Consolidated financial information as at 31 December 2018

Board of Directors of 19 February 2019

Solocal
Public limited company with a Board of Directors with capital of 58 363 037 euros
Registered office : 204 rond-point du Pont de Sèvres - 92100 Boulogne-Billancourt
Commercial and Companies Register. Nanterre 552 028 425

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CONSOLIDATED FINANCIAL STATEMENTS

Statement of consolidated income

(Amounts in thousands of euros, except data relating to shares)	Notes	**As at 31 December 2018**	**As at 31 December 2017 (*)**	**As at 31 December 2017 published**
Revenues	5.1	670 410	739 243	764 941
External expenses		(197 087)	(203 339)	(201 479)
Personnel expenses	7.1	(304 728)	(384 409)	(383 492)
Restructuring costs	1.1.2	(164 000)	-	-
EBITDA		**4 596**	**151 495**	**179 970**
Depreciation and amortization		(61 963)	(53 487)	(53 487)
Operating income		**(57 367)**	**98 009**	**126 483**
Net gain from debt restructuring at 13 March 2017		-	265 785	265 785
Financial income		108	395	393
Financial expenses		(36 816)	(28 571)	(28 569)
Financial income	9.4	**(36 708)**	**237 609**	**237 609**
Income before tax		**(94 075)**	**335 618**	**364 092**
Corporate income tax	8	12 891	(18 786)	(28 570)
Income for the period from continuing operations		**(81 184)**	**316 831**	**335 522**
Income for the period attributable to:				
- Shareholders of SoLocal Group		(81 206)	316 852	335 543
- Non-controlling interests		22	(21)	(21)
Net earnings per share (in euros)				
Net earnings per share of the consolidated group based on a weighted average number of shares				
- basic	11.5	(0,14)	0,81	0,86
- diluted		(0,14)	0,80	0,85
Net earnings per share of the consolidated group based on a year end number of existing shares				
- basic		(0,14)	0,54	0,58
- diluted		(0,14)	0,54	0,57

(*) Restated for the impact of the first application of IFRS9 and IFRS 15

Statement of consolidated comprehensive income

(Amounts in thousands of euros)	Notes	**As at 31 December 2018**	**As at 31 December 2017 (*)**	**As at 31 December 2017 published**
Income for the period report		**(81 184)**	**316 831**	**335 522**
ABO reserves :				
- Gross	7.2	1 055	(878)	(878)
- Deferred tax		(362)	(1 260)	(1 260)
- Net of tax		**693**	**(2 138)**	**(2 138)**
Exchange differences on translation of foreign operations		11	(297)	(297)
Other comprehensive income		**704**	**(2 435)**	**(2 435)**
Total comprehensive income for the period, net of tax		**(80 480)**	**314 396**	**333 087**
Total comprehensive income for the period attributable to:				
- Shareholders of SoLocal Group		(80 504)	314 417	333 112
- Non-controlling interests		24	(21)	(25)

(*) Restated for the impact of the first application of IFRS9 and IFRS 15

Statement of consolidated financial position

(Amounts in thousands of euros)	Notes	As at 31 December 2018	As at 31 December 2017 (*)	As at 31 December 2017 published
Assets				
Net goodwill	4.1	88 870	90 727	90 727
Other net intangible fixed assets	4.2	100 139	118 842	118 842
Net tangible fixed assets	4.3	25 614	25 482	25 482
Other non-current financial assets	9.6	6 919	7 293	7 293
Net deferred tax assets	8.2	75 056	57 263	9 155
Total non-current assets		**296 598**	**299 606**	**251 498**
Net trade accounts receivable	5.2	234 559	281 766	304 070
Costs of obtaining contracts	1.3.1.3	-	-	35 477
Other current assets	5.3	42 494	33 703	33 703
Current tax receivable		9 023	2 731	2 731
Prepaid expenses		4 755	6 374	6 374
Other current financial assets		2 006	2 880	2 880
Cash and cash equivalents	9.5	81 644	87 476	87 476
Total current assets		**374 482**	**414 929**	**472 710**
Total assets		**671 081**	**714 534**	**724 208**
Liabilities				
Share capital		58 363	58 244	58 244
Issue premium		743 803	741 551	741 551
Reserves		(1 349 806)	(1 666 484)	(1 591 351)
Income for the period attribuable to shareholders of Solocal Group		(81 184)	316 852	335 543
Other comprehensive income		(44 641)	(45 347)	(44 745)
Own shares		(5 249)	(5 157)	(5 157)
Equity attributable to equity holders of the SoLocal Group	11	**(678 714)**	**(600 341)**	**(505 915)**
Non-controlling interests		41	79	79
Total equity		**(678 673)**	**(600 263)**	**(505 836)**
Non-current financial liabilities and derivatives	9.6	402 235	408 170	408 170
Employee benefits - non-current	7.2	93 770	139 391	139 391
Provisions - non-current	7.2	39 937	17 533	17 533
Deferred tax liabilities	8.2	-	74	74
Total non-current liabilities		**535 942**	**565 168**	**565 168**
Bank overdrafts and other short-term borrowings	9.6	5 626	9 555	9 555
Accrued interest	9.6	1 389	1 419	1 419
Provisions - current	7.2	163 188	16 108	16 108
Contract liabilities	5.4	357 486	427 178	340 931
Trade accounts payable	5.5	115 391	91 186	91 186
Employee benefits - current		93 605	121 741	119 416
Other current liabilities		76 895	78 237	81 357
Corporation tax		232	4 204	4 905
Total current liabilities		**813 813**	**749 627**	**664 876**
Total liabilities		**671 081**	**714 534**	**724 208**

(*) Restated for the impact of the first application of IFRS9 and IFRS 15

Statement of consolidated changes in equity

(Amounts in thousands of euros)

	Number of shares in circulation	Share capital	Issue premium	Own shares	Income and reserves	Actuarial differences	Translation reserve	Group equity	Non-controlling interests	Total equity
Balance as at 31 December 2016	**38,793,842**	**233,259**	**364,544**	**(4,987)**	**(1,867,141)**	**(11,606)**	**(306)**	**(1,286,238)**	**104**	**(1,286,134)**
Retroactive impact on Turnover table of pension commitment					*(1,784)*	*(31,001)*		*(32,785)*		*(32,785)*
Retroactive impact of retention plan					*1,335*			*1,335*		*1,335*
Balance as at 1 January 2017 - Published Accounts	**38,793,842**	**233,259**	**364,544**	**(4,987)**	**(1,867,590)**	**(42,607)**	**(306)**	**(1,317,688)**	**104**	**(1,317,584)**
Retroactive impact of IFRS15					*(73,301)*			*(73,301)*		*(73,301)*
Balance as at 1 January 2017	**38,793,842**	**233,259**	**364,544**	**(4,987)**	**(1,940,891)**	**(42,607)**	**(306)**	**(1,390,989)**	**104**	**(1,390,885)**
Total comprehensive income for the period					336,613			**336,613**	(21)	**336,592**
Retroactive impact on Turnover table of pension commitment					*(402)*	*6,921*		***6,519***		***6,519***
Retroactive impact of retention plan					*(668)*			***(668)***		***(668)***
Other comprehensive income					-	(9,059)	(294)	**(9,353)**	(4)	**(9,357)**
Total comprehensive income for the period, net of tax					**335,522**	**(2,138)**	**(294)**	**333,111**	**(25)**	**333,087**
								-		
Capital transactions	543,568,236	(175,015)	377,007		268,035			**470,027**		**470,027**
Mandatory Convertible Bond					8,804			**8,804**		**8,804**
Shares of the consolidating company net of tax effect	(319,552)			(170)				**(170)**		**(170)**
Balance as at 31 December 2017	**582,042,526**	**58,244**	**741,551**	**(5,157)**	**(1,328,509)**	**(44,745)**	**(600)**	**(579,217)**	**79**	**(579,137)**
Retroactive impact of IFRS15					*(17,355)*			*(17,355)*		*(17,355)*
Retroactive impact of IFRS9					*(3,768)*			*(3,768)*		*(3,768)*
Balance as at 1 January 2018	**582,042,526**	**58,244**	**741,551**	**(5,157)**	**(1,349,632)**	**(44,745)**	**(600)**	**(600,341)**	**79**	**(600,261)**
Total comprehensive income for the period					(81,184)			**(81,184)**	21	**(81,163)**
Other comprehensive income					**-**	-	11	**704**	**2**	**705**
Total comprehensive income for the period, net of tax					**(81,184)**	**-**	**11**	**(80,480)**	**23**	**(80,457)**
Share-based payment					2,197			**2,197**		**2,197**
Capital transactions	1,185,565	119	2,252		(2,371)			**-**		**-**
Shares of the consolidating company net of tax effect	(90,367)			(92)				**(92)**		**(92)**
Minority Stake holders Effilab Dubaï (cession)									**(61)**	**(61)**
Balance as at 31 December 2018	**583,137,724**	**58,363**	**743,803**	**(5,249)**	**(1,430,990)**	**(44,052)**	**(589)**	**(678,714)**	**41**	**(678,673)**

Consolidated cash flow statement

(Amounts in thousands of euros)	As at 31 December 2018	As at 31 December 2017 (*)	As at 31 December 2017 (*)
Income for the period attribuable to shareholders of Solocal Group	**(81 206)**	**316 852**	**335 543**
Depreciation and amortization of fixed assets	57 159	64 511	64 511
Change in provisions	125 076	(10 653)	(10 653)
Share-based payment	2 123	-	-
Capital gains or losses on asset disposals	4 804	(11 024)	(11 024)
Interest income and expenses	36 715	(237 573)	(237 573)
Hedging instruments	-	(36)	(36)
Unrealised exchange difference	(7)	-	-
Tax charge for the period	(12 891)	18 786	28 570
Share of profit or loss of an associate	-	-	-
Non-controlling interests	22	(21)	(21)
Decrease (increase) in inventories	353	135	135
Decrease (increase) in trade accounts receivable	47 816	32 846	18 574
Decrease (increase) in other receivables	(8 814)	(213)	(665)
Increase (decrease) in trade accounts payable	25 801	4 357	4 357
Increase (decrease) in other payables	(97 515)	(49 111)	(62 862)
Net change in working capital	**(32 359)**	**(11 986)**	**(40 461)**
Dividends and interest received	635	422	422
Interest paid and rate effect of net derivatives	(35 289)	(56 228)	(56 228)
Corporation tax paid	(15 781)	(44 790)	(44 790)
Net cash from operations	**49 001**	**28 260**	**28 260**
Acquisition of tangible and intangible fixed assets	(43 665)	(53 859)	(53 859)
Acquisitions / disposals of investment securities and subsidiaries, net of cash acquired / sold and other changes in assets	(7 104)	12 233	12 233
Net cash used in investing activities	**(50 768)**	**(41 626)**	**(41 626)**
Increase (decrease) in borrowings	(3 109)	(263 919)	(263 919)
Capital increase net of costs	-	272 651	272 651
Dividends paid	106	-	(0)
Other cash from financing activities o/w own shares	94	(216)	(216)
Net cash provided by (used in) financing activities	**(2 908)**	**8 516**	**8 516**
Impact of changes in exchange rates on cash	81	(45)	(45)
Net increase (decrease) in cash position	**(4 595)**	**(4 895)**	**(4 895)**
Net cash and cash equivalents at beginning of period	86 118	91 013	91 013
Net cash and cash equivalents at end of period	**81 523**	**86 118**	**86 118**

(*) Restated for the impact of the first application of IFRS9 and IFRS 15

Notes to the consolidated financial statements

Note 1 - Basis for preparation of the consolidated financial statements

Solocal Group is a Public Limited Company with a Board of Directors subject to the provisions of Book II of the French Commercial Code, as well as all other statutory provisions applicable to French trading companies.
The registered office of the Company is at 204 rond-point du Pont de Sèvres, 92100 Boulogne-Billancourt (France). It was founded in 2000 and the Solocal Group shares have been listed on the Paris Stock Exchange (Euronext) since 2004 (LOCAL).

1.1 Highlights

1.1.1 Activities

Solocal generated revenues of €670.4 million in 2018, 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 by the Group's historic business of publishing printed directories.

