Consolidated financial reporting as at 31 December 2020

Board of Directors of 17 February 2021

Unofficial translation of the French-language "*Rapport financier au 31 décembre 2020*" of Solocal Group, for information purposes only.

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Solocal Group
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Trade and Companies Register Nanterre 552 028 425

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1. Activity report as at 31 December 2020

1.1. Overview

Solocal Group operates its business in the operating segment “Digital" sector, its only operating sector since the "Print" activity was discontinued in November 2020. This activity is recognized and accounted for as discontinued operations under IFRS 5.

The Digital activity generated revenue from continued activities of 432.8 million euros as at December 31st 2020. The Digital activity can be broken down as follows:

- The Connect offer allows VSEs and SMEs to manage their digital presence on PagesJaunes and the entire Web (several dozen media in total including Google, Facebook, Bing, Tripadvisor, Instagram, etc.) in a few clicks, in time real and in complete autonomy, via a single mobile application, or a web interface. This offer also facilitates the management of interactions between professionals and their customers thanks to several relational functions (instant messaging, formulation of quotes, appointment setting, Click & Collect, etc.). Connect represents a turnover of 108.5 million euros for fiscal year 2020 and is marketed in subscription mode with automatic renewal.
- The Booster offer allows companies to increase their digital visibility beyond their natural presence on the entire Web, with a view to developing local market shares. This offer includes, among other things, the Priority Referencing service launched in the third quarter of 2019 and represents sales of 258.5 million euros in fiscal year 2020.
- Regarding the Sites range, Solocal offers its clients the possibility of creating and referencing their site, according to different budget levels, always in subscription mode with automatic renewal. This offer represents a turnover of 65.8 million euros for the financial year 2020.

Intended for VSEs / SMEs, the Connect and Booster ranges are also available for Major Network Accounts.

1.2. Commentary on the results as at 31 December

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

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

During the second half of 2020, the Group divested from the subsidiary Mappy that represented a revenue of 1.3 million euros and an EBITDA of -4.0 million euros in 2020.

Consolidated income statement for periods ended as at 31 December 2020 and as at 31 December 2019

Million euros	As at 31 December 2020 Consolidated	Divested activities	Continued activities Total	Recurring	Non recurring	As at 31 December 2019 Consolidated	Divested activities	Continued activities Total	Recurring	Non recurring	Change Recurring 2020 / 2019
Revenues	**437.4**	**4.6**	**432.8**	**432.8**	**-**	**525.4**	**24.1**	**501.3**	**501.3**	**-**	**-13.7%**
Net external expenses	(125.0)	(3.8)	(121.2)	(120.7)	(0.5)	(133.2)	(16.0)	(117.1)	(117.5)	0.4	2.7%
Staff expenses	(200.8)	(4.7)	(196.0)	(196.3)	0.2	(248.0)	(12.6)	(235.4)	(235.6)	0.2	-16.7%
Restructuring costs	4.5	-	4.5	-	4.5	(23.5)	-	(23.5)	-	(23.5)	0.0%
EBITDA	**116.2**	**(3.9)**	**120.0**	**115.8**	**4.2**	**120.8**	**(4.5)**	**125.3**	**148.1**	**(22.8)**	**-21.8%**
As % of revenues	*26.6%*	*0.0%*	*27.7%*	*26.8%*		*23.0%*	*0.0%*	*25.0%*	*29.5%*		*-2.8 pts*
Gains and losses from disposals	(2.2)		(2.2)	(2.2)							
Depreciation and amortization	(64.6)	(2.8)	(61.8)	(61.8)	-	(71.0)	(3.2)	(67.8)	(67.8)	-	-8.9%
Operating income	**49.3**	**(6.7)**	**56.0**	**51.8**	**4.2**	**49.8**	**(7.7)**	**57.5**	**80.3**	**(22.8)**	**-35.5%**
As % of revenues	*11.3%*	*0.0%*	*12.9%*	*12.0%*		*9.5%*	*0.0%*	*11.5%*	*16.0%*		*-4.0 pts*
Gain from debt restructuring	63.2	-	63.2	63.2	-	-	-	-	-	-	0.0%
Financial income	0.4	0.0	0.4	0.4	-	(0.2)	0.0	(0.2)	(0.2)	-	0.0%
Financial expenses	(61.5)	0.1	(61.6)	(61.6)	-	(44.6)	(0.1)	(44.5)	(44.5)	-	38.6%
Financial income	**2.0**	**0.1**	**1.9**	**1.9**	**-**	**(44.8)**	**(0.1)**	**(44.7)**	**(44.7)**	**-**	**0.0%**
Income before tax from continued activities	**51.3**	**(6.6)**	**57.9**	**53.8**	**4.2**	**5.0**	**(7.8)**	**12.8**	**35.6**	**(22.8)**	**50.9%**
Corporate income tax	(6.5)	0.4	(6.9)	(5.6)	(1.3)	(19.7)	0.0	(19.7)	(27.6)	7.9	-79.7%
Net Income from continued activities	**44.8**	**(6.2)**	**51.0**	**48.2**	**2.8**	**-**	**-**	**-**	**(14.7)**	**(7.8)**	**0.0%**
Net Income from discontinued activities (*)	**20.8**	**20.8**	**-**	**-**	**-**	**46.8**	**46.8**	**-**	**-**	**-**	**0.0%**
Net Income for the period	**65.6**	**14.6**	**51.0**	**48.2**	**2.8**	**32.1**	**39.0**	**(6.9)**	**8.1**	**(15.0)**	**498.1%**

(*) IFRS 5 was applied to Print activity classified as discontinued in 2020 ; FY 2019 was therefore restated

Recurring EBITDA corresponds to EBITDA before taking into 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 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 by IAS 37;

As at 31 December 2020, the amount of non-recurring items stands at 4.2 million euros.

