holders to reveal the identities of the owners of said shares under the terms set out above.

Where a person to whom a request is made in accordance with the above provisions does not provide the requested information within the legal and regulatory time limits, or provides incomplete or incorrect information relative either to his capacity or to the identity of the shares' owners, the shares or securities providing immediate or future entitlement to share capital for which that person is the registered account holder shall have no voting rights at any Shareholders' Meetings until such time as all matters relating to identity are settled, and payment of any corresponding dividends shall be deferred until that date.

In addition, if a person registered as a holder of shares knowingly disregards the above provisions, the Court in whose jurisdiction the Company's registered office is located may, at the request of the Company or one or more shareholders, holding at least 5% of the capital, order the full or partial withdrawal, for a total period not exceeding five years, of any voting rights attached to the shares in question and, possibly for the same period, the right to any corresponding dividends.

Where any legal entity owns shares in the Company and has a holding of more than one-fortieth of the capital or voting rights, the Company may ask that entity to disclose the identities of any persons who directly or indirectly hold more than one-third of the entity's share capital or voting rights exercised at the entity's General Shareholders' Meetings.

ACTIONS REQUIRED TO MODIFY SHAREHOLDERS' RIGHTS

At the registration date of this Registration Document, the Articles of Association contain no provisions stricter than those set out in the law relating to changes to shareholders' rights.

7.2.2 GENERAL SHAREHOLDERS' MEETINGS (ARTICLE 11 AND ARTICLES 26 TO 32 OF THE ARTICLES OF ASSOCIATION)

ACCESS, PARTICIPATION AND VOTING AT GENERAL SHAREHOLDERS' MEETINGS

General Shareholders' Meetings are made up of all shareholders whose shares have been fully paid up and registered in their name as justifying the right to participate in General Shareholders' Meetings, or if the shareholder is not domiciled in France, in the name of the representative acting on the shareholder's behalf, on the second working day prior to the General Shareholders' Meeting at 12:00 midnight (Paris time).

In order to attend, vote remotely, or be represented at General Shareholders' Meetings, owners of bearer shares or shares registered in an account not held by the Company must file a certificate prepared by the intermediary holding their account, indicating that the shares will not be transferable before the date of the General Shareholders' Meeting, at the place indicated in the notice of meeting, no later than 3 p.m. (Paris time) on the day prior to the General Shareholders' Meeting.

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

Access to the General Shareholders' Meeting is open to its members with proof of their status and identity. If it deems this useful, the Board of Directors may ensure that shareholders are sent personal admission cards bearing their names and demand that these cards be shown at the General Shareholders' Meeting.

Owners of Company shares, who are not residents of France, may be registered in the accounts and represented at General Shareholders' Meetings by any intermediary who is registered on their behalf and holds a general securities management mandate, provided that such intermediaries have previously declared themselves as intermediaries holding shares on behalf of third parties at the time the account is opened with the Company or account-holding financial intermediary, in accordance with legal and regulatory provisions.

The Company is entitled to ask any intermediary who is registered on behalf of shareholders not residing in France and who holds a general mandate to provide a list of the shareholders they represent and whose rights would be exercised at the meeting.

Each member of a General Shareholders' Meeting has as many votes as the number of shares he or she owns or represents, provided that his or her voting rights have not been withdrawn.

Any shareholder may, subject to legal and regulatory conditions, vote remotely or issue powers to any person of his or her choice in order to be represented and vote at a General Shareholders' Meeting.

Remote voting is carried out under the terms and conditions set forth by legal and regulatory provisions. The Company must receive voting forms at 3 p.m. (Paris time) the day before the General Shareholders' Meeting at the latest.

Powers, remote voting forms and certificates of non-transferability of shares may be submitted in electronic form duly signed under the terms set out in applicable legal and regulatory provisions.

Shares are indivisible with regard to the Company. Joint owners of shares must arrange for one of them to act as their representative with the Company, who shall be considered to be the sole owner and representative. In the event of failure to agree, the sole representative may be appointed by the Court at the request of the first joint owner to so request. Unless the Company is properly notified of any agreement to the contrary, beneficial owners have the right to vote at Ordinary General Shareholders' Meetings and bare owners have the right to vote at Extraordinary General Shareholders' Meetings.

General Shareholders' Meetings may be held by videoconference or by any other means of telecommunication, including the Internet, which enables shareholders to be identified under the conditions set out in applicable legal and regulatory texts.

If the Board of Directors so decides at the time of convening the meeting, forms may be completed and signed electronically directly on a site set up by the Company. This site must use a process including a username and password, in accordance with the terms set out in the first sentence of paragraph two of Article 1316-4 of the French Civil Code, or any other process which meets the conditions set out in the first sentence of paragraph two of Article 1316-4 of the French Civil Code.

Powers or votes cast in this way prior to the meeting by such electronic means, and any receipts which are provided for them, shall be considered to be fully enforceable, irrevocable written records, subject to the points set out below. By derogation, in the case of a sale of shares occurring prior to midnight (Paris time) on the second working day preceding the meeting the Company shall invalidate or alter accordingly, as the case may be, the proxy expressed or the vote cast prior to the meeting, using the electronic method set up by the Board of Directors.

Owners of Company shares who are not resident on the French territory may be registered in the accounts and represented at the meeting by any intermediary who is registered on their behalf and holds a general securities management mandate, provided such intermediaries have previously declared themselves as intermediaries holding shares on behalf of others at the time when shares are registered in the accounts with the Company or account-holding financial intermediary, in accordance with legal and regulatory provisions.

The Company is entitled to ask any intermediary who is registered on behalf of shareholders not residing in France and who holds a general mandate to provide a list of the shareholders they represent and whose rights would be exercised at the meeting.

Ordinary General Shareholders' Meetings

Ordinary General Shareholders' Meetings are called to make all decisions that do not amend the Articles of Association. They are held at least once a year within six months of the end of the financial year, to approve the financial statements for the previous financial year, unless this period is extended by Court order.

Ordinary General Shareholders' Meetings cannot validly deliberate, on the first notice of meeting, unless shareholders present, represented or voting remotely, hold at least one-fifth of shares with voting rights. Upon a second notice of meeting, no quorum is required. Decisions are made by majority vote of the shareholders who are present, represented or have voted remotely.

For the purposes of calculating quorum and majority, shareholders are deemed to be present if they take part in an Ordinary General Shareholders' Meeting by videoconference or any other means of telecommunication enabling them to be identified, the nature and terms of use of which are defined by applicable laws and regulations.

Extraordinary General Shareholders' Meetings

Only Extraordinary General Shareholders' Meetings are authorised to amend any provisions in the Articles of Association. However, they may not increase shareholders' commitments except through transactions resulting from a properly executed share consolidation.

Subject to legal stipulations applicable to share capital increases by the incorporation of reserves, profits or issue premiums, Extraordinary General Shareholders' Meetings cannot validly deliberate unless shareholders present, represented or voting remotely, hold on the first notice of meeting at least one-quarter, or on the second notice of meeting one-fifth of the shares with voting rights. If the latter quorum cannot be reached, the second meeting may be reconvened up to two months after the original date, at which point a one-fifth quorum is again required.

Subject to the same conditions, decisions are made by a two-thirds majority vote of shareholders who are present, represented or have voted remotely.

For the purposes of calculating quorum and majority, shareholders are deemed to be present if they take part in an Extraordinary General Shareholders' Meeting by videoconference or any other means of telecommunication enabling them to be identified, the nature and terms of use of which are defined by applicable laws and regulations.

FORM AND DEADLINES FOR NOTICES OF MEETING (ARTICLE 28 OF THE ARTICLES OF ASSOCIATION)

The Board of Directors calls General Shareholders' Meetings under the conditions provided for by law.

Otherwise, General Shareholders' Meetings may also be called by the auditors or by any person authorised for this purpose.

A notice informing shareholders of the next General Shareholders' Meeting is published at least 35 days prior to the meeting in the French bulletin of mandatory legal announcements (BALO).

Except where provided for legally, notices are issued at least fifteen clear days before the scheduled date of a General Shareholders' Meeting. This period is reduced to ten clear days for General Shareholders' Meetings held after a second notice of meeting and for reconvened General Shareholders' Meetings.

The notices of meetings are issued by a notice in a newspaper publishing legal announcements in the department where the registered office is located, and in the French bulletin of mandatory legal announcements (BALO). Moreover, shareholders who have held registered shares for at least one month prior to the notice of meeting are summoned to the General Shareholders' Meeting by ordinary letter. They may ask to be notified by registered post, provided they pay the registered postage fee to the Company.

The meetings shall take place at the date, time and place stated in the notice of meeting.

Notices of meeting must include the agenda for the meeting.

OFFICERS OF GENERAL SHAREHOLDERS' MEETINGS (ARTICLE 30 OF THE ARTICLES OF ASSOCIATION)

General Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by a Director appointed by the Board for this purpose. Failing this, the General Shareholders' Meeting elects its own Chairman.

The two members of the General Shareholders' Meeting with the highest number of votes, who accept this role, shall serve as tellers.

The officers of a General Shareholders' Meeting appoint a secretary, who is not required to be a shareholder.

AGENDA

The Agenda of General Shareholders' Meeting is prepared by the author of the notice of meeting.