Digital

In 2018, Solocal registered Digital revenues of €572.0 million, representing 85.3% of Group revenues.

Print

Print activity 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.

1.1.2 Restructuring plan

On 13 February 2018, the Group presented its strategic project entitled “Solocal 2020”. This transformation project, developed to enable the Group to recover sustainable growth with effect from 2019, involves cutting around 1,000 positions through the implementation of two Employment Protection Plans.

This transformation project also comprises measures to improve operational efficiency, notably including the grouping of the telesales, customer support and production activities within regional centers. This led to the closure or merging of regional commercial branches.

On 22 June 2018, the Management and the main trade unions signed four agreements:

- An FCSP (Forward-Looking Careers and Skills Planning) agreement on mobility leave, outlining the external mobility schemes offered to employees working in job categories affected by the reorganization project. This agreement encourages voluntary departures between July and end-September 2018;
- An agreement on the Employment Protection Plan for employees in affected positions, to be launched during the fourth quarter of 2018;
- A framework agreement which involves, in particular, maintaining the number of jobs during the implementation of the new organizational system which will include putting into place a mechanism for sharing created value with the employees of this new organization.
- An agreement to maintain supplementary pensions.

Furthermore, a plan to transfer the operations of the Toulouse and Marseille centers to the Bordeaux and Lyon centers was presented on 21 November 2018, resulting in the amendment of the employment contracts of the personnel working in these centers.

Provisions with respect to the positions concerned by the 2018 employment part of the restructuring plan and the closure of the regional sales branches at the end of 2018 were recognized as at 31 December 2018 for an amount of €172.1 million, as a counterpart of a provision reversal relating to the retirement benefits commitments and long-service awards for concerned employees which was accounted for an amount of €50.9 m.
The Group also established a provision of €6.7 million relative to the best estimate of costs for exiting the unoccupied premises of Citylights.

The impacts of this plan on the financial statements for the year ended 31 December 2018 have been set apart on the "Restructuring Costs" line of the income statement and are broken down as follows:

	As at 31 December 2018						
million euros	**Staff count**	**Forecast cost**	**Reversal of pension commitments provisions**	**Net charges**	**Disbursement**	**Provision exluding pension commitments**	**Pension commitments net provision as at 31 December 2018**
Non recurring personnel expenses	**85**	**(5.1)**	**3.0**	**(2.2)**	**3.6**	**(1.5)**	**1.5**
Expenses related to 2018 leaves	929	(186.2)	47.9	(138.3)	20.1	(166.1)	(118.2)
Expenses related to real estate		(12.2)	0.0	(12.2)	2.0	(10.2)	(10.2)
sub-total	**929**	**(198.4)**	**47.9**	**(150.5)**	**22.2**	**(176.2)**	**(128.3)**
Other expenses related to restructuration		**(11.4)**	**0.0**	**(11.4)**	**10.3**	**(1.1)**	**(1.1)**
TOTAL	**1,014**	**(214.9)**	**50.9**	**(164.0)**	**36.0**	**(178.8)**	**(127.9)**

Elements of uncertainty that could influence the appropriate valuation of this provision will depend on the personal choices made by the individuals working in the affected categories.

1.2 Accounting principles and methods

The consolidated financial statements as at 31 December 2018 were prepared in accordance with the international accounting statements of the IASB (International Accounting Standards Board) as well as the international standards adopted by the European Union as at 31 December 2018.
The guidelines adopted by the European Commission are available on the following website: https://ec.europa.eu/info/law/international-accounting-standards-regulation-ecno-1606-2002.

The accounting year for the companies in the Solocal extends from 1 January to 31 December. The currency used in presenting the consolidated financial statements is the euro.

The Solocal Chief Executive Officer oversaw the process of preparing and closing the Group's consolidated financial statements as at 31 December 2018 and they were approved by the Board of Directors on 19 February 2019. They will be submitted for the approval of the General Shareholders’ Meeting of 11 April 2019.

1.3 IFRS standards

The accounting principles and methods applied for the consolidated financial statements as at 31 December 2018 are the same as those used in the consolidated financial statements as at 31 December 2017, with the exception of the IFRS standards, amendments and interpretations as adopted by the European Union and the IASB, whose application is mandatory for the open financial years with effect from January 1st 2018 (and which had not been applied in advance by the Group), i.e. IFRS 9 concerning financial instruments and IFRS 15 regarding revenue from contracts with customers.

The standards, amendments or interpretations published by the IASB and IFRS IC (IFRS Interpretations Committee) respectively, and whose application is not mandatory for the open financial years with effect from 1 January 2018 and not applied par anticipation by the Group, are:

Amendments to IAS 1 and IAS 8	Definition of Material	Date of application not set
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	Date of application not set
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	Date of application not set
Amendments to IFRS 9	Prepayment Features with Negative Compensation	Applicable on 31 December2018
Amendments to IFRS 9, IFRS 7 and IAS 39	Mandatory Application Date and Information to be disclosed during transition period	Date of application not set
Amendments to IFRS 9	Hedge Accounting and Amendments to IFRS9, IFRS 7 and IAS 39	Date of application not set
Amendments to IFRS 10 and IAS 28	Long-term Interests in Associates and Joint Ventures	Date of application not set
Conceptual framework		Date of application not set
IFRS 16	Leases	Applicable on 31 December2018
IFRS 17	Insurance Contracts	Date of application not set
Interpretation of IFRIC 23	Uncertainty ever Income Tax Treatment (IAS 12)	Applicable on 31 December2018
	Annual improvements to IFRS Standards 2015-2017 Cycle	Date of application not set

1.3.1 First application of IFRS 9 and IFRS 15

IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 on revenues since 1 January 2018. The 2017 financial statements have been restated with a view to enabling the comparability of revenues after this standard came into force.

The table below provides details of the published 2017 revenues and therefore prior to the impact of IFRS 15 being considered in addition to the 2017 revenues restated after taking into account IFRS 15.

Million euros

	As at 31 December 2017		
Revenues	**IAS 18**	**IFRS 15**	**Ecarts**
Digital	644.9	604.3	-40.6
Print	120.0	134.9	14.9
Total revenues	**764.9**	**739.2**	**-25.7**
Consolidated EBITDA	**180.0**	**151.4**	**-28.6**
Contract liabilities	341	427	86
Trade accounts receivable	34	19	-15
Cost of obtaining contracts	35	0	-35

The impact of this restatement resulting in the reduction of EBITDA for 2017 amounts to €28.6 million.

Solocal has opted for the full retrospective method for the application of IFRS 15 on 1 January 2018. The main impacts of the new standard per category of commercial offering are described hereinafter.

Choice of the accounting policies retained:

The Solocal offerings are split up in three major ranges:
1. Sites developed to be made available to customers for a contractual period of 12 or 24 months;
2. Search local products available online via the Internet Business Card and its complements intended to increase visibility or audiences or to allow for transactional possibilities, typically offered over a renewable period of 12 months, and the Digital Marketing offers that correspond to one-off services or campaigns; and
3. The Print and Voice offer, which for the most part corresponds to inserts in paper directories for annual publication.

1.3.1.1 Recognition of revenues by product range

- "Sites" range:

Pursuant to IFRS 15, two separate service obligations are retained for the sites offer
1. Designing of the intellectual content over the duration of designing (between 30 days and 120 days depending on the products). The revenue recognition resulting from this obligation is recognized over the course of the duration of realization.
2. Making available and updating the site during the contractual hosting period of between 12 and 24 months.

Revenues related to the "Sites" Range amounted to €107.0 million in 2018 for sales made during this period of €117.5 million. Sales consist of orders made by commercials which should lead to a service rendered by the Group to the clients.

Applying IFRS15 generates an allocation that is different in value resulting in a modification in the rate of revenue recognition.

- "Search and Digital Marketing (excluding Sites)" range:

Applying IFRS 15 will result in recognizing all these offers in a linear manner over the duration of the contracts. Taking revenues into account will as such be delayed with respect to the historical methods.
Revenues related to the "Search et Marketing Digital (excluding Sites)" Range amounted to €466.0 million in 2018 for the sales made in this period of €411.3 million.

- "Print" range:

Applying IFRS 15 leads to no longer distinguishing the technical costs. Insertions into the directories now represent a single performance obligation for which revenues are recognized in full in the month the directory is distributed.
Revenues related to the "Print and Vocal" Range amounted to €98.4 million in 2018 for sales made during this period of €77.1 million.

1.3.1.2 Service obligations still to be satisfied

In 2018, sales amounted to €528.7 million for the "Digital" business and €77 million for "Print & Other" compared with €604.1 million and €117.5 million respectively in 2017.

Solocal order backlog as at 31 December 2018 amounted to €391.9 million.

The order backlog corresponds to the revenues to be perceived on the orders made by clients and not yet satisfied. Since the products are membership based, only the current period is used.

As at 31 December 2018, this amount was recorded as contract liabilities (cf. Note 5.4) given the invoicing method, the major part of this amount came under Current liabilities which correspond to future service obligations still to be satisfied. The balance is recognized as an off balance sheet commitment. (Cf Note 13.2)

1.3.1.3 Other impacts on the financial statements related to the application of IFRS 15

Costs of obtaining contracts

The variable portion of the remuneration of the sales force can no longer be considered as an incremental cost directly linked to the acquisition of contracts identified in terms of IFRS 15. These costs will now be recognised directly in expenses when they are incurred. Consequently, they are zero on the balance sheet as at 31 December 2018.

The annual impact on the 2017 financial statements was €0.5 million corresponding to the difference between the acquisition costs of contracts stated in the balance sheet as at 31 December 2017 of €35.5 million and those as at 31 December 2016 for €35 million.

Costs of executing contracts

The application of IFRS 15 has no impact on the recognition of costs of executing contracts that are transferred directly to expenses, with the exception of those relating to directories not yet distributed.

1.3.2 First application of IFRS 9

With effect from 1 January 2018, Solocal Group applied the new IFRS 9 on financial instruments instead of IAS 39. The new standard provides a retrospective application of the classification and valuation of financial assets and liabilities, and in particular for the Group, new methodologies concerning the impairment of financial assets. The Group has decided not to restate prior periods.

With regard to provisioning financial assets, the Group has conducted a study using historic data concerning financial years 2015 to 2018 in order to estimate the expected loss rates to be borne in mind and to estimate the impact of the change compared with the application of IAS 39. The Group has identified that the impact of the first application mainly concerns trade debtors.

The application of IFRS 9 results in calculating a ratio of losses on bad debts in relation to sales of 0.91% on the receivables not having been the subject of prior impairment. The impact on opening equity in respect with the first application of this standard results in a reduction in equity of €3.8 million. The impact on the 2018 profit/loss is not significant.

1.3.3 Impact of the first application of IFRS 16 in 2019

The new standard on leases (IFRS 16), published on 13 January 2016, will lead to recognition in the balance sheet all the finance leases as defined by the new standard, without any distinction between operating leases, currently recognised as off-balance-sheet commitments, and financial leases. The first application of this standard will impact the balance sheet of the Group as follows:

- An increase in fixed assets (reporting of a right to use);
- Recognition of a lease liability (representative of updated rental payments);

In 2018 the Group started the process of implementing IFRS 16 relating to leases, applicable from 1 January 2019. When entering into a lease of which the payments are fixed, this standard imposes the recording on the balance sheet of a liability corresponding to updated future payments, in exchange for a right of use of an asset amortised over the duration of the lease. IFRS 16 will be applied as of 1 January 2019, in accordance with the transition method referred to as "amended retrospective" which provides for the recording of a liability on the date of transition corresponding to the updated residual rent alone, in exchange for an adjusted right of use of the amount of the rent paid in advance or as expenses to be paid; all the impacts of the transition will be recorded against equity.

The standard allows for various simplification measures during the transition, the Group has, in particular, chosen measures enabling the exclusion of leases with a residual duration of under twelve months and to exclude leases concerning assets of low value.

The amount of the liabilities is largely dependent on the assumptions chosen with regard to the duration of the leases and discount rate. The duration of the lease chosen for the calculation of the liability is the duration of the initially negotiated lease, without taking into account early termination or extension options, except in specific circumstances. The discount rate is determined as the sum of the risk-free rate, by reference to its duration, and the Group's credit risk for the same duration reference.

