Financial Report
As at 30 June 2020

Board of Directors of 27 July 2020

Unofficial translation of the French-language "*Rapport financier au 30 juin 2020*" of Solocal Group, for information purposes only.

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Solocal Group
Public limited company with a Board of Directors with capital of 61,704,147 euros
Registered office : 204, rond-point du Pont de Sèvres - 92100 Boulogne Billancourt
Nanterre Trade and Companies Register 552 028 425

SUMMARY

1. Activity report as at 30 June 2020

1.1. Overview

Solocal Group is developing its activities within two operating segments: "Digital" and "Print" and generated revenue for continued activities of 244.7 million euros as at 30 June 2020, these activities represent respectively 92% and 8%.

Digital
The "Digital" activity can be broken down as follows as at 30 June 2020:

- The digital Presence offer allows VSEs and SMEs to control their digital presence over the entire Web (several tens of medias in total including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Instagram, etc.) with just a few clicks, in real time and with complete autonomy, via a single mobile application, or a web interface. This offer represents revenues of 58.2 million euros as at 30 June 2020. The Presence offer is marketed in subscription mode with automatic renewal.

- The digital Advertising offer allows companies to increase their digital visibility beyond their natural presence over the entire Web, in a logic for developing local market shares. This offer integrates the Priority Referencing service launched in the third quarter of 2019 and represents revenue of 129.4 million euros as at 30 June 2020.

- With the Website range, Solocal offers customers site creation and SEO services (showcase and e-commerce), according to different budget levels, always in subscription mode with automatic renewal. This offer represents revenue of 35.4 million euros as at 30 June 2020.

  Intended for VSE/SMEs, the digital Presence and digital Advertising ranges are also available for large network accounts.

- Solocal also proposes New services aimed at facilitating the daily life of companies, such as for example a customer relations management (CRM) solution which was developed in 2019. This offer represents revenue of 2.3 million euros as at 30 June 2020.

Print

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", concerning conventional direct marketing. The Print segment is slated to be stopped at the end of 2020, and therefore is recording a decline moving towards the end of this activity.

The Solocal Group recorded Print revenues of 19.5 million euros as at 30 June 2020, down -45.8% compared to 2019.

1.2. Commentary on the results as at 30 June 2020

In the presentation of its results and in this activity report, 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.

During the first half of 2020 (28 February 2020), the Group divested from the Spanish subsidiary QdQ – Optimizaclick – Trazada representing a revenue of 3.3 million euros and an EBITDA of +0.2 million euros.

Consolidated income statement for periods closed as at 30 June 2020 and as at 30 June 2019

Million euros	As at 30 June 2020					As at 30 June 2019					Change Recurring 2020 / 2019
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			
			Total	Recurring	Non recurring			Total	Recurring	Non recurring	
Revenues	**248.0**	**3.3**	**244.7**	**244.7**	**-**	**304.0**	**12.4**	**291.6**	**291.6**	**-**	**-16.1%**
Net external expenses	(62.3)	(1.3)	(61.0)	(62.1)	1.1	(82.9)	(6.2)	(76.8)	(77.2)	0.4	-19.6%
Staff expenses	(98.4)	(1.8)	(96.7)	(96.9)	0.3	(138.9)	(5.4)	(133.5)	(134.1)	0.6	-27.7%
Restructuring costs	0.6	-	0.6	-	0.6	(1.7)	-	(1.7)	-	(1.7)	0.0%
EBITDA	**87.8**	**0.2**	**87.6**	**85.7**	**1.9**	**80.5**	**0.9**	**79.6**	**80.3**	**(0.6)**	**6.8%**
As % of revenues	*35.4%*	*7.1%*	*35.8%*	*35.0%*		*26.5%*	*7.3%*	*27.3%*	*27.5%*		*7.5 pts*
Depreciation and amortization	(30.0)	(0.1)	(29.8)	(29.8)	-	(37.4)	(0.4)	(37.1)	(37.1)	-	-19.5%
Operating income	**57.8**	**0.1**	**57.7**	**55.9**	**1.9**	**43.1**	**0.5**	**42.6**	**43.2**	**(0.6)**	**29.3%**
As % of revenues	*23.3%*	*3.3%*	*23.6%*	*22.8%*		*14.2%*	*4.4%*	*14.6%*	*14.8%*		*8.0 pts*
Financial income	0.2	-	0.2	0.2	-	0.3	-	0.3	0.3	-	0.0%
Financial expenses	(25.7)	-	(25.7)	(25.7)	-	(20.3)	(0.0)	(20.3)	(20.3)	-	26.3%
Financial income	**(25.5)**	**-**	**(25.5)**	**(25.5)**	**-**	**(20.1)**	**(0.0)**	**(20.1)**	**(20.1)**	**-**	**27.0%**
Income before tax	**32.4**	**0.1**	**32.2**	**30.4**	**1.9**	**23.0**	**0.5**	**22.5**	**23.1**	**(0.6)**	**31.2%**
Corporate income tax	(4.4)	-	(4.4)	(3.8)	(0.6)	(6.6)	(0.0)	(6.6)	(6.8)	0.2	-44.1%
Income for the period	**28.0**	**0.1**	**27.9**	**26.6**	**1.3**	**16.5**	**0.5**	**15.9**	**16.4**	**(0.4)**	**62.4%**

Recurring EBITDA corresponds to EBITDA before taking account of items defined as non-recurring. The allocation per segment of fixed costs is carried out according to the application of allocation rules.

These non-recurring items are expenses and income in very small numbers which are unusual, abnormal and infrequent and with amounts that are particularly substantial. They correspond primarily to:

- Restructuring expenses: these are costs corresponding to a program that is planned and controlled by the management, which significantly modifies either the company's activity scope, or the way in which this activity is managed, according to the criteria provided for in IAS 37;

- Capital gain or losses on sales of assets

For the first half of 2020, the amount of non-recurring items stands at +1.9 million euros.

Details on the revenues and recurring EBITDA of continued activities, as at 30 June 2020 and as at 30 June 2019

Million euros	Continued activities		
	As at 30 June 2020	**As at 30 June 2019**	**Change Recurring 2020 / 2019**
Digital	225.3	255.6	-11.9%
Print	19.5	36.0	-45.9%
Revenues	**244.7**	**291.6**	**-16.1%**
Digital revenues as % of total revenues	*92.0%*	*87.7%*	
Digital	79.3	70.9	11.9%
Print	6.4	9.4	-31.9%
Recurring EBITDA	**85.7**	**80.3**	**6.8%**
As % of revenues			
Digital	*35.2%*	*27.7%*	
Print	*32.9%*	*26.1%*	
Total	**35.0%**	**27.5%**	

1.2.1. Analysis of the order backlog for continued activities

Sales

In million of euros	As at 30 June 2020	As at 30 June 2019	Variation
Digital	203.7	259.3	-21.4%
Print	6.1	28.9	-78.8%
Total order intake	**209.8**	**288.1**	**-27.2%**

Sales in the first half of 2020 amounted to €209.8 million, down -27.2% compared to sales for the first half of 2019. Digital sales in 2019 were down -21.4%, whereas Print sales were down -78.8%.

Revenues

In million of euros	As at 30 June 2020	As at 30 June 2019	Variation
Digital	225.3	255.6	-11.9%
Print	19.5	36.0	-45.9%
Total revenues	**244.7**	**291.6**	**-16.1%**

Total revenues for the first half of 2020 amount to €244.7 million, down -16.1% compared to revenues for the first half of 2019. Digital revenues for the first half of 2020 were down -€30.3 million, i.e. -11.9%. Print revenues for the first half of 2020 were down -€16.5 million, i.e. -45.9%.
Secured Digital revenues for 2020 amounts to €388 million, 80% coming from 2018 and 2019 order intake and 20% from order intake in the first quarter of 2020.

Order backlog

	Continued activities	
In million of euros	As at 30 June 2020	As at 31 December 2019
Digital	340.3	347.1
Print	19.5	38.3
Total order backlog - beginning of period (*)	**359.9**	**385.4**
Digital	203.7	497.0
Print	6.1	44.9
Total order intake	**209.8**	**541.8**
Digital	(8.0)	(5.7)
Print	(0.1)	(0.0)
Cancellation	**(8.2)**	**(5.7)**
Digital	(225.3)	(498.0)
Print	(19.5)	(63.6)
Total revenues of continued activities	**(244.7)**	**(561.6)**
Digital	310.7	340.3
Print	6.1	19.5
Total order backlog - end of period	**316.9**	**359.9**

* Cancellations are attached to the selling year

The order backlog total amounts to €316.9 million on 30 June 2020, down -11.9% compared to 31 December 2019. The drop is partially due to the decline in the activity following the Covid-19 crisis and the gradual cessation of Print business.

