Consolidated financial reporting as at 31 December 2019

Board of Directors of 26 February 2020

Solocal Group
Public limited company with a Board of Directors with capital of 61,954,147 euros
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Trade and Companies Register Nanterre 552 028 425

CONTENTS

1. Activity report as at 31 December 2019

1.1. Overview

Solocal Group is developing its activities within two operating segments: "Digital" and "Print" and generated revenue for continued activities of 584.1 million euros as at 31 December 2019, these activities represent respectively 89.1% and 10.1%.

Digital
The "Digital" activity can be broken down as follows as at 31 December 2019:

- The digital Presence offer allows VSEs and SMEs to control their digital presence over the entire Web (several tens of medias in total including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Instagram, etc.) with just a few clicks, in real time and with complete autonomy, via a single mobile application, or a web interface. This offer represents revenues of 127.2 million euros as at 31 December 2019. The digital Presence offer is sold as auto-renewal subscription.

- The digital Advertising offer allows companies to increase their digital visibility beyond their natural presence over the entire Web, in a logic for developing local market shares. This offer includes the Priority Ranking services launched in the third quarter of 2019. This offer represents revenues of 281.2 million euros as at 31 December 2019.

- With the Website range, Solocal offers customers site creation and SEO services (showcase and e-commerce), according to different budget levels, always in subscription mode with automatic renewal. This offer represents revenues of 104.6 million euros as at 31 December 2019.

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

- Solocal also proposes New services aimed at facilitating the daily life of companies, such as for example a customer relations management (CRM) solution which is being developed in 2019. This offer represents revenues of 7.6 million euros as at 31 December 2019.

Print

This segment includes the Group's activities pertaining to the publishing, distribution and sales of advertising space in print directories (PagesJaunes, PagesBlanches), as well as other activities of the Group called "Voice", concerning conventional direct marketing. This activity is going to be stopped at the end of 2020.

The Solocal Group recorded Print revenues of 63.6 million euros as at 31 December 2019, down -35.4% compared to 2018.

1.2. Commentary on the results at 31 December 2019

In the presentation of its results and in this activity report, Solocal isolates the momentum of the continued activities from that of the activities that it is disposing of. The comments on the financial performance indicators concern the scope of continued activities.

In the course of 2019, the Group divested from a non-strategic activity, Eurodirectory, without any revenues and an EBITDA impact close to zero.

In the course of 2018, the Group divested from four non-strategic activities ("divested activities"): Retail Explorer, Net Vendeur, Effilab Australia and Effilab Dubaï. These divested activities accounted for revenues of 1.0 million euros and an EBITDA of (0.2) million euros.

Consolidated income statement for periods closed as at 31 December 2019 and as at 31 December 2018

Million euros	As at 31 December 2019 (*)					As at 31 December 2018 (*)					Change Recurring 2019 / 2018
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			
			Total	Recurring	Non recurring			Total	Recurring	Non recurring	
Revenues	**584.1**	**-**	**584.1**	**584.1**	**-**	**670.4**	**1.0**	**669.4**	**669.4**	**-**	**-12.7%**
Net external expenses	(143.4)	-	(143.4)	(143.7)	0.3	(197.1)	(0.4)	(196.7)	(192.2)	(4.4)	-25.2%
Staff expenses	(249.6)	-	(249.6)	(249.8)	0.2	(304.7)	(0.7)	(304.0)	(306.0)	1.9	-18.4%
Restructuring costs	(23.5)	-	(23.5)	-	(23.5)	(164.0)	-	(164.0)	-	(164.0)	0.0%
EBITDA *As % of revenues*	**167.6**	**-**	**167.6**	**190.6**	**(23.0)**	**4.6**	**(0.1)**	**4.7**	**171.2**	**(166.5)**	**11.3%**
Depreciation and amortization	(71.0)	-	(71.0)	(71.0)	-	(62.0)	(0.1)	(61.9)	(61.9)	-	14.8%
Operating income *As % of revenues*	**96.6**	**-**	**96.6**	**119.6**	**(23.0)**	**(57.4)**	**(0.2)**	**(57.1)**	**109.4**	**(166.5)**	**9.4%**
Financial income	(0.2)	-	(0.2)	(0.2)	-	0.1	-	0.1	0.1	-	0.0%
Financial expenses	(44.6)	-	(44.6)	(44.6)	-	(36.8)	(0.0)	(36.8)	(36.8)	-	21.1%
Financial income	**(44.8)**	**-**	**(44.8)**	**(44.8)**	**-**	**(36.7)**	**(0.0)**	**(36.7)**	**(36.7)**	**-**	**22.1%**
Income before tax	**51.8**	**-**	**51.8**	**74.8**	**(23.0)**	**(94.1)**	**(0.2)**	**(93.9)**	**72.7**	**(166.5)**	**2.9%**
Corporate income tax	(19.7)	-	(19.7)	(27.6)	7.9	12.9	0.0	12.9	(44.5)	57.3	-37.9%
Income for the period	**32.1**	**-**	**32.1**	**47.2**	**(15.1)**	**(81.2)**	**(0.2)**	**(81.0)**	**28.2**	**(109.2)**	**67.4%**

(*) First-time adoption of IFRS 16 using simplified retrospective method does not allow to maintain comparable data between both periods

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

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

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

- Capital gain or losses on sales of assets

In the course of 2019, the amount of non-recurring items stands at (23.0) million euros and is primarily comprised of the expenses incurred in the framework of the Group's transformation.

In the course of 2018, the amount of non-recurring items stood at (166.5) million euros and was primarily comprised of the non-recurring expenses incurred in the framework of the implementation of the restructuring plan.

Details on the revenues and recurring EBITDA of continued activities, as at 31 December 2019 and as at 31 December 2018

Million euros	Continued activities		
	As at 31 December 2019 (*)	**As at 31 December 2018 (*)**	**Change Recurring 2019 / 2018**
Digital	520.5	571.0	-8.8%
Print	63.6	98.4	-35.4%
Revenues	**584.1**	**669.4**	**-12.7%**
Digital revenues as % of total revenues	*89.1%*	*85.3%*	
Digital	170.0	149.3	13.9%
Print	20.6	22.0	-6.2%
Recurring EBITDA	**190.6**	**171.2**	**11.3%**
As % of revenues			
Digital	*32.7%*	*26.1%*	
Print	*32.5%*	*22.4%*	
Total	**32.6%**	**25.6%**	

(*) First-time adoption of IFRS 16 using simplified retrospective method does not allow to maintain comparable data between both periods

1.2.1. Analysis of the order backlog for continued activities

Sales

In million of euros	As at 31 December 2019	As at 31 December 2018	Variation
Digital	519.5	518.7	0.1%
Print	44.9	74.9	-40.1%
Total order intake	**564.3**	**593.7**	**-4.9%**

Sales in 2019 amounted to €564.3 million, down -4.9% compared to sales in 2018. Digital sales in 2019 were steady, whereas Print sales were down -40.1%.

Revenues

In million of euros	As at 31 December 2019	As at 31 December 2018	Variation
Digital	520.5	571.0	-8.8%
Print	63.6	98.4	-35.4%
Total revenues	**584.1**	**669.4**	**-12.7%**

Total revenues for 2019 amount to €584.1 million, down -12.7% compared to total revenues for 2018. Digital revenues in 2019 were down -€50.5 million, i.e. -8.8%, due to the decrease in order intake in previous quarters. Indeed, 58% of 2019 Digital revenues came from order intake achieved in previous years and 42% from order intake from the current year. This share of 42% is up +3 points compared to 2018, which reflects the acceleration of the conversion of order intake into revenues, in line with the transformation of the business model.

Print revenues in 2019 were down -€34.8 million, i.e. -35.4%.

Order backlog

In million of euros	As at 31 December 2019	As at 31 December 2018
Digital	347.1	404.0
Print	38.3	64.1
Total order backlog - beginning of period (*)	**385.4**	**468.0**
Digital	519.5	518.7
Print	44.9	74.9
Total order intake	**564.3**	**593.7**
Digital	(5.7)	(4.6)
Print	(0.0)	(2.3)
Cancellation	**(5.7)**	**(6.9)**
Digital	(520.5)	(571.0)
Print	(63.6)	(98.4)
Total revenues of continued activities	**(584.1)**	**(669.4)**
Digital	340.3	347.1
Print	19.5	38.3
Total order backlog - end of period	**359.9**	**385.4**

* Cancellations are attached to the selling year

The order backlog total amounts to €359.9 million on 31 December 2019, down -6.6% compared to 31 December 2018. The drop is partially due to the decline in the Print activity.

Performance indicators of Solocal

	As at 31 December 2019	As at 31 December 2018	Variation
Auto-renewal subscription sales (as of % of total sales) (1)	45.5%	20.5%	25.0 points
ARPA (average revenue per advertiser)	1 460	1 300	12.3%
Audience (PagesJaunes number of visits, in billion)	2.0	1.7	18.6%

(1) Solocal SA scope, excluding ClicRDV, Effilab, Leadformance, Mappy, Ooreka, QDQ, SoMS and non-significant subsidiaries i.e. 91% of Group total revenues

45.5% of Digital order intake are performed on a subscription basis in 2019, i.e. up +25 points compared to Q4 20181. These order intake4,6 mainly include the Priority Ranking and Presence offers, the Websites and Booster Contact. The new Presence and Priority Ranking digital services offers have been fully deployed since July 2019. This increase in order intake is a key element of the transformation of the business model. This new business model will enable a reduction in churn, and more importantly should foster an increase in the acquisition of new clients by freeing up some salesforce time historically devoted to the renewal of customers.

The PagesJaunes audience increased +18.6% in 2019 compared to 2018. This growth was driven by mobile traffic and the traffic generated by the new partnerships.

1.2.2. Analysis of recurring EBITDA

Net external expenses

Net recurring external expenses amounted to -€144 million and are down -17% over 2019 (as per same accounting standards) compared to 2018 due to:

• the decrease in expenditure allocated to content in connection with the fall in revenues but also thanks to a better sourcing on Performance products, including Booster;

• the decrease in real estate and vehicles costs due to the reduction in the number of agencies and sales staff;

• the continuation of the cost control plan initiated in 2018 (IT maintenance costs, fees, etc..).

This drop is partially offset by an increase in IT services linked to the implementation of the Move to Cloud project (€4 million) and marketing expenditure (€6 million).

The impact of the application of IFRS 16 on costs is favourable to the tune of +€15.6 million in terms of net external expenses in 2019. This amount corresponds to the cancellation of rental charges. The counterpart of this cancellation is displayed in the financial result and in the depreciation and amortisation.

Personnel expenses

Recurring personnel expenses amounted to -€250 million in 2019, i.e. down -€56 million compared to 2018, i.e. -18% on a same accounting standards basis. This decrease is due primarily to the full year effect of the reduction in the number of employees carried out as part of the Group's transformation project.

Recurring EBITDA

Recurring EBITDA was 190.6 million euros in 2019, up +11.3% (+2.2% at a constant standard) compared to 2018, the fall in revenues being offset in particular by the reduction in the recurring cost base of 89,1 million euros under the transformation project and the cost reduction policy.

The recurring EBITDA / revenues margin was 32.6% in 2019 and 30.0% at a constant standard, which is an increase of +4.4 points compared to 2018.