The Group has put in place a dedicated IT tool to collect contractual data and make the calculations imposed by the standard. Identifying the leases and collecting the data required to calculate the liability on the transition date was finalised at year end 2018. The impact on the balance sheet as at 1 January 2019 concerning the first application of IFRS 16 will be situated between €105 and €115 million. The impact of the application of this standard on EBITDA amounts to approximately €15m. Most of the leases concern the location of Group's registered office.

The application of this new standard does not affect the cash balance and the financial leverage (Cf Note 9.5) as defined in the bond documentation.

1.3.4 <u>Other</u>

The effects of the application of the IFRIC 23 interpretation relating to uncertainty over income tax treatments, from 1 January 2019, are currently being analyzed.

1.4 Other information

<u>Seasonal variations</u>
The activities of the Group are not subject to seasonal effects, note however that for the Print activity in order to optimize costs, the dates of publication of the printed directories (which determine the recognition of income and related expenses) may vary from one quarter to the next, as each printed directory appears only once a year.

<u>Preparation of the financial statements</u>
The preparation of the consolidated financial statements in accordance with the IFRS standards leads the Management of the Group to make estimations and issue assumptions, which can have an impact on the amounts of the assets and liabilities recognized on the date of the preparation of the financial statements and have a counterparty in the income statement. The Management made its estimations and issued its

assumptions on the basis of past experience and by taking into account different factors deemed to be reasonable in order to value the assets and liabilities. The use of different assumptions might have a significant impact on these valuations. The main estimations made by the Management during the process of preparing the financial statements concern in particular the assumptions chosen for the valuation of the recoverable amount of the tangible and intangible fixed assets, pension liabilities, acquisition costs of contracts and provisions. The information provided in respect of the possible assets and liabilities and off-balance sheet commitments existing at the date of preparing the consolidated financial statements is also the subject of estimations.

1.5 Going concern

Despite the existence of negative consolidated equity, the Group has not identified any elements of a nature to compromise going concern

An agreement was reached in February 2019 in order to put in place a revolving credit facility (RCF) of 15 million 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 sales1over 2019) and taking into account the financial facilities described above, the Group is in a position to finance its business activity in 2019 as well as the large outflows, related to the PSE, which will take place in the third and fourth quarter of 2019.

1.6 Presentation of consolidated financial statements

As permitted under IAS 1 "Presentation of Financial Statements", the Group presents the income statement by type.

EBITDA is an alternate indicator of performance presented in the income statement in operating income and before taking depreciation and amortization into account.

1.7 Alternative performance indicators

In order to monitor and analyse the financial performance of the Group and the performance of its different activities, the Group Management uses alternative performance indicators, financial indicators not defined in the IFRS standards. Note 2 "Segment information" partially refers to these alternative performance indicators.

Note 2 – Segment information

In application of IFRS 8 "Operating segments", segment information is presented in compliance with the Group's internal reporting process used by Senior Management to measure the financial performance of the segments and allocate resources.

Solocal is developing its activities within two operating segments: Digital and Print and generated revenue for continued activities of €669.4 million in 2018, its Internet and Print activities represent 85.3% and 14.7% respectively.

Digital
In 2018, "Digital" business was comprised of two main segments:

- The Digital Presence range enables VSEs and SMEs to manage their activity on the Web through several dozen media channels including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Waze and Instagram in just a few clicks, in real time and automatically via a single mobile application or an online interface. This range represented revenues of €131.2 million in 2018.

- The Digital Advertising range enables businesses to augment their digital visibility beyond their natural online presence by tapping into local markets. This range represented revenues of €325.2 million in 2018.

Targeting VSEs and SMEs, the Digital Presence and Digital Advertising ranges are also aimed at large network accounts.

- The Websites service consists of creating search engine optimised websites (both window shopping and e-commerce) that cater to every purse on a subscription basis with automatic renewal. This range represented revenues of €107 million in 2018.

- Solocal also offers New services designed to facilitate daily business of companies, such as a Customer Relationship Management (CRM) solution which will be developed in 2019. This offer represented revenues of €7 million in 2018.

Print
This segment comprises the Group’s activities regarding advertising, distribution and the sale of advertising space in printed directories (PagesJaunes), as well as the Group’s other activities called “Voice”, concerning traditional direct marketing (logistics, franking, emailing) and information services by telephone and text (118 008) in addition to the reverse directory QuiDonc.

Solocal recorded revenues concerning continued Print activities of €98.4 million in 2018, down by 27% compared with 2017.

There were no new significant inter-segment transactions

2.1 By business sector

The table below shows the breakdown of the main aggregates based on the different segments for 2018 and 2017:

(Thousand euros)	As at 31 December 2018					As at 31 December 2017 (*)					As at 31 December 2017 published				
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities		
			Total	Recurring	Non recurring			Total	Recurring	Non recurring			Total	Recurring	Non recurring
Revenues	**670,410**	**983**	**669,427**	**669,427**	**-**	**739,243**	**11,511**	**727,732**	**727,732**	**-**	**764,941**	**9,092**	**755,849**	**755,849**	**-**
- Digital	572,019	983	571,036	571,036	-	604,327	11,511	592,816	592,816	-	644,940	9,092	635,848	635,848	-
- Print	98,391	-	98,391	98,391	-	134,916	-	134,916	134,916	-	120,001	-	120,001	120,001	-
EBITDA	**4,596**	**(142)**	**4,738**	**171,247**	**(166,509)**	**151,495**	**(3,798)**	**155,293**	**170,426**	**(15,133)**	**179,970**	**(2,690)**	**182,660**	**195,983**	**(13,323)**
- Digital	(17,400)	(142)	(17,258)	149,251	(166,509)	121,165	(3,798)	124,963	140,096	(15,133)	154,347	(2,690)	157,037	170,360	(13,323)
- Print	21,996	-	21,996	21,996	-	30,330	-	30,330	30,330	-	25,623	-	25,623	25,623	-

(*) Restated for the impact of the first application of IFRS9 and IFRS 15

Recurring EBITDA
Recurring EBITDA corresponds to EBITDA before taking into account the items defined as non-recurring. These non-recurring items concern a very limited number of cases of income and expenses of a non-usual, abnormal and rare nature and of particularly significant amounts. They correspond to:
- Restructuring expenses: these are costs corresponding to a program planned and controlled by the Management, which significantly alter either the company’s line of business or the manner in which

this activity is managed in accordance with the criteria specified by IAS 37
- Capital gains or losses related to disposals of assets

In 2018, non-recurring items amounted to €166.5 million and mainly comprised non-recurring expenditure incurred within the framework of the Restructuring Plan (See Note 1.1.2). This plan concerns approximately 1,000 employees for a total net cost of €164,0 million.

In 2017, this amounted to €15.3 million and was mainly comprised of non-recurring personnel expenditure incurred to secure the continuity of operations in addition to the costs related to natural wastage and items related to the change in governance.

Divested activities

The Group isolates divested activities that are subsidiaries or business ranges that have been disposed of or discontinued. As for the presentation of the segment information, the comparable are restated on a twelve months basis from divested activities during the year.

During financial year 2018, the Group divested certain non-strategic activities ("divested activities"): Retail Explorer, Net Vendeur, Effilab Australia and Effilab Dubai.

2.2 By geographic region

Revenues are presented on the basis of the geographic location of customers. The capital employed, gross intangible and tangible fixed asset investments, and end of year headcount are shown by area of assets.

Amounts in thousands of euros	As at 31 December 2018	As at 31 December 2017 (*)	As at 31 December 2017 published
Revenues	**670,410**	**739,243**	**764,941**
- France	647,095	715,477	741,119
- Others	23,315	23,766	23,822
Assets	**671,081**	**714,534**	**724,208**
- France	654,757	694,085	702,819
- Others	16,324	20,449	21,389

(*) Restated for the impact of the first application of IFRS9 and IFRS 15

Note 3 – Consolidation principles

3.1 Control analysis

Subsidiaries which are controlled by the Group, directly or indirectly, are fully consolidated.

Interests not controlled by the Group but over which the Group exercises a notable level of influence are consolidated in accordance with equity method.

The existence and effect of potential voting rights exercisable or convertible at the balance sheet date are taken into consideration when determining control or significant influence exercised over the entity.

In accordance with IFRS 5, the assets and liabilities of controlled entities deemed to be held for disposal are presented on different lines of the balance sheet. Moreover, the profit/loss of discontinued operations, if it is significant, must be shown on a separate line of the income statement. IFRS 5 defines a discontinued operation as a component of an entity comprising cash flows that can be clearly distinguished from the rest of the entity, that has either been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations.

Material inter-company transactions and balances are eliminated in consolidation.

3.2 Changes in the scope of consolidation

At the time of taking control of a company, de jure or facto, the assets, liabilities and potential liabilities of the acquired company are valued at their market value as at the date of the takeover; the difference between the cost of the takeover and the portion of the Group in the market value of these assets, liabilities and potential liabilities is reported as goodwill. The cost of the acquisition is the price paid by the Group within the framework of an acquisition, or the estimation of this cost if the transaction is conducted without any payment of cash with the exclusion of the expenses linked to the acquisition.

The difference between the book value of the non-controlling interests acquired following the acquisition and the price paid for their acquisition is recorded against equity. Goodwill is not amortized but is the subject of an annual impairment test in accordance with the methodology presented in "Note 4.1 – Goodwill". The potential impairment charge is included in depreciation and amortization.

2018
The company PJOM was added to the consolidation perimeter. There were no disposals of sizeable businesses during the year.

2017
During the 2017 financial year, the Group divested two non-strategic activities:

- Site avendrealouer.fr, activity of diffusion of the classified advertisements of the entity PagesJaunes SA. The sale of this business on 30 November 2017 was made on the basis of a sale price of €19.8 million as at 30 November 2017. This amount is subject to change after the sale. on the basis of adjustment criteria agreed between the parties. The impact on the consolidated net result of this disposal in the Group's financial statements amounts to €11.9 million.

- All of Chronoresto's shares were sold on 31 October 2017 for €1. The net impact of this sale in the Group's financial statements amounts to €(5.3) million on the consolidated net income.

Note 4 - Fixed assets

4.1 Goodwill

Goodwill represents the difference between the purchase cost of shares in consolidated companies, including transaction expenses, and the Group's equity in the value of the underlying net assets at the date of acquisition.

In accordance with IFRS 3 "Business Combinations", goodwill is not amortized. It is tested for impairment at least once a year or more frequently when there is an indication that it may be impaired. IAS 36 "Impairment of Assets" requires these tests to be performed at the level of each cash generating unit (CGU) to which the goodwill has been allocated. In certain cases, CGUs may be combined if the combined CGUs represent the lowest level at which management monitors return on investment. (A cash generating unit is defined as the smallest homogeneous group of assets whose continuous use generates cash inflows that are largely independent of the cash inflows from other groups of assets.

To determine whether goodwill has been impaired, the consolidated net book value of the assets and liabilities of each CGU is compared to their recoverable amount. Goodwill impairment losses are recorded in the income statement.
The recoverable amount is the higher of the fair value less exit costs and value in use:

- Fair value less exit costs is determined as the best estimate of the sale value net of exit costs in a transaction conducted under normal competitive conditions between knowledgeable, willing parties. This estimate is determined on the basis of the available market information, taking into account particular situations.

- The value in use applied by the Group is the present value of the future cash flows expected to be derived from the CGU, including goodwill. Cash flow projections are based on economic and regulatory assumptions and forecast trading conditions applied by the management of PagesJaunes, as follows:

  - Cash flow projections are based on the three-year business plan,
  - Beyond this period, cash flows are extrapolated using a perpetual growth rate that reflects the forecast long-term growth rate of the market for each specific business activity,
  - Cash flows are discounted at rates that are deemed appropriate given the nature of the business activity and the country.

If the business is intended to be sold, the recoverable amount is determined on the basis of the fair value net of exit costs.

The segments, determined in accordance with IFRS 8 – "Operating Segments", are as follows: Digital, on the one hand and Print & Voice on the other. As at 31 December 2018, all of the non-amortised goodwill was allocated to the Digital segment.