1.2.1. Analysis of the order backlog for continued activities

Revenues

Following the discontinuation of the "Printed" activity, sales consist of only one operational segment, namely the "Digital" activity. Total turnover as of December 31, 2020 amounted to 432.8 million euros, down 13.7% compared to turnover for 2019.
Digital turnover already secured for 2021 amounts to 248.7 million euros.

Order intakes

In million of euros	Continued activities As at 31 December 2020	As at 31 December 2019
Total order backlog - end of period	**284.2**	**359.9**

The total order backlog amounted to 284.2 million euros at December 31, 2020, down -21% compared to December 31, 2019. The decrease in the digital activity is mainly linked to the impact of the covid-19 health crisis which in particular caused an important drop in order intakes during the first lockdown initiated in March 2020.

Performance indicators of Solocal

	As at 31 December 2020	**As at 31 December 2019**	**Variation**
Auto-renewal subscription sales (as of % of total sales) (1)	81,0%	44,0%	37,0 points
ARPA (average revenue per advertiser)	1 330	1 360	-2,2%
Audience (PagesJaunes number of visits, in billion)	0,0	0,0	-7,5%

(1) Solocal SA scope
Annual data

1.2.2. Analysis of recurring EBITDA

Net external expenses

Recurring external expenses amounted to (120.7) million euros as of 31 December 2020, up 2.7% or (3.2) million euros compared to 2019. This increase can be explained by:
- The increase in variable costs relating to the product mix;
- These effects are partially offset by savings linked to the health crisis in particular on travel expenses of the sales force and the marketing campaigns.

Personnel expenses

Recurring personnel expenses amounted to (196.3) million euros as at 31 December 2020, down 16.7% or (39.3) million euros compared to 2019. This drop can be explained by:
- The impact of the health crisis on the level of the business for the period which affected variable remuneration;
- The setting up of partial unemployment;
- The full-year effect of the reduction in the number of FTEs carried out as part of the Group's transformation project.

The Group's workforce as at 31 December 2020 is 2,404 people (excluding long-term absence) of which 49% in sales.

Recurring EBITDA

Recurring EBITDA amounts to 115.8 million euros as at 31 December 2020, down 21.8% or (32.3) million euros compared to 2019. The recurring EBITDA rate over revenues thus amounts to 26.8%, down 2.8 points. The drop in this rate reflects a drop in the business which was only partially offset by the drop in fixed costs.

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 for 2020 and 2019:

	As at 31 December 2020					As at 31 December 2019					
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			Change Recurring 2020 / 2019
Million euros			Total	Recurring	Non recurring			Total	Recurring	Non recurring	
EBITDA	**116.2**	**(3.9)**	**120.0**	**115.8**	**4.2**	**120.8**	**(4.5)**	**125.3**	**148.1**	**(22.8)**	**-21.8%**
As % of revenues	*26.6%*	*0.0%*	*27.7%*	*26.8%*		*23.0%*	*0.0%*	*25.0%*	*29.5%*		*-2.8 pts*
Gains and losses from disposals	(2.2)		(2.2)	(2.2)							
Depreciation and amortization	(64.6)	(2.8)	(61.8)	(61.8)	-	(71.0)	(3.2)	(67.8)	(67.8)	-	-8.9%
Operating income	**49.3**	**(6.7)**	**56.0**	**51.8**	**4.2**	**49.8**	**(7.7)**	**57.5**	**80.3**	**(22.8)**	**-35.5%**
As % of revenues	*11.3%*	*0.0%*	*12.9%*	*12.0%*		*9.5%*	*0.0%*	*11.5%*	*16.0%*		*-4.0 pts*

The non-recurring income of 4.2 million euros as at 31 December 2020 corresponds mainly to expenses linked to Group transformation.

Impairment and amortisation amounted to (64.0) million euros as at 31 December 2020, and are down -5,6% compared to 2019. This is primarily explained by the downward trend in investments over the last few years.

The Group’s operating income for continued activities stands at €56 million compared to €57,5 million in 2019.