Performance indicators of Solocal

	As at 30 June 2020	**As at 30 June 2019**	**Variation**
Auto-renewal subscription sales (as of % of total sales) (1)	79.0%	27.0%	52.0 points
ARPA (average revenue per advertiser)	1 493	1 300	14.8%
Audience (PagesJaunes number of visits, in billion)	0.9	1.0	-9.6%

(1) Solocal SA scope

1.2.2. Analysis of recurring EBITDA

Net external expenses

Recurring net external expenses amounted to -€62.1 million in the first half of 2020, down 19.6%, or -€15.1 million compared to the first half of 2019. This decrease is explained by:

- The continuation of the cost management plan initiated in 2018 (IT maintenance costs, fees, etc.).

- The cost reduction incurred in the context of the health crisis, mainly driven by control of operating expenses (marketing, travel costs, costs allocated to content related to the decrease in revenues) and better sourcing of Performance products, including Booster Contact;
- The reduction in the variable costs of Print activity in connection with the scheduled end of this activity in 2020.

Personnel expenses

Recurring staff costs were -€96.9 million in the first half of 2020, down -27.7% or -€37.2 million compared to the first half of 2019. This decrease is explained by:

- The impact of the health crisis on the level of activity of the period, affecting variable remuneration,
- The implementation of partial and total unemployment measures,
- The full year effect of the reduction in average FTEs carried out as part of the Group's transformation plan.

The Group's workforce as at 30 June 2020 is 2,515 people (excluding long-term absences) of which 49% are part of the salesforce.

Recurring EBITDA

Recurring EBITDA reached €85.7 million in the first half of 2020, up 6.8%, or €5.4 million compared to the first half of 2019. The recurring EBITDA margin on revenue was thus 35.0% up +7.5 points. The improvement in this margin is mainly due to the combined effect of non-recurring partial unemployment measures and revenues not yet fully reflecting the effects of the health crisis. For these same reasons, EBITDA of the second half of 2020 should decline significantly compared to the first half of 2020.

1.2.3. Analysis of the other items in the income statement

<u>Operating income</u>

The table below shows the Group's operating income for continued activities in 2020 and 2019:

Million euros	As at 30 June 2020					As at 30 June 2019					Change Recurring 2020 / 2019
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			
			Total	Recurring	Non recurring			Total	Recurring	Non recurring	
EBITDA	**87.8**	**0.2**	**87.6**	**85.7**	**1.9**	**80.5**	**0.9**	**79.6**	**80.3**	**(0.6)**	**6.8%**
As % of revenues	*35.4%*	*7.1%*	*35.8%*	*35.0%*		*26.5%*	*7.3%*	*27.3%*	*27.5%*		*7.5 pts*
Depreciation and amortization	(30.0)	(0.1)	(29.8)	(29.8)	-	(37.4)	(0.4)	(37.1)	(37.1)	-	-19.5%
Operating income	**57.8**	**0.1**	**57.7**	**55.9**	**1.9**	**43.1**	**0.5**	**42.6**	**43.2**	**(0.6)**	**29.3%**
As % of revenues	*23.3%*	*3.3%*	*23.6%*	*22.8%*		*14.2%*	*4.4%*	*14.6%*	*14.8%*		*8.0 pts*

Non-recurring income of €1.9 million in the first half of 2020 mainly corresponds to the revenue receivable related to the favourable outcome of historical litigation on the CIR ("Crédit Impôt Recherche", the French research tax credit). After taking these non-recurring items into account, consolidated EBITDA amounted to €87.6 million in the first half of 2020, compared to €79.7 million in the first half of 2019, representing an increase of +10%.

As a result of the extension of control over investments made in recent years, depreciation and amortizations reached -€29.8 million in the first half of 2020, i.e. a decrease of -19.5% compared to the first half of 2019.

The operating income of continued activities was €57.7 million compared to €42.6 million in 2019.

<u>Net Income</u>

The table below shows the Group's net income for continued activities in the first half of 2020 and 2019:

Million euros	As at 30 June 2020					As at 30 June 2019					Change Recurring 2020 / 2019
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			
			Total	Recurring	Non recurring			Total	Recurring	Non recurring	
Operating income	**57.8**	**0.1**	**57.7**	**55.9**	**1.9**	**43.1**	**0.5**	**42.6**	**43.2**	**(0.6)**	**29.3%**
As % of revenues	*23.3%*	*3.3%*	*23.6%*	*22.8%*		*14.2%*	*4.4%*	*14.6%*	*14.8%*		*8.0 pts*
Financial income	0.2	-	0.2	0.2	-	0.3	-	0.3	0.3	-	0.0%
Financial expenses	(25.7)	-	(25.7)	(25.7)	-	(20.3)	(0.0)	(20.3)	(20.3)	-	26.3%
Financial income	**(25.5)**	**-**	**(25.5)**	**(25.5)**	**-**	**(20.1)**	**(0.0)**	**(20.1)**	**(20.1)**	**-**	**27.0%**
Income before tax	**32.4**	**0.1**	**32.2**	**30.4**	**1.9**	**23.0**	**0.5**	**22.5**	**23.1**	**(0.6)**	**31.2%**
Corporate income tax	(4.4)	-	(4.4)	(3.8)	(0.6)	(6.6)	(0.0)	(6.6)	(6.8)	0.2	-44.1%
Income for the period	**28.0**	**0.1**	**27.9**	**26.6**	**1.3**	**16.5**	**0.5**	**15.9**	**16.4**	**(0.4)**	**62.4%**

Financial income was -€25.5 million in the first half of 2020. The increase in financial expenses of +€5.3 million compared to the first half of 2019 is mainly due to the establishment and use of new financing means of the Group (RCF, working capital line) and the Bond coupon increase (10% in the first half of 2020 compared to 8% in 2019).

Pre-tax income reached €32.4 million in the first half of 2020.

The corporate tax charge recorded in the first half of 2020 is -€4.4 million. This charge includes a CVAE charge of -€2.7 million.

The Group's consolidated net income was positive in the first half of 2020 and amounted to +€28.0 million compared to +€16.5 million for the first half of 2019.

1.2.4 Presentation of the consolidated cash flows with the detail for "Continued activities" and "Disposed activities"

Cash flow statement	**As at 30 June 2020**	**As at 30 June 2019**
In million of euros		
Recurring EBITDA	**85,9**	**81,2**
Non monetary items included in EBITDA and other	(5,0)	6,2
Net change in working capital	(41,7)	(19,2)
of which change in receivables	*(48,6)*	*(5,0)*
of which change in payables	*(13,0)*	*(6,0)*
of which change in other WCR items	*19,8*	*(8,2)*
Acquisition of tangible and intangible fixed assets	(22,0)	(21,2)
Recurring operating free cash flow	**17,1**	**47,0**
Non recurring items	(19,5)	(46,2)
of which restructuration	*(19,5)*	*(38,0)*
of which Net change in non recurring working capital	-	*(4,0)*
Disbursed financial result	(1,1)	(19,7)
Corporate income tax paid	(1,6)	4,4
Free Cash flow	**(5,2)**	**(14,7)**
Increase (decrease) in borrowings and bank overdrafts	(6,2)	(7,0)
Capital increase	3,7	-
Other	(5,7)	(1,5)
Net cash variation	**(13,4)**	**(23,2)**
Net cash and cash equivalents at beginning of period	41,5	81,5
Net cash and cash equivalents at end of period	**28,1**	**58,3**

Note: The 2019 cash flow statement includes the cash flows of the Spanish subsidiary QdQ which was disposed of. In the first half of 2020, it includes 2 months of that subsidiary's cash flow (non-significant) in 2020.

The change in working capital requirement was -€41.7 million in the first half of 2020. The change in the customer WCR is negative at nearly -€48.6 million due to a negative volume effect in relation to the decline in revenues (including Print business) but also the significant impact of the decline in customer receipts in the second quarter in the context of the health crisis. The positive change in the "Other WCR" is mainly linked to the constitution of tax and social liabilities over the period.

Non-recurring items amounted to -€19.5 million in the first half of 2020 and include disbursements related to the Solocal 2020 transformation plan. In 2020, these disbursements are expected to total €47 million. The delay observed in relation to the information communicated on 27th February results from a delay in the payment of certain severance payments to the second half of 2020 in order to preserve the company's cash flow.

Financial expenses paid are significantly lower than in the first half of 2019 since the group did not pay its two quarterly Bond coupons in the first half of 2020 (for approximately €20 million).

The decrease in borrowings corresponds to the working capital line decrease (-€4 million) and asset financing repayments.

The €3.7 million capital increase corresponds to the drawdowns made in January 2020 on the PACEO line established in December 2019. The "Other" change of -€5.7 million essentially represents the cash flow corresponding to the financial depreciation of the rights of use capitalised in connection with the application of IFRS 16.

The Group's consolidated available cash flow is therefore negative at -€13.4 million in the first half of 2020.

As at 30th June 2020, the Group had a net cash position of €28.1 million, compared to €41.5 million as at 31st December 2019.

1.3. Consolidated liquidities, capital resources and investment expenses

The table below shows the cash flows for continued activities of the Group as at 30 June 2020 and as at 31 December 2019:

In million of euros	**As at 30 June 2020**	**As at 30 June 2019**
Net cash from operations	16.8	4.6
Net cash used in investing activities	(22.1)	(28.6)
Net cash provided by (used in) financing activities	(8.1)	0.8
Net increase (decrease) in cash position	**(13.4)**	**(23.2)**

The net cash from operations amounted to 16.8 million euros in the first half of 2020 compared to 4.6 million euros in the first half of 2019, in light of the time delay for certain expenses following the Covid crisis over the first half of the year.