The level at which the Group measures the current value of goodwill corresponds to the level of each of the sectors which are groupings of product lines (Search local + transactional, sites and programmes).

Breakdown of the net value of goodwill by business sector:

(in thousands of euros)	As at 31 December 2018			As at 31 December 2017			Change
	Gross	Accumulated impairments	Net	Gross	Accumulated impairments	Net	Net
Digital	90,270	(1,400)	88,870	92,127	(1,400)	90,727	(1,857)
Print	75,282	(75,282)	-	75,282	(75,282)	-	-
TOTAL	**165,552**	**(76,682)**	**88,870**	**167,409**	**(76,682)**	**90,727**	**(1,857)**

The movements in the net value of goodwill can be analysed as follows:

(in thousands of euros)	As at 31 December 2018	As at 31 December 2017 (*)
Balance at start of year	**90,727**	**95,507**
Acquisitions / disposals	(1,857)	(4,780)
Impairments	-	-
Impairments	-	-
Reclassifications and others	-	-
Balance at end of year	**88,870**	**90,727**

The change in goodwill in 2018 corresponds to the outflow in connection with the disposal of the subsidiary, Retail Explorer.

Goodwill value has been the subject of a review within the framework of closing the consolidated financial statements~~,~~ on the basis of business plans, a perpetual growth rate of 2% and a post-tax discount rate of 8.5%. These rates are based on published sector studies.

The assumptions made in determining the recoverable values are similar from one cash-generating unit to the other: these are:

- The revenue which reflects the number of customers, the ARPA, the penetration rate of the offerings,
- Costs with the levels of commercial costs required to handle the rate of customer acquisition and renewals, the positioning of the competition, the possibilities of adapting the costs to the changes in revenue or the effects of the natural attrition of the workforce,
- The level of the investment expenses that can be affected by the constant change in new technologies.

The values assigned to each of these parameters reflect past experience, subject to anticipated developments during the life of the plan. These parameters are the main sensitivity factors.

In terms of sensitivity, an increase of 1% in the discount rate across all of the CGUs, a decrease of 1% in the perpetuity growth rate or a decrease of 1% in the margin rate of the last year of the business plans would not result in the recording of depreciation.

4.2 Intangible fixed assets

Intangible assets, consist mainly of trademarks, licences and patents, research and development costs and software. They are stated at acquisition or production cost.

When intangible assets are acquired in a business combination, their cost is generally determined when the purchase price of the company acquired is allocated based on their respective market values. When such market value is not readily determinable, cost is determined using generally accepted valuation methods based on revenues, costs or other appropriate criteria.

Internally developed trademarks are not recognised in the balance sheet.

Brands
Trademarks having an indefinite useful life are not amortised, but are tested for impairment.

Licences and patents
Licences and patents are amortised on a straight-line basis over periods which correspond to the expected usage period, not exceeding twenty years.

Research and development costs
Under IAS 38 "Intangible Assets", development costs must be recognised as an intangible fixed asset when the following can be demonstrated:

- the technical feasibility necessary to complete the intangible asset with a view to its being put into service or sold;
- The intention and financial and technical ability to complete the development project;
- its capacity to use or sell the intangible asset;
- the likelihood that the future economic benefits attributable to the development costs incurred will accrue to the Company;
- and the cost of this asset can be reliably valued.

It should be underlined that the process of determining the costs which satisfy these criteria requires significant judgements and estimates. Research and development costs not fulfilling the above criteria are expensed in the year in which they are incurred. Significant capitalised development costs are amortised on a straight-line basis over their useful life, generally not exceeding three years.

Software

Software is amortised on a straight-line basis over its useful life, not exceeding five years.

(in thousands of euros)	As at 31 December 2018			As at 31 December 2017		
	Gross value	Total depreciation and losses of value	Net value	Gross value	Total depreciation and losses of value	Net value
Software and application support	407 429	(311 806)	95 623	376 602	(267 960)	108 642
Other intangible fixed assets	10 577	(6 061)	4 516	18 934	(8 734)	10 200
Total	**418 006**	**(317 867)**	**100 139**	**395 537**	**(276 695)**	**118 842**

No impairment was recorded in 2018 and 2017.

Movements in the net value of other intangible fixed assets can be analysed as follows:

(in thousands of euros)	As at 31 December 2018	As at 31 December 2017
Opening balance	**118,842**	**128,074**
Acquisitions	110	537
Internally generated assets (1)	42,645	50,391
consolidation	(419)	(738)
Exchange differences	15	(150)
Reclassifications	(7,818)	111
Disposals and accelerated amortisation	(3,088)	(4,093)
Depreciation charge	(50,148)	(55,289)
Closing balance	**100,139**	**118,842**

(1) concerns all capitalised development expenses

4.3 Tangible fixed assets

The gross value of tangible fixed assets corresponds to their purchase or production cost in accordance with IAS 16 "Property, plant and equipment" It is not the subject of any reassessment.

Finance leases
Assets acquired under leases that transfer the risks and rewards of ownership to entities of the Group (financial leases) are stated in fixed assets, with a corresponding financial obligation being recorded in liabilities. The risks and rewards of ownership are considered as having been transferred to the entities of the Group when:

- The lease transfers ownership of the asset to the lessee at the end of the lease term,
- the Group has the option to purchase and the conditions of the option are such that it is highly likely that ownership will be transferred at the end of the lease term,
- The lease term covers the major part of the estimated economic life of the asset;
- The discounted value of the total of the minimum fees provided for in the contract is close to the fair value of the asset.

At the same time, the assets in respect of which the risks and rewards associated with ownership are transferred by the entities of the Group to third parties under a lease contract are considered as having been sold.

Maintenance and repair costs are expenses as incurred, except where they serve to increase the asset's productivity or prolong its useful life.

Depreciation
Tangible fixed assets are depreciated on a basis that reflects the pattern in which their future economic benefits are expected to be consumed in the case of each asset item on the basis of the acquisition cost, less any residual value. The straight-line basis is usually applied over the following estimated useful lives: 25 to 30 years for buildings, 5 to 10 years for fittings, 1 to 5 years for other fixed assets.

These depreciation periods are reviewed annually and are adjusted if current estimated useful lives differ from previous estimates. These changes in accounting estimates are recognised prospectively.

(in thousands of euros)	**As at 31 December 2018**			**As at 31 December 2017**		
	Gross value	Total depreciation	Net value	Gross value	Total depreciation	Net value
IT and terminals	57,965	(54,798)	3,166	58,128	(54,139)	3,988
Others	68,685	(46,237)	22,448	58,033	(36,540)	21,493
Total	**126,650**	**(101,035)**	**25,614**	**116,161**	**(90,679)**	**25,482**

No significant impairment was reported in the financial years ended on 31 December 2018 and 31 December 2017.

Movements in the net value of tangible fixed assets can be analysed as follows:

(in thousands of euros)	**As at 31 December 2018**	**As at 31 December 2017**
Opening balance	**25,482**	**33,420**
Acquisitions	697	2,932
Subvention	1,212	(2,942)
Effect of changes in the scope of consolidation	(13)	(13)
Exchange differences	7	(52)
Reclassifications	7,817	(111)
Disposals and accelerated amortisation	(1,133)	(159)
Depreciation charge	(8,456)	(7,593)
Closing balance	**25,615**	**25,482**

4.4 Depreciation of fixed assets

Under IAS 36 “Impairment of Assets”, the value in use of tangible and intangible fixed assets is tested when there is an indication of impairment, reviewed at each closing.

Intangible and tangible fixed assets are subject to a write down for impairment when, because of events or circumstances which have occurred during the period (such as obsolescence, physical deterioration, significant changes to the manner in which the asset is used, worse than expected performance, a drop in revenues or other external indicators, etc.), their recoverable amount appears to be lower than their net book value in the long term. The recoverable amount of an asset is the higher of its fair value less exit costs and its value in use.

Impairment tests are performed by asset or by group of assets by comparing their recoverable value and their net book value. When an impairment loss appears necessary, the amount recognized is equal to the difference between the net book value and the recoverable amount.

The recoverable amount of the assets is most often determined based on the value in use. The latter corresponds to the future economic benefits expected to be derived from the use of the asset and its subsequent disposal. It is assessed by the discounted cash flows method, based on economic assumptions and operating conditions expected by the Management of the Group.

Note 5 - Sales

5.1 Revenues

Solocal markets products and local communication services mainly in digital and printed form. The main activity, Internet, is comprised of Search Local and of Digital Marketing.

Revenues generated by the Group's activities are recognized and presented in a differentiated manner depending on the type of products (See Note 1.3.1.1). Revenues in financial year 2018 amounted to €670.4 million compared to €739.2 million in 2017 (See Note 2).

5.2 Trade debtors

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

(in thousands of euros)	**As at 31 December 2018**	**As at 31 December 2017 (*)**	**As at 31 December 2017 published**
Gross trade debtors	260,359	306,816	325,543
Provisions for impairment	(25,800)	(25,050)	(21,473)
Net trade debtors	**234,559**	**281,766**	**304,070**

(*) Restated for the impact of the first application of IFRS9 and IFRS 15

As at 31 December, trade debtors were due as follows:

(in thousands of euros)	**Total**	**Not due**	**Overdue and not impaired**					
			< 30 days	**between 31 and 60 days**	**between 61 and 90 days**	**between 91 and 180 days**	**between 181 and 360 days**	**> 360 days**
2018	**234 559**	219 459	963	3 823	1 786	2 657	1 774	4 097
2017	**282 587**	261 851	7 047	3 560	2 625	2 548	2 664	2 292
2017 published	**304 891**	*283 942*	*7 260*	*3 560*	*2 625*	*2 548*	*2 664*	*2 292*

The Group’s portfolio of trade receivables does not present a significant risk of concentration (about 375,000 advertisers in France). In France, PagesJaunes’ 20 largest customers represent 1.4% of these revenues (1.5% in 2017) and customers in the 10 largest business sections represent 13.5% of PagesJaunes revenues (13.6% in 2017). Provisions for bad debts remain at a very low level, with net provisions amounting to 0.2% of revenues in 2018 compared to 0.1% in 2017.

5.3 Other current assets

The other current assets are made up as follows:

(in thousands of euros)	**As at 31 December 2018**	**As at 31 December 2017**
VAT receivable	32,696	19,864
Sundry accounts receivable	350	2,316
Trade payables - Advances and instalments	2,923	2,480
Other current assets	6,525	9,043
Total	**42,494**	**33,703**

The increase in the VAT receivables is explained by the increase of the trade payables for the period.

5.4 Contract liabilities

Liabilities in the balance sheet are mainly comprised of net advance payments from customers in the event of the related services not yet having been provided. This concerns sales of products recognized at a later date as revenues on the basis of the duration of appearing online ("Digital range") or publication ("Print range").

Contract liabilities amounted to €357.5 million as at 31 December 2018 compared with €427.2 million at 31 December 2017 (€340.9 million at 31 December 2017 published). This decrease must be examined, on the one hand, with the significant decrease in the level of the "Print & Voice" business, and on the other hand, with a change in the Internet product mix towards mainly Digital Marketing products with a shorter lifespan.

5.5 Trade accounts payable

Amounts owed to suppliers bear no interest and are payable in principle between 30 and 60 days. The changes concerning this item between December 31st 2017 and December 31st 2018 partly correspond to the constitution of franchises on leases in particular on the Citylights offices.

5.6 Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when, at the end of the period, the Group has an obligation towards a third party resulting from a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

This obligation may be legal, regulatory or contractual. It may also derive from the Group's practices or public commitments, which have created a legitimate expectation among third parties concerned that the Group will meet certain responsibilities.

The amount recognized as a provision corresponds to the best estimate of the expenditure required of the Group to settle the present obligation. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded; an attached information is then provided.

Contingent liabilities, corresponding to potential obligations resulting from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Company's control, and to probable obligations that are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. They are disclosed in a Note in the appendix.

Provisions for restructuring costs are recognised only when the restructuring has been announced and a detailed plan has been drawn up or implemented before the period end-date.

Provisions are discounted when the discounting adjustment is material.