Net income for the period

The table below shows the Group’s net income for continued activities as at 31 December 2020 and 2019:

	As at 31 December 2020					As at 31 December 2019					
	Consolidated	Divested activities	Continued activities			Consolidated	Divested activities	Continued activities			Change Recurring 2020 / 2019
Million euros			Total	Recurring	Non recurring			Total	Recurring	Non recurring	
Operating income	**49.3**	**(6.7)**	**56.0**	**51.8**	**4.2**	**49.8**	**(7.7)**	**57.5**	**80.3**	**(22.8)**	**-35.5%**
As % of revenues	*11.3%*	*0.0%*	*12.9%*	*12.0%*		*9.5%*	*0.0%*	*11.5%*	*16.0%*		*-4.0 pts*
Gain from debt restructuring	63.2	-	63.2	63.2	-	-	-	-	-	-	0.0%
Financial income	0.4	0.0	0.4	0.4	-	(0.2)	0.0	(0.2)	(0.2)	-	0.0%
Financial expenses	(61.5)	0.1	(61.6)	(61.6)	-	(44.6)	(0.1)	(44.5)	(44.5)	-	38.6%
Financial income	**2.0**	**0.1**	**1.9**	**1.9**	**-**	**(44.8)**	**(0.1)**	**(44.7)**	**(44.7)**	**-**	**0.0%**
Income before tax from continued activities	**51.3**	**(6.6)**	**57.9**	**53.8**	**4.2**	**5.0**	**(7.8)**	**12.8**	**35.6**	**(22.8)**	**50.9%**
Corporate income tax	(6.5)	0.4	(6.9)	(5.6)	(1.3)	(19.7)	0.0	(19.7)	(27.6)	7.9	-79.7%
Net Income from continued activities	**44.8**	**(6.2)**	**51.0**	**48.2**	**2.8**	**-**	**-**	**-**	**(14.7)**	**(7.8)**	**0.0%**
Net Income from discontinued activities (*)	**20.8**	**20.8**	**-**	**-**	**-**	**46.8**	**46.8**	**-**	**-**	**-**	**0.0%**
Net Income for the period	**65.6**	**14.6**	**51.0**	**48.2**	**2.8**	**32.1**	**39.0**	**(6.9)**	**8.1**	**(15.0)**	**498.1%**

(*) IFRS 5 was applied to Print activity classified as discontinued in 2020 ; FY 2019 was therefore restated

Financial income amounts to 1.9 million euros as at 31 December 2020. The increase in the net financial income can be explained primarily by the recognition of the gross gain from debt restructuring exluding fees for 63,2 million euros. Financial expenses however increased over the period, increasing from 44,5 million euros as at 31 December 2019 to 61,6 million euros as at 31 December 2020 due to the financial fees linked to the financial restructuring of October 2020 (14 million euros).

The consolidated pretax operating income for continued activities amounts to 57.9 million euros as at 31 December 2020 and 12.8 million euros as at 31 December 2019.

The corporation tax charge recorded as at 31 December 2020 is (6.5) million euros. This expense included a CVAE (Corporate value added contribution) expense of (5.1) million euros.

The Group consolidated net income is positive as at 31 December 2020 and stands at 65.6 million euros compared to a loss of 32.1 million euros as at 31 December 2019.

1.2.4 Consolidated cash flow presentation

Cash flow statement	**As at 31 December 2020**	**As at 31 December 2019**
In million of euros		
Recurring EBITDA	**132.8**	**190.6**
Non monetary items included in EBITDA and other	(0.6)	2.8
Net change in working capital	(89.8)	(48.1)
of which change in receivables	*(67.5)*	*(39.6)*
of which change in payables	*(10.0)*	*(5.7)*
of which change in other WCR items	*(12.3)*	*(2.8)*
Acquisition of tangible and intangible fixed assets	(43.2)	(41.6)
Recurring operating free cash flow	**(0.8)**	**103.7**
Non recurring items	(67.0)	(154.8)
of which restructuration	*(67.0)*	*(144.6)*
of which Net change in non recurring working capital	-	*(10.2)*
Disbursed financial result	(5.6)	(44.0)
Corporate income tax paid	(5.5)	1.8
Others	3.1	
Free Cash flow	**(75.7)**	**(93.2)**
Increase (decrease) in borrowings LT	32.0	58.9
Increase (decrease) in borrowings ST	(7.9)	
Capital increase	89.2	17.1
IFRS 16 impact and Others	(17.7)	(22.9)
Net cash variation	**19.9**	**(40.1)**
Net cash and cash equivalents at beginning of period	41.5	81.5
Net cash and cash equivalents at end of period	**61.4**	**41.5**

Note: the cash flow statement includes in 2020 the flows of the Mappy subsidiary (10 months) and the 2 months of flows of the Spanish subsidiary QDQ sold, both not significant in 2020.

The change in working capital requirement was -89.8 million euros in 2020. The change in customer working capital was negative by nearly -67.5 million euros due to a negative volume effect in relation to the fall in turnover but above all with the gap between the impact of the health crisis on customer collections (immediately impacted by the drop in sales linked to the health crisis) and the recognition of turnover. The negative change in “Other WCR” corresponds to the reimbursement of part of the tax and social liabilities over the period (8 million euros).

The amount of capital expenditure amounts to 43.2 million euros in 2020, relatively stable compared to 2019.

Non-recurring items amount to -67 million euros in 2020. They include disbursements related to the Solocal 2020 transformation project (46 million euros), costs related to the financial restructuring of the Group (19 million euros) and 2 million euros in penalties within the framework of the plan to reimburse tax and social liabilities.

The financial items disbursed are significantly lower than those for 2019 since the group did not pay its first three quarterly bond coupons in 2020 (for around 32 million euros). They correspond to the payment of bond interest in the fourth quarter of 2020 and the annual interest on the revolving credit line of 50 million euros.

The Group's free cash flow is therefore negative at -75.7 million euros in 2020.