The net cash from operations used in investment activities amounted to (22.1) million euros in the first half of 2020 compared to (28.6) million euros in the first half of 2019, representing a change of (6.5) million euros.

The net cash used in financing activities represents a net collection disbursement of (8.1) million euros in the first half of 2020 compared to a net collection of 0.8 million euros in 2019. This is explained in particular by a revolving credit facility of 50.0 million euros and an equity line for 17.4 million euros.

The table below shows the changes in the **Group's consolidated cash position** as at 30 June 2020, and as at 31 December 2019:

(in thousands of euros)	As at 30 June 2020	As at 31 December 2019
Gross cash	**28.1**	**41.6**
Bank overdrafts	-	(0.1)
Net cash	**28.1**	**41.5**
	-	-
Bond loan	397.8	397.8
Revolving credit facility drawn	50.0	50.0
Lease liability	1.5	3.4
Price supplements on acquisition of securities	-	0.2
Accrued interest not yet due	21.6	1.4
Other financial liabilities	108.0	114.8
of which IFRS 16	*103.5*	104.1
Gross financial debt	**579.0**	**567.6**
of which current	*497.9*	*40.6*
of which non-current	*81.1*	*526.9*
Net debt	**550.9**	**526.1**
Net debt of consolidated group excluded loan issue expenses	**550.9**	**526.1**

Net financial debt (financial debt, minus cash flow and cash flow equivalents) was 550.9 million euros as at 30 June 2020, up 24.8 million euros compared to 526.1 million euros as at 31 December 2019.

Net leverage as defined in the documentation concerning Solocal's 2022 bond is 2.48x as at 30 June 2020 (to which IFRS 16 does not apply). The EBITDA to interest expenses ratio (ISCR) amounted to 4.5x as at 30 June 2020. The group complies with the financial covenants requested by the bond documentation, with respectively 29% and 51% of headroom.

As at 30 June 2020, financial debt is primarily comprised:

- of bonds stemming from the financial restructuring operations carried out in March 2017 for an amount of 397.8 million euros, repayable in March 2022,
- a revolving credit line of 50.0 million euros,
- factoring debt of 3.8 million euros,
- of lease liabilities of 1.5 million euros.

1.4 Investment expense

In million of euros	As at 30 June 2020	As at 31 December 2019
Acquisition of tangible and intangible fixed assets	21.2	42.9
Right-of-use assets related to leases (*)	5.5	24.0
Current investments	**26.7**	**66.9**

Rights of use concerning leases posted in the assets amount to 71.3 million euros.
Intangible and tangible investments amount to 26.7 million euros as at 30 June 2020.

1.5 Outlook for 2020

All resolutions related to the financial structure strengthening plan were largely endorsed, with more than 93% votes in favour, at the Combined General Meeting ("CGM") of the shareholders which took place on July the 24th, 2020 in Paris. As a reminder, this plan relies on a €347 million capital increase, thus securing a €85 million cash injection and allowing a €244million to €262 million debt reduction.

In order to cover the short-term liquidity needs, it will be completed by an additional €32 million financing, out of which €16 million "prêt ATOUT" granted by BPI France and the issuance of a €16 million Bond subscribed by some of the Bondholders. These transactions are subject to the following condition precedents:

- Confirmation of the amendment to the accelerated financial safeguard plan by the commercial court of Nanterre;
- The obtaining from the "Autorité des Marchés Financiers" (the French "Financial Markets Authority") of an exemption from the obligation of GoldenTree to launch a tender offer (in accordance with article 234-9 2° of the "Règlement Général de l'Autorité des Marchés Financiers").

The additional financing of €32 million will be drawn in August 2020. The Right Issue will be launched at the beginning of September 2020. An indicative timeline of the execution of these transactions is available on solocal.com in the Investors section. According to this timeline, the subscription period for the capital increase with preferential subscription rights (which will be explained in a prospectus approved by the AMF) should occur between 15th and 29th September 2020, with an expected settlement-delivery on 5th October 2020.

As previously announced, Solocal confirms its target, with a 2020 revenue decrease by c. -20%, including a 2020 Digital revenue1 decrease by c. -15% compared to last year. The 2020 FY EBITDA is expected above €130 million at Group level.

The health crisis will have an impact on the volume of new contract acquisition in 2020 and on the timing of its customer base migration towards new services. The Group anticipates a return to Digital revenue growth from 2021 but 2021 EBITDA will be affected by the decrease in 2020 order intake and the end of the Print activity and should therefore amount to c. € 120 million in 2021.

1.6 Events subsequent to the closing date of 30 June 2020

An agreement aimed at the financial restructuring of Solocal Group was signed on 3 July 2020.

The shareholders' extraordinary general meeting on 24 July 2020 approved the implementation of the financial restructuring plan:

Recapitalisation of the group

In accordance with the agreement signed with its creditors and following the approval by the General meeting of shareholders of the restructuring project, the Group will launch a capital increase of 347 million euros fully guaranteed by the bond creditors. This will allow for a reduction in the debt by an amount between 252 and 262 million euros and a cash contribution of 85 million euros.

The capital increase of 347 million euros will be broken down as follows:

- A first reserved capital increase for a maximum amount of 17 million euros benefitting one or more bond creditors. This capital increase will be carried out at the price of 8 centimes per share and carried out by converting debt into capital;
- A capital increase with preferential subscription rights retained for 330 million euros that will be carried out at a price of 3 centimes per share. This capital increase, open to all shareholders, is fully guaranteed by the bond creditors, as a contribution of liquidities of 85 million euros and as debt conversion for the balance;
- An allocation of free shares benefitting all existing shareholders, at a rate of one free share for one share held as at 31 August 2020 based on the company's shareholding immediately before the conducting of the reserved capital, which is an issuing of 627 million actions.

These provisions were approved by the General Meeting of 24 July 2020 and will be carried out under the two conditions of obtaining from the "Autorité des Marchés Financiers" (the French "Financial Markets Authority") of an exemption from the obligation of GoldenTree to launch a tender offer (in accordance with article 234-9 2° of the "Règlement Général de l'Autorité des Marchés Financiers"), and Confirmation of the amendment to the accelerated financial safeguard plan by the commercial court of Nanterre.

Following the approval of these provisions by the general meeting, the accounting impacts will be the derecognising of the original debt and the recognising of the new debt and equity instruments.

In light of this, the financial statements of Solocal Group as at 30 June 2020 were drawn up in application of the principle of continuing operation, with the assumption that the aforementioned financial restructuring plan would be implemented within the scheduled timeframe, and in any case no later than 31 December 2020.

Financial facilities

On 22 July 2020, Solocal Group obtained an agreement on €32 million financing, out of which €16 million "prêt ATOUT" granted by BPI France and the issuance of a €16 million Bond subscribed by some of the Bondholders. This financing will be drawn in August 2020 in order to cover the short-term liquidity needs.

1.7 Additional information

1.7.1 Related parties

There were no new significant transactions or changes with related parties in the course of the first half of 2020. Key management as related parties as at 30 June 2020 are members of the Board of directors including the General manager, and the members of the Executive committee. Solocal does not have any related parties other than key management.

1.7.2 Information on key risks and uncertainties

Main risks factors are described in Section 2 Risks Factors of the 2019 Universal Registration Document. This section was updated in Amendement au Document d'enregistrement universel 2019 (in French only) on 20 July 2020. As at the publication of this Financial Report, this risks assessment remains up-to-date and can be used for considering potential main risks for the coming six months till the end of 2020.

1.7.3 Definitions

Audiences: indicator of visits and of access to the content over a given period of time

Order backlog: sales orders such as validated and committed by the customers on the closing date. For products in subscription mode, only the current commitment period is considered.

EBITDA: EBITDA is an alternate indicator of performance presented in the income statement in operating income and before taking impairment, amortisation and depreciation into account.
Recurring EBITDA corresponds EBITDA before taking account of items defined as non-recurring. These non-recurring items are expenses and income in very small numbers which are unusual, abnormal and infrequent and with amounts that are particularly substantial. They correspond primarily to:

- capital gains or losses on sales of assets
- restructuring expenses: these are costs corresponding to a program that is planned and controlled by the management, which significantly modifies either the company's activity scope, or the way in which this activity is managed, according to the criteria provided for in IAS 37.

Sales: taking of orders by the sales force, that gives rise to a service performed by the Group for its customers.