Note 6 - Purchases and other expenses

6.1 Advertising and similar expenses

Expenses for advertising, promotion, sponsorship, communication and brand development are stated in full in the expenses for the year in which they are incurred.

Note 7 - Personnel benefits, provisions and other liabilities

7.1 Personnel expenses

Personal expenses amount to € 304.7m for the year ended December 31st 2018 and are made up of the following:

(In thousands of euros, except staff count)		As at 31 December 2018	As at 31 December 2017 (*)	As at 31 December 2017 published
Average staff count (full-time equivalent)		3 571	4 287	4 287
Salaries and charges		**304 016**	**382 796**	**381 879**
of which:	- Wages and salaries	191 250	241 026	240 415
	- Social charges	89 433	120 926	120 620
	- Tax credit employment (CICE)	(2 340)	(3 473)	(3 473)
	- Taxes on salaries and other items	25 673	24 317	24 317
Share-based payment		**(747)**	**(3 309)**	**(3 309)**
of which:	- Stock options and free shares	2 329	-	-
	- Reimbursement of social charges on free shares	(3 076)	(3 309)	(3 309)
Employee profit-sharing [1]		**1 459**	**4 922**	**4 922**
Total staff expenses		**304 728**	**384 409**	**383 492**

(*) Restated for the impact of the first application of IFRS9 and IFRS 15
(1) incl. Corporate contribution

The products related to the share-based payments identified in 2017 and 2018 come from the reimbursement demands of the state contributions provided for in the L.137-13 article of the CSS which were paid out with regards to the shared granted in 2014. The amount of € 6,3m was reimbursed end of 2018.
The demand is still under consideration regarding the reimbursement for the year 2015.

7.2 Personnel benefits, provisions and other liabilities

The reduction of the provision related to non-current personnel benefits of €45.6 million mainly corresponds to amounts released from provisions within the framework of the restructuring plan (Cf. Note 1.1.2).

(in thousands of euros)	As at 31 December 2018	As at 31 December 2017
Post-employment benefits	85,212	127,998
Other long-term benefits	8,558	11,393
Non-current personnel benefits (1)	**93,770**	**139,391**
Other Provision for risks	23,500	12,997
Provisions for social or fiscal disputes	16,437	4,536
Non-current provisions	**39,937**	**17,533**

(1) Cf. details in the folloing note. Non-current personnel benefits concern the French companies.

Movements in provisions were as follows:

(in thousands of euros)	Opening balance	Charge for the year	Reversal of the year (unused)	Reversal of the year (utilised)	Changes in the scope of consolidation, reclassifications and others	Closing balance
Restructuring provisions (2018)	-	178,800	-	-	-	178,800
Restructuring provisions (2014)	24,507	1,002	(10,010)	(161)	-	15,337
Provisions for social and fiscal risks	5,015	3,077	(304)	(1,378)	-	6,410
Other provisions for risks	4,119	15	(527)	(1,029)	-	2,578
Total provisions	**33,641**	**182,893**	**(10,841)**	**(2,568)**	**-**	**203,125**
- of which non current	*17,533*	*27,802*	*(10,010)*	*(161)*	*4,773*	*39,937*
- of which current	*16,108*	*155,092*	*(831)*	*(2,407)*	*(4,773)*	*163,189*

The provisions booked mainly cover employee-related disputes linked to the restructuring plan implemented in 2018 (Cf. Note 1.1.2). The current amount of this provision is € 152 million.

Retirement benefits and similar commitments

In France, legislation provides for benefits to be paid to employees at retirement on the basis of their length of service and salary at retirement age.
In accordance with IAS 19, obligations under defined benefit schemes are measured by the projected unit credit method. According to this method, each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately to value the final obligation, using demographic hypotheses (turnover of the personnel, mortality, retirement age, etc.) and financial hypotheses (future increase in salary by category).
This final obligation is then discounted with a rate determined in reference to the yield on first-category long-term private bonds (or State bonds if there is no liquid market).
Actuarial differences related to post-employment benefits are recognized for the full amount in other comprehensive income i.e. a net positive impact of €0.8 million.

In order to have up-to-date data, the turnover tables were recalculated in 2018, on the basis of observations made between 2015 and 2018 and only taking into account the reasons for resignation in the turnover rate in accordance with IAS 19.

Other retirement schemes

These benefits are offered through defined contribution schemes for which the Group has no commitment other than the payment of contributions. The charge corresponding to the contributions paid is recognized in the income statement for the period.

Other long-term benefits which may be granted by the Group consist mainly of long-service awards that are also measured on an actuarial basis.

(in thousands of euros)	Post-employment benefits	Other long-term benefits	**Total 31 décembre 2018**	Post-employment benefits	Other long-term benefits	**Total 31 décembre 2017**
Change in value of commitments						
Total value of commitments at start of period	**128,403**	**11,692**	**140,096**	**78,608**	**10,159**	**88,766**
Adjustment of the opening periode (change of method)	0	0	0	43,064.82	2,721.24	45,786.06
Total value of commitments at start of period (adjusted)	**128,403**	**11,692**	**140,096**	**121,673**	**12,880**	**134,552**
Cost of services rendered	9,099	556	9,655	7,408	915	8,322
Discounting cost	1,921	165	2,086	1,620	180	1,800
Reductions/liquidations	(3,495)	(302)	(3,797)	(2,256)	-	(2,256)
Actuarial (gains) or losses	(1,940)	885	(1,055)	876	(1,908)	(1,031)
Benefits paid	(240)	(312)	(552)	(475)	(374)	(849)
Changes in scope	-	-	-	(443)	-	(443)
Others	(48,236)	(3,648)	(51,884)	-	-	-
Total value of commitments at end of period (A)	**85,512**	**9,036**	**94,549**	**128,403**	**11,692**	**140,096**
Commitments at end of period relating to non-financed schemes	*85,512*	*9,036*	*94,549*	*128,403*	*11,692*	*140,096*
of which short term	*300*	*478*	*778*	*402*	*300*	*700*
of which long term	*85,212*	*8,558*	*93,771*	*128,001*	*11,392*	*84,986*
Pension charge						
Cost of services rendered	9,099	556	9,655	7,408	915	8,322
Discounting costs	1,921	165	2,086	1,620	180	1,800
Effect of reductions/liquidations	(3,495)	(302)	(3,797)	(2,256)	-	(2,256)
Total pension charge	**7,525**	**419**	**7,944**	**6,772**	**1,095**	**7,866**
Movements in the provision / (asset)						
Provision / (assets) at start of period	**128,403**	**11,692**	**140,096**	**121,673**	**12,880**	**134,552**
Pension charge	7,525	419	7,944	6,772	1,095	7,866
Contributions paid by the employer	-	-	-	-	-	-
Benefits paid directly by the employer	(240)	(312)	(552)	(475)	(374)	(849)
Change of scope	-	-	-	(443)	-	(443)
Actuarial gains or (losses)	(1,940)	885	(1,055)	876	(1,908)	(1,031)
Others	(48,236)	(3,648)	(51,884)	-	-	1
Provision / (assets) at end of period	**85,512**	**9,036**	**94,549**	**128,403**	**11,692**	**140,096**
Assumptions						
Discount rate (%)	1.45%	1.45%	1.45%	1.50%	1.50%	1.50%
Expected long-term inflation rate (%)	2.0%		2.00%	2.0%		2.0%
Expected long-term salary growth (%)	Dependent on employee category and age			Dependent on employee category and age		
Amount entered as a charge in respect of the period	**7,285**	**107**	**7,392**	**6,297**	**720**	**7,017**

In 2018, the expense stated in respect of defined contribution pension plans amounted to €7.9 million.

The discount rate applied in valuing commitments as at 31 December 2018 is 1.45%, compared with 1.50% as at 31 December 2017.

IAS 19 sets the discount rate as being equal to the rate of bonds issued by first tier companies (rated AA or Aa at least) with a maturity date corresponding to the maturity of the commitment; if the market for these bonds is not liquid, the rate is equal to the corresponding State bonds.

Sensitivity of the discount rate on post-employment benefits (IFC):

A 0.50% increase in the discount rate leads to a decrease in the commitment of about 6.0%, or around €5.1 million, while a decrease of 0.50% in the discount rate leads to an increase in the commitment of about 5.7%, i.e. around €4.9 million.

Sensitivity of the discount rate on other long-term benefits (long-service awards):

An increase of 0.50% in the discount rate leads to a decrease in the commitment of 4.6% (less than €1 million), while a decrease of 0.50% in the discount rate leads to an increase in the commitment of 4.9% (less than €1 million).

For all post-employment benefits and other long-term benefits, an increase of 0.5% in the discount rate leads nearly to no impact in the expense for the year.

7.3 Remuneration of the corporate officers

The table below shows the remuneration of persons who were members of Solocal Board of Directors and Executive Committee during or at the end of each financial year. It also includes the Directors representing employees and sitting on the Solocal Board of Directors.

(in thousands of euros)	**As at 31 December 2018**	**As at 31 December 2017**
Short-term benefits (1)	6,873	5,935
of which employer charges	*2,058*	*1,768*
Post-employment benefits (2)	71	33
Other long term benefits (3)	1	1
End-of-contract benefits (4)	824	1,117
Equity benefits (5)	1,818	0
Total	**9,587**	**7,086**

(1) Salaries, remuneration, profit-sharing and bonuses paid and social security contributions, paid holidays, directors' fees and non-monetary benefits entered in the accounts.
(2) Pensions, annuities, other benefits, …
(3) Seniority leave, sabbatical leave, long-term benefits, deferred remuneration, profit-sharing and bonuses (if payable 12 months or more after the closing date).
(4) Severance pay, non-competition clause compensation, including social charges.
(5) Share-based payment including social charges relating to free grants of shares and stock options.

7.4 Transactions with related parties

Following the resignation of Jean-Pierre Remy from his term as the Company's CEO on 30 June 2017, the Solocal Board of Directors, at its meeting of 5 September 2017, appointed Éric Boustouller as CEO of the Company starting on 11 October 2017.

Since he does not benefit from an employment contract, severance pay will paid to the CEO in the event of forced departure from the Company, subject to fulfilment of the performance condition. The amount of the severance pay will be equal to 18 months of the annual lump-sum remuneration (fixed and variable with targets reached) of the CEO.

Éric Boustouller will be subjected to a non-competition obligation in the event of termination of his term of office as Chief Executive Officer for any reason and in any form whatsoever in the conditions mentioned hereinafter: competition prohibition shall be limited to a period of 12 months commencing on the day on which his duties actually come to an end; the corresponding compensation shall amount, based on a non-competition period of 12 months, to 6 months' remuneration calculated on the basis of the monthly average of his total gross pay for the 12 months prior.

On termination of the term of office, the Company may, (i) renounce the benefit of the non-competition agreement (in which case it will not have to pay the corresponding compensation) or (ii) reduce the duration, the field of activities and/or the geographical scope of said commitment (in which case the amount of the non-competition compensation will be reduced accordingly).

The accumulation of the severance pay and non-competition obligation cannot exceed two years of remuneration, fixed and variable.

Note 8 - Taxes

8.1 – Tax Proof

The corporation tax for the year results from the application of the effective tax rate at the end of the financial year to the pre-tax income.
The reconciliation of the theoretical tax, calculated on the basis of the statutory tax rate in France, and the effective tax is as follows:

Amounts in thousands of euros	As at 31 December 2018	As at 31 December 2017 (*)	As at 31 December 2017 published
Pretax net income from businesses	**(94,075)**	**335,618**	**364,092**
Statutory tax rate	34.43%	34.43%	34.43%
Theoretical tax	**32,393**	**(115,564)**	**(125,369)**
Loss-making companies not integrated for tax purposes & Foreign subsidiaries	-	3,053	3,053
Share-based payment	648	1,139	1,139
Recognition of previously unrecognised tax losses	-	(1,072)	(1,072)
Corporate value added contribution (after tax)	(3,874)	(5,919)	(5,919)
Difference between the carrying amount of the extinguished financial liability and the fair value of the equity instruments issued	-	102,617	102,617
Ceiling of interest expense deductibility	(2,734)	(2,092)	(2,092)
Adjustment corporation tax of prior years	307	864	864
Other non-taxable / non-deductible items	(13,849)	(1,812)	(1,791)
Effective tax	**12,891**	**(18,786)**	**(28,570)**
of which current tax	*(5,343)*	*(40,225)*	*(40,926)*
of which deferred tax	*18,234*	*21,439*	*12,356*
Effective tax rate	**13.7%**	**5.6%**	**7.8%**
Effective tax rate excluded gain from debt restructuring	**13.7%**	**47.0%**	**43.8%**

(*) Restated for the impact of the first application of IFRS9 and IFRS 15

The corporate income tax income was €13.0 million in 2018, consisting of €(5.3) million paid mainly under the CVAE (Corporate value added contribution) and of deferred tax income of €18.2 million. This deferred tax income is mainly due to deferred tax assets generated in 2018 from the French tax consolidation (€27.0 million) on losses carried forward generated in 2018 as part of the French fiscal integration net of the cancellation of the deffered tax asset previously recorded with regards to retirement benefits provisions and long-service award (€11 millions) as a consequence of the restructuring plan departures.