The increase in borrowings corresponds to the drawdown of the ATOUT loan contracted with BPI France (+16 million euros) and the issue of a bond loan of 16 million euros subscribed by certain bond creditors; partially offset by the decrease in the working capital line (-6 million euros) and repayments related to the financing of assets.

The 89 million euros of capital increase correspond to the withdrawals made in January 2020 on the equity line (3.7 million euros) as well as the completion in early October 2020 of the capital increase with maintenance of the preferential subscription right which brought 85 million euros of liquidity to the Group.

The change in "Other" of -18 million euros mainly represents the cash outflows made as part of the reduction of the debt balance relating to leases.The Group's net change in cash thus amounts to + € 19.9 million in 2020. As of December 31, 2020, the Group has net cash of € 61.4 million, vs. 41.5 million euros as of December 31, 2019.

1.3. Consolidated liquidities, capital resources and investment expenses

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

In million of euros	As at 31 December 2020	As at 31 December 2019
Net cash from operations	(16.6)	(74.8)
Net cash used in investing activities	(40.1)	(41.2)
Net cash provided by (used in) financing activities	76.7	76.0
Impact of changes in exchange rates on cash	(0.0)	0.0
Net increase (decrease) in cash position	**19.9**	**(40.1)**

The net cash flow generated by the activity amounted to (16.6) million euros as of December 31, 2020 compared to -74.8 million euros as of December 31, 2019 taking into account the delay of certain expenses following the covid crisis in the first half of the year.

Net cash flow allocated to investing operations amounted to (40.1) million euros at December 31, 2020 compared to (41.2) million euros at December 31, 2019, i.e. a variation of 3.7 millions of euros.

The net cash flows allocated to financing operations represent a net disbursement of 76.7 million euros as of December 31, 2020 against a net inflow of 76 million euros as of December 31, 2019.

The following table shows **the evolution of the consolidated Group's cash position** at December 31, 2020 and December 31, 2019:

(in thousands of euros)	**As at 31 December 2020**	**As at 31 December 2019**
Cash equivalents	0.2	0.0
Cash	61.2	41.5
Gross cash	**61.4**	**41.6**
Bank overdrafts	-	(0.1)
Net cash	**61.4**	**41.5**
Nominal value of bond loans	184.5	397.8
Fair value of hedging instruments	(15.2)	-
Nominal value of revolving credit facilities drawn	50.0	50.0
Debt issue costs integrated into the effective interest rate of the debts	(4.1)	-
Amortization of the difference in fair value and costs at the effective interest rate	1.1	-
Other loans	16.0	-
Accrued interest not yet due on loans	2.5	1.4
Lease liability	0.1	3.4
Factoring	2.1	7.9
Price supplements on acquisition of securities	-	0.2
Others	0.0	2.9
Current and non current financial liabilities	237.0	463.6
Long-term and short-term liabilities	94.0	104.1
Gross financial debt	**331.0**	**567.7**
of which current	*27.7*	*40.7*
of which non-current	*303.3*	*526.9*
Net debt	**269.6**	**526.1**
Net debt of consolidated group	**269.6**	**526.1**

Net financial debt (financial debt, minus cash flow and cash flow equivalents) was 272,6 million euros as at 31 December 2020, down 253.5 million euros compared to 526.1 million euros as at 31 December 2019.

Financial leverage such as defined in the bond documentation concerning Solocal’s 2022 bond is 1.94x as at 31 December 2020 (to which IFRS 16 does not apply). The group complies with the financial ratios provided under the bond documentation:

As at 31 December 2020, gross financial debt is primarily comprised:

- of bonds stemming from the financial restructuring operations carried out in October 2020 for a nominal amount of 168.4 million euros, repayable in March 2025,
- of bonds issued for a value of 16 million euros set up as part of the financial restructuring of the Group, the maturity of which is identical to the previous bonds
- of a revolving credit line of 50.0 million euros fully drawn,
- of a financing line of 16 million euros (with BPI France),
- of factoring debts of 2 million euros.

1.4 Investment expense

In million of euros	As at 31 December 2020	As at 31 December 2019
Acquisition of tangible and intangible fixed assets	43.4	42.9
Right-of-use assets related to leases (*)	10.9	24.0
Current investments	**54.2**	**66.9**

(*) Rights of use concerning leases posted in the assets amount to 10.9 million euros.
Intangible and tangible investments amount to 43.4 million euros as at 31 December 2020.

1.5 Outlook for 2021

Following on from the stabilization observed in the fourth quarter of 2020, Solocal aims for a moderate increase in customer base for 2021, driven by the benefits of the transformation carried out both in terms of customer acquisition and reduction in churn.

Consequently, Solocal is confident in its ability to post moderate growth in its turnover in 2021, in two phases, with a first semester still impacted by the effects of the health crisis and a second semester presenting a growth.

EBITDA is confirmed at 120 million euros for the year 2021 vs. 112 million euros achieved in 2020.

1.6 Events subsequent to the closing date of 31 December 2020

None

1.7 Additional information

1.7.1 Transactions with related parties

On October 4th, 2020, Eric Boustouller terminated his term of office as Chief Executive Officer and obtained a termination allowance of 1.6 million euros according to the strict application of the provisions voted by the General Meeting on the departure conditions namely 18 months of the annual lump-sum remuneration (fixed and variable with targets reached) and the payment subject to the performance condition linked to achieving an average of at least 80% of his annual objectives during the period of presence in the company.