One or more shareholders representing the percentage of capital required by applicable regulatory provisions and acting in accordance with legal conditions and time limits may request that proposed resolutions be added to the agenda.

Requests for proposed resolutions to be added to the agenda must be sent by registered letter with recorded delivery as of publication of the notice of meeting in the French bulletin of mandatory legal announcements (BALO), and up to 25 days prior to the meeting (however, if the notice is published more than 45 days prior to the meeting, proposed must be sent within 20 days of publication of the notice). The authors must provide proof that they possess or represent the required proportion of share capital, prior to transmission of the request, by registering the shareholders on the Company registers.

Only matters on the agenda may be discussed at General Shareholders' Meetings. Nevertheless, it may, under any circumstances, dismiss and replace one or more members of the Board of Directors.

The agenda may not be amended where a second notice of meeting has been issued, or in the event of a meeting being reconvened.

CONDITIONS FOR EXERCISING VOTING RIGHTS

At all General Shareholders' Meetings, each shareholder has as many votes as the number of shares he or she owns or represents, with no limitations other than those which may arise from legal provisions or the Articles of Association, subject to a Court order in certain cases. The provisions of the Articles of Association stipulating the existence of a double voting right, are presented in section 7.3 of this document.

7.2.3 SALE AND TRANSFER OF THE SHARES (ARTICLE 9 OF THE ARTICLES OF ASSOCIATION)

Shares are freely negotiable, subject to applicable legal and regulatory provisions. They are registered in an account and transferred under the terms and conditions set out in the applicable legal and regulatory provisions.

7.2.4 CROSSING OF STATUTORY THRESHOLDS (ARTICLE 9 OF THE ARTICLES OF ASSOCIATION)

In addition to the legal requirement to inform the Company when certain percentages of capital or voting have been exceeded or are not met, any person acting alone or in concert who comes to hold or ceases to hold, directly or indirectly, a fraction of the capital, voting rights or securities giving future rights to the Company's share capital that is equal to or greater than 1% or a multiple of this fraction, will be required, no later than before the close of trading on the fourth trading day after the day this threshold was exceeded or not met, to notify the Company, by registered letter with acknowledgement of receipt, of the total number of shares, voting rights or securities giving equity rights which it holds, directly or indirectly, alone or in concert.

This notification must be renewed under the aforementioned conditions whenever a new 1% threshold is reached or crossed, upwards or downwards, for any reason whatsoever, including above the 5% threshold.

In the event of non-compliance with the aforementioned requirements, and if one or more shareholders holding at least 1% of the share capital so requests from the General Shareholders' Meeting, the shareholders in question shall, without prejudice to potential suspensions of voting rights decided by a court, under the conditions and limits specified by law, be deprived of the voting rights for the shares exceeding the thresholds subject to declaration.

7.2.5 CHANGE IN CAPITAL CLAUSE

At the registration date of this Registration Document, the Articles of Association contain no provisions stricter than those set out in the law relating to changes in capital.

7.3 SHARE CAPITAL

RIGHTS AND OBLIGATIONS ATTACHED TO SHARES (ARTICLE 10 OF THE ARTICLES OF ASSOCIATION)

Each share entitles the holder to a share in the profits, ownership of Company assets and in the liquidation dividend, in a proportion equal to the share of capital it represents. In addition, each share entitles its holder to vote and be represented at General Shareholders' Meetings, in accordance with the law and the Articles of Association. Ownership of shares automatically implies full adherence to the Company's Articles of Association and to decisions taken at the General Shareholders' Meeting.

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

The heirs, creditors, assignees or representatives of a shareholder may not request that the Company's assets, securities or shares be placed under seal, divided or put up for public auction, nor may they interfere in the Company's management. In order to exercise their rights, they must refer to corporate inventories and decisions taken at General Shareholders' Meetings.

Where exercising a particular right requires ownership of several shares, shareholders who do not own the required number of shares must form a group and, where appropriate, purchase or sell shares as necessary.

The provisions of the Articles of Association stipulating the existence of a double voting right, as adopted by the General Shareholders' Meeting of 7 June 2011, became effective on 1 May 2013. A double voting right is attributed to all fully paid-up registered shares of the Company that have been registered in the name of the same holder for at least two years.

In the event that the capital is increased by incorporation of reserves, profits or issue premiums, this double voting right will apply, as soon as they are issued, to new shares granted to a shareholder on the basis of existing shares for which he already holds this right. Any share converted to a bearer share or for which ownership is transferred will lose the double voting right, subject to exceptions provided for by law. These provisions entered into effect on 1 May 2013.

7.3.1 SHARE CAPITAL

As of the date of this Registration Document, the share capital amounts to €58,363,052.20, divided into 583,630,522 fully paid-up shares with a par value of €0.10 each, all of the same class.

AUTHORISED CAPITAL NOT ISSUED

The Combined General Shareholders' Meeting of the Company, held on 9 March 2018, delegated to the Board of Directors, in accordance with the conditions detailed in the table below, the following authorisations:

Securities concerned	Term of the authorisation and expiration	Maximum amount of debt securities	Maximum nominal amount of capital increase
1. Issuance, with maintenance of pre-emptive subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving the right to the allocation of debt securities and/or transferable securities to capital securities to be issued	26 months 8 May 2020	€450,000,000	Ceiling: €17,000,000 Overall ceiling for issuances 1., 2. and 3.: €22,800,000
2. Issuance, with cancellation of pre-emptive subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving the right to the allocation of debt securities and/or securities giving access capital securities to be issued, in the context of tender offers.	26 months 8 May 2020	€450,000,000	Ceiling for issuances 2. and 3.: €5,800,000 Overall ceiling for issuances 1., 2. and 3.: €22,800,000
3. Issuance, with cancellation of pre-emptive subscription rights, of shares and/or equity securities giving access to other equity securities and/or giving the right to the allocation of debt securities and/or securities giving access to equity securities to be issued, by private placements referred to in Article L. 411-2 II of the French Monetary and Financial Code	26 months 8 May 2020	€450,000,000	Ceiling for issuances 2. and 3.: €5,800,000 Overall ceiling for issuances 1., 2. and 3.: €22,800,000
4. Increase in the number of securities to be issued in the event of a capital increase while maintaining or cancelling the pre-emptive subscription rights	26 months 8 May 2020	-	Ceiling set forth by the regulations
5. Capital increase by capitalisation of reserves, profits or premiums	26 months 8 May 2020	-	€40,000,000
6. Capital increase reserved for participants in Company Savings Plans	26 months 8 May 2020	–	€1,150,000

On the date of this Registration Document, the delegations relating to the issue of new shares with pre-emptive subscription rights, the issue of new shares without pre-emptive subscription rights for the benefit of a category of persons, the issue of convertible bonds redeemable in shares without pre-emptive subscription rights for the benefit of a category of persons and the capital increase by capitalisation of reserves, profits or premiums were voted for by the General Meeting of Shareholders of 9 March 2018 have not been implemented by the Company's Board of Directors.

OTHER SECURITIES GIVING RIGHTS TO CAPITAL

On 13 March 2017, the Company issued to the creditors, as part of its financial restructuring plan, 9,067,200 mandatory convertible bonds (MCBs) for a nominal amount of €18.13 million, giving the right to the allocation of 9,067,200 shares in the event of conversion of all the MCBs, i.e. 1.55% of the Company's share capital. As of 7 March 2019, 2,924,084 MCBs were still outstanding, given the repayment 6,143,116 MCBs since March 2017.

7.3.2 NON-EQUITY SHARES

At the registration date of this Registration Document, there were no non-equity shares.

7.3.3 ACQUISITION BY THE COMPANY OF ITS OWN SHARES

In accordance with Articles L. 225-209 et seq. of the French Commercial Code, the Combined General Shareholders' Meeting of 25 June 2018 authorised the Board of Directors to purchase Company shares, up to a maximum of 10% of the existing share capital on the date when the delegation takes effect, under the following conditions:

- the maximum purchase price should not exceed €1.50 per share, with it being indicated that in the event of any operations concerning capital, notably by way of incorporation of reserves and the assignment of free shares, and/or division or grouping together of shares, this price will be adjusted accordingly;
- the maximum total amount of funds intended for the takeover program stands at €87,402,666;
- this authorisation is valid for an 18-month period; any acquisitions made by the Company under this authorisation may not, under any circumstances, lead to it owning, directly or indirectly, more than 10% of the shares composing the share capital;
- shares may be acquired or transferred at any time, except during the period of a takeover bid, in compliance with legal or regulatory requirements, by any method, in particular, on the market, on multi-lateral trading facilities or over-the-counter, including block purchases or sales, and by the use of derivative financial instruments traded in regulated markets, multi-lateral trading facilities, or over-the-counter services.

At the General Shareholders' Meeting called to approve the 2018 accounts, the shareholders will be asked to give their opinion on this share repurchase programme.

7.3.4 OTHER INFORMATION

OPTION PLANS AND PERFORMANCE SHARE GRANTS

Information on option plans and performance share grants is described in section 7.4.4 of this document.

CONVERTIBLE SECURITIES, EXCHANGEABLE SECURITIES OR EQUITY WARRANTS

As of the registration date of this Registration Document, there were no convertible or exchangeable securities or equity warrants as convertible option bonds redeemable for shares (see section 7.3.1 of this document).