8.2 – Balance Sheet Taxes

In accordance with IAS 12 "Income Taxes", deferred taxes are recognised for all temporary differences between the book values of assets and liabilities and their tax basis, as well as for unused tax losses, by the liability method. Deferred tax assets are recognised only when their recovery is considered probable within a period of 3 to 5 years.

IAS 12 requires, in particular, the recognition of deferred tax liabilities on all intangible assets recognised in business combinations (trademarks, customer lists, etc.).

For investments in subsidiaries and associates, a deferred tax liability is recognised for any taxable temporary difference between the book value of shares and their tax base unless:

1. the Group is able to control the timing of the reversal of the temporary difference (distribution of dividends for example); and
2. it is probable that the temporary difference will not be reversed in the foreseeable future.

In practice, this means that for fully consolidated companies, a deferred tax liability is recognised for taxes payable on planned dividend distributions by these companies.

The deferred tax assets and liabilities are set off if there is a legally enforceable right allowing set-off against a future tax liability. Any set-offs are treated by tax group depending on a single tax authority.

The deferred taxes relating to items stated directly in shareholders' equity are also stated in shareholders' equity.

In accordance with IAS 12, deferred tax assets and liabilities are not discounted.

The net balance sheet position is detailed as follows:

Amounts in thousands of euros	As at 31 December 2018	As at 31 December 2017 (*)	As at 31 December 2017 published
Retirement benefits	22,022	33,194	33,194
Legal employee profit-sharing	340	1,299	1,299
Non-deductible provisions	24,483	197	197
Tax loss carryforward	27,030	-	-
Other differences	20,341	48,567	459
Subtotal deferred tax assets	**94,216**	**83,257**	**35,149**
Other differences	-	-	-
Depreciations accounted for tax purposes	(19,160)	(26,068)	(26,068)
Subtotal deferred tax liabilities	**(19,160)**	**(26,068)**	**(26,068)**
Total net deferred tax assets / (liabilities)	**75,056**	**57,189**	**9,081**

(*) Restated for the impact of the first application of IFRS9 and IFRS 15

Deferred tax relating to non-deductible provisions corresponds essentially to the non-deductible part of the provision related to the restructuring plan. This represents, in the event of redundancy, the compensation specified in the relevant collective agreement and which exceeds the amount specified in law for an amount of €109.6 million which will become deductible upon disbursement.

No deferred tax asset relating to loss carryforwards of QDQ Media was recognised in the balance sheet, as this sub-group recorded a net loss in 2017 and 2018. The amount of deferred tax assets not recognised is estimated at €66.2 million as at 31 December 2018.

Net deferred tax assets on the balance sheet amounted to €75.1 million as at 31 December 2018 compared with €57.2 million as at 31 December 2017. The change is essentially due to deferred tax assets recognised for tax loss carryforwards generated in 2018 in the French tax consolidation.

The tax disbursed during the 2018 financial year was €15,8 million as against €44,8 million in 2017.

Note 9 - Assets, liabilities & financial results

9.1 Financial assets and liabilities

Financial assets include available-for-sale assets, held-to-maturity assets, loans and trade receivables and cash and cash equivalents.
Financial liabilities include borrowings, other financing, bank overdrafts and trade payables.

Financial assets and liabilities are measured and recognised in accordance with IFRS 9 "Financial Instruments: Recognition and Measurement".

9.2 Measurement and recognition of financial assets

According to IFRS 9, the classification of financial assets is based on two valuation methods :

- The caracteristics of the contractual cash flows of the financial asset ;
- The economic model followed by the entity for the management of the financial asset.

Valuation at amortised cost : the ownership of the financial asset is part of an economic model whereby the main objective is to hold financial assets in order to perceive the contractual cash (« economic model criteria »). This category is composed of :

Financial assets are measured at fair value and gains and losses arising from re-measurement at fair value are recognised in equity. Fair value corresponds to market price for listed securities and estimated value in use for unlisted securities, determined according to the most appropriate financial criteria in each case.

If there is any objective indication that these assets are impaired, the accumulated loss stated in equity is recognised in the income statement.

Loans and receivables
This category includes receivables from participating interests, other loans and receivables and trade accounts receivable. They are recognised initially at fair value and are subsequently measured at amortised cost by the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is deemed immaterial. Cash flows on loans and receivables at variable interest rates are re-measured periodically, to take into account changes in market interest rates. The re-measurement has the effect of increasing or reducing the effective interest rate and, consequently, the carrying value of the loan or receivable.

Loans or receivables are assessed for evidence of impairment. A financial asset is written down if its book value exceeds the recoverable amount estimated at the time of the impairment tests. The impairment loss is recognised in the income statement.

Assets at fair value through the income statement
Assets held for trading are assets which the Company intends to resell in the near term in order to realise a profit, which form part of a portfolio of financial instruments that are managed together and for which there is a practice of short-term disposal. This category also includes assets, which the Group has opted to classify in this category, irrespective of the criteria stated above.

These assets are carried in the balance sheet under short-term financial assets.

Cash and cash equivalents
Cash equivalents are held to meet short-term cash needs rather than for investment or other purposes. They consist of instruments that are readily convertible into known amounts of cash and are not exposed to any material risk of impairment. Cash and cash equivalents comprise cash available on demand and short-term investments with maturities generally of three months or less at the date of purchase. They are stated at historical cost, which is close to their realisable value.

9.3 Measurement and recognition of financial liabilities

With the exception of financial liabilities held for trading, which are measured at fair value, borrowings and other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost by the effective interest method.

Transaction costs that are directly attributable to the acquisition or issue of a financial liability are deducted from the liability's carrying value. This is because financial liabilities are initially recognised at cost, corresponding to the fair value of the sums paid or received in exchange for the liability. The costs are subsequently amortised over the life of the liability, by the effective interest method.

The effective interest rate is the rate, which discounts estimated future cash payments up to the maturity date or the nearest date of price adjustment to the market rate, to the net carrying amount of the financial liability.

9.4 Net financial income

The net financial income is made up as follows:

(Amounts in thousands of euros)	As at 31 December 2018	As at 31 December 2017
Gain on debt restructuring through the issuance of equity instruments (3)	-	300 198
Costs related to financial restructuring (4)	-	(24 117)
Accelerated amortization of borrowing costs related to the old debt	-	(10 545)
Net gain from debt restructuring as at 13 March 2017	**-**	**265 536**
Interest and similar items on financial assets	106	395
Result of financial asset disposals	520	(2)
Change in fair value of hedging instruments	-	-
Discount income - hedging instruments	-	-
Dividends received	2	-
Other financial income	**628**	**393**
Interest on financial liabilities	(32 217)	(24 428)
Income / (expenses) on hedging instruments	-	36
Change in fair value of hedging instruments	-	-
Amortisation of loan issue expenses	-	(569)
Change in fair value of financial assets and liabilities	-	(476)
Other financial expenses & fees (1)	(3 042)	(1 082)
Accretion cost (2)	(2 084)	(1 801)
Financial expenses	**(37 343)**	**(28 320)**
Gain (loss) on exchange	7	-
Net financial income	**(36 708)**	**237 609**

(1) Primarily composed of current costs linked to debt management

(2) The accretion cost corresponds to the increase, during the financial year, of the current value of pension commitments

(3) This amount includes on the one hand, in accordance with the application of IFRIC 19, the difference between the book value of the debt converted into equity instruments and the fair value of these same instruments which revealed non-monetary financial income of 298 million euros and on the other hand, revenue of 2.2 million euros on the partial repurchase of the bond loan

(4) After deducting costs allocated directly as a reduction to the cash increase in capital

9.5 Cash and cash equivalents, net financial debt

Net financial debt corresponds to the total gross financial debt plus or minus the fair value of derivative asset and/or liability hedging instruments and minus cash and cash equivalents.

(in thousands of euros)	**As at 31 December 2018**	**As at 31 December 2017**
Accrued interest not yet due	-	-
Cash equivalents	5 046	10 044
Cash	76 598	77 452
Gross cash	**81 644**	**87 496**
Bank overdrafts	(121)	(1 358)
Net cash	**81 523**	**86 138**
	0	0
Bank loan	-	-
Bond loan	397 835	397 835
Revolving credit facility drawn	-	-
Loans issue expenses	-	-
Lease liability	6 910	10 060
Fair value of hedging instruments	-	-
Price supplements on acquisition of securities	170	3 669
Accrued interest not yet due	1 389	1 439
Other financial liabilities	2 825	4 803
	0	0
Gross financial debt	**409 129**	**417 806**
of which current	*6 894*	*9 636*
of which non-current	*402 235*	*408 170*
Net debt	**327 606**	**331 668**
Net debt of consolidated group excluded loan issue expenses	**327 606**	**331 668**

Evolution of liabilities from financing activities

(in thousand euros)			Variations "non cash"					
	As at 31 december 2017	Cash flows	Capital increase by offsetting receivables	Other Variations	Var. of change	Var. of FV	Reclass & changes in scope	As at 31 december 2018
Bank borrwing and Bond loan	397 835	-	-	-	-	-	-	397 835
Other loan	12 897	(785)	-	-	-	-	(9 361)	2 751
Current account	1 900	12	-	-	62	-	(1 900)	74
Earn-Out	3 669	(5 499)	-	-	-	-	2 000	170
Capital lease	66	(3 470)	-	-	-	-	10 314	6 910
Bank overdrafts	1 358	(1 237)	-	-	-	-	-	121
Total Liabilities fron financing activities	417 725	(10 979)	-	-	62	-	1 053	407 861

Cash and cash equivalents

As at 31 December 2018, cash equivalents amounted to €81.5 million and are mainly composed of non-blocked, remunerated, fixed-deposit accounts.

They are measured on the basis of their fair value.

Issuing of bonds

Following the realisation of the financial restructuring, the Group's residual gross debt was reduced to €397.8 million, redeveloped in the form of issuing bonds for €397,834,585 for which the settlement-delivery took place on 14 March 2017, reserved for creditors under the Credit Agreement, and of which the main details remain unchanged in 2018 are as follows:

Interest:

- Calculation of interests: margin plus 3-month EURIBOR rate (EURIBOR being defined to include a minimum rate of 1%), payable in arrears on a quarterly basis;
- Late payment interest: 1% increase in the applicable interest rate.

Margin: percentage per year according to the level of the Consolidated Net Leverage Ratio (consolidated net debt / consolidated EBITDA) at the end of the most recent reference period (Accounting Period), such as indicated in the table below (noting that the initial margin will be calculated based on a pro forma basis of the restructuring operations):

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. Mandatory early reimbursements are also provided for by means of funds coming from a percentage of surplus cash flow, according to the company's Consolidated Net Leverage Ratio.