1.2.3. Analysis of the other items in the income statement

Operating income

The table below shows the Group's operating income for continued activities in 2019 and 2018:

Million euros	As at 31 December 2019 (*)					As at 31 December 2018 (*)					Change Recurring 2019 / 2018
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			
			Total	Recurring	Non recurring			Total	Recurring	Non recurring	
EBITDA *As % of revenues*	**167.6**	**-**	**167.6**	**190.6**	**(23.0)**	**4.6**	**(0.1)**	**4.7**	**171.2**	**(166.5)**	**11.3%**
Depreciation and amortization	(71.0)	-	(71.0)	(71.0)	-	(62.0)	(0.1)	(61.9)	(61.9)	-	14.8%
Operating income *As % of revenues*	**96.6**	**-**	**96.6**	**119.6**	**(23.0)**	**(57.4)**	**(0.2)**	**(57.1)**	**109.4**	**(166.5)**	**9.4%**

Impairment, amortisation and depreciation amounted to (71.0) million euros in 2019, up +14.8% including the impact of IFRS 16 (at a constant standard, this would be on the contrary a decline of -11.6%) compared to 2018. This is primarily explained by the downward trend in investments over the last few years.
The impact on impairment, amortisation and depreciation of the application of IFRS 16 is (16.3) million euros at in 2019, resulting from the cancellation of rental charges of (15.6) million euros.

Recurring operating income for the Group stands at €119.6 million compared to (€57.1) million in 2018.

Net Income

The table below shows the Group's net income for continued activities in 2019 and 2018:

Million euros	As at 31 December 2019 (*)					As at 31 December 2018 (*)					Change Recurring 2019 / 2018
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			
			Total	Recurring	Non recurring			Total	Recurring	Non recurring	
Operating income *As % of revenues*	**96.6**	**-**	**96.6**	**119.6**	**(23.0)**	**(57.4)**	**(0.2)**	**(57.1)**	**109.4**	**(166.5)**	**9.4%**
Financial income	(0.2)	-	(0.2)	(0.2)	-	0.1	-	0.1	0.1	-	0.0%
Financial expenses	(44.6)	-	(44.6)	(44.6)	-	(36.8)	(0.0)	(36.8)	(36.8)	-	21.1%
Financial income	**(44.8)**	**-**	**(44.8)**	**(44.8)**	**-**	**(36.7)**	**(0.0)**	**(36.7)**	**(36.7)**	**-**	**22.1%**
Income before tax	**51.8**	**-**	**51.8**	**74.8**	**(23.0)**	**(94.1)**	**(0.2)**	**(93.9)**	**72.7**	**(166.5)**	**2.9%**
Corporate income tax	(19.7)	-	(19.7)	(27.6)	7.9	12.9	0.0	12.9	(44.5)	57.3	-37.9%
Income for the period	**32.1**	**-**	**32.1**	**47.2**	**(15.1)**	**(81.2)**	**(0.2)**	**(81.0)**	**28.2**	**(109.2)**	**67.4%**

(*) First-time adoption of IFRS 16 using simplified retrospective method does not allow to maintain comparable data between both periods

Financial income

Financial result amounted to -€44.8 million in 2019. The increase in financial expenses of +€2.3 million over 2018 results primarily from the Group setting up and drawing on new financing facilities (revolving credit facility, working capital requirement facility).

The impact on financial expenses of the application of the IFRS 16 standard was -€5.8 million in 2019.

Recurring income for the period

Recurring income before tax for continued activities amounts to 74.8 million euros in 2019 (81.3 million euros at a constant standard, up 11.9%) compared to 2018.

Income before tax amounts to 51.8 million euros in 2019, compared to (93.9) in 2018 due to the absence of restructuring costs linked to the transformation project that were (164.0) million euros in 2018.

The impact on income before tax of applying IFRS 16 is (6.5) million euros in 2019.

Non-recurring items

Non-recurring items that impact EBITDA amounted to (23.0) million euros and include mainly (23.5) million euros in restructuring costs resulting from the transformation project.

Net income for the period

The Group consolidated net income is positive and stands at 32.1 million euros in 2019 compared to (81.2) million euros in 2018.

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

Cash flow statement	**As at 31 December 2019**	**As at 31 December 2018**
In million of euros		
Recurring EBITDA	**190.6**	**171.2**
Non monetary items included in EBITDA and other	2.8	10.5
Net change in working capital	(48.1)	(14.4)
Acquisition of tangible and intangible fixed assets	(41.6)	(43.6)
Cash financial income	(44.0)	(31.7)
Non recurring items	(154.8)	(67.8)
of which Restructuring	(144.6)	(49.8)
of which Net change in non recurring working capital	(10.2)	(18.0)
Corporate income tax paid	1.8	(15.8)
Free Cash flow	**(93.2)**	**8.4**
Increase (decrease) in borrowings and bank overdrafts	58.9	(0.0)
Capital increase	17.1	-
Other	(22.9)	(12.9)
Net cash variation	**(40.1)**	**(4.5)**
Net cash and cash equivalents at beginning of period	81.5	86.0
Net cash and cash equivalents at end of period	**41.5**	**81.5**

The change in working capital requirements amounts to (48.1) million euros in 2019.

Non-recurring items amounted to -€154.8 million in 2019 and mainly include the disbursements resulting from the Solocal transformation project (-€144.6 million) as well as -€10.2 million of non-recurring change in working capital (change in liabilities resulting from this same plan).

The Group's consolidated free cash flow is therefore negative, -€93.2 million in 2019 vs. +€8.4 million in 2018. It is partially offset by drawing on €59 million in debt (RCF and working capital line) and partial execution of the Equity line (named "PACEO") for €17.1 million in 2019. At the end of December 2019, 34.4 million shares had been used from this Equity line, implemented at the end of November 2019 with the purpose of issuing a maximum amount of 58 million shares.

The change in "Others" of -€22.9 million mainly comes from the flow corresponding to financial amortisation of capitalised use rights in connection with the application of IFRS 16.

As at 31st December 2019, the Group had a net cash position of €41.5 million vs. €81.5 million as at 31st December 2018.

The conversion rate of recurring EBITDA into operating recurring FCF such as calculated by the formula ((recurring EBITDA + change in WCR – capex) / recurring EBITDA) was 50% in 2019 vs. 72% in 2018, excluding IFRS 16 application. This conversion rate decrease mainly results from the change in WCR.

1.3. Consolidated liquidities, capital resources and investment expenses

The table below shows the cash flows for continued activities of the Group as at 31 December 2019 and as at 31 December 2018:

In million of euros	**As at 31 December 2019**	**As at 31 December 2018**
Net cash from operations	(74.8)	48.8
Net cash used in investing activities	(41.2)	(50.0)
Net cash provided by (used in) financing activities	76.0	(3.4)
Impact of changes in exchange rates on cash	0.0	0.0
Net increase (decrease) in cash position	**(40.1)**	**(4.5)**

The net cash from operations amounted to (74.8) million euros in 2019 compared to 48.8 million euros in 2018 due mainly to disbursements linked to non-recurring items (restructuring project).

The net cash from operations used in investment activities amounted to (41.2) million euros in 2019 compared to (50.0) million euros in 2018, representing a difference of (8.8) million euros.

The net cash used in financing activities represents a net collection of 76.0 million euros in 2019 compared to a net disbursement of (3.4) million euros in 2018. This is explained in particular by a revolving credit facility of 50.0 million euros and an equity line for 17.4 million euros.

The table below shows the changes in the **Group's consolidated cash position** as at 31 December 2019, and as at 31 December 2018:

(in thousands of euros)	**As at 31 December 2019**	**As at 31 December 2018**
Gross cash	**41.6**	**81.6**
Bank overdrafts	(0.1)	(0.1)
Net cash	**41.5**	**81.5**
	-	-
Bond loan	397.8	397.8
Revolving credit facility drawn	50.0	-
Lease liability	3.4	6.9
Price supplements on acquisition of securities	0.2	0.2
Accrued interest not yet due	1.4	1.4
Other financial liabilities	114.8	2.8
of which IFRS 16	*104.1*	-
Gross financial debt	**567.6**	**409.1**
of which current	*40.6*	*6.9*
of which non-current	*526.9*	*402.2*
Net debt	**526.1**	**327.6**
Net debt of consolidated group excluded loan issue expenses	**526.1**	**327.6**

Net financial debt (financial debt, minus cash flow and cash flow equivalents) was 526.1 million euros as at 31 December 2019, up 94.4 million euros at a constant standard compared to 327.6 million euros as at 31 December 2018.

The impact on net financial debt of the application of IFRS 16 is +104.1 million euros over 2019, resulting from the reclassification of rental charges as rental obligations as a liability on the balance sheet.

Net leverage as defined in the documentation concerning Solocal's 2022 bond is 2.3x as at 31st December 2019 (to which IFRS 16 does not apply). The EBITDA to interest expenses ratio (ISCR) amounted to 4.8x for 2019. The group complies with the financial covenants requested by the bond documentation, with respectively 33% and 59% of headroom.

As at 31 December 2019, financial debt is primarily comprised:

- of bonds stemming from the financial restructuring operations carried out in March 2017 for an amount of 397.8 million euros, repayable in March 2022,
- a revolving credit line of 50.0 million euros,
- of lease liabilities of 3.4 million euros,
- of net cash flow of 41.5 million euros.

In February 2019 the Group had contracted a revolving credit facility of 15 million euros, ending March 2022. In accordance with what was announced, the Group continued its search for means of financing and increased this revolving credit facility by 25 million euros to 40 million euros. An increase in the revolving credit facility of 10 million euros was contracted in November 2019 bringing the credit line amount to 50 million euros.

1.4 Investment expense

In million of euros	As at 31 December 2019	As at 31 December 2018	Variation
Acquisition of tangible and intangible fixed assets	42.9	43.6	-1.6%
Right-of-use assets related to leases (*)	24.0	-	N/A
Current investments	**66.9**	**43.6**	**N/A**

(*) The increase in right-of-use assets related to leases is due to new right-of-use assets of 2019.

As at 1st January 2019, due to the first application of the IFRS 16 standard "Leases", right-of-use assets related to leases in Statement of consolidated financial position are 79.5 million euros.

Intangible and intangible investments at 42.9 million euros in 2019 were basically stable compared to 2018.

1.5 Outlook for 2020

Stabilisation in the customer base as a result of an increase in customer acquisition and a reduction in churn.

Solocal confirms the return to growth in Digital revenues in the second half 2020 as well as an acceleration in Digital EBITDA growth in 2020. Furthermore, Solocal should generate operating free cash flow of at least €90 million in 2020.