2. Condensed consolidated accounts as at 30 June 2020

Consolidated income statement

(Amounts in thousands of euros, except data relating to shares)	Notes	**As at 30 June 2020**	**As at 30 June 2019**
Revenues	3.1	248 030	304 029
Net external expenses		(62 328)	(82 927)
Personnel expenses		(98 435)	(138 895)
Restructuring costs		555	(1 675)
EBITDA		**87 822**	**80 533**
Depreciation and amortization		(28 623)	(37 424)
Result of loss of control		(1 350)	-
Operating income		**57 849**	**43 109**
Financial income		196	280
Financial expenses		(25 688)	(20 348)
Financial income	5.1	**(25 492)**	**(20 068)**
Income before tax		**32 356**	**23 041**
Corporate income tax	8	(4 392)	(6 588)
Income for the period from continuing operations		**27 965**	**16 453**
Income for the period attributable to:			
- Shareholders of SoLocal Group		27 965	16 453
- Non-controlling interests		-	-
Net earnings per share (in euros)			
Net earnings per share of the consolidated group based on a weighted average number of shares			
- basic	9.2	0,04	0,03
- diluted		0,04	0,03
Net earnings per share of the consolidated group based on a year end number of existing shares (as at 30 June)			
- basic		0,04	0,03
- diluted		0,04	0,03

Statement of comprehensive income

(Amounts in thousands of euros)	Notes	**As at 30 June 2020**	**As at 30 June 2019**
Income for the period report		**29 314**	**16 453**
ABO reserves :			
- Gross	6	358	(4 925)
- Deferred tax		-	(78)
- Net of tax		**358**	**(5 003)**
Exchange differences on translation of foreign operations		84	26
Other comprehensive income		**442**	**(4 977)**
Total comprehensive income for the period, net of tax		**29 756**	**11 476**
Total comprehensive income for the period attributable to:			
- Shareholders of SoLocal Group		28 407	11 476
- Non-controlling interests		-	-

Statement of consolidated financial position

(thousand euros)	Notes	As at 30 June 2020	As at 31 December 2019	As at 30 June 2019
Assets				
Net goodwill		86 489	88 870	88 870
Other net intangible fixed assets		87 516	90 482	94 817
Net tangible fixed assets		20 313	20 977	22 706
Right-of-use assets related to leases		71 273	69 279	79 137
Other non-current financial assets		4 627	7 067	7 303
Net deferred tax assets	8	59 760	60 928	70 966
Total non-current assets		**329 978**	**337 603**	**363 799**
Net trade accounts receivable		64 126	90 223	206 902
Other current assets		15 640	39 065	39 779
Current tax receivable		1 387	2 333	2 073
Prepaid expenses		5 849	2 676	6 964
Other current financial assets		3 228	3 416	4 007
Cash and cash equivalents	5.2	28 082	41 551	58 555
Total current assets		**118 311**	**179 264**	**318 279**
Total assets		**448 289**	**516 867**	**682 078**
Liabilities				
Share capital		62 704	61 954	58 512
Issue premium		761 313	758 392	744 737
Reserves		(1 400 719)	(1 432 975)	(1 430 820)
Income for the period attribuable to shareholders of Solocal Group		27 965	32 111	16 453
Other comprehensive income		(52 623)	(53 065)	(49 643)
Own shares		(5 482)	(5 344)	(5 551)
Equity attributable to equity holders of the SoLocal Group	9	**(606 842)**	**(638 927)**	**(666 313)**
Non-controlling interests		-	41	41
Total equity		**(606 842)**	**(638 886)**	**(666 272)**
Non-current financial liabilities and derivatives		0	448 488	401 791
Long-term lease liabilities		81 106	78 450	95 728
Employee benefits - non-current		93 598	93 960	95 251
Provisions - non-current	6	8 590	11 025	21 425
Deferred tax liabilities		-	-	-
Total non-current liabilities		**183 294**	**631 923**	**614 195**
Bank overdrafts and other short-term borrowings		453 846	13 681	4 510
Accrued interest		21 616	1 387	1 236
Short-term lease liabilities		22 394	25 654	16 893
Provisions - current	6	50 447	71 105	144 423
Contract liabilities	3.3	135 890	194 113	325 240
Trade accounts payable	7	56 812	73 495	85 737
Employee benefits - current		89 329	84 837	87 438
Other current liabilities		39 011	58 742	68 528
Corporation tax		2 492	816	150
Total current liabilities		**871 837**	**523 830**	**734 155**
Total liabilities		**448 289**	**516 867**	**682 078**

Statement of changes in consolidated equity

Number of shares in circulation		Share capital	Issue premium	Income and reserves	Actuarial differences	Translation reserve	Own shares	Group equity	Non-controlling interests	Total equity
583 137 724	**Balance as at 1 January 2019**	**58 363**	**743 803**	**(1 430 990)**	**(44 052)**	**(589)**	**(5 249)**	**(678 714)**	**41**	**(678 673)**
	Total comprehensive income for the period			32 111				**32 111**	-	**32 111**
	Other comprehensive income							**-**	**-**	**-**
	Total comprehensive income for the period, net of tax							**-**	**-**	**-**
1 000 000	Share-based payment	100		1 418				**1 518**		**1 518**
495 911	Capital transactions	49	943	(992)				**-**		**-**
34 415 190	Equity line financing	3 442	13 646					**17 088**		**17 088**
(74 955)	Shares of the consolidating company net of tax						(95)	**(95)**		**(95)**
	Minority Stake holders Effilab Dubaï (cession)			(2 411)	(8 740)	317		**(10 834)**	**-**	**(10 834)**
618 973 870	**Balance as at 31 December 2019**	**61 954**	**758 392**	**(1 400 864)**	**(52 792)**	**(273)**	**(5 344)**	**(638 926)**	**41**	**(638 885)**
618 973 870	**Balance as at 1 January 2020**	**61 954**	**758 392**	**(1 400 864)**	**(52 792)**	**(273)**	**(5 344)**	**(638 926)**	**41**	**(638 885)**
	Total comprehensive income for the period			27 965				**27 965**	-	**27 965**
	Other comprehensive income							**-**	**-**	**-**
	Total comprehensive income for the period, net of tax							**-**	**-**	**-**
-	Share-based payment	-		104				**104**		**104**
-	Mandatory Convertible Bonds	-	-	-				**-**		**-**
7 500 000	Equity line financing	750	2 921					**3 671**		**3 671**
(245 049)	Shares of the consolidating company net of tax						(138)	**(138)**		**(138)**
	Others			41	358	84		**483**	**(41)**	**442**
626 228 821	**Balance as at 31 December 2020**	**62 704**	**761 313**	**(1 372 754)**	**(52 435)**	**(189)**	**(5 482)**	**(606 841)**	**(0)**	**(606 841)**

Consolidated cash flow statement

(thousand euros)	As at 30 June 2020	As at 31 December 2019	As at 30 June 2019
Income for the period attributable to shareholders of SoLocal Group	**27 965**	**32 111**	**16 453**
Depreciation and amortization of fixed assets	27 316	47 302	35 094
Change in provisions	(20 084)	(124 204)	(36 566)
Share-based payment	104	(643)	1 240
Capital gains or losses on asset disposals	1 349	530	277
Interest income and expenses	20 227	44 820	20 068
Hedging instruments	-	-	-
Unrealised exhange difference	-	-	-
Tax charge for the period	4 569	19 698	6 588
Non-controlling interests	-	-	-
Decrease (increase) in inventories	-	212	-
Decrease (increase) in trade accounts receivable	23 479	146 938	27 806
Decrease (increase) in other receivables	14 280	9 836	1 170
Increase (decrease) in trade accounts payable	(9 267)	(12 386)	(3 766)
Increase (decrease) in other payables	(70 351)	(196 914)	(48 374)
Net change in working capital	**(41 858)**	**(52 314)**	**(23 164)**
Dividends and interest received	-	(346)	278
Interest paid and rate effect of net derivatives	(1 119)	(43 610)	(19 995)
Corporation tax paid	(1 640)	1 829	4 374
Net cash from operations	**16 828**	**(74 827)**	**4 647**
Acquisition of tangible and intangible fixed assets	(21 233)	(41 594)	(28 631)
Acquisitions / disposals of investment securities and subsidiaries, net of cash	(869)	385	3
Net cash used in investing activities	**(22 102)**	**(41 209)**	**(28 628)**
Increase (decrease) in borrowings	(11 769)	58 946	764
Dividends paid	-	(4)	-
Other cash from financing activities o/w own shares	3 671	17 013	-
Net cash provided by (used in) financing activities	**(8 098)**	**75 955**	**764**
Impact of changes in exchange rates on cash	(5)	16	12
Net increase (decrease) in cash position	**(13 377)**	**(40 065)**	**(23 205)**
Net cash and cash equivalents at beginning of period	41 458	81 523	81 523
Net cash and cash equivalents at end of period	**28 082**	**41 458**	**58 318**

Notes to the consolidated financial statements as at 30 June 2020

Note 1 – Basis for the 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 to all of the other legal provisions that apply to French commercial companies.

The Company's registered office is located at 204 rond-point du Pont de Sèvres 92100 Boulogne-Billancourt (France). It was formed in 2000 and the securities of Solocal Group have been listed on the Paris Stock Exchange (Euronext) since 2004 (LOCAL).

The Group's summarised consolidated financial statements as at 30 June 2020 were drawn up under the responsibility of the Managing Director of Solocal Group and were approved by the Board of Directors of Solocal Group on 27 July 2020.