Financial commitments:

- The net consolidated financial leverage ratio (Consolidated Leverage / Consolidated EBITDA) must be lower than 3.5:1; This ratio was respected as at 31 December 2018;
- The interest cover ratio (Consolidated EBITDA/Consolidated Net Interest Expense), must be greater than 3.0; and starting in 2017 and (ii) for any following year if the Consolidated Net Leverage Ratio exceeds, on 31 December of the preceding year, 1.5:1, investment expense (excluding growth operations) (Capital Expenditure) concerning Solocal Group and its Subsidiaries are limited to 10% of consolidated revenue of Solocal Group and its subsidiaries. This ratio was respected as at 31 December 2018;

The Terms & Conditions of the Notes moreover contain certain prohibitions, which prohibit Solocal Group and its Subsidiaries, apart from certain exceptions, in particular to:

- Take on additional financial debt;
- Give pledges;
- Pay dividends or make distributions to shareholders; exceptionally, paying dividends or making distributions to shareholders is allowed if the Consolidated Net Leverage Ratio does not exceed 1.0:1.

The restrictions contained in the Terms & Conditions of the Notes and described hereinabove could affect the Group's ability to exercise its activities and limits its ability to react according to the conditions of the market or seize commercial opportunities which may arise. As an example, these restrictions could affect the Group's capacity to finance the investments for its activities, restructure its organisation or finance its needs in terms of capital. In addition, the Group's capacity to comply with these restrictive clauses could be affected by events beyond its control, such as economic, financial and industrial conditions. A failure by the Group in terms of its commitments or these restrictions, could result in a fault in terms of the agreements mentioned hereinabove.

In case of a fault that would not be remedied or renounced, the bearers of notes could require that all of the outstanding amounts become due immediately.
Moreover, the Group could no longer be in a position to refinance its debt or obtain additional financing at satisfactory conditions.

The bond is indirectly secured by a pledge on the securities of PagesJaunes SA held by Solocal Group.

Price supplements on acquisition of securities

Within the framework of the acquisitions finalised in 2015, an earn-out was paid in 2018 for €2.8 million. As at 31 December 2018, there were no more latent earn-outs.

Other financial liabilities

Other financial liabilities mainly include the pre-financing of the CICE (tax credit for competition and employment)

9.6 Position of financial instruments in balance sheet

Position of financial instruments in balance sheet		Breakdown according to IFRS 9						Breakdown by level in IFRS 13		
(in thousands of euros)	Carrying amount in balance sheet	Fair value recognised in profit or loss	Derivative instruments (Fair value recognised in equity)	Available-for-sale assets	Loans and receivables (amortised cost)	Financial liabilities (amortised cost)	Others	Level 1 and Treasury	Level 2	Level 3
Available-for-sale assets	-	-	-	-	-	-	-	-	-	-
Other non-current financial assets	6,919	-	-	-	6,919	-	-	-	6,919	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Net trade accounts receivable	234,559	-	-	-	234,559	-	-	-	234,559	-
Other current financial assets	2,006	2,006	-	-	-	-	-	-	2,006	-
Cash equivalents	5,046	5,046	-	-	-	-	-	5,046	-	-
Cash	76,598	76,598	-	-	-	-	-	76,598	-	-
Financial assets	**325,129**	**83,650**	**-**	**-**	**241,478**	**-**	**-**	**81,644**	**243,484**	**-**
								-	-	-
Non-current financial liabilities and derivatives	402,235	170	-	-	-	402,065	-	402,235	-	-
Bank overdrafts and other short-tem borrowing	5,626	-	-	-	-	5,626	-	-	5,626	-
Accrued interest	1,389	-	-	-	-	1,389	-	-	1,389	-
Trade accounts payable	115,391	-	-	-	-	115,391	-	-	115,391	-
Financial liabilities	**524,641**	**170**	**-**	**-**	**-**	**524,471**	**-**	**402,235**	**122,406**	**-**

As at 31 December 2018, the market value of the bond loan was €398.4 million, i.e. a carrying value of €397.8 million

(in thousands of euros)	Carrying value	Quotes as at 31/12/2017	Market value
Bank borrowing	-	0.0%	-
Bond loan	397,835	98.00%	389,878
Revolving credit - facility RCF 3	-	61.00%	-
Loans	**397,835**	**98.00%**	**389,878**
Accrued interest not yet due	1,389		
Price supplements on acquisition of securities	170		
Other debts incl. debt costs	9,856		
Current financial liabilities and derivatives	**409,250**		

The Group has classified the valuations at fair value according to a hierarchy of fair values reflecting the importance of the data used to carry out the valuations. The hierarchy of fair values is made up of the following levels:

- Level 1: prices (non-adjusted) listed on active markets with identical assets or liabilities;

- Level 2: data other than the listed prices referred to in Level 1, which are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. derivative price data); and
- Level 3: data relating to assets or liabilities not based on observable market data (non-observable data)

In the 2018 financial year, there were no transfers between levels 1 and 2 in the hierarchy of fair values, nor any transfers to or from level 3.

9.7 Effect of financial instruments on income

Effect in result of financial instruments		Breakdown according to IAS 39					
(in thousands of euros)	Impact in profit and loss	Fair value recognised in profit or loss	Derivative instruments	Available-for-sale assets	Loans and receivables (amortised cost)	Financial liabilities (amortised cost)	Others
Interest income	628	628	-	-	-	-	-
Interest expenses	(35,259)	-	-	-	-	(35,259)	-
Gain (loss) on foreign exchange	7	-	-	-	7	-	-
Derecognition	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Net gains / (net losses)	**(34,624)**	**628**	**-**	**-**	**7**	**(35,259)**	**-**
Accretion cost	(2,084)						
Net financial income (cf. note 9.4)	**(36,708)**						

Note 10 Financial risk management and capital management policy objectives

The Group's objective is to optimise its financial structure, the principal assessment criterion being the financial leverage (ratio of net debt to gross operating margin), in order to reduce the cost of its capital while maintaining financial flexibility enabling the Group to meet its development plan.

The two main financial management objectives are as follows:

- Solocal Group, and the consolidated Solocal Group, are net borrowers and, in this context, the prime objective of Solocal Group is to secure and thus limit the cost of its debt;
- Since the Group generates a substantial cash flow in line with the rate of the sales prospecting cycle and pays interest on its debt according to a different timescale, the Solocal Group produces cash surpluses and may find itself in a situation of temporary cash flow surplus. Since these surpluses are not long-lasting, the Group's objective is to invest them at the best possible interest rate with a very limited level of risk.

The Group also ensures that the commitments made in its banking and bond documentation are respected, including certain default and prepayment clauses. These clauses are linked, in particular, to *compliance* with operational and financial covenants such as the minimum level of coverage of the net consolidated interest charge by consolidates EBITDA and the maximum leverage, measured by the relationship between the consolidated net debt and consolidated EBITDA. Note that the EBITDA used in calculating these bank covenants differs from that used in these financial statements.

The Group has set a goal to reduce its financial leverage. As at 31 December 2018, the financial leverage covenant is 1.79 times specified in the bank documentation.

With a net debt of €326.9 million as at 31 December 2018 (cf. Note 11.5), the financial leverage covenant of the Group represents 1.79 times the consolidated EBITDA as defined in the contract concluded with the financial institutions. Consequently, the Group is complying with its bank covenant on the financial leverage as at 31 December 2018.

In view of its financial structure, the Group is exposed to interest rate risk, liquidity risk and credit risk. The information communicated hereafter includes certain assumptions and anticipations which, by nature, may not prove to accurate, mainly as far as changes in interest rates are concerned, as well as the exposure of Solocal Group to the corresponding risks.

Exchange rate risk

Solocal Group considers that the exchange rate risk is not significant as far as its activity is concerned, insofar as it is exercised mainly in the eurozone.

Interest rate risk

Solocal Group is exposed to the risk of interest rate fluctuations insofar as all of the bank debt is at a variable rate. In an environment of low rates, the Group feels that it is not in its best interest to hedge this short-term interest rate risk.

The main characteristics of the Group's bank debt are shown in Note 9.5.

Liquidity risk

The Solocal Group has established a centralised cash management system with cash pooling including all its French subsidiaries and organised around a Solocal Group pivot. This method of managing liquidities associated with an internal reporting system enables the Group to anticipate and estimate future cash flows linked to the operational activities of its various subsidiaries and thus to optimise drawings on its credit lines when cash is required, and investments in the case of cash surpluses.

Credit risk

Solocal Group enjoys relations with a large number of counterparties among which the most numerous are its customers. As at 31 December 2018, the overall amount of net trade debtors stood at €235 million. These receivables are detailed by maturity date (See Note 5.2). The exposure of the Group to a credit risk is linked to the specific characteristics of each of its customers. The default of one of its customers might lead to a limited financial loss as a result of the low average outstanding per customer.

Counterparty risk

Solocal Group is exposed to counterparty risk essentially in its investments and interest rate hedging instruments. Solocal Group limits financial risk by selecting counterparts having a long-term rating higher than AA- (Standard & Poor's and/or Fitch IBCA) or Aa3 (Moody's). As at 31 December 2018, the Group's exposure was €5.0 million with respect of its investment transactions (See Note 11.6).

Furthermore, the management procedure for Solocal Group's financial operations involves the drawing up of a limited list of authorised signatures, outside of which the Chief Executive Officer's authorisation is compulsory. The banking documentation also limits the list of counterparties for interest rate hedging operations.

Equity risk

Solocal Group considers that the equity risk is not significant insofar as the amount invested in own shares particularly under the liquidity contract remains limited and the investment of its cash surpluses is not exposed to equity market risk.

Note 11 Share-holders' equity

11.1 Share capital

The share capital of SoLocal Group is comprised of 583,630,365 shares each with a par value of 0.10 euro, representing a total amount of 58,363,037 euros (before deduction of treasury shares).

11.2 Other reserves and other items of comprehensive income

The difference between the individual equity of Solocal Group and the consolidated equity of Solocal Group is explained by the application of different accounting principles.

This impact is essentially on the item concerning other consolidated reserves and other comprehensive income which are negative €1,474.4 million as at 31 December 2018 - compared with a negative amount of €1,395.0 million as at 31 December 2017 and is essentially comprised of:

- the portion of distributions in excess of the income for the year, mainly relating to exceptional distributions made in November 2006 for an amount of €2,519.7 million;
- actuarial differences relating to retirement benefits (IAS 19) for a negative amount of €44.0 million;
- Counterparty in respect of the share-based payment expense for the open part of equity instrument with a negative amount of €59.0 million.
- Differences linked to the first application of IFRS standards, in particular IFRS 15, for a negative amount of €94.4 million

11.3 Own shares

Under IAS 32, acquisition of own shares are recorded as a decrease in own capital on the basis of their acquisition cost. If own shares are disposed of, the profits or losses are recognised in the consolidated reserves for their amounts less tax.

Through the liquidity contract, the Company held 492,641 of its own shares as at 31 December 2018 compared to 402,274 on 31 December 2017, stated as a deduction from equity.

11.4 Dividends

Solocal Group did not distribute any dividends in 2018 and 2017.

11.5 Earnings per share

The Group discloses both basic earnings per share and diluted earnings per share. The number of shares used to calculate diluted earnings per share takes into account the conversion into ordinary shares of dilutive instruments outstanding at the period-end (unexercised options, free shares, etc.). If the basic earnings per share are negative, diluted loss per share represents the same amount as the basic loss. To permit direct comparisons of earnings per share, the weighted average number of shares outstanding for the reporting year and previous years is adjusted to take into account any shares issued at a discount to market price. Owned shares deducted from consolidated equity are not taken into account in the calculation of earnings per share.

Note 12 - Stock options and free shares

12.1 Share-based payment

In accordance with IFRS 2 "Share-Based Payment", stock options, employee share issues and free grants of shares to employees of the Group are valued on their grant date.

The value of stock options is determined in particular by reference to the exercise price, the life of the options, the current price of the underlying shares, the expected share price volatility, expected dividends and the risk-free interest rate over the life of the options. The amount so determined (under the share-based payment heading) is recognised in personnel expenses on a straight-line basis over the period between the grant date and the exercise date – corresponding to the vesting period – and in equity for equity-settled plans or in liabilities to employees for cash-settled plans. The Group has opted for retrospective application of IFRS 2 to equity- and cash-settled plans. The new plans are valued in accordance with IFRS 2 using a binomial model.

The fair value of a free share is the market price of the share on the grant date after adjustment to take account of the loss of dividends expected during the vesting period. This expense is recorded on a straight-line basis over the vesting period and, if necessary, is adjusted to take account of the likelihood that the performance conditions will be fulfilled.