INFORMATION ON THE CONDITIONS GOVERNING ANY ACQUISITION RIGHTS AND/OR ANY OBLIGATIONS ATTACHED TO CAPITAL SUBSCRIBED BUT NOT PAID UP

Information relating to authorisations to issue shares given to the Board of Directors by the General Shareholders' Meeting is set out in section 7.3.1 of this document.

INFORMATION ON THE CAPITAL OF ANY OF THE GROUP'S MEMBERS SUBJECT TO AN OPTION OR A CONDITIONAL OR UNCONDITIONAL AGREEMENT

At the registration date of this Registration Document, no member of the Group had any option or agreement of this type.

7.3.5 HISTORY OF SHARE CAPITAL AND VOTING RIGHTS

Information on the Company's share capital is provided in Section 7.4 of this document.

Statement of change in share capital

Date	Operation	Number of shares issued	Maximum nominal amount of capital increase	Issue premium per share	Total amount of the issue premium	Successive amounts of capital	Number of shares	Par value
Combined General Shareholders' Meeting of 27 May 2004	Stock split	274,050,000	—	—	—	€54,810,000	274,050,000	€0.20
Initial Public Offering July 2004	Capital increase reserved for employees of France Télécom	4,739,610	€947,922	€11.10	€52,609,671	€55,757,922	278,789,610	€0.20
15 January 2007	Recognition of capital increase resulting from share subscription options exercised in 2006	1,477,170	€295,434	€17.60	€25,990,960.40	€56,053,356	280,266,780	€0.20
15 January 2008	Recognition of capital increase resulting from share subscription options exercised in 2007	377,670	€75,534	€11.52	€4,350,758.40	€56,128,890	280,644,450	€0.20
25 February 2009	Recognition of capital increase resulting from performance shares allotted in 2008	340,304	€68,060.80	—	—	€56,196,950.80	280,984,754	€0.20
6 June 2014	Capital increase with pre-emptive subscription rights and increase in reserved capital	880,742,416	€440,371,208	€0.50	€264,222,724	€232,345,434	1,161,727,170	€0.20
29 April 2015	Capital increase reserved for employees of Solocal Group	4,569,773	€913,954.60	€0.36	€921,266.37	€233,259,388.60	1,166,296,943	€0.20
26 October 2015	Reverse stock split by allotment of one (1) new ordinary share with a par value of €6 for thirty (30) old ordinary shares with a par value of €0.20 each	—	—	—	—	€233,259,384	38,876,564	€6
2 February 2017	Capital reduction effected by reducing the par value of each share	—	—	—	—	€3,887,656.40	38,876,564	€0.10

Date	Operation	Number of shares issued	Maximum nominal amount of capital increase	Issue premium per share	Total amount of the issue premium	Successive amounts of capital	Number of shares	Par value
13 March 2017	Bonus share allotments at the rate of 3 bonus shares for 2 shares held at 10 March 2017	58,314,846	€5,831,484.60	—	—	€9,719,141	97,191,410	€0.10
13 March 2017	Increase in capital with pre-emptive subscription rights (PSR)	398,484,781	€39,848,478.10	€0.90	€358,636,303	€49,567,619.10	495,676,191	€0.10
13 March 2017	Restricted Capital Increase	80,542,087	€8,054,208.70	€4.41	€355,190,603.67	€57,621,827.80	576,218,278	€0.10
7 April 2017	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	619,504	€61,950.40	€1.90	€1,177,057.60	€57,683,778.20	576,837,782	€0.10
4 May 2017	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	2,552,365	€255,236.50	€1.90	€4,849,493.50	€57,939,014.70	579,390,147	€0.10
9 June 2017	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	2,140,432	€214,043.20	€1.90	€4,066,820.80	€58,153,057.90	581,530,579	€0.10
10 July 2017	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	441,771	€44,177.10	€1.90	€839,364.90	€58,197,235	581,972,350	€0.10
2 August 2017	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	68,127	€6,812.70	€1.90	€129,441.30	€58,204,047.70	582,040,477	€0.10
7 September 2017	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	4,307	€430.70	€1.90	€8,183.30	€58,204,478.40	582,044,784	€0.10
6 October 2017	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	160,014	€16,001.40	€1.90	€304,026.60	€58,220,479.80	582,204,798	€0.10
6 November 2017	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	75,528	€7,552.80	€1.90	€143,503.20	€58,228,032.60	582,280,326	€0.10
4 December 2017	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	164,474	€16,447.40	€1.90	€312,500.60	€58,244,480	582,444,800	€0.10
8 February 2018	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	239,640	€23,964	€1.90	€455,316	€58,268,444	582,684,440	€0.10

Date	Operation	Number of shares issued	Maximum nominal amount of capital increase	Issue premium per share	Total amount of the issue premium	Successive amounts of capital	Number of shares	Par value
6 April 2018	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	634,564	€63,456.40	€1.90	€1,205,671.60	€58,331,900.40	583,319,004	€0.10
7 May 2018	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	22,873	€2,287.30	€1.90	€43,758.70	€58,334,187.70	583,341,877	€0.10
06 July 2018	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	31,687	€3,168.70	€1.90	€60,205.30	€58,337,356.40	583,373,564	€0.10
28 January 2019	Recognition of capital increase resulting from the repayment of MCBs (mandatory convertible bonds)	256,801	€25,680.10	€1.90	€487,921.90	€58,363,036.50	583,630,365	€0.10
7 March 2019	Recognition of capital increase resulting from the repayment of MCBs	157	€15.70	€1.90	€298.30	€58,363,052.20	€583,630,522	€0.10

COMMENTS ON MATERIAL CHANGES IN THE BREAKDOWN OF THE COMPANY'S SHARE CAPITAL DURING THE LAST THREE YEARS

Recent changes in the Company's share capital are described in section 7.4.1 of this Registration Document.

PLEDGES

See section 7.4.7 of this document.

MARKET FOR COMPANY SHARES

Euronext (FP)	Low (in euros)	High (in euros)	Last price (in euros)	Volume traded	Capital
Jan-18	0.832	1.049	0.998	58,220,000	57,025,568
Feb-18	0.935	1.297	1.178	97,250,000	110,458,483
Mar-18	1.099	1.227	1.15	50,300,000	58,143,369
Apr-18	1.008	1.217	1.064	44,630,000	50,451,117
May-18	0.964	1.08	1.072	29,300,000	30,123,095
Jun-18	1.05	1.135	1.094	19,300,000	20,987,846
Jul-18	1.045	1.208	1.147	26,120,000	29,385,996
Aug-18	0.9905	1.2	1.037	22,620,000	24,230,732
Sept-18	0.9605	1.067	1	23,970,000	24,297,132
Oct-18	0.613	1.017	0.7165	48,840,000	38,231,369
Nov-18	0.542	0.7415	0.624	40,620,000	25,972,314
Dec-18	0.44	0.6565	0.5035	37,360,000	19,415,208

All markets (EU)	Low (in euros)	High (in euros)	Last price (in euros)	Volume traded	Capital
Jan-18	0.8255	1.049	0.9997	93,160,000	91,517,364
Feb-18	0.935	1.297	1.18	170,860,000	195,007,770
Mar-18	1.082	1.229	1.15	72,570,000	83,803,726
Apr-18	1.008	1.218	1.064	67,650,000	76,109,997
May-18	0.959	1.082	1.072	45,870,000	47,143,906
Jun-18	1.042	1.135	1.1107	39,170,000	42,691,075
Jul-18	1.044	1.208	1.1854	63,700,000	71,502,610
Aug-18	0.9905	1.2	1.0345	44,880,000	48,141,993
Sept-18	0.9605	1.067	1.0011	42,880,000	43,472,411
Oct-18	0.6125	1.019	0.703	89,180,000	69,289,016
Nov-18	0.542	0.7418	0.6186	69,910,000	44,823,405
Dec-18	0.4198	0.6565	0.5035	65,090,000	33,718,132

7.4 MAIN SHAREHOLDERS

7.4.1 HISTORY OF THE OWNERSHIP STRUCTURE

BREAKDOWN OF THE COMPANY'S SHARE CAPITAL

On 31 December 2018 and on the basis of information known to the Company, the shareholdings in the Company were distributed as follows:

	31/12/2018				31/12/2017				31/12/2016			
	Number of shares	% of share capital	Voting rights	% of voting rights	Number of shares	% of share capital	Voting rights	% of voting rights	Number of shares	% of share capital	Voting rights	% of voting rights
J O Hambro Capital Management	62,940,565	10.8%	61,342,670	10.5%	49,100,806	8.4%	48,408,656	8.3%	--	--	--	--
River and Mercantile AM	41,778,607	7.2%	41,778,607	7.1%	47,737,618	8.2%	47,737,618	8.2%	--	--	--	--
DNCA	40,750,000	7.0%	40,750,000	7.0%	34,177,219	5.9%	34,177,219	5.9%	1,960,333	5.0%	1,960,333	5.0%
Edmond de Rothschild AM	30,491,989	5.2%	30,491,989	5.2%	30,058,498	5.2%	30,058,498	5.2%	2,373,274	6.1%	2,373,274	6.1%
Public	406,521,630	69.7%	410,717,811	70.1%	420,342,117	72.2%	421,749,616	72.4%	34,227,093	88.1%	34,459,175	88.3%
Solocal Group employees(1)	654,933	0.1%	654,933	0.1%	626,208	0.1%	626,208	0.1%	229,977	0.6%	229,977	0.6%
Treasury shares held(2)	492,641	0.1%	--	--	402,274	0.1%	--	--	85,887	0.2%	--	--
TOTAL	583,630,365	100.0%	585,736,010	100.0%	582,444,800	100.0%	582,757,815	100.0%	38,876,564	100.0%	39,022,759	100.0%

(1) Under the Solocal Group savings plan (PEG).

