solocal

Boulogne-Billancourt, 17th July 2020

Dear Shareholders,

I am personally contacting you today to share the latest information on the financial structure strengthening plan, as presented on 3rd July.

Much has happened in recent days. I therefore wish to talk to you once again just a few days away from the decisive General Meeting of 24th July, the outcome of which will be crucially important for the future of Solocal, its customers and employees.

I already had the opportunity to present the details of the plan that will be submitted for your approval during this decisive meeting. As a reminder, the draft agreement negotiated with the company's creditors should help to secure the contribution of €117 M of liquidity for the Group and should reduce our debt burden from €500 M currently to roughly €250 M, with an ensuing reduction in annual financial expenses of approximately €25 M. The financial sustainability of the Company and its ability to deploy our strategy, which has shown encouraging signs, **would thus be secured for the next 18 months, thereby enabling us to rebuild sufficient cash flows generation as from 2022 onwards**.

As a reminder, following the press release of 18th May 2020, Solocal reported a decrease of approximately -55% in its order intake during the lockdown period. Nonetheless, since the easing of these restrictions on 11th May and following the resumption of most businesses in France, the Solocal group's business is showing signs of a gradual recovery. Digital order intake for May and June respectively decreased by -24% and -1% versus the same period last year and were €11 M higher than the Group's updated COVID-19 impact forecast. **The gradual upturn is in sync with the pace of recovery expected by the Group and consistent with the redeployment on the field of most of the salesforce** who is currently taking advantage of the fact that our customers and prospects are more available. In that frame, Solocal has confirmed its 18th May ambitions of an expected decline in total revenues of -20% and a contraction in Digital revenues roughly -15% during 2020 versus the previous year. In terms of results, the full-year EBITDA is expected to exceed €130 M. Our estimated earnings for H1 2020, published on 10th July, are in line with these forecasts, with revenues down by -16% and a **recurring EBITDA expected to grow** to between €82 M and €87 M.

The implementation of this draft agreement would be based on a fully backstopped capital increase of €347 M securing €85 M in cash, supplemented by €32 M in the form of a State Guaranteed Loan (PGE) or an equivalent funding guaranteed by our creditors if this loan not granted on time.

This agreement safeguards **the company's strategic and corporate interests, as well as those of its 3,000 staff** with the firm intention to rapidly return to a solid, high performance and growth trajectory. **At present, over 375,000 businesses place their trust in us. It is our**

**responsibility to ensure that Solocal can continue to serve them** and help them get through the unprecedented crisis facing them.

**Your interests as shareholders are also at the core of our concerns**. The enlightening findings of the independent expert FINEXSI mandated to give a fairness opinion on the transaction confirmed this with:

- **The possibility offered to all shareholders to take part** in the rights issue and **retain control of the company**
- **A subscription price of 3 cents considered to be consistent with the Company's current valuation and a median estimate of the post-restructuring share value of 4.41 cents.**
- **A distribution of free shares** (one for each share held) **which limits the dilution** including for those shareholders to take part
- The setting up of a **support commission for shareholders who commit to exercise** their preferential subscription rights before 23rd July and which accounts for 2.5% of the amounts actually subscribed

**All these arguments led the independent expert to conclude that the proposed transaction was balanced** for all stakeholders, shareholders and creditors.

You can read the entire report which has been available on our website in the Investors and Shareholders section since July 10th available here. I firmly believe that you will be convinced by the benefits of the agreement put to your approval. In this respect, I would also suggest that you purchase the independent proxies' studies by ISS and Glass Lewis.

With your support we can again move **into the positive momentum that delivers value for the Group and all its shareholders, a momentum initiated before the COVID-19 outbreak and which has already manifested itself with the encouraging figures recorded for June.** Once the liquidity threat is removed, all conditions will be present to **take full advantage of the recovery and speed up the transformation** already successfully initiated in the months prior to the health crisis.

Our ambitions are clear. We shared them with you on 18th May. We are confident in our ability to achieve **average annual growth of 8% over the next four years**. In terms of results, 2022 should mark a return to more normal business conditions for the Group, which should be able to deliver a growing EBITDA while maintaining its EBITDA margin above 30%. EBITDA should thus return to its 2019 level in 2023, i.e. approximately €190 M. As from 2022, the Group is expected to generate above €80 M operating cash flow annually.

We are still on course despite the exceptionally difficult context to **build a new 100% digital, more robust and more efficient Solocal**. To drive this ambitious strategy, we announced a few days ago the appointment of **Eric Klipfel to the post of Deputy Managing Director**. Eric Klipfel will be in charge of sales activities and customer operations and will back up Eric Boustouller and his teams whose hard work and fantastic commitment I wish to commend once again. Over the last 20 years, Eric Klipfel has taken up major business challenges for such players as SFR Numericable or Teleperformance Knowledge Services. His appointment is therefore **a decisive asset that will enable us to go further in terms of winning over, satisfying and retaining customers**.

But this new sales drive can only be carried out if the company is in a secure financial situation and this is a mandatory condition to restoring our employees' and customers' trust in the future of the company. This condition was perfectly understood by **our Board of Directors** who **voted unanimously in favour of the financial restructuring plan** I submitted to you.

**I wish to remind you that in the case of a negative vote in the General Meeting, Solocal Group must request termination of the protection plan and closure of conciliation procedures, meaning the company will automatically go into receivership, and hence the very high probability for current shareholders to lose almost all of their investments.**

The proposed rights issue (i.e., capital increase with preferential subscription rights) that we are submitting for your vote must enable all shareholders to recover part of the initial value of their investment and to benefit from the effects of the future recovery under the best possible conditions and with limited dilution.

As explained earlier, should the project to strengthen the Group's financial structure be approved by the Shareholders' Meeting of 24th July 2020 and receive all necessary approvals, the rights issue (i.e., capital increase with preferential subscription rights) will enable all shareholders to invest up to 44 shares for every 3 shares held.

As Chairman of the Board of Directors, I have already invested up to 750,000 shares in the Company for an investment value of €535,000. My intention is to subscribe to the capital increase to the maximum limit of my subscription rights, i.e. an additional investment of roughly €320,000. Under this investment, I have decided to waive the 2.5% support fee on the subscribed amounts offered to all shareholders who agree to participate before 23rd July. Other simulations have been made and are available on our website: https://www.solocal.com/en/finance/individual-shareholders-area

This investment is of course dependent on the results of the General Meeting of 24th July and the agreement of financial market authorities to the transaction which could occur as early as September.

In this respect, I wish to remind you that **e-voting for the General Meeting on 24th July is open since 8th July and will close on 23rd July at 3:00 p.m.**

Until then, we remain mobilised and attentive to any queries you may have. Since last week, **a team is in place to answer all your questions about the plan and how to take part in this General Meeting and can be called at + 33 (0)1 76 76 00 70**.

Everything has been done to provide you with all the answers and information needed to make your decision on these issues.

2020 is an exceptional year by any standards. I have the hope that it will be the year of renewal for a stronger and more robust Solocal with a balanced financial structure and stakeholders all involved and pulling in the same direction. I fully realise the effort that you are again being asked to make to support the Company and am fully aware of how convinced you are of the strategy in place. Let us give back to Solocal the means to prosper and grow!

Yours faithfully,

Pierre Danon

Chairman of the Board of Directors

**See the video with the transaction comments:**