1.6 Events subsequent to the closing date of 31 December 2019

None

Definitions

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

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

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

- capital gains or losses from disposals of assets

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

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

2 Consolidated accounts as at 31 December 2019

2.1 – Consolidated income statement

(Amounts in thousands of euros, except data relating to shares)	Notes	**As at 31 December 2019 (*)**	**As at 31 December 2018 (*)**
Revenues	5.1	584 116	670 410
Net external expenses		(143 421)	(197 086)
Personnel expenses		(249 593)	(304 728)
Restructuring costs		(23 455)	(164 000)
EBITDA		**167 647**	**4 596**
Depreciation and amortization		(71 018)	(61 963)
Operating income		**96 629**	**(57 367)**
Financial income		(237)	108
Financial expenses		(44 583)	(36 816)
Financial income	9.4	**(44 820)**	**(36 708)**
Income before tax		**51 809**	**(94 075)**
Corporate income tax	8	(19 698)	12 891
Income for the period from continuing operations		**32 111**	**(81 184)**
Income for the period attributable to:			
- Shareholders of SoLocal Group		32 111	(81 206)
- Non-controlling interests		-	22
Net earnings per share (in euros)			
Net earnings per share of the consolidated group based on a weighted average number of shares			
- basic	13.5	0.05	(0.14)
- diluted		0.05	(0.14)
Net earnings per share of the consolidated group based on a year end number of existing shares (as at 30 June)			
- basic		0.05	(0.14)
- diluted		0.05	(0.14)

(*) First-time adoption of IFRS 16 using simplified retrospective method does not allow to maintain comparable data between both periods

2.2 - Statement of comprehensive income

(Amounts in thousands of euros)	Notes	**As at 31 December 2019 (*)**	**As at 31 December 2018 (*)**
Income for the period report		**32 111**	**(81 184)**
ABO reserves :			
- Gross	11	(8 740)	1 055
- Deferred tax		-	(362)
- Net of tax		**(8 740)**	**693**
Exchange differences on translation of foreign operations		317	11
Other comprehensive income		**(8 423)**	**704**
Total comprehensive income for the period, net of tax		**23 688**	**(80 480)**
Total comprehensive income for the period attributable to:			
- Shareholders of SoLocal Group		23 688	(80 504)
- Non-controlling interests		-	24

(*) First-time adoption of IFRS 16 using simplified retrospective method does not allow to maintain comparable data between both periods

2.3 – Statement of consolidated financial position

(thousand euros)	Notes	As at 31 December 2019	As at 31 December 2018
Assets			
Net goodwill		88 870	88 870
Other net intangible fixed assets		90 482	100 139
Net tangible fixed assets		20 977	25 614
Right-of-use assets related to leases	1.3.2	69 279	-
Other non-current financial assets		7 067	6 919
Net deferred tax assets	8	60 928	75 056
Total non-current assets		**337 603**	**296 598**
Net trade accounts receivable	5.2	90 223	234 559
Other current assets		39 065	42 494
Current tax receivable		2 333	9 023
Prepaid expenses		2 676	4 755
Other current financial assets		3 416	2 006
Cash and cash equivalents	9.5	41 551	81 644
Total current assets		**179 264**	**374 482**
Total assets		**516 867**	**671 081**
Liabilities			
Share capital		61 954	58 363
Issue premium		758 392	743 803
Reserves		(1 432 975)	(1 349 806)
Income for the period attribuable to shareholders of Solocal Group		32 111	(81 184)
Other comprehensive income		(53 065)	(44 641)
Own shares		(5 344)	(5 249)
Equity attributable to equity holders of the SoLocal Group	13	**(638 927)**	**(678 714)**
Non-controlling interests		41	41
Total equity		**(638 886)**	**(678 673)**
Non-current financial liabilities and derivatives		448 488	402 235
Long-term lease liabilities	1.3.2	78 450	-
Employee benefits - non-current		93 960	93 770
Provisions - non-current	11	11 025	39 937
Deferred tax liabilities		-	-
Total non-current liabilities		**631 923**	**535 942**
Bank overdrafts and other short-term borrowings		13 681	5 626
Accrued interest		1 387	1 389
Short-term lease liabilities	1.3.2	25 654	-
Provisions - current	11	71 105	163 188
Contract liabilities	5.4	194 113	357 486
Trade accounts payable	12	73 495	115 391
Employee benefits - current		84 837	93 605
Other current liabilities		58 742	76 895
Corporation tax		816	232
Total current liabilities		**523 830**	**813 813**
Total liabilities		**516 867**	**671 081**

2.4 - Statement of changes in consolidated equity

(thousand euros)

Number of shares in circulation		Share capital	Issue premium	Income and reserves	Actuarial differences	Translation reserve	Own shares	Group equity	Non-controlling interests	Total equity
582 042 526	**Balance as at 1 January 2018**	**58 244**	**741 551**	**(1 349 632)**	**(44 745)**	**(600)**	**(5 157)**	**(600 341)**	**79**	**(600 261)**
	Total comprehensive income for the period			(81 184)				**(81 184)**	21	**(81 163)**
	Other comprehensive income			-	693	11		**704**	**2**	**706**
	Total comprehensive income for the period, net of tax			**(81 184)**	**693**	**11**		**(80 480)**	**23**	**(80 457)**
	Share-based payment			2 197				**2 197**		**2 197**
	Distribution de dividendes			-				-		-
1 185 565	Capital transactions	119	2 252	(2 371)				-		-
(90 367)	Shares of the consolidating company net of tax						(92)	**(92)**		**(92)**
	Minority Stake holders Effilab Dubaï (cession)								**(61)**	**(61)**
583 137 724	**Balance as at 31 December 2018**	**58 363**	**743 803**	**(1 430 990)**	**(44 052)**	**(589)**	**(5 249)**	**(678 714)**	**41**	**(678 673)**
583 137 724	**Balance as at 1 January 2019**	**58 363**	**743 803**	**(1 430 990)**	**(44 052)**	**(589)**	**(5 249)**	**(678 714)**	**41**	**(678 673)**
	Total comprehensive income for the period			32 111				**32 111**	-	**32 111**
	Other comprehensive income							-	-	-
	Total comprehensive income for the period, net of tax							-	-	-
1 000 000	Share-based payment	100		1 418				**1 518**		**1 518**
495 911	Capital transactions	49	943	(992)				-		-
34 415 190	Equity line financing	3 442	13 646					**17 088**		**17 088**
(74 955)	Shares of the consolidating company net of tax						(95)	**(95)**		**(95)**
	Minority Stake holders Effilab Dubaï (cession)			(2 411)	(8 740)	317		**(10 834)**	-	**(10 834)**
618 973 870	**Balance as at 31 December 2019**	**61 954**	**758 392**	**(1 400 864)**	**(52 792)**	**(273)**	**(5 344)**	**(638 926)**	**41**	**(638 885)**

2.5 - Consolidated cash flow statement

(thousand euros)	**As at 31 December 2019**	**As at 31 December 2018**
Income for the period attribuable to shareholders of SoLocal Group	**32 111**	**(81 206)**
Depreciation and amortization of fixed assets	47 302	57 159
Change in provisions	(124 204)	125 076
Share-based payment	(643)	2 123
Capital gains or losses on asset disposals	530	4 804
Interest income and expenses	44 820	36 715
Hedging instruments	-	-
Unrealised exhange difference		
Tax charge for the period	19 698	(12 891)
Non-controlling interests	-	22
Decrease (increase) in inventories	212	353
Decrease (increase) in trade accounts receivable	146 938	47 816
Decrease (increase) in other receivables	9 836	(8 814)
Increase (decrease) in trade accounts payable	(12 386)	25 801
Increase (decrease) in other payables	(196 914)	(97 515)
Net change in working capital	**(52 314)**	**(32 359)**
Dividends and interest received	(346)	635
Interest paid and rate effect of net derivatives	(43 610)	(35 289)
Corporation tax paid	1 829	(15 781)
Net cash from operations	**(74 827)**	**49 001**
Acquisition of tangible and intangible fixed assets	(41 594)	(43 665)
Acquisitions / disposals of investment securities and subsidiaries, net of cash	385	(7 104)
Net cash used in investing activities	**(41 209)**	**(50 768)**
Increase (decrease) in borrowings	58 946	(3 109)
Dividends paid	(4)	106
Other cash from financing activities o/w own shares	17 013	94
Net cash provided by (used in) financing activities	**75 955**	**(2 909)**
Impact of changes in exchange rates on cash	16	81
Net increase (decrease) in cash position	**(40 065)**	**(4 595)**
Net cash and cash equivalents at beginning of period	81 523	86 118
Net cash and cash equivalents at end of period	**41 458**	**81 523**

2.6 – Notes to the consolidated financial statements as at 31 December 2019

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 to all of the other legal provisions that apply to French commercial companies.

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

The Group's summarised consolidated financial statements as at 31 December 2019 were drawn up under the responsibility of the Managing Director of Solocal Group and were approved by the Board of Directors of Solocal Group on 26 February 2020.

1.1 Highlights

1.1.1 Restructuring plan

The Group presented its strategic project "Solocal 2020" on 13 February 2019. This transformation project, intended to enable a return to sustainable growth for the Group, was accompanied in 2018 with a reduction of some 1,000 jobs with the implementation of a redundancy scheme.

As part of this transformation project, Management and majority trade union organisations signed a GPEC skills management agreement on 25 July 2019 on mobility leave, which specifies the support measures to be proposed to employees who are currently in a job identified as in a declining growth situation. This mobility leave concerns 113 employees and was put in place in 2019 on a volunteer basis.

On 31 December 2019, a provision of €20.2 M was set aside for employee departures planned in 2019 and 2020. A reversal of €1.5 M was performed over the year – this reversal corresponds to the costs incurred over the period to support employee departures.

1.1.2 Financial borrowings

In February 2019 the Solocal Group contracted a revolving credit facility of 15 million euros maturing in March 2022. In accordance with what was announced, the Group continued its search for means of financing and increased this revolving credit facility by 25 million euros to 40 million euros in June 2019. An increase in the revolving credit facility of 10 million euros was contracted in November 2019 bringing the credit line amount to 50 million euros.

1.1.3 Capital increase

On 27 November 2019, the board of directors decided to authorise the putting in place of an equity financing line. This equity financing line was drawn on for an amount corresponding to 34,415,190 shares out of 58 000 000 warrants on 31 December 2019 i.e. €3.4 M in share capital.

1.2 Accounting methods and principles

Pursuant to European regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Solocal Group as at 31 December 2019 in accordance with the IAS/IFRS international accounting standards adopted in the European Union on the closing data and with mandatory applicable as of that date.

The accounting rules and methods applied in the financial statements are coherent with those used by the Group in the consolidated financial statements as of 31 December 2018, and presented in the reference document filed with the Autorité des marchés Financiers (AMF) on 21 March 2019, except for the standards and interpretations adopted by the European Union applicable starting on 1 January 2019 and described hereinafter and of IFRS 16.

All of the standards and interpretations adopted by the European Union as at 31 December 2019 are available on the website of the European Commission at the following address:
https://ec.europa.eu/info/law/international-accounting-standards-regulation-ecno-1606-2002

1.3 IFRS standards

1.3.1 Change in IFRS standard and interpretations

The accounting methods and principles applied for the summarised consolidated financial statements as at 31 December 2019 are identical to those used in the consolidated financial statements as at 31 December 2018 except for the standards, amendments and interpretations of IFRS of mandatory application for periods opens starting on 1 January 2019 (and which had not been applied early by the Group). Only the application of IFRS 16 has a significant impact as at 31 December 2019.

The standards, amendments and interpretations published by the IASB and IFRS IC (IFRS Interpretations Committee) respectively, the application of which is not mandatory for the financial years starting from 1 January 2019 and not applied in advance by the Group, are:

Standards:

- IFRS 17 Insurance contracts (applicable on 1 January 2021), not adopted / adopted by the European Union

Amendments:

- IFRS 3 Business combinations, definition of an activity, (applicable on 1 January 2020), not adopted / adopted by the European Union
- Interest Rate Benchmark Reform (IBOR), amendments to IFRS 9, IAS 39 and IFRS 7 (applicable on 1 January 2020), not adopted / adopted by the European Union
- IAS 1 and IAS 8, definition of the term "significant" (applicable on 1 January 2020), adopted by the European Union

Conceptual framework: conceptual framework for the revised financial information replacing the 2010 framework (applicable on 1 January 2020), adopted by the European Union

1.3.2 First application of IFRS 16

The new Leases standard (IFRS 16), published on 13 January 2016, results in all lease commitments, as defined by the new standard, without distinction between operating leases, being recognised in the balance sheet whereas they are currently recognised as off-balance-sheet commitments and finance leases contracts.