(2) All treasury shares are held under a liquidity agreement that was established on December 2, 2012.

SHAREHOLDING DISCLOSURE THRESHOLDS

- On 7 November 2017, J O Hambro Capital Management Limited, acting on behalf of clients and funds it manages, reported for adjustment purposes that on 20 June 2017 it exceeded the thresholds of 5% of the Company's share capital and voting rights and, on behalf of said clients and funds, held 30,303,875 Solocal shares representing the same number of voting rights, i.e. 5.23% of the share capital and 5.22% of the voting rights of that Company. J O Hambro Capital Management Limited further reported that on 6 November 2017, it held 45,804,787 Solocal shares and the same proportion of voting rights, or 7.87% of the share capital and 7.86% of the voting rights in the Company;
- On 1 August 2018, Amiral Gestion, acting on behalf of funds under its management, reported that on 27 July 2018 it had exceeded the thresholds of 5% of the Company's share capital and voting rights and that it held, directly and indirectly, 32,751,812 Solocal shares and the same proportion of voting rights on behalf of said funds, or 5.61% of the share capital and 5.61% of the voting rights in the Company;
- In letters dated 19 and 20 November 2018, J O Hambro Capital Management Limited, acting on behalf of clients and funds under its management, reported that on 7 November 2018, for adjustment purposes, it had exceeded the thresholds of 10% of the Company's share capital and voting rights and that it held, directly and indirectly, 60,493,856 Solocal shares and the same proportion of voting rights on behalf of said clients and funds, or 10.37% of the share capital and 10.34% of the voting rights in the Company. J O Hambro Capital Management Limited further reported that on 20 November 2018, it held 61,209,693 Solocal shares and the same proportion of voting rights, or 10.49% of the share capital and 10.46% of the voting rights in the Company;
- On 17 December 2018, Amiral Gestion, acting on behalf of funds under its management, reported that on 13 December 2018 it had crossed below the thresholds of 5% of the Company's share capital and voting rights and that it held, directly and indirectly, 28,577,570 Solocal shares and the same proportion of voting rights on behalf of said funds, or 4.90% of the share capital and 4.88% of the voting rights in the Company.

7.4.2 CONTROL OF THE ISSUER

No person or entity, directly or indirectly, jointly or in concert, exercises, to the knowledge of the Company, control over it.

7.4.3 SHAREHOLDING, SHARE SUBSCRIPTION OR PURCHASE OPTIONS, PERFORMANCE SHARE GRANTS

SHAREHOLDINGS

On the date this Document was filed, and to the Company's knowledge, the members of the Board of Directors held the following number of Solocal Group shares:

Director	Number of shares
Mr Pierre Danon, Chairman of the Board of Directors	398,192
Mr David Amar and related persons	27,050,000
Mr Éric Boustouller	1,189,620
Mr Jacques-Henri David and related persons	1,060,223
Ms Delphine Grison	10,000
Ms Marie-Christine Levet	5,000
Mr Alexandre Loussert and related persons	140,617
Ms Joëlle Obadia	300
Ms Lucile Ribot	29,200
Ms Sophie Sursock	10,000
Mr Philippe de Verdalle and related persons	11,586,800 - of which 35,000 held by Philippe de Verdalle; and - 11,551,800 held by the Nobel Fund (Weinberg Capital Partners) of which Philippe de Verdalle is CEO

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SHARE SUBSCRIPTION OR PURCHASE OPTION GRANTS

2005 Plan

The Company set up a share subscription option plan on 28 June 2005 which, having matured on 28 June 2015, has been cancelled.

2007 Plan

Similarly, the Company implemented a second share subscription plan on 20 December 2007, which upon expiry on 19 December 2017, was cancelled.

2009 Plan

In 2009, the Company put in place three share subscription plans: on 23 July 2009 for 1,145,000 options at a strike price of €6.71 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017), on 29 October 2009 for 87,000 options at a strike price of €8.84 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017), on 17 December 2009 for 75,000 options at a strike price of €7.82 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017). These plans all have the same characteristics as the first plan: 10-year terms and options fully vested after three years.

2010 Plan

In 2010, the Company put in place two share subscription plans: on 27 July 2010 for 1,336,000 options at a strike price of €8.58 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017), and on 16 December 2010 for 166,000 options at a strike price of €7.09 (before adjustments following the capital increase of 6 June 2014, the reverse stock split of 26 October 2015 and the capital increase of 14 March 2017).

These plans all have the same characteristics as the first plan: ten-year terms and options fully vested after three years.

Given the capital increase completed on 6 June 2014, and in accordance with the law and regulations applicable to each of these plans, the Board of Directors decided, at its meeting of 19 June 2014, to adjust the conditions of the existing share subscription options, both in terms of the strike price of the options and the number of shares that can be obtained by exercising the options.

Similarly, in order to take into account the Company's reverse stock split of 26 October 2015, the Chief Executive Officer, making use of the powers conferred upon him by the Board of Directors on 21 July 2015, decided to adjust the exercise parity of the options for each individual plan, adopting a new parity equal to the current exercise parity of each option multiplied by a ratio of 1/30 (corresponding to the number of shares making up the share capital after the reverse stock split, divided by the number of shares making up the share capital before the reverse stock split but taking into account the waiver by a Company shareholder of the reverse stock split of 23 old shares); it being specified that (i) for all options from which each holder benefits under a plan, the result (per beneficiary and per plan) shall be rounded down to the nearest whole number of new shares and that (ii) the other characteristics of the options shall remain unchanged.

Consequently, any holder of options who could (prior to the adjustment of 2015), by exercising an option, subscribe to one (1) share with a par value of €0.20 at a specific strike price, may now, by exercising that same option, subscribe to one-thirtieth of a share with a par value of €6 at the adjusted strike price. As such, a holder of options who could (prior to the adjustment of 2015), by exercising all the options he held under one plan, subscribe to thirty-one (31) shares with a par value of €0.20 each for a total price of €179.40 (€5.78 multiplied by 31), could, by exercising those same options, subscribe to one (1) share with a par value of €6 for a total price of €173.61.

In light of the capital increase completed on 14 March 2017, and in accordance with the law and regulations applicable to each of the current option plans (allocation by the Board of Directors at its meetings of 20 December 2007, 23 July 2009, 29 October 2009, 17 December 2009, 27 July 2010 and 16 December 2010), in order to take account of (i) the issue of new shares with rights issue for shareholders and (ii) the allocation of free shares, the Board of Directors decided, at its meeting of 24 April 2017, to adjust the conditions of the existing share subscription options, both in terms of the strike price of the options and the number of options held by each option holder.

In accordance with Article L. 225-184 of the French Commercial Code, information on the granting and exercise of Company stock options in 2018 is provided below:

Share subscription or purchase options granted during the year 2018 to each executive corporate officer by the issuer or by any Group company

Name of executive corporate officer	Plan No. and date	Type of option (purchase or subscription)	Valuation of options according to the method used for the consolidated financial statements	Number of options granted during the year	Strike price	Exercise period
Pierre Danon	–	–	–	–	–	–
Éric Boustouller	–	–	–	–	–	–

Share subscription or purchase options exercised during the year 2018 by each executive corporate officer

Name of executive corporate officer	Plan No. and date	Number of options exercised during the year	Exercise price
Pierre Danon	—	—	—
Éric Boustouller	—	—	—

Share subscription or purchase options granted to and exercised by the first ten employees who are not corporate officers

Share subscription or purchase options granted to and exercised by the first ten employees who are not corporate officers in 2018	Total number of options granted/shares subscribed or purchased	Average weighted price
Options granted during the year by the issuer and by the companies included in the stock option plan, to the ten employees of the issuer or of the said companies who received the most options (general information)	None	–
Options held in the issuer and in the aforementioned companies that were exercised during the year by the ten employees of the issuer or of the said companies who exercised the most options (general information)	None	–

HISTORY OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTS

Information on share subscription or purchase options[1]

Shareholder Meeting	11 June 2009	11 June 2009	11 June 2009	11 June 2009	11 June 2009
Date of Board meeting and name of plan	23 July 2009	29 October 2009	17 December 2009	27 July 2010	16 December 2010
Total number of shares that could be subscribed or purchased at 31 December 2017	71,779	0	0	71,513	7,438
Of which the number available for subscription by corporate officers: ● Éric Boustouller(2)	–	–	–	–	–
● Joëlle Obadia	–	–	–	–	–
Start date for option exercise/share vesting	23 July 2012	29 October 2012	17 December 2012	27 July 2013	16 December 2013
Expiry date	23 July 2019	29 October 2019	17 December 2019	27 July 2020	16 December 2020
Subscription or purchase price	€38.79	–	€45.21	€49.64	€41.01
Terms of exercise (if plan comprises multiple tranches)	–	–	–	–	–
Number of shares subscribed	0	0	0	0	0
Total number of cancelled or lapsed share subscription or purchase options	31,996	0	0	5,357	5,190
Number of share subscription or purchase options remaining at the end of FY 2018	39,783	0	0	66,156	2,248

(1) After adjustment decided by the Board of Directors in its meeting on 24 April 2017 (taking into account the capital increase that was definitively completed on 13 March 2017, and in accordance with the law and the regulations of each of the current plans, in order to take into account (i) the issue of new shares with shareholders' pre-emptive subscription rights and (ii) the allocation of bonus shares, the Board of Directors decided in its meeting on 24 April 2017 to adjust the conditions of the subscription options in force, in addition to adjusting the option strike price and the number of options held by each option holder).