12.2 Description of the plans

12.2.1 – Stock options

No stock-options plan have been granted by Solocal Group or by any of its subsidiaries in the last two years.

12.2.2 – Free shares

Due to the performance conditions not being met, the right for the recipients of the 2014 and 2015 plans to receive these free shares was lost.

The Solocal Group shareholders, at the Extraordinary General Meeting of 9 March 2018, authorised the Board of Directors to establish, in favour of certain senior executives and employees of Solocal Group and affiliated companies, a performance share plan within the meaning of Articles L. 225-197-1 et seq. of the French Commercial Code.
Under this authorisation, the number of performance shares that may be granted free of charge is capped at 9,200,000 shares in the Company, including a maximum of 2,300,000 shares for the Company's corporate officers.

On 24 April 2018, this plan gave rise to the allocation of 9,050,000 performance shares to 73 beneficiaries, including 2,300,000 performance shares awarded to the Chief Executive Officer.

Under this plan, performance shares are subject to a three-year vesting period. No retention period is imposed on the beneficiaries.

The vesting of the shares is also subject to a continued employment condition and a performance condition based on the level of achievement of a target of EBITDA minus CAPEX and change in the company's share price.

The Chief Executive Officer and the members of the Company's Executive Committee are required to retain at least 30% of the shares vesting to them until the end of their term of office as a Comex Member or as the Chief Executive Officer of the Company.

In addition, the shareholders of the Company also authorised, at the Shareholders' Meeting of 9 March 2018, the Board of Directors to allocate free shares in the Company to Eric Boustouller in his capacity as Chief Executive Officer. The acceptance by Eric Boustouller of the position of Chief Executive Officer having led him to waive significant rights to long-term compensation in respect of his former position, it was agreed with him when he accepted the position of Chief Executive Officer that he would receive, subject to the approval of the Company's Shareholders' Meeting, compensation on taking up the office in the form of a free allocation of 1 million shares of the Company.
In application of this authorisation, the Board of Directors, at its meeting of 9 March 2018, decided to award 1 million free shares of the Company to Eric Boustouller.
The shares will vest after a period of 12 months, provided that Eric Boustouller is still present in the Company. This continued employment condition will be deemed fulfilled in the event of forced departure during the vesting period.
After a retention period of 12 months, Eric Boustouller will be required to retain at least two-thirds of the shares granted in this manner until the termination of his duties as Chief Executive Officer of the Company.

12.3 Changes in stock option plans and free shares

	Closing balance as at 31 December 2017	Granted	Cancelled/ lapsed	Closing balance as at 31 December 2018	Exercise price
Subscription share plans	**150,739**		**(15,391)**	**135,348**	
July 2010	71,514		(5,357)	66,157	€127.20
December 2010	7,438		(5,190)	2,248	€105.10
July 2009	71,787		(4,844)	66,943	€99.40
Free share plans		**10,050,000**		**10,050,000**	**Final vesting date**
February 2015		9,050,000		9,050,000	24/04/2021
March 2018 (*)		1,000,000		1,000,000	09/03/2019

(*) This plan does not have any performance condition

At 31 December 2018, options under all share subscription plans could be exercised. These plans are expected to be settled through equity instruments.

12.4 Expense relating to stock option plans and free grants of shares

The impact on the income statement for financial year 2018 represents an income of €0.7 million compared to an income of €3.3 million in 2017 relating to the social charges regularisation of the employer contribution based on the fair value of the non-acquired instruments.

Note 13 - Disputes and other contractual commitments

13.1 Disputes – Significant changes over the period

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

With the exception of the proceedings described below, SoLocal Group's entities are not party to any lawsuit or arbitration procedure which the Management believes could reasonably have a material adverse effect on its earnings, operations or consolidated financial position.

<u>2014 Employment Protection Plan</u>

During 2013, PagesJaunes had to restructure the business in order to secure its future.

The Company had recognised in its 2015 consolidated financial statements a one-off charge related to the court rulings which quashed the validation by the DIRECTEE of the Employment Protection Plan. This one-off charge of €35 million was based on a prudent assumption in a context of great legal uncertainty, increased recently by conflicting decisions of Labour Court.

As at December 31st 2017, 171 merit based rulings had been made. The majority of these rulings were ordered on the grounds of Article L. 1235-16 of the French Labour Code. The payment ordered for each ruling was between six- and seven-months' salary, said order being close to the maximum amount as set out in the Code. The recorded provision thus amounted to €22.3 million.

In 2018, the Versailles Court of Appeal, issued a ruling with respect to 46 cases, ordering the company to pay damages of €800,000. The residual risk was consequently revised at year end 2018 and an amount of €7 million was released from provisions.

As at 31 December 2018, the provision relating to this dispute was valued at €15.3 million.

A request for damages for the harm caused to Solocal Group by the French State as a result of the erroneous validation of its Employment Protection Plan is in progress.

<u>URSSAF (French Social Security Agency) dispute</u>

In 2016, PagesJaunes was the subject of an inspection by the French social security agency (URSSAF) with respect to the 2013, 2014 and 2015 financial years. The Company was in particular notified of an adjustment for an amount of 2.0 million euros concerning the amount of the employer contributions on the AGA. Disputing this adjustment, the risk was provisioned as at 31 December 2016. The Company filed, on 14 November 2017, with the Social Security Affairs Court of Bobigny for recourse against the decision to maintain the adjustment, rendered by the URSSAF Arbitration Committee of Ile-de-France on 11 September 2017. The ruling issued by the Social Security Affairs Court was favourable for Solocal Group and the dispute was dismissed as at 31 December 2018.

PagesJaunes is undergoing a tax audit concerning financial years 2010 to 2013 and has received proposals for an adjustment concerning the Research Tax Credit. The company considered the adjustments as unfounded and has challenged them with the tax administration. A hierarchical recourse took place on 19 July 2016 and departmental intervention on 28 November 2016. The departmental contact then abandoned a part of the adjustments. The Company sent a dispute claim in the month of February 2018 in order to obtain partial reimbursement for the remaining reassessments. Income will be recognised in the event of a favourable outcome to this recourse.

13.2 Contractual obligations and off-balance-sheet commitments

Significant off-balance-sheet commitments are as follows:

Contractual obligations (in thousands of euros)	As at 31 December 2018				As at 31 December 2017
	Total	Payments due per period: Less than 1 year	In 1 to 5 years	In more than 5 years	Total
Operating leases	**148,003**	**40,601**	**84,801**	**22,601**	**138,267**
Paper, printing, distribution (1)	949	949	0	0	1,119
Other services (2)	20,542	10,994	9,548	0	16,364
Commitments for purchases of goods and services	**21,491**	**11,943**	**9,548**	**0**	**17,483**
Total	**169,494**	**52,543**	**94,350**	**22,601**	**155,750**

(1) See details in the table below

(2) The "Other services" section includes all firm orders placed as at 31 December 2018 for goods and services

The "Other services" section includes all firm orders placed as at 31 December 2018 for goods and services deliverable from[1] January 2019.

Leases

PagesJaunes has leased land, buildings, vehicles and equipment These leases are due to expire on different dates over the next five years.

The Management considers that these leases will be renewed or replaced on expiry by other leases under normal operating conditions.

These off-balance-sheet commitments related mainly to the signing, by Solocal Group, of commercial lease contracts before completion with two separate investors, concerning premises located in the towers of a property complex undergoing renovation named Citylights located at Boulogne-Billancourt.

The final lease agreements were signed for a term of ten years, as the Solocal Group waived its option allowing it to terminate the agreements every three years until the expiration of the final lease agreement. The lease agreements are therefore scheduled to come into effect on 9 May 2016 and expire on 8 May 2026.

The premises leased by Solocal Group for the entities of the group represent an area of 35,702 m², for a total commitment pursuant to these contracts of €74.5 million (excluding expenses and rent indexing) as of 31 December 2018. Almost all of this area is charged back as part of the real estate services provided to the Group's subsidiaries.

Guarantee deposits for an amount of €4.1 million were paid following the move to the premises in Boulogne-Billancourt.

As at 31 December 2018, the Group's commitment under all leases amounted to €148.0 million, of which €40.6 million is payable in under one year.

Commitments for purchases of goods and services

Production of directories

For the production and distribution of its printed directories, the Group entities enter into contracts with their paper suppliers, printers and distributors. These contracts may be annual or multi-annual.

Only firm orders placed as at 31 December 2018, both with paper suppliers and with printers and distributors, were reported as off-balance-sheet commitments at that date, for a total amount of €0.9 million.

Other commitments given
The bond is indirectly secured by a pledge on the securities of PagesJaunes SA held by SoLocal Group.

Other commitments received
The other significant off-balance-sheet commitments received are as follows:

Contractual obligations (in thousands of euros)	**As at 31 December 2018**				**As at 31 December 2017**
	Total	Payments due per period			Total
		Less than 1 year	In 1 to 5 years	In more than 5 years	
Operation leases - lessor	0	0	0	0	0
Other services	34,469	26,014	8,455	0	35,795
Total	**34,469**	**26,014**	**8,455**	**0**	**35,795**

Note 14 - Events subsequent to the closing date

None.

Note 15 - Scope of consolidation

Entities	Country	As at 31 December 2018 Interest	As at 31 December 2018 Voting rights	As at 31 December 2017 Interest	As at 31 December 2017 Voting rights
Solocal Group (consolidating entity)	France	100%	100%	100%	100%
PagesJaunes	France	100%	100%	100%	100%
SOMS	France	100%	100%	100%	100%
Mappy	France	100%	100%	100%	100%
Leadformance	France	100%	100%	100%	100%
ClicRDV	France	100%	100%	100%	100%
Fine Media	France	100%	100%	100%	100%
Effilab	France	100%	100%	100%	100%
PagesJaunes Outremer	France	100%	100%	100%	100%
GIE	France	100%	100%	100%	100%
QDQ Media	Spain	100%	100%	100%	100%
Optimizaclick	Spain	100%	100%	100%	100%
Trazada	Spain	100%	100%	100%	100%
Euro Directory	Luxembourg	100%	100%	100%	100%
PagesJaunes Finance & Co	Luxembourg	-	-	-	-
Digital To Store	United Kingdom	100%	100%	100%	100%
Yelster Digital	Austria	100%	100%	100%	100%
Orbit Interactive	Morocco	100%	100%	100%	100%
Retail Explorer (1)	France	-	-	100%	100%
Net Vendeur (2)	France	-	-	100%	100%
Effilab Australia (3)	Australia	-	-	51%	51%
Effilab Dubaï (4)	United Arab Emirates	-	-	51%	51%

(1) Retail Explorer sold on 31 May 2018
(2) Net Vendeur sold on 9 March 2018
(3) Effilab Australia sold on 28 June 2018
(4) Effilab Dubaï sold on 19 June 2018

Note 16 - Audit fees

(amounts in thousand of euros)	Deloitte & Associates				Ernst & Young			
	Amount		In % of fees		Amount		In % of fees	
	2018	2017	2018	2017	2018	2017	2018	2017
Audit								
Audit, statutory audit, certification and inspection of individual and consolidated accounts	**456**	**422**	**88%**	**76%**	**417**	**339**	**69%**	**70%**
- Including Solocal Group	172	125	33%	22%	132	125	22%	26%
- Including fully consolidated subsidiaries	284	297	55%	53%	285	215	47%	44%
Other services excluding certification and inspection of individual and consolidated accounts	**61**	**134**	**12%**	**24%**	**190**	**146**	**31%**	**30%**
- Including Solocal Group	61	134	12%	24%	190	141	31%	29%
- Including fully consolidated subsidiaries	-	-	0%	0%	-	5	0%	1%
Subtotal	**517**	**556**	**100%**	**100%**	**607**	**485**	**100%**	**100%**
Other services provided by the networks to fully consolidated subsidiaries								
Legal, tax and social security -related	-	-	0%	0%	-	-	0%	0%
Others	-	-	0%	0%	-	-	0%	0%
Subtotal	**-**	**-**	**0%**	**0%**	**-**	**-**	**0%**	**0%**
TOTAL	**517**	**556**	**100%**	**100%**	**607**	**485**	**100%**	**100%**