1.1 Accounting methods and principles

Pursuant to European regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Solocal Group as at 30 June 2020 in accordance with the IAS/IFRS international accounting standards adopted in the European Union on the closing data and with mandatory applicable as of that date.

The condensed half-year consolidated financial statements as at 30 June 2020 are drawn up in accordance with IAS 34 "Interim financial reporting" which makes it possible to present a selection of notes. These condensed consolidated financial statements must therefore be read jointly with the consolidated financial statements for 2019.

All of the standards and interpretations adopted by the European Union as at 30 June 2020 are available on the website of the European Commission at the following address:
https://ec.europa.eu/info/law/international-accounting-standards-regulation-ecno-1606-2002

1.2 IFRS standards

The accounting methods and principles applied for the summarised consolidated financial statements as at 30 June 2020 are identical to those used in the consolidated financial statements as at 31 December 2019 except for the standards, amendments and interpretations of IFRS of mandatory application for periods opens starting on 1 January 2020 (and which had not been applied early by the Group).

1.3 Other information

Seasonal variations
The activities of the Group are not subject to seasonal effects per se, note however that in order to optimise costs for the Print business, 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.

Use of hypotheses
The drawing up of the consolidated financial statements as at 30 June 2020 in accordance with the IFRS standards led the Group's management to conduct estimates and issue hypotheses, which can

affect the amounts booked as assets and liabilities on the date the financial statements were prepared and have an offset in the income state. The management made its estimates and issued its hypotheses based on past experience and the taking account of different factors considered as reasonable for the evaluation of assets and liabilities. The use of different hypotheses could have an significant impact on these evaluations. The main estimates made by the management during the drawing up of the financial statements relate in particular to the hypotheses retained for the evaluation of the recoverable amount of tangible and intangible fixed assets, pension commitments, deferred taxes and provisions. The information provided in terms of any assets and liabilities and off-balance-sheet commitments on the date the summarised consolidated financial statements were drawn up are also the subject of estimates.

1.4 Key events during the year

1.4.1 Covid-19 crisis

As announced on 22 April 2020, the impact of the health crisis linked to Covid-19 is very significant on the Group's commercial activity, with a drop of about -55% in orders placed over the period of confinement. For the months of May and June, Digital sales are of course less than 2019 for respectively -24% and -1%, but higher than the revised forecasts of the Covid-19 impact for nearly €12m. Indeed, the post-crisis was better than expected in line with the redeployment on the ground of practically the entire sales force combined with the increasing availability of prospects as well as customers. However, in terms of the estimate on order taking that was used as support for the annual guidance communicated on 26 February, the impact of the health crisis is about -32% on Digital sales in the first half of 2020 and therefore this guidance was cancelled.

In order to handle this and following the non-payment of the March 2020 bond coupon, Solocal initiated discussion with its bond creditors in order to preserve its cash flow and secure its financial situation. A conciliation procedure for Solocal Group was opened on 16 March 2020 by the "Tribunal de commerce" (French commercial court) of Nanterre which would help in providing a suitable framework in the discussions with the Company Bondholders.

As for the Solocal SA company,it required the President of the Commercial court of Nanterre to open a conciliation procedure in April 2020 in order to cope with difficulties from the health crisis.
In order to meet cash needs of the Group during the health crisis, Solocal Group benefited from the partial activity scheme and also benefited from the deferment of payment of the second quarter of 2020 for Citylights 2 office rental.
The agreement negociated with creditors was approved by the General Meeting of 24 July 2020 (cf. Note 12.)
Hypothesis and business plans underlying the preparation of financial reporting were validated by the Management and take into account the consequences of the health crisis.

1.4.2 Sale of the Spanish subsidiary QdQ

On 28 February 2020, Solocal sold its subsidiary QDQ Media, a digital marketing agency operating in Spain, to AS Equity Partners. This transfer took place in the framework of the Solocal 2020 strategic plan, and allowed Solocal to focus on its strategic activities and its new digital services offer for SMEs and key accounts in France.

QDQ Media recorded revenue of 22.5 million euros in 2019 and has about 300 employees. The company's recurring EBITDA margin was significantly less than that of Solocal Group.

The income from the sale did not have a significant impact on Solocal's cash position and level of debt.

1.5 Going concern

The financial statements of Solocal Group as at 30 June 2020 were drawn up in application of the principle of continuing operation, with the assumption that the aforementioned financial restructuring plan approved by the shareholder's general meeting on 24 July 2020 would be implemented within the scheduled timeframe, and in any case no later than 31 December 2020. This plan will allow Solocal to meet its short-term liquidity needs for the coming 12 months.

In parallel, two financial facilities have been confirmed. They will be set up and drawn in August 2020 for €32 million in order to cover the short-term liquidity needs.

These provisions were approved by the General Meeting of 24 July 2020 and will be carried out under the two conditions of obtaining from the "Autorité des Marchés Financiers" (the French "Financial Markets Authority") of an exemption from the obligation of GoldenTree to launch a tender offer (in accordance with article 234-9 2° of the "Règlement Général de l'Autorité des Marchés Financiers"), and Confirmation of the amendment to the accelerated financial safeguard plan by the commercial court of Nanterre.

Note 2 – Notes to the consolidated financial statements

2.1 Alternative performance indicators

In order to monitor and analyse the Group's financial performance and that of its various activities, the management of the Group uses alternative performance indicators, financial indicators that are defined in IFRS. A reconciliation with the aggregates of the IFRS consolidated financial statements is presented in this note.

Note 2.2 "segment information" refers to these alternative performance indicators.

2.1.1 Order backlog and sales

The order backlog corresponds to the sales such as validated and committed by the customers on the closing date. For in subscription mode, only the current commitment period is considered.

For sales, this is the taking of orders by the sales force, and that gives rise to a service performed by the Group for its customers. Sales are net of cancellations.

In million of euros	Continued activities	
	As at 30 June 2020	As at 31 December 2019
Digital	340.3	347.1
Print	19.5	38.3
Total order backlog - beginning of period (*)	**359.9**	**385.4**
Digital	203.7	497.0
Print	6.1	44.9
Total order intake	**209.8**	**541.8**
Digital	(8.0)	(5.7)
Print	(0.1)	(0.0)
Cancellation	**(8.2)**	**(5.7)**
Digital	(225.3)	(498.0)
Print	(19.5)	(63.6)
Total revenues of continued activities	**(244.7)**	**(561.6)**
Digital	310.7	340.3
Print	6.1	19.5
Total order backlog - end of period	**316.9**	**359.9**

* Cancellations are attached to the selling year

2.1.2 Recurring Digital and Print EBITDA

Recurring EBITDA corresponds to EBITDA before taking account of items defined as non-recurring. The allocation per segment of fixed costs is carried out according to the application of allocation rules.

These non-recurring items are expenses and income in very small numbers which are unusual, abnormal and infrequent and with amounts that are particularly substantial. They correspond primarily to:

- Restructuring expenses: these are costs corresponding to a program that is planned and controlled by the management, which significantly modifies either the company's activity scope, or the way in which this activity is managed, according to the criteria provided for in IAS 37;

- Capital gain or losses on sales of assets

For the management of the Group, the management dissociates the divested activities which are the subsidiaries or business lines that have been sold or abandoned.

During the first quarter of 2020, the Group divested from the Spanish subsidiary QdQ – Optimizaclick – Trazada.

Million euros	Continued activities		
	As at 30 June 2020	**As at 30 June 2019**	**Change Recurring 2020 / 2019**
Digital	225.3	255.6	-11.9%
Print	19.5	36.0	-45.9%
Revenues	**244.7**	**291.6**	**-16.1%**
Digital revenues as % of total revenues	*92.0%*	*87.7%*	
Digital	79.3	70.9	11.9%
Print	6.4	9.4	-31.9%
Recurring EBITDA	**85.7**	**80.3**	**6.8%**
As % of revenues			
Digital	*35.2%*	*27.7%*	
Print	*32.9%*	*26.1%*	
Total	***35.0%***	***27.5%***	

2.1.3 Non-recurring items

As at 30 June 2020, the amount of non-recurring items stands at 1.9 million euros and is primarily comprised of the expenses incurred in the framework of the Group's transformation.

2.1.4 Working capital requirement

In million of euros	**As at 30 June 2020**	**As at 31 December 2019**
+ Net trade accounts receivable	64.1	90.2
+ Other current assets	15.6	39.1
+ Current tax receivable	1.4	2.3
+ Other current financial assets	3.2	3.4
- Trade accounts payable	(56.8)	(73.5)
- Other current liabilities	(39.0)	(58.7)
- Corporation tax	(2.5)	(0.8)
Working capital	**(13.9)**	**2.0**

2.2.5 Current investment

In million of euros	**As at 30 June 2020**	**As at 31 December 2019**
Acquisition of tangible and intangible fixed assets	21.2	42.9
Right-of-use assets related to leases (*)	5.5	24.0
Current investments	**26.7**	**66.9**

(*) The increase in rights of use concerning leases corresponds to the new rights of use for the year 2020.

2.2 Information by segment

In application of IFRS 8 "Operating segments", segment information is presented in accordance with the Group's internal reporting used by the general 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 244.7 million euros as at 30 June 2020, these activities represent respectively 92% and 8%.