(2) Éric Boustouller was appointed Chief Executive Officer on 11 October 2017.

No other Board member holds share subscription or purchase options granted by the Company.

GRANTING OF PERFORMANCE-BASED SHARES

2006 and 2008 Plans

The Extraordinary General Shareholders' Meeting of 19 April 2006 authorised the Board of Directors to set up, in favour of certain Group senior executives and employees, a performance share incentive plan, within the meaning of Articles L. 225-197-1 to L. 225-197-5 of the French Commercial Code, to enable them to profit from the Company's development. This authorisation was granted for a period of 38 months and the total number of shares freely allotted under this resolution may not represent more than 0.5% of the Company's share capital at the date of this General Shareholders' Meeting, i.e. 1,393,948 shares.

The Board of Directors approved the conditions of an initial share allotment plan on 30 May 2006. This plan gave rise to the initial allotment of 602,361 shares to 591 Group employees on 30 May 2006. Since the performance conditions were not met, the beneficiaries lost their entitlement to these free shares.

A second share allotment plan was approved on 20 November 2006 and gave rise to the allotment of 778,638 shares to 611 Group employees. Given the fact that the performance conditions were not satisfied for one of the two years concerned, only 50% of these shares were finally acquired by the beneficiaries on 20 November 2008.

A third plan was approved on 14 February 2008, giving rise to the allotment of 12,940 shares to 15 Group employees. Since the performance conditions were not met, the beneficiaries lost their entitlement to these free shares.

2011, 2012 and 2013 Plans

The shareholders of the Company, at the Combined General Shareholders' Meeting of 7 June 2011, authorised the Board of Directors to set up, in favour of certain senior executives and employees of Solocal Group and affiliated companies, a performance share incentive plan, within the meaning of Articles L. 225-197-1 to L. 225-197-6 of the French Commercial Code.

This plan gave rise to the initial allotment of 1,226,000 shares to 41 Group employees on 26 October 2011. A second share allotment plan was approved on 16 December 2011 and gave rise to the allotment of 84,000 shares to three Group employees. Given the partial fulfilment of the performance conditions of these two plans, approximately 45% of these shares were definitively acquired by the beneficiaries on 31 March 2014.

A third allotment plan was approved on 11 December 2012 and gave rise to the allotment of 2,624,000 shares to 47 beneficiaries. A new allotment plan was approved on 11 December 2013 and gave rise to the allotment of 280,000 shares to 10 beneficiaries.

For performance shares granted under the plans of 11 December 2012 and 11 December 2013, the Board of Directors decided, at its meeting of 19 June 2014, to apply an adjustment reflecting the impact of the capital increase in cash with rights issue. Given the partial fulfilment of the performance conditions of these two plans, approximately 70.7% of these shares were definitively acquired by the beneficiaries. This rate corresponds to the 74.6% fulfilment of the performance conditions relating to revenues (weighted at 2/3) and the 63.0% fulfilment of the performance conditions relating to the GOM (weighted at 1/3).

2014 and 2015 Plans

At an Extraordinary Meeting on 29 April 2014, Solocal shareholders authorised the Board of Directors to set up, on behalf of certain officers and employees of Solocal Group and affiliated companies, a performance share incentive plan pursuant to Articles L. 225-197-1 et seq. of the French Commercial Code.

On 19 June 2014, this plan gave rise to the allotment of 45,221,000 shares to 112 beneficiaries. A second share allotment plan was approved on 9 February 2015 and gave rise to the allotment of 2,305,000 shares to 12 Group employees.

The Chief Executive Officer, making use of the powers granted to him by the Board of Directors of the Company at its meeting of 21 July 2015, decided by decisions of 26 October 2015 to adjust the number of performance shares allocated in December 2013 and June 2014 to reflect the Company's reverse stock split as follows: completion of the adjustment of the parity adopted for the reverse stock split, that is to say, for each beneficiary of performance shares, by applying a ratio of 1/30 (corresponding to the number of shares making up the share capital after the reverse stock split, divided by the number of shares making up the share capital before the reverse stock split, but taking into account the waiver by a Company shareholder of the reverse stock split of 23 old shares) to the number of performance shares to which the holder would have been entitled in the absence of an adjustment; it being specified that (i) the result (per beneficiary and per plan) shall be rounded down to the nearest whole number of new shares and that (ii) the other characteristics of the performance shares shall remain unchanged.

Consequently, a beneficiary of performance shares who (prior to the adjustment of 2015), under a plan, was entitled to thirty-one (31) performance shares with a par value of €0.20, will now be entitled, under that same plan, to one (1) share with a par value of €6.

In light of the capital increase completed on 14 March 2017, and in accordance with the regulations applicable to the allocation plans still in the vesting period (granted by the Board of Directors at its meetings of 19 June 2014 and 9 February 2015), in order to take account of (i) the issue of new shares with rights issue for shareholders and (ii) the allocation of free shares, the Board of Directors decided, at its meeting of 24 April 2017, to adjust the conditions of the performance share plans, in terms of the number of performance shares to be allocated to each beneficiary.

Since the performance conditions were not met, the beneficiaries lost their entitlement to these free shares.

2018 Plan

At the Extraordinary General Shareholders' Meeting of 9 March 2018, The Solocal Group shareholders authorised the Board of Directors to set up, a performance share incentive plan, within the meaning of Articles L. 225-197-1 et seq. of the French Commercial Code for certain senior executives and employees of Solocal Group and affiliated companies.

Under this authorisation, the number of performance shares that may be granted free of charge is capped at 9,200,000 shares in the Company, including a maximum of 2,300,000 shares for the Company's corporate officers.

On 24 April 2018, this plan gave rise to the allocation of 9,050,000 performance shares to 73 beneficiaries, including 2,300,000 performance shares awarded to the Chief Executive Officer.

Under this plan, performance shares are subject to a three-year vesting period. No retention period is imposed on the beneficiaries.

The vesting of the shares is also subject to a continued employment condition and a performance condition based on the level of achievement of a target of EBITDA less CAPEX and change in the Company's share price.

The Chief Executive Officer and the members of the Company's Executive Committee are required to retain at least 30% of the shares vesting to them until the end of their duties.

Performance shares granted to each executive corporate officer during the year 2018

Performance shares granted during the financial year by the General Shareholders' Meeting to each executive corporate officer by the issuer or a Group company (nominative list)	Plan No. and date	Number of shares granted during the year	Valuation of shares according to method applied for the consolidated accounts	Vesting date	End of lock-up period	Performance conditions
Éric Boustouller	24 April 2018	2,300,000	€0.3 million	24 April 2021	24 April 2021 [1]	EBITDA less CAPEX and share price

(1) The Chief Executive Officer shall be required to retain at least 30% of the shares definitively awarded to him until he ceases to perform his duties as Chief Executive Officer of the Company.

Performance shares made available during the 2018 financial year for each executive corporate officer

Performance shares made available for each executive corporate officer	Plan date	Number of shares released from lock-up during the year	Vesting terms
Éric Boustouller	-	-	-

	Solocal Plan
Number of performance shares granted during the financial year to the 10 largest beneficiaries of the Group, excluding corporate officers	3,950,000

HISTORY OF PERFORMANCE SHARE AWARDS[1]

Information on performance shares[2]

Shareholder Meeting	29 April 2014	29 April 2014	9 March 2018
Board meeting	19 June 2014	9 February 2015	24 April 2018
Total number of shares awarded	3,313,653[3]	175,919[3]	9,050,000
of which number allocated to corporate officers			
Joëlle Obadia			30,000
Éric Boustouller			2,300,000
Share acquisition date	19 June 2016	9 February 2017	24 April 2021
	19 June 2017	9 February 2018	
	19 June 2018	9 February 2019	
End date of holding period	19 June 2018	9 February 2019	-
	19 June 2019	9 February 2020	
	19 June 2020	9 February 2021	

Shareholder Meeting	29 April 2014	29 April 2014	9 March 2018
Performance conditions	Organic annual revenue growth	Organic annual revenue growth	Annual targets recurring EBITDA – CAPEX & Solocal Group share performance
Number of shares acquired	0	0	
Number of shares cancelled or lapsed during the financial year	3,313,653	175,919	
Performance shares remaining at year end	0	0	9,050,000

(1) Plans still in the vesting period in 2018.