The first application of this standard impacts the Group's balance sheet as follows:
- Increase in fixed assets (recognition of a right of use);
- Recognition of a lease debt (representative of discounted rentals).

When a rental lease is concluded for which the payments are fixed, this standard imposes recording a liability on the balance sheet that corresponds to future discounted payments, offsetting a right of use for the asset depreciated over the duration of the lease. IFRS 16 is applied on the Group's financial statements since 1 January 2019, according to the "simplified retrospective" transition method which consists in recognising the total effect of the initial application as an adjustment on opening equity by considering that the asset in terms of a right of use is equal to the amount of the lease obligation, adjusted for the amount of rents paid in advance.

The scope of contracts has been systematically reviewed, reassessing the existence of leases in each contract according to the criteria of the standard and excluding leases with a term of 12 months or less and low-value assets (below 5 k€) in line with the exemption set out in the standard. Fees for such leases are recognized in expenses.

The amount of the liability is thus substantially dependent on the hypotheses retained in terms of duration of commitments and discount rate. The duration of the contract retained for the calculation of the liability is that of the initially negotiated contract, without taking account of the early termination or extension options according to the types of contracts, except for particular cases for which the Group is reasonably certain that the extension or termination options will be exercised.

The discount rate is determined as the sum of the risk-free rate, in reference to its duration, and of the credit risk of the entity related to the one of the Group for this same duration reference. The calculation of discount rates was based on the residual duration of each contract.

1.3.3 Impacts on the financial statements of the application of IFRS 16

Impacts of IFRS 16 on the opening consolidated balance sheet

The following table presents the impacts of the first application of IFRS 16 on the opening balance sheet

(thousand euros)	**As at 31 December 2018**	**First-time application of IFRS 16**	**Information January 1, 2019 with IFRS 16**
Assets			
Other net intangible fixed assets	100 139		100 139
Net tangible fixed assets	25 614		25 614
Right-of-use assets related to leases		79 520	79 520
Other non-current financial assets	6 919		6 919
Other non-current assets	163 926		163 926
Other current financial assets	2 006		2 006
Other current assets	372 477		372 477
Total assets	**671 081**	**79 520**	**750 601**
Liabilities			
Total equity	**(678 673)**		**(678 673)**
Non-current financial liabilities and derivatives	402 235		402 235
Long-term lease liabilities	-	95 058	95 058
Provisions - non-current	39 937		39 937
Others	93 770		93 770
Total non-current liabilities	**535 942**	**95 058**	**631 000**
Short-term lease liabilities	-	13 969	13 969
Provisions - current	163 188	(3 313)	159 875
Other current liabilities	76 895		76 895
Others	573 730	(26 194)	547 536
Total current liabilities	**813 813**	**(15 538)**	**798 275**
Total liabilities	**671 081**	**79 520**	**750 601**

The impacts of the first application of IFRS 16 on the opening balance sheet are:

- The recognition of rights of use concerning rental contracts and lease obligations for respectively €79.5 million and €109.0 million;
- The reclassification of provisions for vacant premises as a decrease to rights of use for €3.3 million;
- The reclassification of provisions for franchises as a decrease to rights of use for €26.2 million.

The application of this new accounting standard has no effect on cash flow or on the calculation of financial leverage such as defined in the bond documentation.

The group did not opt for the recognitions of deferred taxes.

IFRS 16 impacts on rental obligations on 1 January 2019

The following table sets out the move by off-balance-sheet commitments given as at 31 December 2018 to opening rental obligations under IFRS 16:

million euros	
Lease liabilities as at December 31, 2018	148
Contracts out of the scope of application of IFRS 16	(13)
Commitment before discounted as at January 1, 2019	135
Discounting effect	(26)
Lease liabilities as at January 1, 2019	109

1.4 Other information

Seasonal variations

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

Use of hypotheses

The drawing up of the consolidated financial statements as at 31 December 2019 in accordance with the IFRS standards led the Group's management to conduct estimates and issue hypotheses, which can affect the amounts booked as assets and liabilities on the date the financial statements were prepared and have an offset in the income state. The management made its estimates and issued its hypotheses based on past experience and the taking account of different factors considered as reasonable for the evaluation of assets and liabilities. The use of different hypotheses could have an significant impact on these evaluations. The main estimates made by the management during the drawing up of the financial statements relate in particular to the hypotheses retained for the evaluation of the recoverable amount of tangible and intangible fixed assets, pension commitments, deferred taxes and provisions. The information provided in terms of any assets and liabilities and off-balance-sheet commitments on the date the summarised consolidated financial statements were drawn up are also the subject of estimates.

1.5 Note on continued operation

Despite the existence of consolidated equity that is negative, the Group has not identified any elements of a nature to compromise continuity of operation.

The Group structurally and strongly generates cash. However, non-recurring outflows related to 2018 Redundancy Scheme have reduced the Group leeway.

In 2019, the outflows of non-recurring expenses were 155 million euros. In addition to cash from operation and according to what has been announced, the Group has diversified its means of financing : a revolving credit facility of 50 million euros and 8 million euros of a working capital line of credit. An equity line was issued at the end of November 2019 for 17.4 million euros as at 31 December 2019. 24 million warrants are still available.

Non recurring outflows in 2020 are planned to 60 million euros and will still have a significant impact on the Group cash position. However, based on the 2020 forecast established by the Group, the cash position as at 1st January 2020 and cash from operation (financial expenses included) will allow the Group to face all outflows.

had been set up in December 2018 with a financial partner. This line is operational and was used for nearly 2 million as at 31 December 2019. Besides, the Group will still continue to diversify its means of financing so that additional leeway may be recovered (assets financing, web sites financing).

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 impairment, amortisation and depreciation into account.

Note 2 – Notes to the consolidated financial statements

2.1 Alternative performance indicators

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

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

2.1.1 Order backlog and sales

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

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

In million of euros	As at 31 December 2019	As at 31 December 2018
Digital	347.1	404.0
Print	38.3	64.1
Total order backlog - beginning of period (*)	**385.4**	**468.0**
Digital	519.5	518.7
Print	44.9	74.9
Total order intake	**564.3**	**593.7**
Digital	(5.7)	(4.6)
Print	(0.0)	(2.3)
Cancellation	**(5.7)**	**(6.9)**
Digital	(520.5)	(571.0)
Print	(63.6)	(98.4)
Total revenues of continued activities	**(584.1)**	**(669.4)**
Digital	340.3	347.1
Print	19.5	38.3
Total order backlog - end of period	**359.9**	**385.4**

* Cancellations are attached to the selling year

2.1.2 Recurring Digital and Print EBITDA

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

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

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

- Capital gain or losses on sales of assets

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

In the course of 2019, the Group divested from a non-strategic activity, Eurodirectory, without any revenues and an EBITDA impact close to zero.

In the course of 2018, the Group divested from non-strategic activities (“divested activities”): Retail Explorer, Net Vendeur, Effilab Australia, Effilab Dubaï. These divested activities accounted for revenues of 1.0 million euros and an EBITDA of (0.2) million euros.

Million euros	As at 31 December 2019 (*)	As at 31 December 2018 (*)	Change Recurring 2019 / 2018
Digital	520.5	571.0	-8.8%
Print	63.6	98.4	-35.4%
Revenues	**584.1**	**669.4**	**-12.7%**
Digital revenues as % of total revenues	*89.1%*	*85.3%*	
Digital	170.0	149.3	13.9%
Print	20.6	22.0	-6.2%
Recurring EBITDA	**190.6**	**171.2**	**11.3%**
As % of revenues			
Digital	*32.7%*	*26.1%*	
Print	*32.5%*	*22.4%*	
Total	**32.6%**	**25.6%**	

(*) First-time adoption of IFRS 16 using simplified retrospective method does not allow to maintain comparable data between both periods

2.2.3 Non-recurring items

As at 31 December 2019, the amount of non-recurring items stands at (23.0) million euros and primarily comprises the expenses incurred in the framework of the Group's transformation.

2.2.4 Working capital requirement

In million of euros	As at 31 December 2019	As at 31 December 2018
+ Net trade accounts receivable	90.2	234.6
+ Other current assets	39.1	42.5
+ Current tax receivable	2.3	9.0
+ Other current financial assets	3.4	2.0
- Trade accounts payable	73.5	115.4
- Other current liabilities	58.7	76.9
- Corporation tax	0.8	0.2
Working capital	**2.0**	**95.6**

2.2.5 Current investment

In million of euros	As at 31 December 2019	As at 31 December 2018	Variation
Acquisition of tangible and intangible fixed assets	42.9	43.6	-1.6%
Right-of-use assets related to leases (*)	24.0	-	N/A
Current investments	**66.9**	**43.6**	**N/A**

(*) The increase in right-of-use assets related to leases is due to new right-of-use assets of 2019.

As at 1st January 2019, due to the first application of the IFRS 16 standard "Leases", right-of-use assets related to leases in Statement of consolidated financial position are 79.5 million euros.

2.2 Information by segment

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

Solocal Group is developing its activities within two operating segments: "Digital" and "Print" and generated revenue for continued activities of 584.1 million euros as at 31 December 2019, these activities represent respectively 89.1% and 10.1%.

Digital

- The digital Presence offer allows VSEs and SMEs to control their digital presence over the entire Web (several tens of medias in total including Google, Facebook, PagesJaunes, Bing, Tripadvisor, Instagram, etc.) with just a few clicks, in real time and with complete autonomy, via a single mobile application, or a web interface. This offer represents revenues of 127.2 million euros as at 31 December 2019. The digital Presence offer is sold as auto-renewal subscription.

- The digital Advertising offer allows companies to increase their digital visibility beyond their natural presence over the entire Web, in a logic for developing local market shares. This offer includes the Priority Ranking services launched in the third quarter of 2019. This offer represents revenues of 281.2 million euros as at 31 December 2019.

- With the Website range, Solocal offers customers site creation and SEO services (showcase and e-commerce), according to different budget levels, always in subscription mode with automatic renewal. This offer represents revenues of 104.6 million euros as at 31 December 2019.

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

- Solocal also proposes New services aimed at facilitating the daily life of companies, such as for example a customer relations management (CRM) solution which is being developed in 2019. This offer represents revenues of 7.6 million euros as at 31 December 2019.

Print

This segment includes the Group's activities pertaining to the publishing, distribution and sales of advertising space in print directories (PagesJaunes, PagesBlanches), as well as other activities of the Group called "Voice", concerning conventional direct marketing. This activity is going to be stopped at the end of 2020.

The Solocal Group recorded Print revenues of 63.6 million euros as at 31 December 2019, down -35.4% compared to 2018.