On October 2nd, 2020 the Board of Directors decided to release Eric Boustouller of his non-compete obligation, such that no non-compete indemnity is owed to him.

1.7.2 Information on the main risks and uncertainties

The main risks and uncertainties are described in section 2 *Risk Factors* of the 2020 Universal Registration Document.

1.7.3 Definitions

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

Order backlog: sales orders such as validated and committed to 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 2020

Consolidated income statement

(Amounts in thousands of euros, except data relating to shares)	Notes	**As at 31 December 2020 (*)**	**As at 31 December 2019 (*)**	**As at 31 December 2019 (published)**
Revenues	5.1	437 424	525 407	584 116
Net external expenses	6	(124 956)	(133 152)	(143 421)
Personnel expenses	7	(200 768)	(247 983)	(249 593)
Restructuring costs		4 452	(23 455)	(23 455)
EBITDA		**116 152**	**120 817**	**167 647**
Depreciation and amortization	4	(64 594)	(71 018)	(71 018)
Result of loss of control		(2 226)	-	-
Operating income		**49 332**	**49 799**	**96 629**
Net gain from debt restructuring		63 187	-	-
Financial income	9.4	368	(352)	(352)
Financial expenses	9.4	(61 548)	(44 468)	(44 468)
Financial income		**2 006**	**(44 820)**	**(44 820)**
Income before tax from continued activities		**51 339**	**4 979**	**51 809**
Corporate income tax	8.1	(6 548)	(19 698)	(19 698)
Net Income from continued activities		**44 791**	**(14 719)**	**32 111**
Net Income from discontinued activities	2.2	**20 793**	**46 830**	**-**
Net Income for the period		**65 584**	**32 111**	**32 111**
Income from continued activities for the period attributable to:				
- Shareholders of SoLocal Group		44 791	(14 719)	32 111
- Non-controlling interests		-	-	-
Income from discontinued activities for the period attributable to:				
- Shareholders of SoLocal Group		20 793	46 830	-
- Non-controlling interests		-	-	-
Net earnings from continued activities for the period per share to Solocal Group shareholders (in euros)				
Net earnings per share of the consolidated group based on a weighted average number of shares				
- basic	13	3.40	(0.03)	0.05
- diluted		3.35	(0.02)	0.05
Net earnings per share of the consolidated group based on a year end number of existing shares (as at 30 June)				
- basic		1.27	(0.03)	0.05
- diluted		1.26	(0.02)	0.05
Net earnings from discontinued activities for the period per share to Solocal Group shareholders (in euros)				
Net earnings per share of the consolidated group based on a weighted average number of shares				
- basic	13	1.58	0.08	-
- diluted		1.56	0.08	-
Net earnings per share of the consolidated group based on a year end number of existing shares (as at 30 June)				
- basic		0.59	0.08	-
- diluted		0.59	0.08	-

(*) IFRS 5 was applied to Print activity classified as discontinued in 2020 ; FY 2019 was therefore restated

Statement of comprehensive income

(Amounts in thousands of euros)	Notes	**As at 31 December 2020 (*)**	**As at 31 December 2019 (*)**	**As at 31 December 2019 (published)**
Income for the period report		**65 584**	**32 111**	**32 111**
ABO reserves :				
- Gross	11	(2 315)	(8 740)	(8 740)
- Deferred tax		598	-	-
- Net of tax		**(1 717)**	**(8 740)**	**(8 740)**
Exchange differences on translation of foreign operations		(381)	317	317
Other comprehensive income		**(2 098)**	**(8 423)**	**(8 423)**
Total comprehensive income for the period, net of tax		**63 486**	**23 688**	**23 688**
Total comprehensive income for the period attributable to:				
- Shareholders of SoLocal Group		63 486	23 688	23 688
- Non-controlling interests		-	-	-

(*) IFRS 5 was applied to Print activity classified as discontinued in 2020 ; FY 2019 was therefore restated

Statement of consolidated financial position

(thousand euros)	Notes	As at 31 December 2020	As at 31 December 2019
Assets			
Net goodwill	4.1	86 489	88 870
Other net intangible fixed assets	4.2	76 823	90 482
Net tangible fixed assets	4.3	16 047	20 977
Right-of-use assets related to leases	4.3	66 571	69 279
Other non-current financial assets	9.2	7 711	7 067
Net deferred tax assets	8.2	61 492	60 928
Total non-current assets		**315 133**	**337 603**
Net trade accounts receivable	5.2	69 649	90 223
Other current assets	5.3	44 639	39 065
Current tax receivable		998	2 333
Prepaid expenses		1 941	2 676
Other current financial assets	9.2	1 004	3 416
Cash and cash equivalents	9.6	61 379	41 551
Total current assets		**179 609**	**179 264**
Total assets		**494 742**	**516 867**
Liabilities			
Share capital		129 505	61 954
Issue premium		1 038 185	758 392
Reserves		(1 448 666)	(1 432 975)
Income for the period attribuable to shareholders of Solocal Group		65 584	32 111
Other comprehensive income		(55 163)	(53 065)
Own shares		(5 548)	(5 344)
Equity attributable to equity holders of the SoLocal Group	13	**(276 104)**	**(638 927)**
Non-controlling interests		-	41
Total equity		**(276 104)**	**(638 886)**
Non-current financial liabilities	9	228 252	448 488
Long-term lease liabilities		75 080	78 450
Employee benefits - non-current	11	92 299	93 960
Provisions - non-current	11	6 842	11 025
Deferred tax liabilities	8.2	-	-
Total non-current liabilities		**402 472**	**631 923**
Current financial liabilities	9	8 767	15 068
Short-term lease liabilities		18 886	25 654
Provisions - current	11	31 602	71 105
Contract liabilities	5	108 913	194 113
Trade accounts payable	12	59 458	73 495
Employee benefits - current	11	48 017	42 353
Other current liabilities	11	91 653	101 226
Corporation tax		1 076	816
Total current liabilities		**368 372**	**523 830**
Total liabilities		**494 742**	**516 867**