(2) After adjustment decided by the Board of Directors at its meeting on 24 April 2017 (taking into account the capital increase that was definitively completed on 14 March 2017, and in accordance with the regulations of the allocation plans still in the vesting period (granted by the Board of Directors at its meetings of 19 June 2014 and 9 February 2015), to take into account (i) the issue of new shares with shareholders' pre-emptive subscription rights and (ii) the allocation of bonus shares, the Board of Directors decided to adjust the conditions of the performance share plans at its meeting on 24 April 2017, the adjustment relating to the number of performance shares to be granted to each beneficiary.

(3) Balance as at 31 December 2017.

The exercise of all 135,348 share subscription options granted and of all 10,050,000 shares freely granted may lead to the creation of 10,185,348 new shares. The total number of shares forming the share capital would thus increase from 583,630,365 to 593,680,365, i.e. a maximum potential dilution of 1.72%. It should be noted that stock options are outside the currency. As of 31 December 2018, there were 150,000 unallocated free shares authorised by the General Shareholders' Meeting of Solocal Group.

7.4.4 VOLUNTARY AND MANDATORY PROFIT-SHARING AGREEMENTS

PARTICIPATION

The Group signed a mandatory profit-sharing agreement on 26 June 2006 with five trade unions (CFE/CGC, CFDT, FO, CGT and the independent PagesJaunes union). This agreement covers the Group's French companies in which the Company's interest exceeds 50%. ClicRDV and Fine Media joined the Group plan with effect from 1 January 2011, and Retail Explorer, and Leadformance effective as of 1 January 2014 and Effilab effective as of 1 January 2017.

The Group's special mandatory profit-sharing reserve is the total of the special profit-sharing reserves of each participating subsidiary, which are calculated using a specific formula.

The special mandatory profit-sharing reserve is allocated to the beneficiaries as follows: 30% in proportion to length of service and 70% in proportion to gross annual salary. Individual allocations may either be invested in the Group Savings Plan and locked in for five years, or in the Group Retirement Savings Plan and locked until retirement in the event that the beneficiaries choose the investment (possibility of receiving the amount directly without locking).

The table below shows the gross participation distributed or to be distributed for the last three financial years:

Group agreement *(in millions of euros)*	**Gross mandatory profit-sharing to be distributed to Group employees**
2018	1.2
2017	3.6
2016	5.1

VOLUNTARY PROFIT-SHARING

There are no longer any voluntary profit-sharing agreements within the Group:

(in thousands of euros)	**Voluntary profit-sharing in 2017 paid in 2018**	**Voluntary profit-sharing in 2016 paid in 2017**	**Voluntary profit-sharing in 2015 paid in 2016**
Voluntary profit-sharing paid in the Group	0	0	0

COMPANY SAVINGS PLAN

On 12 February 2007, Management and trade unions signed an agreement to set up a Group Savings Plan.

An amendment to the Group savings plan was agreed on 21 December 2012, after the change in the mutual funds proposed in the Group Savings Plan (PEG).

The Board of Directors of the Company decided on 9 February 2015 to launch a capital increase reserved for employees and former employees of the Group. The share subscription price had been set at €0.56 per share, corresponding to 80% of the average price of the 20 trading days preceding the subscription period. 1,045 employees or former employees subscribed to the capital increase (out of a total of 4,697 beneficiaries, i.e. a subscription rate of 22.25%). Total subscriptions amounted to approximately €1.5 million. This operation had consequently given rise to 4,569,773 new share subscriptions.

SUPPLEMENTARY RETIREMENT SCHEME

On 22 November 2007, Management and trade unions signed an agreement to implement a supplementary retirement scheme. This agreement provided for:

- a PERCO (Collective Retirement Savings Plan) that tops up employee contributions with an employer contribution. For 2008 and subsequent years, the maximum annual employer contribution is €502 gross for an employee contribution of €1,500. To launch the PERCO plan in 2007 and enable as many employees as possible to participate, the maximum employer contribution was €701 for an employee contribution of €1,500. An amendment was also signed on 21 December 2012 following the modification of the mutual funds available under the PERCO plan;
- a defined-contribution supplementary retirement plan, pursuant to Article 83 of the French Tax Code, for Group subsidiary managerial staff ("cadres") with effect as of 1 January 2008. Membership of this plan is compulsory and requires a contribution of 5.50% of the employee's tranche B and C remuneration (i.e. above the maximum tranche A remuneration limit of €3,311 per month in 2018). Employees pay 40% of this contribution (2.20%) and the Company pays the remaining 60% (3.30%). An amendment was signed on 29 October 2013 to allow the participating employees to make additional and voluntary contributions into the supplementary retirement plan, pursuant to Article 163 quater vicies of the French Tax Code.

7.4.5 VOTING RIGHTS

All registered shares in the Company that are fully paid up and have been registered in the name of the same shareholder for at least two years carry a double voting right (see section 7.2).

7.4.6 SHAREHOLDER AGREEMENTS

To the Company's knowledge, no shareholder agreement is in effect as of the date of this document.

7.4.7 PLEDGES

In connection with the issue of the Bonds (see Notes 9.5 and 9.6 to the consolidated financial statements in chapter 6 of this document), the Company has created a pledge of financial securities in favour of the bondholders covering all PagesJaunes shares that it holds as collateral for all amounts due (in principal, interest, commissions, fees and expenses) by the Company in respect of the Bonds.

7.5 DIVIDEND DISTRIBUTION POLICY

The Company has not paid dividends since the General Shareholders' Meeting of 7 June 2011, which approved the payment of a dividend of €0.58 per share.

The Solocal Group Board meeting decided to propose to the Annual General Shareholders' Meeting approval of the 2018 financial statements and not to pay a dividend for 2018.

7.6 MAIN RELATED PARTY TRANSACTIONS

7.6.1 SERVICE AGREEMENTS

No members of the Board of Directors and no Chief Executive Officers have a service agreement with the Company or with one of its subsidiaries that provides for benefits upon contract termination.

7.6.2 RELATED PARTY TRANSACTIONS

The following agreements and/or commitments are subject to Article L. 225-38 of the French Commercial Code and were entered into in 2018, or in a previous year and were still in effect in 2018:

- the terms and conditions of Mr Éric Boustouller's term of office as Chief Executive Officer (specified in the table in Part II of the corporate governance report in section 4.2 of this document and in the 2017 Sapin Act report), previously approved by the Board of Directors in its meeting of 11 July 2017.

7.6.3 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

General Shareholders' Meeting approval of the financial statements for the year ended 31 December 2018

To the Annual General of the company Solocal Group,

In our capacity as your Company's auditors, we present below our report on regulated agreements and commitments.

Based on the information provided, we are required to report to shareholders on the characteristics, main terms and conditions of and the grounds for the Company's interest in the agreements and commitments that have been disclosed to us or which were brought to light as a result of our assignment, without commenting on their relevance or substance -and without determining whether other such agreements or commitments exist. Under Article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We are also required to report to you the information set out in Article R. 225-31 of the French Commercial Code regarding operations carried out during the past financial year under agreements and commitments approved by shareholders in previous years.

We have performed those duties deemed necessary by us in accordance with the professional guidelines of France's national auditing body, the CNCC, as applicable to this engagement. These duties consisted of verifying the consistency of the information given to us with the contents of the source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE GENERAL SHAREHOLDERS' MEETING

No agreements or commitments were authorised and signed during the past financial year to be submitted for the approval of the General Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved during previous financial years

a) that continued to be carried out during the past financial year

Pursuant to Article R. 225-30 of the Commercial Code, we were informed that the execution of the following agreements and commitments already approved by the general shareholders' meeting during previous years continued during the past financial year.

- With Mr. Eric Boustouller, Chief Executive Officer of your Company

Defined-contribution supplementary retirement plan

Nature and purpose

The Board of Directors, meeting on 11 July 2017, authorised the terms and conditions, including financial, for the appointment as Chief Executive Officer of Mr Eric Boustouller, on a proposal by the Remuneration Committee. Among the commitments made by your Company, Mr. Eric Boustouller will receive as a benefit in kind a defined-contribution supplementary retirement plan.

Terms and conditions

The Chief Executive Officer will benefit from a defined-contribution supplementary retirement plan (Article 83 of the French Tax Code), resulting in a contribution of 5.5% applied to remuneration tranches B and C, it being specified that 60% of this contribution will be paid by your Company, i.e. 3.3% of the applicable remuneration tranches, with the remaining 40% being payable personally by the Chief Executive Officer, i.e. 2.2%.

The employer's contribution paid by your Company for the financial year 2018 was €9.178.

b) not executed during the past financial year

Moreover, we were informed that the following agreements and commitments, already approved by the general shareholders' meeting during prior financial years, which were not executed during the past financial year.

- **With Mr. Eric Boustouller, Chief Executive Officer of your Company**

Nature and purpose

The Board of Directors, meeting on 11 July 2017, authorised the terms and conditions, including financial, for the appointment as Chief Executive Officer of Mr Eric Boustouller, on a proposal by the Remuneration Committee. Among the commitments made by your Company, Mr. Eric Boustouller will receive, under certain conditions, a severance payment and/or an indemnity in exchange for a non-competition clause.