There are no significant inter-sector transactions

2.2.1 By business sector

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

(Million euros)	As at 31 December 2019 (*)					As at 31 December 2018 (*)				
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities		
			Total	Recurring	Non recurring			Total	Recurring	Non recurring
Revenues	**584.1**	**0.0**	**584.1**	**584.1**	**0.0**	**670.4**	**1.0**	**669.4**	**669.4**	**0.0**
- Digital	520.5	0.0	520.5	520.5	0.0	572.0	1.0	571.0	571.0	0.0
- Print	63.6	0.0	63.6	63.6	0.0	98.4	0.0	98.4	98.4	0.0
EBITDA	**167.6**	**0.0**	**167.6**	**190.6**	**(23.0)**	**4.6**	**(0.1)**	**4.7**	**171.2**	**(166.5)**
- Digital	147.0	0.0	147.0	170.0	(23.0)	(17.4)	(0.1)	(17.3)	149.3	(166.5)
- Print	20.6	0.0	20.6	20.6	0.0	22.0	0.0	22.0	22.0	0.0

(*) First-time adoption of IFRS 16 using simplified retrospective method does not allow to maintain comparable data between both periods

Revenues according to product ranges

In million of euros	Continued activities As at 31 December 2019	As at 31 December 2018	Change
Digital Presence	127.2	131.1	-3.0%
Websites	104.6	107.2	-2.4%
Digital Advertising	281.2	325.7	-13.7%
New Services	7.6	7.1	7.0%
Print	63.57	98.4	-35.4%
Total sales	**584.1**	**669.4**	**-12.7%**

2.2.2 By geographic region

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

Amounts in million of euros	As at 31 December 2019	As at 31 December 2018
Revenues	**584.1**	**670.4**
- France	561.6	647.1
- Others	22.5	23.3
Assets	**516.9**	**671.1**
- France	504.3	654.8
- Others	12.5	16.3

Note 3 – Consolidation principles

3.1 Control analysis

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

Companies not controlled by the Group but over which the Group exercises significant influence are consolidated using the equity method. The Group does not hold any interest without control in 2019 on which a significant influence is exercised.

When assessing the level of control or significant influence exercised, account is taken of the existence and effect of any exercisable or convertible potential voting rights at the end of the period.

In accordance with IFRS 5, the assets and liabilities of controlled entities that are considered as being held for sale are reported on separate lines in the balance sheet. Profits or losses from discontinued operations, if significant, are reported on a separate line in 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. The Group does not hold any entity considered as held for sale according to IFRS 5 standard as at 31 December 2019.

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

3.2 – Changes to the consolidation scope

When taking over a de jure or de facto company, the assets, liabilities and contingent liabilities of the company acquired are valued on a mark-to-market basis on the date they are acquired; the difference between the cost of taking control and Group's share in the market value of these assets, liabilities and contingent liabilities is posted as goodwill. The cost of taking control is the price paid by the Group for an acquisition, excluding transaction costs, or an estimate of this price if the operation does not involve cash disbursements.

The difference between the carrying amount of minority interests acquired after taking control and the price paid for their acquisition is recognised in consideration of equity. Goodwill is not amortised but is tested for impairment once a year using the methodology set out in "Note 4.1 - Goodwill". Any impairment expense is posted under "Impairment, amortisation and depreciation".

2019
EuroDirectory was liquidated on 2 October 2019. No significant activity was disposed of during the period.

2018
PJOM was added to the consolidation scope. No significant activity was disposed of during the period.

Note 4 – Fixed assets

4.1 Goodwill

Goodwill represents the difference between the purchase cost of shares in consolidated companies 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 amortised. 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 recognised in operating income.
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 Group management, as follows:

  - ✓ Cash flows projections are based on the three-year business plan,
  - ✓ Cash flow projections beyond the three-year period are extrapolated by applying a growth rate to perpetuity reflecting the expected long-term growth in the market and specific to each activity,
  - ✓ The cash flow is discounted at rates appropriate to the nature of the activities and countries.

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 have been determined in compliance with IFRS 8 "Operating Segments", and are as follows: Digital on the one hand, Print & Voice on the other. As at 31 December 2019, all non-depreciated goodwill is allocated to the Digital sector.

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.

Breakdown of the net value of goodwill by business sector:

(in thousands of euros)	**As at 31 December 2019**			**As at 31 December 2018**			**Change**
	Gross	Accumulated impairments	Net	Gross	Accumulated impairments	Net	Net
Digital	90 270	(1 400)	88 870	90 270	(1 400)	88 870	-
Print	75 282	(75 282)	-	75 282	(75 282)	-	-
TOTAL	**165 552**	**(76 682)**	**88 870**	**165 552**	**(76 682)**	**88 870**	**-**

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

(in thousands of euros)	As at 31 December 2019	As at 31 December 2018
Balance at start of year	**88 870**	**88 870**
Acquisitions / disposals	-	-
Impairments	-	-
Impairments	-	-
Reclassifications and others	-	-
Balance at end of year	**88 870**	**88 870**

Goodwill values were examined at the close of the consolidated financial statements, based on business plans, a perpetual growth rate of 1.5% and an after-tax discount rate of 8.6%. 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 involve determining:

- The revenue which reflects the number of customers, the ARPA, the penetration rate of the offerings,

- Costs, with in particular the level of commercial costs required to cope with the pace of winning over new clients and maintaining existing ones as well as the positioning of the competition.

- The level of 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, a 1% increase 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 an impairment being recognised.

4.2 Intangible fixed assets

Intangible fixed 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;
- The capacity to use or sell the intangible asset;
- The likelihood that future economic benefits attributable to development costs incurred will accrue to the company;
- A reliable assessment of the cost of this asset.

It must be noted that determining the costs that meet 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. 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 2019**			**As at 31 December 2018**		
	Gross value	Total depreciation and losses of value	Net value	Gross value	Total depreciation and losses of value	Net value
Software and application support	446 542	(360 569)	85 973	407 429	(311 806)	95 623
Other intangible fixed assets	10 385	(5 876)	4 509	10 577	(6 061)	4 516
Total	**456 927**	**(366 445)**	**90 482**	**418 006**	**(317 867)**	**100 139**

No impairment was recorded in 2019 and 2018.

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

(in thousands of euros)	**As at 31 December 2019**	**As at 31 December 2018**
Opening balance	**100 139**	**118 842**
Acquisitions	228	110
Internally generated assets (1)	39 629	42 645
Effect of changes in the scope of consolidation	-	(419)
Exchange differences	-	15
Reclassifications	(208)	(7 818)
Disposals and accelerated amortisation	(534)	(3 088)
Depreciation charge	(48 772)	(50 148)
Closing balance	**90 482**	**100 139**

(1) related to all capitalised development expenses

4.3 Property, plant and equipment

The gross value of property, plant and equipment corresponds to their purchase or production cost in accordance with IAS 16 “Property, plant and equipment”. This value is not revised.

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 least provides for mandatory transfers of ownership at the end of the lease period,
- The lease has a purchase option 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 period 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
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 2019**			**As at 31 December 2018**		
	Gross value	Total depreciation	Net value	Gross value	Total depreciation	Net value
IT and terminals	59 303	(56 043)	3 260	57 965	(54 798)	3 166
Right-of-use assets related to leases	91 243	(21 964)	69 279			
Others	70 568	(52 851)	17 717	68 685	(46 237)	22 448
Total	**221 114**	**(130 858)**	**90 256**	**126 650**	**(101 035)**	**25 614**

No significant impairment was recognised for the periods ending 31 December 2019 and 31 December 2018.

Movements in the net value of property, plant and equipment can be analysed as follows:

(in thousands of euros)	**As at 31 December 2019**	**As at 31 December 2018**
Opening balance (*)	**105 134**	**25 482**
Acquisitions	25 773	697
Subvention	354	1 212
Effect of changes in the scope of consolidation	-	(13)
Exchange differences	0	7
Reclassifications	208	7 817
Disposals and accelerated amortisation	(10 881)	(1 133)
Depreciation charge	(30 332)	(8 456)
Closing balance	**90 256**	**25 615**

* includes Right-of-use assets related to leases at start of year 2019

4.4 Impairment of non-current 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 and these are reviewed at each close.

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

Each asset or group of assets is tested for impairment by comparing its recoverable amount to its net book value. Each asset or group of assets is tested for impairment by comparing its recoverable amount to its net book value.

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

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

The revenue stemming from the Group's activities is recognised in a differentiated manner according to the type of products. Revenues as at 31 December 2019 amounted to 584.1 million euros compared to 670.4 million euros in 2018 (Cf. Note 2.1).

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

The offers from the Solocal Group are grouped into 3 major families:

- Sites which are developed to be made available to customers for a contractual period of 12 or 24 months;
- Products related to digital services (Presence, digital advertising and new services) proposed over a renewable period of 12 months and digital advertising offers corresponding to one-off services and campaigns;
- The Print and Voice offer, which for the most part corresponds to inserts in paper directories for annual publication.

Recognition of revenues per service range

- "Sites" range:

Two separate service obligations are retained for the sites offer:

1. Designing the intellectual content over the design duration (between 30 days and 120 days depending on the products). Revenues from this obligation are recognised over the duration of

the design.
2. The site is made available and updated during the contractual hosting period with a real duration of between 12 and 24 months.

- “Digital services (non-Site)” range:

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

- "Print" range:

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

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 2019**	**As at 31 December 2018**
Gross trade debtors	114 816	260 359
Provisions for impairment	(24 593)	(25 800)
Net trade debtors	**90 223**	**234 559**

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**
31 December 2019	**90 223**	24 501	12 135	45 461	1 415	2 759	1 392	2 560
31 December 2018	**234 559**	219 459	963	3 823	1 786	2 657	1 774	4 097

The Group’s portfolio of trade receivables does not present a significant risk of concentration (about 330,000 on Solocal S.A. in France). In France, Solocal S.A.’ 20 largest clients represent 1.8% of these revenues (1.4% in 2018) and clients in the 10 largest business sections represent 9.9% of Solocal SA's revenues (13.5% in 2018). Provisions for bad debts remain at a very low level, with net provisions amounting to 0.4% of revenues in 2019 compared to 0.2% in 2018.

5.3 Other current assets

The other current assets are made up as follows:

(in thousands of euros)	**As at 31 December 2019**	**As at 31 December 2018**
VAT receivable	30 343	32 696
Sundry accounts receivable	212	350
Trade payables - Advances and instalments	4 031	2 923
Other current assets	4 480	6 526
Total	**39 065**	**42 494**

The change to the VAT receivable item must be seen in the light of changes to supplier payables.

5.4 Liabilities on contracts

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

The liabilities on contracts amounted to 194.1 million euros as at 31 December 2019 compared to 357.5 million euros as at 31 December 2018. This drop must be examined, the one hand, with the significant drop in the level of the "Print" business, and on the other hand, with a change in the Internet product mix towards mainly Digital Advertising products with a shorter lifespan.

Note 6 – External 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 expenses

7.1 Personnel expenses

Personnel expenses amounted to 249.6 million euros in 2019 and are broken down as follows:

(In thousands of euros, except staff count)		As at 31 December 2019	As at 31 December 2018
Average staff count (full-time equivalent)		2 583	3 571
Salaries and charges		**245 875**	**304 016**
of which:	- Wages and salaries	157 169	191 250
	- Social charges	70 700	89 433
	- Tax credit employment (CICE)	-	(2 340)
	- Taxes on salaries and other items	18 006	25 673
Share-based payment		**1 335**	**(747)**
of which:	- Stock options and free shares	1 335	2 197
	- Rebursement of social charges on free shares	-	(2 944)
Employee profit-sharing (1)		**2 383**	**1 459**
Total staff expenses		**249 593**	**304 728**

(1) incl. Coporate contribution

Income from payment in shares recognised in 2018 comes from requests for reimbursement of employer contributions provided for by article L.137-13 of the Social Security Code which were paid under with respect to the free shares allocated in 2014. The repayment took place at the end of 2018 for a total amount of 6.3 million euros.

7.2 Executive compensation

The table below shows the compensation paid to persons who were members of Solocal Group's Board of Directors or Solocal Group's Executive Committee during or at the end of each financial year. It also includes the directors representing employees and sitting on the Solocal Group Board of Directors.

(in thousands of euros)	**As at 31 December 2019**	**As at 31 December 2018**
Short-term benefits (1)	6 880	6 873
of which employer charges	2 258	2 058
Post-employment benefits (2)	298	71
Other long term benefits (3)	5	1
End-of-contract benefits (4)	1 157	824
Equity benefits (5)	231	1 818
Non-current provisions	**8 571**	**9 587**

(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.