Digital
The "Digital" activity can be broken down as follows as at 30 June 2020:

- The digital Presence offer allows VSEs and SMEs to control their digital presence over the entire Web (several tens of medias in total including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Instagram, etc.) with just a few clicks, in real time and with complete autonomy, via a single mobile application, or a web interface. This offer represents revenues of 58.2 million euros as at 30 June 2020. The Presence offer is marketed in subscription mode with automatic renewal.

- The digital Advertising offer allows companies to increase their digital visibility beyond their natural presence over the entire Web, in a logic for developing local market shares. This offer integrates the Priority Referencing service launched in the third quarter of 2019 and represents revenue of 129.4 million euros as at 30 June 2020.

- With the Website range, Solocal offers customers site creation and SEO services (showcase and e-commerce), according to different budget levels, always in subscription mode with automatic renewal. This offer represents revenue of 35.4 million euros as at 30 June 2020.

  Intended for VSE/SMEs, the digital Presence and digital Advertising ranges are also available for large network accounts.

- Solocal also proposes New services aimed at facilitating the daily life of companies, such as for example a customer relations management (CRM) solution which was developed in 2019. This offer represents revenue of 2.3 million euros as at 30 June 2020.

Print
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", concerning conventional direct marketing. The Print segment is slated to be stopped at the end of 2020, and therefore is recording a decline moving towards the end of this activity.
The Solocal Group recorded Print revenues of 19.5 million euros as at 30 June 2020, down -45.8% compared to 2019.

There are no significant inter-sector transactions

2.2.1 By business sector

The table below presents a breakdown of the main aggregates by business sector:

Revenues according to product ranges

In million of euros	Continued activities As at 30 June 2020	As at 30 June 2019	Change
Digital Presence	58.2	68.8	-15.5%
Websites	35.4	42.4	-16.5%
Digital Advertising	129.4	140.3	-7.8%
New Services	2.3	4.2	-44.1%
Print	19.5	36.0	-45.9%
Total sales	**244.7**	**291.6**	**-16.1%**

2.2.2 By geographic region

Revenue is presented based on the geographical location of the customers. The capital used, the gross tangible and intangible investments are presented by asset zones.

Amounts in million of euros	As at 30 June 2020	As at 30 June 2019
Revenues	**244.7**	**291.6**
- France	244.7	291.6
- Others	0.1	-
Assets	**448.3**	**671.2**
- France	444.5	667.2
- Others	3.8	4.0

Note 3 – Sales

3.1 Revenues

The Solocal Group markets products and local communication services mainly in digital and printed form. The main activity, Digital, is comprised of the Digital presence, Digital advertising, Websites and New services ranges.

The revenue stemming from the Group's activities is recognised in a differentiated manner according to the type of products. Revenues as at 30 June 2020 amounted to 248.0 million euros compared to 304.0 million euros as at 30 June 2019.

Revenues are recognised according to the IFRS 15 standard that the Solocal Group has been applying since 1 January 2018.

The offers from the Solocal Group are grouped into three major families:

- Sites which are developed to be made available to customers for a contractual period of 12 or 24 months;

- Products related to digital services (Presence, digital advertising and new services) proposed over a renewable period of 12 months and digital advertising offers corresponding to one-off services and campaigns;
- The Print and Voice offer, which for the most part corresponds to inserts in paper directories for annual publication.

Recognition of revenues per service range

- "Sites" range:

Two separate service obligations are retained for the sites offer:

1. Designing the intellectual content over the design duration (between 30 days and 120 days depending on the products). Revenues from this obligation are recognised over the duration of the design.
2. The site is made available and updated during the contractual hosting period with a real duration of between 12 and 24 months.

- "Digital services (non-Site)" range:

Applying IFRS 15 leads to all these offers being recognised in a straight-line manner over the lifetime of the contracts in line with the transfer of control of the services which is performed continuously.

- "Print" range:

Applying IFRS 15 leads to no longer distinguishing the technical costs. Insertions into the directories now represents one single performance obligation for which the revenue is recognised in full in the month the directory is distributed.

3.2 Trade debtors

The breakdown of the gross value and impairment of trade debtors is as follows:

(in thousands of euros)	**As at 30 June 2020**	**As at 31 December 2019**
Gross trade debtors	80 883	114 816
Provisions for impairment	(16 756)	(24 593)
Net trade debtors	**64 126**	**90 223**

Trade debtors were due as follows:

(in thousands of euros)	**Total**	**Not due**	**Overdue**					
			< 30 days	**between 31 and 60 days**	**between 61 and 90 days**	**between 91 and 180 days**	**between 181 and 360 days**	**> 360 days**
30 June 2020	**64 126**	43 167	3 258	3 236	3 060	5 190	3 367	2 848
31 December 2019	**90 223**	24 501	12 135	45 461	1 415	2 759	1 392	2 560

3.3 Liabilities on contracts

Liabilities are primarily comprised on the balance sheet of net advances received from the customer in the case where the related service has not yet been rendered but has already been billed. Thus it entails sales of products that recognised later as revenue according to the duration on line ("Digital" Services) or publication ("Print").

The liabilities on contracts amounted to 135.9 million euros as at 30 June 2020 compared to 194.1 million euros as at 31 December 2019. This drop must be examined, the one hand, with the significant drop in the level of the "Print" business, and on the other hand, with a change in the Internet product mix towards mainly digital advertising products with a shorter lifespan.

Note 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.

Each asset or group of assets is tested for impairment by comparing its recoverable amount to its net book value. When impairment appears to be necessary, the recognised amount loss is equal to the difference between its 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.

As at 30 juin 2020, there is not any impairment of fixed assets

Note 5 – Cash, debt and financial instruments

5.1 Net financial income

The net financial income is made up as follows:

(Amounts in thousands of euros)	**As at 30 June 2020**	**As at 30 June 2019**
Interest and similar items on financial assets	196	33
Result of financial asset disposals	-	248
Change in fair value of hedging instruments	-	-
Discount income - hedging instruments	-	-
Dividends received	-	(1)
Financial income	**196**	**280**
Interest on financial liabilities	(24 151)	(18 781)
Income / (expenses) on hedging instruments	-	-
Change in fair value of hedging instruments	-	-
Amortisation of loan issue expenses	-	-
Change in fair value of financial assets and liabilities	-	141
Other financial expenses & fees (1)	(1 231)	(1 061)
Accretion cost (2)	(306)	(647)
Financial expenses	**(25 688)**	**(20 348)**
Gain (loss) on exchange	-	-
Financial income	**(25 492)**	**(20 068)**

(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

5.2 Cash and cash equivalents

Net financial debt corresponds to the total gross financial debt less or plus derivative asset and liability cash flow hedging instruments and less cash and cash equivalents.

(in thousands of euros)	**As at 30 June 2020**	**As at 31 December 2019**
Accrued interest not yet due	-	-
Cash equivalents	99	46
Cash	27 983	41 505
Gross cash	**28 082**	**41 551**
Bank overdrafts	-	(93)
Net cash	**28 082**	**41 458**
	0	0
Bond loan	397 835	397 835
Revolving credit facility drawn	50 000	50 000
Loans issue expenses	-	-
Lease liability	1 532	3 359
Fair value of hedging instruments (cf. note 7)	-	-
Price supplements on acquisition of securities	0	170
Accrued interest not yet due	21 616	1 387
Other financial liabilities	107 979	114 816
of which IFRS 16	103 497	104 104
Gross financial debt	**578 962**	**567 567**
of which current	*497 856*	*40 629*
of which non-current	*81 106*	*526 938*
Net debt	**550 880**	**526 109**
Net debt of consolidated group excluded loan issue expenses	**550 880**	**526 109**

The bond debt and the revolving credit facility was reclassed as short term during the first half of 2020. Indeed, the company did not honour the payment of the 15 March 2020 bond coupon. The company obtained a standstill from its creditors. Nevertheless, no waiver was able to be obtained since the company had to receive approval from the creditors representing more than 90% of the nominal of the bond debt.

Change in the liabilities stemming from financing activities

(in thousand euros)	As at 31 December 2019	Cash flows	Variations "non cash"					As at 30 June 2020
			Capital increase by offsetting receivables	Other Variations	Var. of change	IFRS 16	Reclass & changes in scope	
Bank borrowing and Bond loan	397 835	-	-	-	-	-	-	397 835
Revolving credit	50 000	-	-	-	-	-	-	50 000
Other loans	114 742	(6 156)	-	-	-	(607)	-	107 979
Associates current accounts	74	(74)	-	-	-	-	-	(0)
Earn-Out	170	-	-	(170)	-	-	-	-
Capital lease	3 359	(1 827)	-	-	-	-	-	1 532
Bank overdrafts	93	(93)	-	-	-	-	-	-
Total Liabilities fron financing activities	566 273	(8 150)	0	(170)	0	(607)	0	557 346

Cash and cash equivalents

As at 30 June 2020, the amount of cash and cash equivalents amounted to 28.1 million euros and are primarily comprised of non-blocked, remunerated, fixed-deposit accounts.

