Activity report
as at 31 December 2018

Board of Directors of February 19, 2019

Unofficial translation of the French-language "*Rapport d'activité au 31 décembre 2018*" of Solocal Group, for information purposes only.

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Solocal Group
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Registered office : 204 rond-point du Pont de Sèvres - 92100 Boulogne-Billancourt
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SOMMAIRE

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 was mainly driven by the three digital service ranges - Digital Presence, Digital Advertising and Websites - 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 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 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 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 €98.4 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.

2. Commentary on the 2018 full-year results

During the 2018 financial year the Group divested four non-strategic activities ("Divested activities"): Retail Explorer, Net Vendeur, Effilab Australia et Effilab Dubaï.

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 euros compared to (3.8) million euros 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 continued activities for years ending 31 December 2018 and as at 31 December 2017

Million euros	As at 31 December 2018					As at 31 December 2017 (*)					
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			Change Recurring 2018 / 2017
			Total	Recurring	Non recurring			Total	Recurring	Non recurring	
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				*25.6%*		*20.5%*		*21.3%*	*23.4%*		
Depreciation and amortization	(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 IFRS9 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:

- Gains or losses realised 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.

In 2018 Non recurring items amounted to (166,5) million euros 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) million euros.

In 2017, this amounted to (15,1) million euros 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.

Breakdown of revenues and recurring EBITDA of continued activities as at 31 December 2018 and 31 December 2017

SoLocal Group	Continued activities		
Million euros	**As at 31 December 2018**	**As at 31 December 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 IFRS9 and IFRS 15

2.1 Analysis of revenues, sales and order backlog of continued activities

Order intake

In million of euros	**As at 31 December 2018**	**As at 31 December 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 were down €(75.4) million, i.e. -12.5%, whereas Print order intake for 2017 were down €(40.4) million, i.e. -34.4%.

Solocal's performance indicators

	Exercice clos le 31 décembre 2018	**Exercice clos le 31 décembre 2017**	Variation
Ventes en abonnement (en % des ventes totales) (1)	15.5%	10.8%	4.7 pts
AudiencePagesJaunes (nombre de visites en milliards)	1.73	1.71	0.9%

(1) Périmètre hors ClicRDV, Effilab, Leadformance, Mappy, Ooreka, QDQ, SoMS et filiales non significatives, soit 92% du chiffre d'affaires consolidé

Order intake in subscription mode as a percentage of total order intake amounted to 15.5% and were up +4.7 points in 2018 compared to 2017. Subscription order intake mainly include 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 Pages Jaunes 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 Q4 2018. Leads generated by visitors increased by +1.6% in 2018 compared to 2017.

Revenues

In million of euros	As at 31 December 2018	As at 31 December 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 IFRS9 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 Q3 and Q4 2018. 2018 Print revenues were down €(36.5) million, i.e. -27.1%.

Order backlog

In million of euros	As at 31 December 2018	As at 31 December 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 euros 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 Q3 2018 and Q4 2018.

2.2 Analysis of recurring EBITDA of continued activities

Net external expenses

Recurring net external expenses were (192.1) million euros, 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 euros 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 euros 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 euros under the transformation project. The Recurring EBITDA / recurring revenues margin was 25.6% in 2018, up +2.2 points vs. 2017.

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:

Million euros	As at 31 December 2018			As at 31 December 2017 (*)			
	Continued activities			Continued activities			Change Recurring 2018 / 2017
	Total	Recurring	Non recurring	Total	Recurring	Non recurring	
EBITDA	**4.7**	**171.2**	**(166.5)**	**155.3**	**170.4**	**(15.1)**	**0.5%**
As % of revenues		*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 IFRS9 and IFRS 15

Depreciation and amortization amounted to (61.9) million euros 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 euros.

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:

Million euros	As at 31 December 2018			As at 31 December 2017 (*)			
	Continued activities			**Continued activities**			**Change Recurring 2018 / 2017**
	Total	**Recurring**	**Non recurring**	**Total**	**Recurring**	**Non recurring**	
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 IFRS9 and IFRS 15

Recurring net financial income/expense

Net financial income was (36.7) million euros in 2018, compared to (28.2) million euros (excluding debt restructuring) in 2017. This change is mainly due to interest expenses for the bond debt of (32.0) million euros in 2018 in comparison to (24.0) million euros 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 euros in 2018, down -7.3% compared to 2017.

The pre-tax income for continued activities was (93.9) million euros in 2018, due to the costs of (164.0) million euros related mainly to the transformation project in 2018. In 2017, pre-tax income for continued activities was 329.0 million euros, due to the net gain from debt restructuring of 266.0 million euros.

The corporate income tax income was 13.0 million euros in 2018, consisting of (5.3) million euros paid mainly under the CVAE (Corporate value added contribution) and of deferred tax income of 18.2 million euros. 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 euros.

Non-recurring items

Non-recurring items that impact EBITDA amounted to (166.5) million euros and include mainly (164.0) million euros in restructuring costs resulting from the transformation project. These (164) million euros can be broken down as follows:

- (215) million euros 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 euros 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 euros. 36 million euros of this amount were disbursed in 2018, the net provision as at 31 December 2018 thus amounts to 128 million euros.

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 euros in 2018 vs. 316.8 million euros in 2017 related to the net gain from debt restructuring.

2.4 Presentation of consolidated cash flows with breakdown of "Continued activities" and "Divested activities"

Cash flow statement	As at 31 December 2018	As at 31 December 2017 (*)	Change Recurring 2018 / 2017
In million of euros			
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 IFRS9 and IFRS 15

The change in working capital requirements is (14.4) million euros in 2018 vs. (13.3) million euros in 2017.

Non-recurring items amounted to (67.8) million euros in 2018 and include (36) million euros related to the transformation project, (14) million euros 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 euros 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 euros in 2018 vs. (24.7) million euros in 2017.

As of 31 December 2018, the Group had net cash position of 81.5 million euros vs. 86.0 million euros 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.

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 million of euros	**As at 31 December 2018**	**As at 31 December 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**

The net cash from operations amounted to 48.8 million euros in 2018 compared to 27.0 million euros in 2017, representing an increase of 21.9 million euros 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 euros in 2018 compared to (40,2) million euros in 2017, representing a decrease of (9,7) million euros 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 euros in 2018 compared to a net increase of 8,5 million euros 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:

SoLocal Group (Consolidé)	**As at 31 December 2018**	**As at 31 December 2017**
In million of euros		
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 euros as at 31 December 2018 compared to 331.7 million euros as at 31 December 2017.

As at 31 December 2018 it is mainly comprising:

- Of bounds stemming from the financial restructuring operations carried out in March 2017 for an amount of 397.8 million euros, repayable in March 2022,
- Of Lease liability of 6.9 million euros,
- Of net cash flow of 81.5 million euros.

An agreement was reached in February 2019 in order to put in place a revolving credit facility (RCF) of 15 million euros 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

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. Events subsequent to the closing date

None

6. Investment expenses

CAPEX from continued activities	**As at 31 December 2018**	**As at 31 December 2017**	**Change**
In million of euros			
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 euros in 2018, from 52.8 million euros 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: 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.
-

Order intake : Orders booked by the sales force, which should translate into the performance of a service by the Group for its customers.