7.3 Transactions with related parties

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

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

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

Note 8 – Corporation tax

8.1 Group 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:

(thousand euros)	**As at 31 December 2019**	**As at 31 December 2018**
Pretax net income from business	**51 809**	**(94 075)**
Statutory tax rate	34.43%	34.43%
Theoretical tax	**(17 838)**	**32 393**
Earnings from not integrated companies & Foreign subsidiaries	5 617	-
Foreign subsidiairies - differences in tax rates		
Share-based payment	1 335	648
Corporate value added contribution (after tax)	(4 832)	(3 874)
Ceiling of interest expense deductibility	10 094	(2 734)
Adjustment corporation tax of prior years	(23)	307
Other non-taxable / non-deductible items	(16 342)	(13 849)
Effective tax	**(19 698)**	**12 891**
of which current tax (CVAE excluded)	*(570)*	*(5 343)*
of which CVAE	*(4 832)*	*(3 874)*
of which deferred tax	*(14 296)*	*18 234*
Effective tax rate (deferred tax excluded)	**10.4%**	**-5.7%**
Effective tax rate	**38.0%**	**13.7%**

Net deferred tax assets in the balance sheet stood at 60.9 million euros as at 31 December 2019 compared to 75.1 million euros as at 31 December 2018.

Recall that the effective tax rate for fiscal 2018 (12 months) was 13.7%.

8.2 Taxes in the balance sheet

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 bases, etc.).

A deferred tax liability is recognised for all taxable temporary differences between the book value of securities and their tax base with respect to investments in subsidiaries and associates, except where:

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:

(thousand euros)	**As at 31 December 2019**	**As at 31 December 2018**
Retirement benefits	20 016	22 022
Legal employee profit-sharing	728	340
Non-deductible provisions	9 854	24 483
Tax loss carryforward	37 345	27 030
Other differences	12 934	20 341
Subtotal deferred tax assets	**80 877**	**94 216**
Other differences	0	0
Depreciations accounted for tax purposes	-19 949	-19 160
Subtotal deferred tax liabilities	**-19 949**	**-19 160**
Total net deferred tax assets / (liabilities)	**60 928**	**75 056**

Net deferred tax assets in the balance sheet stood at 60.9 million euros as at 31 December 2019 compared to 75.1 million euros as at 31 December 2018. The variation comes essentially from deferred tax assets:

- The variation in deferred taxation with respect to non-deductible provisions corresponds essentially to the reversal of the non-deductible part of the provision concerning restructuring plans 2018.

- The loss carry forwards generated in French tax consolidation.

No deferred tax asset relating to loss carry forwards of QDQ Media and its subsidiaries was recognised in the balance sheet.

The tax disbursed during the 2019 financial year was 5.9 million euros as against 15.8 million euros in 2018.

Note 9 – Cash, debt and financial instruments

9.1 Financial assets and liabilities

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

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

9.2 Measurement and recognition of financial assets

In accordance with IFRS 9, the classification of financial assets is based on two measurements:
- The characteristics of contractual cash flows in financial assets;
- The business model applied by the entity when managing financial assets.

Measured at amortised cost: The holding of the financial asset is part of a business model the purpose of which is to hold financial assets in order to receive contractual cash flows (the "business model criterion"). This category comprises:

Loans and receivables
This category includes receivables from participating interests, other loans and receivables and trade accounts receivable. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Cash flows on loans and receivables at variable rates of interest 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 objective 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.

Fair value valuation: The holding of the financial asset is part of a business model the purpose of which is to receive contractual cash flows and sell financial assets (the "business model criterion"). This category comprises:

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 make a capital gain, 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 includes instruments designated as being available for sale or those that are not already classified in another category. 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.

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.

9.3 Measurement and recognition of financial liabilities

With the exception of trading liabilities, which are measured at fair value, borrowings and other financial liabilities are valued at amortised cost, calculated by means of 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 2019**	**As at 31 December 2018**
Interest and similar items on financial assets	-	106
Result of financial asset disposals	-	520
Change in fair value of hedging instruments	-	-
Discount income - hedging instruments	-	-
Dividends received	4	2
Financial income	**4**	**628**
Interest on financial liabilities	(38 504)	(32 217)
Income / (expenses) on hedging instruments	-	-
Change in fair value of hedging instruments	-	-
Amortisation of loan issue expenses	-	-
Change in fair value of financial assets and liabilities	-	-
Other financial expenses & fees (1)	(4 971)	(3 042)
Accretion cost (2)	(1 349)	(2 084)
Financial expenses	**(44 824)**	**(37 343)**
Gain (loss) on exchange	-	7
Financial income	**(44 820)**	**(36 708)**

(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

9.5 Cash and cash equivalents

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

(in thousands of euros)	**As at 31 December 2019**	**As at 31 December 2018**
Cash equivalents	46	5 046
Cash	41 505	76 598
Gross cash	**41 551**	**81 644**
Bank overdrafts	(93)	(121)
Net cash	**41 458**	**81 523**
	0	0
Bond loan	397 835	397 835
Revolving credit facility drawn	50 000	-
Lease liability	3 359	6 910
Price supplements on acquisition of securities	170	170
Accrued interest not yet due	1 387	1 389
Other financial liabilities	114 816	2 825
of which IFRS 16	104 104	0
Gross financial debt	**567 567**	**409 129**
of which current	*40 629*	*6 894*
of which non-current	*526 938*	*402 235*
Net debt	**526 109**	**327 606**
Net debt of consolidated group excluded loan issue expenses	**526 109**	**327 606**

Change in the liabilities stemming from financing activities

(in thousand euros)			Variations "non cash"					
	As at 31 December 2018	Cash flows	Capital increase by offsetting receivables	Other Variations	Var. of change	IFRS 16	Reclass & changes in scope	As at 31 December 2019
Bank borrowing and Bond loan	397 835	-	-	-	-	-	-	397 835
Revolving credit	-	50 000	-	-	-	-	-	50 000
Other loans	2 751	7 887	-	-	-	104 104	-	114 742
Associates current accounts	74	-	-	-	-	-	-	74
Earn-Out	170	-	-	-	-	-	-	170
Capital lease	6 910	(3 551)	-	-	-	-	-	3 359
Bank overdrafts	121	(28)	-	-	-	-	-	93
Others	-	-	-	-	-	-	-	-
Total Liabilities fron financing activities	407 861	54 308	0	0	0	104 104	0	566 273

Cash and cash equivalents

As at 31 December 2019, the amount of cash and cash equivalents amounted to 41.5 million euros and are primarily comprised of non-blocked, remunerated, fixed-deposit accounts.

Issuing of bonds
Following the realisation of the financial restructuring in 2017, the Group's residual gross debt was reduced to 397.8 million euros, redeveloped in the form of issuing bonds for 397,834,585 euros for which the settlement-delivery took place on 14 March 2017, reserved for creditors under the Credit Agreement, and of which the main details are as follows and have not changed in 2019:

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

Margin: percentage per year according to the level of the Consolidated Net Leverage Ratio (consolidated net debt / consolidated EBITDA before IFRS 16) at the end of the most recent reference period (Accounting Period), such as indicated in the table below (noting that the initial margin will be calculated based on a pro forma basis of the restructuring operations):

Ratio de levier financier net consolidé	**Marge**
Supérieur à 2,0 : 1	9,0%
Inférieur ou égal à 2,0 : 1 mais supérieur à 1,5 : 1	7,0%
Inférieur ou égal à 1,5 : 1 mais supérieur à 1,0 : 1	6,0%
Inférieur ou égal à 1,0 : 1 mais supérieur à 0,5 : 1	5,0%
Inférieur ou égal à 0,5 : 1	3,0%

Maturity date: 15 March 2022.

Listing: listing on the official listing of the Luxembourg Stock Exchange and admission for trading on the Euro MTF market.

Early repayment or repurchasing:
- Solocal Group can at any time and in several times, reimburse all or a portion of the Bonds at a reimbursement price equal to 100% of the principal amount plus accrued and unpaid interest;
- Moreover, the Bonds must be the object of a mandatory early reimbursement (subject to certain exceptions) entirely or in part, in the case of the occurrence of certain events, such as a Change of Control, Assets Sale or Net Debt Proceeds or Net Receivables Proceeds. Compulsory early repayments are equally foreseen via funds from a percentage of excess cash flows, in relation to the Consolidated Net Leverage Ratio of the Company.

Financial commitments:
- The Consolidated Net Leverage Ratio (Consolidated Leverage / Consolidated EBITDA before IFRS 16) must be less than 3.5:1. This ratio is respected as at 31 December 2019;
- The interest hedging ratio (Consolidated EBITDA before IFRS 16/ Consolidated Net Interest Expense), must be greater than 3.0:1; and effective from the 2017 financial year and (ii) for the following year if the Consolidated Net Leverage·Ratio exceeds, on 31 December of the previous year, 1.5:1, the investment expenses (excluding external growth operations) (Capital Expenditure) concerning Solocal Group and its Subsidiaries are limited to 10% of the consolidated turnover of Solocal Group and its Subsidiaries. This ratio is respected as at 31 December 2019;

The Terms & Conditions of the Notes moreover contain certain prohibitions, which prohibit Solocal Group and its Subsidiaries, apart from certain exceptions, in particular to:
- Take on additional financial debt;
- Give pledges;
- Proceed with payment of dividends or carry out distributions to shareholders; by derogation the payment of dividends or distributions to shareholders are permitted if the Consolidated Net Leverage Ratio does not exceed 1.0:1.

The restrictions contained in the Terms & Conditions of the Notes and described hereinabove could affect the Group's ability to exercise its activities, and limits its ability to react according to the conditions of the market or seize commercial opportunities which may arise. As an example, these restrictions could affect the Group's capacity to finance the investments for its activities, restructure its organisation or finance its needs in terms of capital. In addition, the Group's capacity to comply with these restrictive clauses could be affected by events beyond its control, such as economic, financial and industrial conditions. A failure by the Group in terms of its commitments or these restrictions, could result in a fault in terms of the agreements mentioned hereinabove.
In case of a fault that would not be remedied or renounced, the bearers of notes could require that all of the outstanding amounts become due immediately.

Moreover, the Group might not be in a position to refinance its debt or to obtain additional finance under satisfactory conditions.

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

RCF:

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

Price supplements on acquisition of securities

None.

Financial instruments in the balance sheet

		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	7 067	-	-	-	7 067	-	-	-	7 067	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Net trade accounts receivable	90 223	-	-	-	90 223	-	-	-	90 223	-
Other current financial assets	3 416	3 416	-	-	-	-	-	-	3 416	-
Cash equivalents	46	46	-	-	-	-	-	46	-	-
Cash	41 505	41 505	-	-	-	-	-	41 505	-	-
Financial assets	**142 257**	**44 967**	**-**	**-**	**97 290**	**-**	**-**	**41 551**	**100 705**	**-**
								-	-	-
Non-current financial liabilities and derivatives	448 488	-	-	-	-	448 488	-	448 488	-	-
Bank overdrafts and other short-tem borrowing	13 681	-	-	-	-	13 681	-	-	13 681	-
Accrued interest	1 387	-	-	-	-	1 387	-	-	1 387	-
Trade accounts payable	73 495	-	-	-	-	73 495	-	-	73 495	-
Financial liabilities	**537 051**	**-**	**-**	**-**	**-**	**537 051**	**-**	**448 488**	**88 563**	**-**

As at 31 December 2019, the market value of the bond loan was 373.9 million euros, compared to a carrying value of 397.8 million euros:

(in thousands of euros)	Carrying value	Quotes as at 31/12/2019	Market value
Bank borrowing	-		-
Bond loan	397 835	94.00%	373 965
Revolving credit - facility RCF 3	50 000		-
Loans	**447 835**		**373 965**
Accrued interest not yet due	1 387		
Price supplements on acquisition of securities	170		
Other debts incl. debt costs	14 164		
Lease liabilities	104 104		
Current financial liabilities and derivatives	**567 660**		

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 2019 financial year, there were no transfers between levels 1 and 2 in the hierarchy of fair values, nor any transfers to or from level 3.