Statement of changes in consolidated equity

Number of shares in circulation		Share capital	Issue premium	Income and reserves	Actuarial differences	Translation reserve	Own shares	Group equity	Non-controlling interests	Total equity
583 137 724	**Balance as at 1 January 2019**	**58 363**	**743 803**	**(1 430 990)**	**(44 052)**	**(589)**	**(5 249)**	**(678 714)**	**41**	**(678 673)**
	Total comprehensive income for the period			32 111				**32 111**	-	**32 111**
	Other comprehensive income							**-**	**-**	**-**
	Total comprehensive income for the period, net of tax							**-**	**-**	**-**
1 000 000	Share-based payment	100		1 418				**1 518**		**1 518**
495 911	Capital transactions	49	943	(992)				**-**		**-**
34 415 190	Equity line financing	3 442	13 646					**17 088**		**17 088**
(74 955)	Shares of the consolidating company net of tax						(95)	**(95)**		**(95)**
	Minority Stake holders Effilab Dubaï (cession)			(2 411)	(8 740)	317		**(10 834)**	**-**	**(10 834)**
618 973 870	**Balance as at 31 December 2019**	**61 954**	**758 392**	**(1 400 864)**	**(52 792)**	**(273)**	**(5 344)**	**(638 926)**	**41**	**(638 885)**
(1) **6 189 739**	**Balance as at 1 January 2020**	**61 954**	**758 392**	**(1 400 864)**	**(52 792)**	**(273)**	**(5 344)**	**(638 926)**	**41**	**(638 885)**
	Total comprehensive income for the period			65 584				**65 584**	-	**65 584**
	Other comprehensive income							**-**	**-**	**-**
	Total comprehensive income for the period, net of tax			**65 584**				**65 584**	**-**	**65 584**
5 223	Share-based payment			185				**185**		**185**
123 230 183	Distribution de dividendes	66 801	276 872	(48 029)				**295 644**		**295 644**
17	Mandatory Convertible Bonds	-	-					**-**		**-**
75 000	Equity line financing	750	2 921					**3 671**		**3 671**
(2 143)	Shares of the consolidating company net of tax			-			(204)	**(204)**		**(204)**
	Others			41	(1 717)	(381)		**(2 057)**	**(41)**	**(2 098)**
129 498 018	**Balance as at 31 December 2020**	**129 505**	**1 038 185**	**(1 383 083)**	**(54 509)**	**(654)**	**(5 548)**	**(276 103)**	**(0)**	**(276 103)**

(1) A reverse stock split on an exchange basis of one new share for one hundred existing shares was implemented on 24th November 2020
1st January 2020 of the above consolidated statement of changes in equity was consequently restated

Consolidated cash flow statement

(thousand euros)	As at 31 December 2020	As at 31 December 2019
Income for the period attribuable to shareholders of SoLocal Group	**65 584**	**32 111**
Depreciation and amortization of fixed assets	78 014	47 302
Change in provisions	(42 953)	(124 204)
Fair value items	(67 820)	-
Share-based payment	185	(643)
Capital gains or losses on asset disposals	(1 312)	530
Interest income and expenses	44 970	44 820
Tax charge for the period	7 649	19 698
Decrease (increase) in inventories	-	212
Decrease (increase) in trade accounts receivable	(61 635)	(16 435)
Decrease (increase) in other receivables	(10 446)	7 756
Increase (decrease) in trade accounts payable	(14 646)	(10 306)
Increase (decrease) in other payables	(3 207)	(33 541)
Net change in working capital	**(89 934)**	**(52 314)**
Dividends and interest received	-	(346)
Interest paid and rate effect of net derivatives	(5 558)	(43 610)
Corporation tax paid	(5 462)	1 829
Net cash from operations	**(16 638)**	**(74 827)**
Acquisition of tangible and intangible fixed assets	(42 056)	(41 594)
Acquisitions / disposals of investment securities and subsidiaries, net of cash	2 000	385
Net cash used in investing activities	**(40 056)**	**(41 209)**
Increase (decrease) in borrowings	32 000	58 946
Movements in own shares	350	(74)
Other cash from financing activities o/w own shares	89 199	17 087
Cash outflows as part of the debt reduction on rental obligations		
Other cash from financing activities o/w own shares	(26 793)	(4)
Net cash provided by (used in) financing activities	**76 664**	**75 959**
Impact of changes in exchange rates on cash	(49)	16
Net increase (decrease) in cash position	**19 921**	**(40 061)**
Net cash and cash equivalents at beginning of period	41 458	81 523
Net cash and cash equivalents at end of period	**61 379**	**41 462**

Operating cash flow is made up of the Print activity for € 20.8 million in 2020 and € 46.8 million in 2019. There is no cash flow from financing and investing activities for the Print activity in both 2020 and 2019.