Terms and conditions

Severance payment

In the event of a forced departure from your Company, in other words any departure other than following a resignation or a revoking of his term of office for gross misconduct, except, as regards resignation, if this is attributable to a change of control of your Company or a change of strategy decided by your Board of Directors, severance pay will be paid to the Chief Executive Officer under the conditions listed below:

- The amount of the severance pay will be equal to 18 months of the gross annual all-inclusive remuneration (fixed and variable with targets reached) of the Chief Executive Officer.
- payment of the compensation will be subject to the following performance condition: the Chief Executive Officer must have achieved an average of at least 80% of his annual targets during the last three years. If the departure occurs less than three years after taking up his duties, the annual targets taken into account will be those which were applicable during the time he was with the Company;
- compensation will be paid only after the Board of Directors finds that the performance condition has been fulfilled.

Non-competition clause

The Chief Executive Officer will be subject to a non-competition obligation in the event of termination of his office, for any reason and in any form whatsoever, under the conditions listed below:

- the non-competition obligation will be limited to a 12-month period starting from the end of his duties;
- the corresponding non-competition compensation shall be equal, on the basis of a 12-month non-competition period, to 6 months' total compensation calculated on the basis of the monthly average of his total gross compensation paid over the 12 months of activity preceding the date of termination of his duties.

The Company may, when at the time of termination, (i) waive the non-competition clause (in which case it will not be required to pay the corresponding compensation), or (ii) reduce the duration, scope of activity and/or geographical scope of said clause (in which case the amount of non-competition compensation shall be proportionately reduced).

The accumulation of the severance pay and non-competition obligation cannot exceed two years of remuneration, fixed and variable.

Paris-La Défense, 28 February 2019

The Statutory Auditors

AUDITEX
Member of the Ernst & Young Global Limited network

Vincent de La Bachelerie

B.E.A.S.
An entity of the Deloitte network

Jean-François Viat

7.7 MATERIAL CONTRACTS

The Company has entered into a bank financing arrangement whose principal terms are presented in Note 10 to the consolidated financial statements and in Note 3 of the annual financial statements in chapter 6 of this document.

As of this date, the Company has not signed any major contracts, other than those signed in the normal course of its business, that create a major obligation or commitment for the whole Group.

ADDITIONAL INFORMATION

8.1 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

8.1.1 RESPONSIBILITY FOR THE REGISTRATION DOCUMENT

The responsibility for this document is assumed by Mr Pierre Danon, Chairman of the Board of Directors, and Mr Éric Boustouller, Chief Executive Officer of Solocal Group.

8.1.2 ATTESTATION OF THE PERSONS RESPONSIBLE FOR THIS DOCUMENT

We hereby attest that the information in this document is accurate and contains no omissions which could limit the scope of its relevance, to the best of our knowledge and after having taken all reasonable measures to ensure the validity of this information.

We hereby attest that to the best of our knowledge, the financial statements were prepared in accordance with the applicable accounting standards and present a true picture of the assets, financial position and net income of the Company and of all the consolidated companies, and that the management report provided in Section 6 of this document is an accurate reflection of the development of the business activities, performance and financial position of the Company and of all the consolidated companies, and that it describes the main risks and uncertainties they face.

We have obtained a letter from the Statutory Auditors stating that they have completed their work and verified the information on the financial position and accounts provided in this document and read through the entire document.

MR PIERRE DANON

Chairman of the Solocal Group Board of Directors

MR ÉRIC BOUSTOULLER

Chief Executive Officer of Solocal Group

8.2 STATUTORY AUDITORS

BEAS, AN ENTITY OF THE DELOITTE NETWORK

Represented by Jean-François Viat - 6, place de la Pyramide 92908 Paris-La Défense Cedex. Member of the compagnie régionale de Versailles

AUDITEX, MEMBER OF THE ERNST & YOUNG GLOBAL LIMITED NETWORK

Represented by Vincent de la Bachelerie - Tour First 1, place des Saisons 92400 Courbevoie – Paris-La Défense 1 Member of the compagnie régionale de Versailles

Appointed Co-Statutory Auditor of the Company by decision of the Combined General Shareholders' Meeting on 19 October 2016 for a term of six years expiring at the end of the General Shareholders' Meeting which in 2022 shall approve the corporate financial statements for the financial year ended 31 December 2021.

Appointed Co-Statutory Auditor of the Company by decision of the Combined General Shareholders' Meeting on 19 October 2016 for a term of six years expiring at the end of the General Shareholders' Meeting which in 2022 shall approve the corporate financial statements for the financial year ended 31 December 2021.

The Statutory Auditors' fees are presented in Note 16 to the consolidated financial statements.

8.3 DOCUMENTS ON DISPLAY

The Articles of Association, minutes of General Shareholders' Meetings, Statutory Auditors' reports and other corporate documents may be consulted at the Company's registered office. Moreover, all regulatory information provided for under Article 221-1 of the General Regulations of the AMF (the French financial markets authority), certain information on the Group's organisation and business activities, and an up-to-date version of its Articles of Association are available on the Group's website at www.solocal.com.

8.4 FINANCIAL FORECAST CALENDAR

Date	Event
11 April 2019	Annual General Shareholders' Meeting
29 April 2019 before market opening	Communication on the Group revenues for the first quarter 2019
30 July 2019 before market opening	Communication on the 2019 half-yearly results
5 November 2019 (after market close)	Communication on the Group revenues for the third quarter 2019

8.5 CROSS-REFERENCE TABLES

Cross-reference table of the Registration Document to identify the information provided for in Annex I to regulation (EC) No. 809/2004 of 29 April 2004

HEADINGS IN ANNEX I TO REGULATION (EC) No. 809/2004	Chapter(s)	Page(s)
1. Persons responsible		
1.1. Persons responsible	8.1	280
1.2. Declaration of the persons responsible	8.1	280
2. Statutory Auditors		-
2.1. Identity of the auditors	8.2	280
2.2. Changes	None	-
3. Selected financial information		-
3.1. Historical financial information	5.1	156
3.2. Information for interim periods	None	-
4. Risk factors	2	74
5. Information about the issuer		-
5.1. History and development of the issuer		-
5.1.1. Legal and commercial name of the issuer	7.1	252
5.1.2. Registration of the Company	7.1	252
5.1.3. Date of incorporation and duration of the issuer	7.1	252
5.1.4. Domicile and legal form	7.1	252
5.1.5. Important events in the development of the issuer's business	1.1	46
5.2. Investments		-
5.2.1. Principal investments	5.5	164
5.2.2. Main current and future investments	5.5	164

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HEADINGS IN ANNEX I TO REGULATION (EC) No. 809/2004	Chapter(s)	Page(s)
6. Business overview		-
6.1. Principal activities		-
6.1.1. Nature of the issuer's operations and its principal activities	1.2	46
6.1.2. New products	1.2	46
6.2. Principal markets	1.3	59
6.3. Exceptional events	None	
6.4. Dependence of the issuer on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	2.1	163
6.5. Competitive position	1.3	163
7. Organisational structure	1.5	163
8. Property, plant and equipment		74
8.1. Existing or planned material tangible fixed assets	6.1	164
8.2. Environmental issues that may affect the issuer's utilisation of the tangible fixed assets	3.3	-
9. Operating and financial review		-
9.1. Financial condition	5.2	-
9.2. Operating income	5.2	-
10. Capital resources		-
10.1. Information concerning the issuer's capital resources	5.3	-
10.2. Sources and amounts of and narrative description of the issuer's cash flows	5.3	124/132
10.3. Borrowing requirements and funding structure of the issuer	5.3	-
10.4. Restrictions on the use of capital resources	5.3	-
10.5. Anticipated sources of funds needed to fulfil commitments in respect of investments	5.3	-
11. Research and development, patents and licences	2.1	-
12. Trend information	5.6	124
13. Profit forecasts or estimates		-
13.1. Statement setting out the principal assumptions upon which the issuer has based its forecasts or estimates	None	132/151/267
13.2. Report prepared by the Statutory Auditors	None	151
13.3. Profit forecast or estimate prepared on a basis comparable with the historical financial information	None	-
13.4. Statement setting out whether or not the forecast is still correct as at the time of the Registration Document	None	124
14. Administrative and management bodies		132/274
14.1. Names, business address and functions in the issuer of the members of the administrative and management bodies, and indication of the principal activities performed by them outside the Company, and expertise and experience in management	4.1/4.2	132/253
a) Other appointments		132
b) Convictions in relation to fraudulent offences for at least the previous five years		-
c) Bankruptcies, receiverships or liquidations with which a member of the administrative or management bodies was associated for at least the previous five years		101
d) Official public incrimination and/or sanctions of one of the members of administrative or management bodies by statutory or regulatory authorities		266
14.2. Administrative, management, and supervisory bodies and senior management conflicts of interests	4.1	266
15. Remuneration and benefits		-
15.1. Amount of remuneration paid and benefits in kind of members of the administrative and management bodies	4.2/4.3/7.4.3	266
15.2. Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	4.3	260/266
16. Functioning of the administrative and management bodies		266
16.1. Date of expiration of the current term of office	4.1	266
16.2. Service contracts between members of the administrative and management bodies of the issuer or any of its subsidiaries and providing for the granting of benefits	4.2/7.6	274