Note 10 – Financial risk objectives, policy and management, capital management

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 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 2019, this ratio was 1.79 times specified in the bond documentation.

With net debt amounting to 525.8 million euros as at 31 December 2019, the Group's covenant on financial leverage stands at 1.79 times consolidated EBITDA such as defined in the bond contract. Consequently, the Group complies with the financial leverage covenant as at 31 December 2019.

In view of its financial structure, the Group is exposed to interest rate risk, liquidity risk and credit risk. The information provided below is based on certain assumptions and expectations which, by their very nature, may not turn out to be exact, in particular as regards interest rate trends, as well as the Solocal Group's exposure 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 features of the Group's banking debt are stated in note 9.5.

Liquidity risk
The Solocal Group has established a centralised cash management system with cash pooling including all its French subsidiaries, with the exception of the subsidiary Solocal SA, 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
The Solocal Group has relations with a large number of counterparties including a majority of customers. As at 31 December 2019, the total amount of trade receivables, net of write-downs, amounted to 90 million euros. These receivables are detailed by maturity (see Note 5.2). The Group's exposure to the credit risk is related to the individual characteristics of its customers. The default of one of the customers is likely to cause a small financial loss due to the low average amounts in question.

Counterparty risks
The Solocal Group is not exposed to the financing risk since it does not have short term investments or interest rate hedging instruments in 2019.

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

Note 11 – Provisions and other liabilities

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

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

The amount recognised as a provision corresponds to the best estimate of the expenditure required of the Group to settle the present obligation. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded, but details of the obligation are disclosed in the Notes to the financial statements.

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

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

(in thousands of euros)	As at 31 December 2019	As at 31 December 2018
Post-employment benefits	86 149	85 212
Other long-term benefits	7 811	8 558
Non-current personnel benefits (1)	**93 960**	**93 770**
Other Provision for risks	0	23 500
Provisions for social or fiscal disputes	11 025	16 437
Non-current provisions	**11 025**	**39 937**

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

Provisions are discounted when the discounting adjustment is material.
Changes in provisions for risks and litigation were as follows:

(thousand euros)	Opening balance	Charge for the year	Reversal of the year (unused)	Reversal of the year (utilised)	Changes in the scope of consolidation, reclassifications and others	Closing balance
Restructuring provisions (2019)	-	20 194	-	(1 549)	-	18 645
Restructuring provisions (2018)	178 800	-	(1 334)	(137 632)	-	39 834
Restructuring provisions (2014)	15 337	-	(1 411)	(2 902)	-	11 024
Provisions for social and fiscal risks	6 410	8 763	(4 944)	(597)	-	9 632
Other provisions for risks	2 578	1 097	(346)	(334)	-	2 995
Total provisions	**203 125**	**30 054**	**(8 035)**	**(143 014)**	**-**	**82 130**
- of which non current	*39 937*	-	-	*(28 912)*	-	*11 025*
- of which current	*163 189*	*30 054*	*(8 035)*	*(114 102)*	-	*71 106*

The provisions set aside mainly cover the restructuring plan implemented in 2019. The other allowances for the period primarily concern social and fiscal disputes.

A provision for restructuring was set aside in 2019 with respect to the mobility leave which is part of Solocal's 2020 transformation project. This mobility leave concerns 113 employees who will leave the company on a volunteer basis in 2019 and 2020. This provision as at 31 December 2019 stands at €18.7 M.

Retirement benefits and similar commitments

In France, legislation provides for benefits to be paid to employees at retirement on the basis of their length of service and salary at retirement age.
In accordance with IAS 19, obligations under defined benefit schemes are measured by the projected unit credit method. According to this method, each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately to value the final obligation, using demographic hypotheses (turnover of the personnel, mortality, retirement age, etc.) and financial hypotheses (future increase in salary by category).
This final obligation is then discounted with a rate determined in reference to the yield on first-category long-term private bonds (or State bonds if there is no liquid market).
Actuarial differences relating to post-employment benefits are recognised for the full amount in other comprehensive income, i.e. a net positive impact of 8.7 million euros in 2019.

In order to have up-to-date data, the turnover tables were recalculated in 2019 based on observations from 2016 to 2019 and only retaining, in accordance with the IAS 19 standard, motives for resignation in the turnover rate.

Other retirement schemes

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

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

Pension commitments and other personnel benefits:

(in thousands of euros)	Post-employment benefits	Other long-term benefits	**Total 31 December 2019**	Post-employment benefits	Other long-term benefits	**Total 31 December 2018**
Change in value of commitments						
Total value of commitments at start of period	**85 512**	**9 036**	**94 549**	**128 403**	**11 692**	**140 096**
Adjustment of the opening periode (change of method)	0	0	0	-	-	-
Total value of commitments at start of period (adjusted)	**85 512**	**9 036**	**94 549**	**128 403**	**11 692**	**140 096**
Cost of services rendered	5 756	734	6 490	9 099	556	9 655
Discounting cost	1 227	124	1 351	1 921	165	2 086
Reductions/liquidations	(9 169)	(812)	(9 982)	(3 495)	(302)	(3 797)
Actuarial (gains) or losses	8 739	15	8 754	(1 940)	885	(1 055)
Benefits paid	(159)	(252)	(410)	(240)	(312)	(552)
Changes in scope	-	-	-	-	-	-
Others	(5 372)	(573)	(5 946)	(48 236)	(3 648)	(51 884)
Total value of commitments at end of period (A)	**86 533**	**8 273**	**94 806**	**85 512**	**9 036**	**94 549**
Commitments at end of period relating to non-financed schemes	*86 533*	*8 273*	*94 806*	*85 512*	*9 036*	*94 549*
of which short term	*384*	*460*	*844*	*300*	*478*	*778*
of which long term	*86 149*	*7 813*	*93 963*	*85 212*	*8 558*	*93 771*
Pension charge						
Cost of services rendered	5 756	734	6 490	9 099	556	9 655
Discounting costs	1 227	124	1 351	1 921	165	2 086
Effect of reductions/liquidations	(9 169)	(812)	(9 982)	(3 495)	(302)	(3 797)
Total pension charge	**(2 187)**	**46**	**(2 141)**	**7 525**	**419**	**7 944**
Movements in the provision / (asset)						
Provision / (assets) at start of period	**85 512**	**9 036**	**94 549**	**128 403**	**11 692**	**140 096**
Pension charge	(2 187)	46	(2 141)	7 525	419	7 944
Pension charge from divested businesses	-	-	-	-	-	1 031
Contributions paid by the employer	-	-	-	-	-	-
Benefits paid directly by the employer	(159)	(252)	(410)	(240)	(312)	(552)
Change of scope	-	-	-	-	-	-
Actuarial gains or (losses)	8 739	15	8 754	(1 940)	885	(1 055)
Others	(5 372)	(573)	(5 946)	(48 236)	(3 648)	(51 884)
Provision / (assets) at end of period	**86 533**	**8 273**	**94 806**	**85 512**	**9 036**	**94 549**
Assumptions						
Discount rate (%)	0.75%	0.75%	0.75%	1.45%	1.45%	1.45%
Expected long-term inflation rate (%)	1.50%		1.50%	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	**(2 345)**	**(206)**	**(2 551)**	**7 285**	**107**	**7 392**

As at 31 December 2019, the expense stated in respect of defined contribution pension plans amounted to 2.3 million euros.

The discount rate applied in valuing commitments as at 31 December 2019 is 0.75%, compared to 1.45% as at 31 December 2018.

The total amount of the provision in the balance sheet stood at 94.8 million euros as at 31 December 2019 compared to 94.5 million euros as at 31 December 2018.

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

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

A 0.25% increase in the discount rate leads to a decrease in the commitment of about -3.7%, or around 3.2 million euros, while a decrease of 0.25% in the discount rate leads to an increase in the commitment of about 3.9%, i.e. around 3.3 million euros.

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

An increase of 0.25% in the discount rate leads to a decrease in the commitment of -2.6% (less than 1 million euros), while a decrease of 0.25% in the discount rate leads to an increase in the commitment of 2.7% (less than 1 million euros).

Note 12 – Trade creditors

As at 31 December 2019, trade creditors are due in less than one year.

Amounts owed to suppliers bear no interest and are payable in principle between 30 and 60 days. The changes to this item between 31 December 2019 and 31 December 2018 corresponds in part to real estate rent free periods in particular for the Citylights premises which is neutralized with the first application of IFRS 16 standard "Leases".

Note 13 - Equity and earnings per share

13.1 Share capital

The share capital of Solocal Group comprises 619,541,466 shares each with a par value of 0.10 euro, i.e. a total amount of 61,954,147 euros (before deduction of treasury shares).

13.2 Other reserves and other comprehensive income

The difference between the individual equity of Solocal Group and the consolidated equity of Solocal Group is that different accounting methods are applied.

This impact mainly concerns the other consolidated reserves item and other comprehensive income, which are negative to the tune of 1,454.2 million euros as at 31 December 2019, compared to a negative amount of 1,475.6 million euros as at 31 December 2018, mainly comprising:

- the portion of distributions in excess of the income for the year, mainly relating to the exceptional distribution of 2,519.7 million euros in November 2006 by Solocal Group (formerly PagesJaunes Group);
- Actuarial differences relating to retirement benefits (IAS 19) for a negative amount of 52.8 million euros;
- The cross-entry for the share-based payment expense corresponding to the portion settled in equity instruments in a negative amount of 60.4 million euros.

13.3 – Treasury shares

Under IAS 32, purchases of treasury shares are recorded as a decrease in equity for the amount of their acquisition cost. If treasury 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 567,596 treasury shares as at 31 December 2019, for a value of 0.3 million euros, compared to 492,641 treasury shares as at 31 December 2018, recognised as a decrease in equity for the amount of their acquisition cost.

13.4 Dividends

Solocal Group did not distribute any dividends in 2019 or in 2018.

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

	As at 31 December 2019	**As at 31 December 2018**
Share capital (weighted average)	584 689 263	583 017 742
Treasury shares from liquidity contract (weighted average)	(365 739)	(255 527)
Number of basic shares	584 323 524	582 762 215
Number diluted Equity (weighted average)	592 461 273	588 012 991
Additional information (average)		
Number of existing basic shares as of 31 December 2019	586 905 558	583 137 724
Number of existing diluted shares as of 31 December 2019	594 778 441	593 187 724

Note 14 – Stock options and free shares

14.1 Share-based payments

In accordance with IFRS 2 “Share-Based Payment”, stock options, employee share issues and free shares granted to employees of the Group are valued on the date they are granted.

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.

14.2 Description of the plans

14.2.1 Stock-options

No stock option plans have been granted by Solocal Group or by any of its subsidiaries over the last two years.

14.2.2 Free shares

As the performance obligations were not met, the right of grantees to receive these free shares under the 2014 and 2015 plans was forfeited.