Issuing of bonds

Following the realisation of the financial restructuring in 2017, the Group's residual gross debt was reduced to 397.8 million euros, redeveloped in the form of issuing bonds for 397,834,585 euros for which the settlement-delivery took place on 14 March 2017, reserved for creditors under the Credit Agreement, and of which the main details are as follows and have not changed in 2020:

Interests:

- Calculation of interests: EURIBOR rate (EURIBOR being defined to include a minimum rate of 1%) margin plus 3-month, 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 before IFRS 16) at the end of the most recent half-year 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):

Ratio de levier financier net consolidé	Marge
Supérieur à 2,0 : 1	9,0%
Inférieur ou égal à 2,0 : 1 mais supérieur à 1,5 : 1	7,0%
Inférieur ou égal à 1,5 : 1 mais supérieur à 1,0 : 1	6,0%
Inférieur ou égal à 1,0 : 1 mais supérieur à 0,5 : 1	5,0%
Inférieur ou égal à 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. Compulsory early repayments are equally foreseen via funds from a percentage of excess cash flows, in relation to the Consolidated Net Leverage Ratio of the Company.

Financial commitments:

- The Consolidated Net Leverage Ratio (Consolidated Leverage / Consolidated EBITDA before IFRS 16) must be less than 3.5:1. This ratio is respected as at 30 June 2020;
- The interest hedging ratio (Consolidated EBITDA before IFRS 16/ Consolidated Net Interest Expense), must be greater than 3.0:1; and effective from the 2017 financial year and (ii) for the following year if the Consolidated Net Leverage·Ratio exceeds, on 31 December of the previous year, 1.5:1, the investment expenses (excluding external growth operations) (Capital Expenditure) concerning Solocal Group and its Subsidiaries are limited to 10% of the consolidated revenue of Solocal Group and its Subsidiaries. This ratio is respected as at 30 June 2020;

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;
- Proceed with payment of dividends or carry out distributions to shareholders; by derogation the payment of dividends or distributions to shareholders are 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 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 might not be in a position to refinance its debt or to obtain additional finance under satisfactory conditions.

The bond loan is indirectly guaranteed by a pledge of the securities of Solocal SA held by Solocal Group.

RCF:

A revolving credit facility of fifteen million euros was signed in February 2019 with two banking partners. The company worked on increasing this credit facility, which increased by 25 million on 12 July 2019, then 10 million on 6 December 2019 reaching 50 million maturing in March 2022.

Price supplements on acquisition of securities

None.

Financial instruments in the balance sheet

(in thousands of euros)	Carrying amount in balance sheet	Breakdown according to IFRS 9: 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	Breakdown by level in IFRS 13: Level 1 and Treasury	Level 2	Level 3
Available-for-sale assets	-	-	-	-	-	-	-	-	-	-
Other non-current financial assets	4 627	-	-	-	4 627	-	-	-	4 627	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Net trade accounts receivable	64 126	-	-	-	64 126	-	-	-	64 126	-
Other current financial assets	3 228	3 228	-	-	-	-	-	-	3 228	-
Cash equivalents	99	99	-	-	-	-	-	99	-	-
Cash	27 983	27 983	-	-	-	-	-	27 983	-	-
Financial assets	**100 063**	**31 310**	**-**	**-**	**68 753**	**-**	**-**	**28 082**	**71 981**	**-**
								-	-	-
Non-current financial liabilities and derivatives	0	-	-	-	-	0	-	0	-	-
Bank overdrafts and other short-tem borrowing	453 846	-	-	-	-	453 846	-	-	453 846	-
Accrued interest	21 616	-	-	-	-	21 616	-	-	21 616	-
Trade accounts payable	56 812	-	-	-	-	56 812	-	-	56 812	-
Financial liabilities	**532 274**	**-**	**-**	**-**	**-**	**532 274**	**-**	**0**	**532 274**	**-**

As at 30 June 2020, the market value of the bond loan was 179.0 million euros, compared to a carrying value of 397.8 million euros:

(in thousands of euros)	Carrying value	Quotes as at 30/06/2020	Market value
Bank borrowing	-		-
Bond loan	397 835	45.00%	179 026
Revolving credit - facility RCF 3	50 000		-
Loans	**447 835**		**179 026**
Accrued interest not yet due	21 616		
Price supplements on acquisition of securities	-		
Other debts incl. debt costs	6 014		
Lease liabilities	103 497		
Current financial liabilities and derivatives	**578 962**		

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 2020 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.

Note 6 – Provisions and other liabilities

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognised 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 recognised 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, but details of the obligation are disclosed in the Notes to the financial statements.

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 recognised 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.

(thousand 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 (2019)	18 645	-	-	(2 955)	-	15 690
Restructuring provisions (2018)	39 834	-	-	(17 205)	-	22 629
Restructuring provisions (2014)	11 024	-	(2 190)	(244)	-	8 590
Provisions for social and fiscal risks	9 632	2 720	(2 533)	(879)	-	8 940
Other provisions for risks	2 995	193	-	-	-	3 188
Total provisions	**82 130**	**2 913**	**(4 723)**	**(21 283)**	**-**	**59 037**
- of which non current	*11 025*	*-*	*(2 190)*	*(244)*	-	*8 591*
- of which current	*71 106*	*2 913*	*(2 533)*	*(21 039)*	-	*50 447*

Other allowances for the period stand at 2.9 million euros and primarily concern social and fiscal disputes.

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 relating to post-employment benefits are recognised for the full amount in other comprehensive income which is net positive impact of 0.4 million euros as at 30 June 2020.

In order to have up-to-date data, the turnover tables were recalculated in 2020 based on observations from 2015 to 2019 and only retaining, in accordance with the IAS 19 standard, motives for resignation in the turnover rate.

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 recognised 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.

As at 30 June 2020, the expense stated in respect of defined contribution pension plans amounted to 1.6 million euros.

The discount rate applied in valuing commitments as at 30 June 2020 compared to 31 December, remains identical at 0.75%.

The total amount of the provision in the balance sheet stood at 93.8 million euros as at 30 June 2020 compared to 94.8 million euros as at 31 December 2019.

The IAS 19 standard sets the discount rate at the rate of bonds issued by first-class companies (having a rating of at least AA or Aa) having a maturity equal to that of the commitment. If the market for these bonds is not liquid, the rate is equal to the rate of the corresponding government bonds (OATs).

Note 7 – Trade creditors

As at 30 June 2020, trade creditors are due in less than one year.

Note 8 – Corporation tax

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:

(thousand euros)	**As at 30 June 2020**	**As at 31 December 2019**
Pretax net income from business	**32 356**	**23 041**
Statutory tax rate	32,02%	32,02%
Theoretical tax	**(10 361)**	**(7 378)**
Earnings from not integrated companies & Foreign subsidiaries	(30)	-
Foreign subsidiairies - differences in tax rates		
Share-based payment	165	-
Corporate value added contribution (after tax)	(2 780)	(2 997)
Ceiling of interest expense deductibility	3 731	-
Adjustment corporation tax of prior years	-	-
Other non-taxable / non-deductible items (1)	4 756	3 390
Effective tax	**(4 392)**	**(6 588)**
of which current tax (CVAE excluded)	*(444)*	*496*
of which CVAE	*(2 780)*	*(2 997)*
of which deferred tax	*(1 168)*	*(4 087)*
Effective tax rate (deferred tax excluded)	**10,0%**	**10,9%**
Effective tax rate	**13,6%**	**28,6%**

(1) Includes CIR (research tax credit), CICE (tax credit for competitiveness and employment) and rate differences on deferred tax items

Net deferred tax assets in the balance sheet stood at 59.8 million euros as at 30 June 2020 compared to 60.9 million euros as at 31 December 2019. It is mainly applied to tax loss carry-forwards and retirement schemes.

Recall that the effective tax rate for fiscal 2019 (12 months) was 38.0 %.

Note 9 - Equity and earnings per share

9.1 Share capital

The social capital of Solocal Group is comprised of 627,041,466 shares each with a par value of 0.10 euro, which is a total amount of 62,704,147 euros (before deduction of treasury shares).

9.2 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, PACEO…). If the basic earnings per share are negative, diluted loss per share represents the same amount as the basic loss. Treasury stock deducted from consolidated equity is not taken into account in the calculation of earnings per share.

	As at 30 June 2020	**As at 30 June 2019**
Share capital (weighted average)	624 778 360	584 055 725
Treasury shares from liquidity contract (weighted average)	(666 039)	(376 073)
Number of basic shares	624 112 322	583 679 652
Number diluted Equity (weighted average)	647 904 341	594 179 652
Additional information (average)		
Number of existing basic shares as of 30 June 2020	625 094 546	584 033 547
Number of existing diluted shares as of 30 june 2020	648 973 978	594 533 547

Note 10 – Information on related parties

There were no new significant transactions or changes with related parties during the first half of 2020. Eric Boustouller will apparently 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 11 – Disputes, contingent assets and liabilities

11.1 Disputes – significant changes for the period

In the ordinary course of business, the 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 likely 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 does not consider itself party to any legal or arbitration proceedings whose likely outcome could have a materially negative impact on its results, activities or consolidated financial position.