HEADINGS IN ANNEX I TO REGULATION (EC) No. 809/2004	Chapter(s)	Page(s)
16.3. Board Committees	4.2/7.2	132/253
16.4. Statement of compliance with the corporate governance regime in force in France	4.2	132
17. Employees		
17.1. Number of employees	3.2	101
17.2. Shareholdings and stock options	7.4/7.4	266
17.3. Arrangements for involving the employees in the capital of the issuer	7.4	266
18. Major shareholders		-
18.1. Shareholders holding more than 5% of the capital	7.4	266
18.2. Existence of different voting rights	7.3/7.4	260/266
18.3. Ownership or control of the issuer	7.4	266
18.4. Arrangements that may at a subsequent date result in a change in control	7.4	266
19. Related party transactions	7.6	274
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		-
20.1. Historical financial information	6.1	168
20.2. Pro forma financial information	None	-
20.3. Financial statements	6.1/6.2	168/211
20.4. Verification of historical financial accounts	6.1.7/6.2.5	204/224
20.5. Age of latest financial information	5.2.4	158
20.6. Interim and other financial information	5.2.3	163
20.7. Dividend distribution policy	7.5	274
20.8. Litigation and arbitration proceedings	2.3	90
20.9. Significant change in financial or business position	5.4	164
21. Additional information		-
21.1. Share capital		-
21.1.1. Issued capital	7.3	260
21.1.2. Non-equity shares	7.3	260
21.1.3. Shares held by the issuer or its subsidiaries	7.3	260
21.1.4. Convertible securities, exchangeable securities or securities with warrants	7.3	260
21.1.5. Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital	7.2/7.3	253/260
21.1.6. Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally	None	-
21.1.7. History of share capital for the period covered by the historical financial information	7.4	266
21.2. Articles of incorporation and association		-
21.2.1. Corporate purpose of the issuer	7.2	253
21.2.2. Provisions of the issuer's Articles of Association or other internal rules with respect to the members of the administrative, management and supervisory bodies	7.2	253
21.2.3. Rights, preferences and restrictions attaching to each class of the existing shares	7.2	253
21.2.4. Action necessary to change the rights of holders of the shares	7.2	253
21.2.5. Calling of Annual General Meetings and conditions of admission	7.2	253
21.2.6. Provisions of the Articles of Association or other internal rules that would have an effect of delaying, deferring or preventing a change in control	None	-
21.2.7. Shareholding disclosure thresholds	7.2/7.4	253/266
21.2.8. Conditions imposed by the Articles of Association or other internal rules governing changes in the capital	7.2	253
22. Material contracts	7.7	277
23. Third party information, statements by experts and declarations of any interest		-
23.1. Expert statement or report, expert information and declaration of consent	None	-
23.2. Confirmation that information sourced from a third party has been accurately reproduced	None	-
24. Documents on display	8.3	281
25. Information on holdings	6.2	211

The cross reference table below identifies the main information provided for in the financial report referred to in Article L. 451-1-2 of the French Monetary and Financial Code and in Article 222–3 of the AMF General Regulation

Heading/themes	Chapter(s)	Page(s)
Annual financial statements	6.2	211
Consolidated financial statements	6.1	168
Company management report	6.2.4	230
Attestation of the persons responsible for this document	8.1	280
Statutory Auditors' report on the annual financial statements	6.2.5	224
Statutory Auditors' report on the consolidated financial statements	6.1.7	204

Pursuant to Article 28 of European Regulation (EC) n° 809/2004, the following information is included in this Registration Document for reference purposes

- the Group's consolidated and corporate financial statements for the year ended December 31, 2017, as well as the related Statutory Auditor' reports and the Group's management report presented on pages 146 to 186, pages 187 to 227 and pages 204 to 223, respectively, of the Registration Document filed on April 26, 2018 under n° D.18-0432.
- the Group's consolidated and corporate financial statements for the year ended December 31, 2016, as well as the related Statutory Auditors' reports and the Group's management report presented on pages 146 to 186, 187 to 227 and 204 r to 223 respectively, of the Registration Document filed on April 28, 2017 under n° number D.17-0478.
- Chapters of the 2017 and 2016 Reference Documents that are not referred to above are either irrelevant to investors or covered elsewhere in this Registration Document.

GLOSSARIES

Advertising representative: an individual or legal entity responsible for selling advertising space in content produced by a third party, and whose rights and obligations are defined by an advertising representation contract.

ARPA: sales for the period under consideration related to the average number of customers for the period.

Audience: Indicator of visits and access to content over a given period.

- direct: audiences that are the result of users' expressed intent to access the site or the PagesJaunes application (direct access and brand research on a search engine);
- SEO: audiences on the PagesJaunes site and application that come from search engines (SEO – search engine optimisation);
- affiliates: audiences on the PagesJaunes site and application that come from affiliated partners (MSN, Nosibay, Free and Alice, Planet, L'internaute);
- syndication**:** audiences on PagesJaunes content, excluding the PagesJaunes site or application (through partnerships such as Apple, Bing, Yahoo!, etc.).

Company: the holding company Solocal Group SA.

Consolidated Group: the Consolidated Group refers to the group of companies formed by the Company, all of its subsidiaries and the Solocal EIG.

Cookie: a small text file stored on an Internet user's computer when the user visits a web page.

Digital Advertising revenues: the Digital Advertising range helps businesses capture relevant contacts year-round from customers in their catchment area, through different types of products based on the customers' needs: improvement in search engine rankings, increase in web traffic or prospects, or brand awareness on the web and social networks.

Digital revenues: the sum of revenues from the Presence, Digital Advertising, Websites and New Solutions activities.

Display: display is the online advertising market segment that is showing the fastest growth. It includes banners, online videos and social media promotions.

EBITDA is an alternative performance indicator relative to the income statement with regard to operating income before depreciation and amortisation.

These non-recurring items concern income and expenses that are very limited in quantity, unusual, abnormal and infrequent in nature, and of a particularly significant amount. For the most part they include:

- capital gains or losses on disposals;
- restructuring costs: costs related to programmes that are planned and controlled by management, and which materially change either the scope of activity of the company, or the way this activity is managed, as defined by IAS 37 criteria.

GDPR (general data protection regulation): European Union legal framework that governs the collection and processing of users' personal data.

Group: refers to Solocal Group SA and its entities.

Group consolidated revenues: Group revenues taking into account continued and divested activities.

Intranet: a local network that uses the same protocols and technologies as the Internet, but which privately connects computers, i.e. without being open to all Internet users. Examples: corporate Intranet, community Intranet, etc.

MarTech (marketing technology): marketing companies whose services are connected mainly to marketing software technology or developments.

MaaS (mobility as a service): mobility as a service encompasses the public and private mobility services provided to the end user through a single service interface.

Net financial debt: total gross financial debt, less cash and cash equivalents.

New Solutions revenues: Solocal also offers a New Solutions range that consists of additional, high value-added features for its customers, such as online appointment scheduling, restaurant or salon reservations, and starting in 2019, customer relationship management (CRM).

Number of customers: average number of customers for the period who have a Solocal service.

Number of unique visitors to a site: number of Internet users/mobile users/tablet users who have visited a site over a given month.

Order intake: Sales: orders taken by the sales force that lead to a service performed by the Group for its customers.

PagesJaunes or PagesJaunes SA: the company PagesJaunes SA.

Presence revenues: the Presence range helps VSEs/SMEs manage their digital presence across the web (several dozen media in total, including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Waze, Instagram, etc.) in a few clicks, in real time and entirely independently through a single mobile application.

Print revenues:

- revenues from the Printed Directories activities related to the publication, distribution and sale of advertising space in the printed directories (PagesJaunes, PagesBlanches);
- Solocal is currently studying new solutions for its customers who wish to adapt their digital communication to a paper medium, such as flyers; this activity does not generate any revenues at this time.

Publisher: the individual or legal entity that assumes responsibility for the content it publishes.

Reach (of a website): Reach is the coverage of an advertising campaign, site or network. It measures the ability to capture a broad audience.

It is the number of unique visitors of a website, expressed as a percentage of a reference population during a given month.

Recurring net external expenses:

- including external purchases: primarily the costs related to databases, operating expenses and information system development expenses, communication and marketing expenses, and fixed costs; and
- also including other operating income and expenses: mainly comprised of duties and taxes, of certain provisions for risks, and provisions for customer risks;

SaaS (software as a service): a software distribution model in which a third-party provider hosts the applications and makes them available for its customers via the Internet.

Salaries and charges: includes personnel expenses for all Solocal personnel categories, but exclude legal employee profit-sharing, share-based payments and restructuring costs (i.e. the "PSE", Employment Protection Plan).

SEA (search engine advertising): payments made to guarantee that a web page is indexed by a search engine.

Search advertising is the influence that can be exerted so that an advertiser's web page appears in the results of the searches carried out by visitors using search engines, by associating it with terms, phrases or keywords used in Internet searches.

SEO (search engine optimisation): search engine optimisation is the improvement of a web page's attributes in order to boost its visibility in free search engine results.

SNFP (statement of non-financial performance): includes social and environmental information, replacing information measures on CSR

Solocal: refers to Solocal Group SA and its entities.

Sponsored links: payment made for the clicks and text links that appear in the search results for specific keywords.

Websites revenues: through the Websites range, Solocal builds customers' websites and e-commerce sites and optimises them for search engines, at prices that fit different budgets, on a subscription basis with automatic renewal.

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