Notes to the consolidated financial statements as at 31 December 2020

Note 1 – Basis for the preparation of the consolidated financial statements

Solocal Group is a public limited company with a Board of Directors subject to the provisions of Book II of the French Commercial Code, as well as to all of the other legal provisions that apply to French commercial companies.

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

The Group's consolidated financial statements as at 31 December 2020 were drawn up under the responsibility of the Chief Executive Officer of Solocal Group and were approved by the Board of Directors of Solocal Group on February 17th, 2021.

1.1 Accounting methods and principles

Pursuant to European regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the Solocal Group as at 31 December 2020 in accordance with the IAS/IFRS international accounting standards adopted in the European Union on the closing data and with mandatory applicable as of that date.

All of the standards and interpretations adopted by the European Union as at 31 December 2020 are available on the website of the European Commission at the following address:
https://ec.europa.eu/info/law/international-accounting-standards-regulation-ecno-1606-2002

1.2 IFRS standards

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

Amendment to IFRS 3, Business Combinations: This amendment clarifies the notion of activity by defining its three main components: inputs and substantial processes allowing the generation of outputs. This amendment has no impact on the Group since no business combination took place during the year.

Amendment to IAS 1 and IAS 8, Definition of materiality: By revising the notion of materiality, this amendment defines that information is material when its omission, inaccuracy or concealment would be likely to influence the users of the financial statements .

Amendment to IFRS 16, Leases: On May 28, 2020, the IASB published an amendment to IFRS 16, Covid-19 Rental Relief, offering lessees an optional practical exemption to recognize benefits obtained from lessors in the context of the Covid-19 crisis, such as rent reductions and deductibles. The lessees can exempt themselves from analyzing whether the benefit granted constitutes a modification of the contract and thus credit the benefit received as variable rent as a result. This amendment does not apply to the Group.

1.3 Other information

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

Estimates and Judgments
The establishment of the consolidated accounts at December 31, 2020 in accordance with IFRS leads the Group's management to make estimates and issue judgments, which may have an impact on the amounts recognized for assets and liabilities at the date of preparation of the financial statements and have a counterpart in the income statement.

Estimates
The estimates are intended to give a reasonable appreciation of the latest reliable information available on an uncertain item. They are revised to reflect changes in circumstances, new information available and the effects of experience. Changes in estimates are accounted for prospectively. Significant estimates by General Management relate to the following items:
• actuarial assumptions for defined benefit plans;
• Method of amortization of intangible and tangible fixed assets;
• assessment, in the context of the recognition and estimation of provisions, of the probability of settlement and of the amount of the obligation, of the expected schedule of future payments;
• determination, within the framework of impairment tests of non-financial assets, of the duration and amount of future cash flows as well as of the discount and perpetual growth rates involved in the calculation of the value in use of the assets tested;
• determination of the amount of forecast cash flows for the next 12 months, as part of the assessment of the going concern assumption;
• determination of the amount of losses carried forward that can be activated with regard to the estimate of future taxable profits.
• In the context of financial restructuring, determination of the fair value of debts.

Judgments
Judgments are the result of analytical processes intended to qualify items, transactions or situations. The revision of a judgment constitutes a change in estimate accounted for prospectively, unless this revision constitutes a correction of error. The significant judgments of the General Management are based on the following elements:
• absence of a going concern risk, in particular in the context of the Covid-19 crisis, in particular with regard to the cash flow forecasts adopted by the board of directors on February 17, 2021 for the next 12 months.
• Assessment of the criteria provided for by IAS 38 allowing the recognition of intangible assets resulting from development.
• allocation of certain transactions by level in the income statement.
• As part of the financial restructuring, allocations of costs relating to this operation.

Management has made its estimates based on past experience and taking into account the various factors considered reasonable for the valuation of assets and liabilities. The use of different assumptions could have a significant impact on these valuations. The information provided in respect of contingent assets and liabilities and off-balance sheet commitments existing at the date of preparation of the consolidated financial statements is also relevant. subject to estimates.

1.4 2020 Highlights

1.4.1 Covid-19 crisis

The impact of the health crisis linked to Covid-19 is significant on the Group's commercial activity, with a drop of about -25% in orders placed since 15 March 2020.

Because of the health crisis, Solocal deemed prudent to suspend payment of its March 2020 and June 2020 bond coupon and to initiate discussions with its bond creditors in order to preserve its cash flow and secure its financial situation. A conciliation procedure for Solocal Group was opened on 16 March 2020 under the aegis of the Tribunal de commerce of Nanterre in order to best coordinate the discussions with the company's creditors.

On 3 July 2020, Solocal and its financial creditors agreed on the terms of an agreement in order to secure the Group's liquidity and reduce its indebtedness. This agreement was voted at the General Meeting of 24 July 2020 (cf. Note 12.).