In 2019, the shareholders of Solocal Group, in a mixed General Meeting on 11 April 2019, authorised the Board of Directors to grant free shares to all employees in the French entities of the Solocal Group within the meaning of articles L. 225-197-1 and following of the Commercial Code. This authorisation limits the maximum number of free shares that can be granted to 389,800. Under this plan for all, the attribution of free shares is restricted to employees who have been with the company for at least one year. No so-called lock-up period will be imposed on beneficiaries.

Furthermore, in the mixed General Meeting on 11 April 2019, the shareholders of Solocal Group also authorised the Board of Directors to grant performance shares to certain executives and employees of the Company and the companies linked to it within the meaning of articles L. 225-197-1 and following of the Commercial Code. This authorisation limits the maximum number of performance shares that can be granted free of charge to 5,500,000 company shares, of which a maximum of 1,500,000 shares for the Chief Executive Officer.

Under this plan, 5,345,000 performance shares were granted to 96 beneficiaries, including 1,500,000 performance shares to the Chief Executive Officer. Under this plan, these performance shares will only be definitively acquired after a so-called vesting period of three years. No so-called lock-up period will be imposed on beneficiaries.

The definitive attribution of the shares will be subject to a condition of presence in the company and a performance condition which will be based on the extent to which an objective is achieved concerning the Free Cash Flow aggregate and the Company's share price.

The Chief Executive Officer and the members of the Executive Committee will be obliged to keep at least 30% of the shares definitively granted to them, and this until they cease being a Member of the Comex or Chief Executive Officer of the Company.

In 2018, the shareholders of Solocal Group, in an Extraordinary General Meetings on 09 March 2018, authorised the Board of Directors to implement a performance shares plan within the meaning of articles L. 225-197-1 and following of the Commercial Code, in favour of certain executives and employees of the Company and those companies linked to it.
This authorisation limits the maximum number of performance shares that can be granted free of charge under this plan to 9,200,000 company shares, of which a maximum of 2,300,000 shares for the Company's corporate officers.

Under this plan, on 24 April 2018, 9,050,000 performance shares were granted to 73 beneficiaries, including 2,300,000 performance shares to the Chief Executive Officer. Under this plan, these performance shares will only be definitively acquired after a so-called vesting period of three years. No so-called lock-up period will be imposed on beneficiaries.

The definitive attribution of the shares will be subject to a condition of presence in the company and a performance condition which will be based on the extent to which an objective is achieved concerning the EBITDA less CAPEX aggregate and the Company's share price.

The Chief Executive Officer and the members of the Executive Committee will be obliged to keep at least 30% of the shares definitively granted to them, and this until they cease being a Member of the Comex or Chief Executive Officer of the Company.

Furthermore, in the General Meeting of 9 March 2018, the shareholders of the Company also authorised the Board of Directors to grant free shares to Eric Boustouller, in his capacity as Chief Executive Officer. Since Eric Boustouller's acceptance of the post of Chief Executive Officer resulted in him waiving significant long term remuneration rights to which he was entitled at his former post, it had been agreed when he accepted the post of Chief Executive Officer that he would benefit from a signing up indemnity in the form of a free allocation of one million of the Company's shares, subject to approval by the General meeting of shareholders.

By virtue of this authorisation, the Board of Directors meeting on 9 March 2018, decided to grant one million of the Company's shares free of charge to Eric Boustouller.
The shares were acquired after a 12-month vesting period which ended in 2019. Éric Boustouller must keep at least two thirds of the shares thus acquired in 2019, and this until he ceases his functions as Chief Executive Officer of the Company.

14.3 Changes to stock option and free share allocation plans

	Closing balance as at 31 December 2018	Granted	Cancelled/ lapsed	Closing balance as at 31 December 2019	Exercise price
Subscription share plans	**135 348**	**-**	**(105 253)**	**30 095**	
December 2010	2 248	-	-	2 248	105.10 €
July 2010	66 157	-	(38 310)	27 847	127.20 €
July 2009	66 943	-	(66 943)	-	99.40 €
Free share plans	**10 050 000**	**5 421 500**	**(2 488 500)**	**12 983 000**	**Final vesting date**
November 2019 (*)	**-**	321 500	**-**	321 500	03/11/2020
June 2019	**-**	5 100 000	**-**	5 100 000	18/06/2022
April 2018	9 050 000	-	(1 488 500)	7 561 500	24/04/2021
March 2018 (*)	1 000 000	-	(1 000 000)	-	09/03/2019

(*) This plan does not have any performance condition

The share issue options can be exercised for 10 years. As at 31 December 2019, only the options in the 2010 plans can be exercised. These plans are expected to be settled through equity instruments.

14.4 Expenses relating to stock option and free share allocation plans

The impact on the income statement for 2019 is an expense of €1.3 m compared to income of €0.7 million in 2018 concerning the social contributions adjustment with respect to employer contributions based on the fair value of non-vested instruments.

Note 15 – Information on related parties

There were no new significant transactions or changes with related parties in the course of 2019.
Key management as related parties as at 31 December 2019 are the 11 members of the Board of directors including the General manager, and the 8 members of the Executive committee.
Solocal does not have any related parties other than key management.

Note 16 – Disputes, contingent assets and liabilities

16.1 Disputes – significant changes for the period

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

With the exception of the proceedings described below, the Group does not consider itself party to any legal or arbitration proceedings whose likely outcome could have a materially negative impact on its results, activities or consolidated financial position.

Job safeguarding plan 2014

During 2013, Solocal had to be reorganised again in order to guarantee its sustainability faced with a constantly changing and highly competitive professional environment. A project on changes in the model and the organisation of Solocal was presented to the staff representation bodies concerned beginning in September 2013. In parallel, Management negotiated with the representative trade unions, a majority agreement concerning the social support measures. This agreement was signed on 20 November 2013. At the end of this work with the staff representatives, this plan called for reorganisation along with modifications in the employment contracts of the sales force, a project without direct lay-offs for which the net global balance, however, is the creation of 48 additional jobs within the company. This agreement received validation via a ruling of the DIRECCTE on 2 January 2014.

As 311 employees refused the amendment to their employment contract linked to this reorganisation implemented at the end of 2013, 280 of them were made redundant. One employee of the company decided to dispute the validation of the collective agreement relating to the job safeguarding plan before the administrative courts. The Versailles Administrative Court of Appeal, in a judgement of 22 October 2014 notified on 5 November, cancelled the validation by the DIRECCTE. On 22 July 2015, the Conseil d'Etat rejected the recourse of Solocal and the Minister of Labour. Consequently, multiple proceedings were initiated with the administrative as well as judicial courts. The proceedings brought before the administrative courts are now terminated.

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

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

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

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

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

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

As at 31 December 2019, the remaining provision on the statements was 11.0 million euros compared to 15.3 million euros as at 31 December 2018.

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

Solocal initially claimed from the State reparation for its prejudice, resulting from the payment of indemnities following the cancellation of the decision of DIRECCTE, then took the case before the Tribunal Administratif of Cergy-Pontoise in July 2017 in order to obtain a sentence from the State to pay it this amount. The case will be judged in the 1st half 2020.

Supplier dispute

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

Tax audit

Solocal S.A. underwent a tax audit concerning financial years 2010 to 2013 and has received proposals for a reassessment concerning the Research Tax Credit. The company disputed the reassessment motives to the tax authorities and sent a dispute claim in the month of February 2018 in order to obtain partial reimbursement for the remaining reassessments. As the amounts that are not eligible for the research tax credit were settled on 18 April 2017, the provision initially allocated was reversed in the statements as at 31 December 2017. As part of the investigations into the case, the administration called on the Ministry of Education, Research and Innovation (MESRI) to carry out an expert appraisal of the R&D projects declared by the Company with respect to its the Research Tax Credit applications for the years 2010, 2011, 2012 and 2013.

Following reception of an initial expert report from the MESRI concerning the Research Tax Credits for 2012 and 2013, the tax administration granted a rebate of €0.6 M in a ruling on 29 November 2019. Income for this amount was recognised in the financial statements.

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

Significant off-balance-sheet commitments are as follows:

Contractual obligations (in thousands of euros)	As at 31 December 2019				As at 31 December 2018
	Total	Payments due per period			Total
		Less than 1	In 1 to 5	In more than 5	
Operating leases	**3 960**	**3 405**	**555**	**0**	**148 003**
Paper, printing, distribution [1]	3 292	3 170	122	0	949
Other services [2]	13 656	13 459	190	7	20 542
Commitments for purchases of goods and services	**16 948**	**16 629**	**312**	**7**	**21 491**
Total	**20 908**	**20 034**	**867**	**7**	**169 494**

(1) See details in the table below

(2) The "Other services" section includes all firm orders placed as at 31 December 2019 for goods and services

The "Other services" section includes all firm orders placed as at 31 December 2019 for goods and services deliverable from 1 January 2020. The change compared to 2018 can be explained by application of the IFRS 16 standard.

Leases

Leases with a duration of over one year are restated in line with IFRS 16.

Commitments for purchases of goods and services

Production of directories

For the production and distribution of its printed directories, the Solocal 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 2019, both with paper suppliers and with printers and distributors, are reported as off-balance-sheet commitments at that date, for a total amount of 3.2 million euros.

Other commitments given

The bond loan is indirectly guaranteed by a pledge of the securities of Solocal 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 2019				As at 31 December 2018
	Total	Payments due per period			Total
		Less than 1	In 1 to 5	In more than 5	
Operation leases - lessor	0	0	0	0	0
Other services	176 803	127 471	49 332	0	34 469
Total	**176 803**	**127 471**	**49 332**	**0**	**34 469**

The other services correspond to the share of the order backlog yet to be recognised in sales and not yet billed (see Note 1.3.1.2)

Note 17 – Events subsequent to the closing date of 31 December 2019

None

Note 18 – Scope of consolidation

Entities	Country	As at 31 December 2019 Interest	As at 31 December 2019 Voting rights	As at 31 December 2018 Interest	As at 31 December 2018 Voting rights
Solocal Group (consolidating entity)	France	100%	100%	100%	100%
Solocal S.A.	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	0%	0%	100%	100%
PagesJaunes Finance & Co	Luxembourg	100%	100%	100%	100%
Digital To Store	United Kingdom	100%	100%	100%	100%
Yelster Digital	Austria	100%	100%	100%	100%
Orbit Interactive	Morocco	100%	100%	100%	100%

Note 19 – Auditors' fees

(amounts in thousand of euros)	Beas / Deloitte et Associés				Auditex / Ernst & Young			
	Amount		In % of fees		Amount		In % of fees	
	2019	2018	2019	2018	2019	2018	2019	2018
Certification of individual and consolidated accounts and limited review	**423**	**456**	**81%**	**88%**	**389**	**417**	**90%**	**69%**
- Including Solocal Group	200	172	38%	33%	140	132	33%	22%
- Including fully consolidated subsidiaries	223	284	43%	55%	248	285	58%	47%
Other services excluding certification of accounts	**100**	**61**	**19%**	**12%**	**41**	**190**	**10%**	**31%**
- Including Solocal Group	97	61	19%	12%	41	190	10%	31%
- Including fully consolidated subsidiaries	3	-	1%	0%	-	-	0%	0%
TOTAL	**523**	**517**	**100%**	**100%**	**430**	**607**	**100%**	**100%**

Other services excluding certification of accounts are related, as for BEAS/Deloitte, to services for assets sale project (€95k), certificate (€2k) and capital increase of a subsidiary (€3k). As for Auditex/Ernst&Young, it is related to a cash forecash review.