Job safeguarding plan 2014

During 2013, Solocal 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 Solocal was presented to the staff representation bodies concerned beginning in September 2013. In parallel, Management negotiated with the representative trade unions, a majority agreement concerning the social 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.

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 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 Conseil d'Etat rejected the recourse of Solocal and the Minister of Labour. Consequently, multiple proceedings were initiated with the administrative as well as judicial courts. The proceedings brought before the administrative courts are now terminated.

As to legal proceedings, more than 200 legal proceedings have been brought before industrial tribunals by employees in regard to the consequences of the setting aside of the administrative decision to validate the collective agreement relating to the job safeguarding plan by the Versailles Court of Appeal, which permits them to claim a fixed compensation.

On the date of this document, all cases have received a first instance judgement.

Nearly 200 decisions have been rendered based on merit, as a first-instance or appeal. For a very large majority, these decisions reject the requests concerning the nullity of the redundancy and the fixed compensation consequences that stem from this, observing that the redundancy is based on a real and serious cause and rejecting the requests concerning the challenging of the economic reason, (but pronouncing sentences for payment based on article L1235-16 of the Labour Code at a level close to the compensation floor provided by this text, i.e. between six and seven months wages). One court of appeal in particular accepted the application of the statute of limitations claimed by the company and fully dismissed the claimants (35 dossiers). These decisions were referred to the Cour de Cassation by the claimants. The Cour de Cassation handed down two initial rulings in September 2019 accepting the company's position with respect to the one-year limitation. Consequently, this jurisprudence should be applied to the cases pending before the Cour de Cassation in 2020 and no first instance rulings should be confirmed.

Furthermore, certain decisions gave 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 few dossiers are also pending before the Cour de Cassation at the initiative of Solocal for questions other than limitation. Rulings should be handed down in 2020.

Solocal recognised in the consolidated financial statements 2015 the exceptional impact linked to the court decisions that cancelled the validation by the DIRECCTE of the job safeguarding plan. This additional provision is 35 million euros and is recognised in the consolidated financial statements as at 31 December 2015. It corresponds to a prudent hypothesis in a context of high legal uncertainty, recently reinforced by contradictory decisions of employee claims courts.

As at 30 June 2020, the remaining provision on the statements was 8.6 million euros compared to 11.0 million euros as at 31 December 2019.

Solocal continued with the deployment of its reorganisation and therefore launched a new PSE Job Safeguard Procedure in 2016 for the employees that were not able to be made redundant due to this invalidation.

Solocal initially claimed from the State reparation for its prejudice, resulting from the payment of indemnities following the cancellation of the decision of DIRECCTE, then took the case before the Tribunal Administratif of Cergy-Pontoise in July 2017 in order to obtain a sentence from the State to pay it this amount.

Supplier dispute

A former distributor commenced legal proceedings against Solocal for sudden break of established business relationships. The latter was dismissed for all of its claims in the first instance but has filed for appeal. The appeal decision should be handed down in the first half 2020. The provision initially set aside in Solocal's 2016 financial statements has therefore been maintained according to the requirements and criteria that are usually applied.

Tax audit

Solocal S.A. underwent a tax audit concerning financial years 2010 to 2013 and has received proposals for a reassessment concerning the Research Tax Credit. The company disputed the reassessment motives to the tax authorities and 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 initially allocated was reversed in the statements as at 31 December 2017. As part of the investigations into the case, the administration called on the Ministry of Education, Research and Innovation (MESRI) to carry out an expert appraisal of the R&D projects declared by the Company with respect to its the Research Tax Credit applications for the years 2010, 2011, 2012 and 2013.

On 30 March 2020 the company received an expert report from the Ministry of Research and

Innovation that recognises the eligibility for the research tax credit for several projects from 2010 and 2011 rejected by the administration. Income receivable of 2.3 million euros was recognised, corresponding to the best estimation.

11.2 Contractual commitments not recognised / contractual commitments and off-balance-sheet commitments

There were no new significant commitments during the first half of 2020.

Note 12 – Events subsequent to the closing date of 30 June 2020

An agreement aimed at the financial restructuring of Solocal Group was signed on 3 July 2020.

The shareholders' extraordinary general meeting on 24 July 2020 approved the implementation of the financial restructuring plan:

Recapitalisation of the group

In accordance with the Conciliation Protocol signed with its creditors and following the approval by the General meeting of shareholders of the restructuring project, the Group will launch a capital increase of 347 million euros fully guaranteed by the bond creditors. This will allow for a reduction in the debt by an amount between 252 and 262 million euros and a cash contribution of 85 million euros.

The capital increase of 347 million euros will be broken down as follows:

- A first reserved capital increase for a maximum amount of 17 million euros benefitting one or more bond creditors. This capital increase will be carried out at the price of 8 centimes per share and carried out by converting debt into capital;
- A capital increase with preferential subscription rights retained for 330 million euros that will be carried out at a price of 3 centimes per share. This capital increase, open to all shareholders, is fully guaranteed by the bond creditors, as a contribution of liquidities of 85 million euros and as debt conversion for the balance;
- An allocation of free shares benefitting all existing shareholders, at a rate of one free share for one share held as at 31 August 2020 based on the company's shareholding immediately before the conducting of the reserved capital, which is an issuing of 627 million actions.

These provisions were approved by the General Meeting of 24 July 2020 and will be carried out under the two conditions of obtaining from the "Autorité des Marchés Financiers" (the French "Financial Markets Authority") of an exemption from the obligation of GoldenTree to launch a tender offer (in accordance with article 234-9 2° of the "Règlement Général de l'Autorité des Marchés Financiers"), and Confirmation of the amendment to the accelerated financial safeguard plan by the commercial court of Nanterre.

Following the approval of these provisions by the general meeting, the accounting impacts will be the derecognising of the original debt and the recognising of the new debt and equity instruments.

In light of this, the financial statements of Solocal Group as at 30 June 2020 were drawn up in application of the principle of continuing operation, with the assumption that the aforementioned financial restructuring plan would be implemented within the scheduled timeframe, and in any case no later than 31 December 2020.

Lines of financing
On the 22nd July 2020, Solocal secured financing commitments of €32 million. The financing consists of an ATOUT loan (Prêt ATOUT) of €16 million granted by BPIfrance Financement and €16 million from a bond subscribed by certain bondholders. These lines of financing will be drawn in August 2020 in order to meet the Group's immediate liquidity needs.

Note 13 – Declaration of the person responsible for the report

"I certify that, to the best of my knowledge, the condensed consolidated financial statements for the half year ended have been prepared in accordance with the applicable accounting standards and present a true picture of the assets, financial situation and results of the Company and all of the companies included within the consolidation, and that the management report included in Part 1 of the report is a true reflection of the major events that have occurred during the period, of their impact on the accounts and of the main transactions between related parties, as well as a description of the main risks and main uncertainties for the remaining six months in the financial period."

Boulogne-Billancourt, 27 July 2020
Eric Boustouller
Chief Executive Officer

Note 14 – Statutory Auditors’ Report on the half-year financial reporting 2020

To the Shareholders,

In accordance with the terms of our appointment at your General Meeting and in application of article L.451-1-2 III of the French Monetary and Financial Code, we have performed:

- a limited examination of the condensed consolidated half-year financial statements for SoLocal Group, concerning the period from 1 January to 30 June 2020, as provided with this report;

- verification of the information provided in the half-year management report.

The half-year condensed consolidated financial statements were drawn up under the responsibility of the Board of Directors on 27 July 2020 on the basis of available lements at this moment in an evolving context of crisis linked to Covid-19 and with difficulties to grasp the implications and the prospects for the future. Our responsibility is to express our conclusion on these financial statements based on our limited review.

I- Conclusion on the financial statements

We have performed our limited review pursuant to the professional standards applicable in France. A limited review consists primarily in meeting with members of the management in charge of the finance and accounting aspects and in implementing analytical procedures. This work is not as extensive as that required for an audit pursuant to the professional standards applicable in France. Consequently, the assurance that the financial statements, taken as a whole, do not contain any significant anomalies obtained in the framework of a limited review is a moderate assurance, and is not as high as that obtained in the framework of an audit.

Based on our limited review, we have not detected any material misstatement of a nature to call into question the compliance of the half-year condensed consolidated financial statements with IAS 34 – IFRS standards adopted in the European Union concerning interim financial reporting.

Without questioning the opinion expressed above, we draw your attention to Note 12 “Events subsequent to the closing date of 30 June 2020” of the half-year condensed consolidated financial statements related to the financial restructuring plan approved by the the shareholders’ extraordinary general meeting on 24 July 2020.

II- Specific verification

We have also performed a verification of the information provided in the half-year management report commenting the half-year condensed consolidated financial statements prepared on 27 July 2020 on which our limited review was based. We have no matters to report regarding its fairness and consistency with the half-year condensed consolidated financial statements.

Paris-La Défense, 7 August 2020
The Statutory Auditors,

Auditex
Jeremy Thurbin

BEAS
Jean-François Viat