Moreover, in order to handle the Group's working capital requirement during the health crisis, Solocal Group benefited from the partial business system during the first half of the year and benefited from a postponement of rent payments for the second and third quarters of Citylights 2. The debts constituted in terms of Citylights 2 rents were full paid back as at 31 December 2020.

The assumptions and business plans retained in the establishing of the financial statements was approved by the Management and take the incidence of the health crisis repercussions into account. These plans are based on the assumption that the current health crisis will be going on without either worsening nor significant improvement during 2021 fiscal year. This assumption is essential for the 2020 closing especially for financing current activities and maintening a satisfactory level of liquidity.

1.4.2 Sale of the subsidiaries QDQ & Mappy

On February 28th, 2020, Solocal sold its subsidiary QDQ Media, a digital marketing agency operating in Spain, to AS Equity Partners. QDQ Media recorded revenue of 22.5 million euros in 2019 and has about 300 employees. The company's recurring EBITDA margin was significantly less than that of Solocal Group. QdQ's turnover between January 1st and the date of disposal amounted to 3.3 million euros.

On November 1st, 2020, Solocal sold its subsidiary Mappy, the third biggest player in France in daily mobility, to the RATP group. Mappy recorded revenue of 1.6 million euros in 2019 and the recurring EBITDA contribution of the company was significantly lower than that of Solocal Group.

At the time of the sale, the Group undertook to continue to purchase mapping services from Mappy for a period of 3 years.

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

These disposals took place within the framework of the Solocal 2020 strategic plan, and allowed Solocal to focus on its strategic activities and its new digital services offering for SMEs and large accounts in France.

1.4.3 Change in management

On August 31st, 2020, Solocal announced in a press release the departure of Eric Boustouller from the Group’s General Management on October 4th, 2020. This decision follows on from discussions conducted with the creditors in the framework of the project to strengthen the Group's financial structure approved at the Combined General Meeting of 24 July 2020.

Without calling into question the principle of segregation of duties between Chairman of the Board of Directors and Chief Executive Officer, Pierre Danon, Chairman of the Board of Directors, provides general management for the company as of October 5th, 2020.

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.

Following the approval of the financial restructuring plan voted at the general meeting of July 24, 2020 and the obtention of two financing lines that were put in place in August 2020 for € 32 million and on the basis of forecasts made by the Group for 2021 in the context of the Covid-19 crisis described in section 1.4.1, the Group is able to meet its liquidity needs for the next 12 months.

Moreover, the Group will continue to diversify its means of financing in order to obtain additional margins for manoeuvring for the upcoming years (financing of assets, financing of websites, etc.).

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.

2.1.1 Order backlog and sales

The order backlog corresponds to the sales such as validated and committed to by the customers on the closing date. For products on subscription mode, only the current commitment period is considered.
With regard to sales, these are orders taken by the sales force, which must give rise to a service provided by the Group for its customers. Sales are net of cancellations.

In million of euros	As at 31 December 2020	As at 31 December 2019
Digital	340,3	347,1
Print	19,5	38,3
Total order backlog - beginning of period (*)	**359,9**	**385,4**
Digital	389,8	519,5
Print	10,0	44,9
Total order intake	**399,8**	**564,3**
Digital (*)	(9,9)	(5,7)
Non recurring	(1,4)	(0,0)
Cancellation	**(11,3)**	**(5,7)**
Digital	(434,5)	(520,5)
Print	(29,5)	(63,6)
Total revenues	**(464,0)**	**(584,1)**
Digital	284,2	340,3
Print	0,0	19,5
Total order backlog - end of period	**284,2**	**359,9**

* IFRS 15 impact

2.1.2 Recurring EBITDA

Recurring EBITDA corresponds to 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 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 by IAS 37.

For the management of the Group, the divested activities which are the subsidiaries or business lines that have been sold are separated from the discontinued operations.

During the year 2020, the Group divested from the Spanish subsidiary QDQ – Optimizaclick – Trazada and the French subsidiary Mappy. Moreover, the group stopped its Print business in November 2020.

2.1.3 Working capital requirement

In million of euros	As at 31 December 2020	As at 31 December 2019
+ Net trade accounts receivable	69.6	90.2
+ Other current assets	44.2	38.9
+ Prepaid expenses		
- Contract liabilities	(108.9)	(194.1)
- Trade accounts payable	(59.5)	(73.5)
- Other current liabilities	(138.4)	(168.7)
Working capital	**(190.9)**	**(304.5)**

2.1.4 Current investment

In million of euros	As at 31 December 2020	As at 31 December 2019
Acquisition of tangible and intangible fixed assets	43.4	42.9
Right-of-use assets related to leases (*)	10.9	24.0
Current investments	**54.2**	**66.9**

(*) The increase in rights of use concerning leases corresponds to the new rights of use for the year 2020 (mainly from Rennes & Econocom leases).

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.

Till November 2020 Solocal Group operated two segments : “Digital” activity and “Print” activity.

The "Print" activity was discontinued in November 2020 after last books were issued. This activity is recognized and accounted for as discontinued operations under IFRS 5.

The group now has only one operational, the "Digital" sector corresponds to the sector to be presented.

The Digital activity generated revenue from continued activities of 432.8 million euros as at December 31st 2020. The Digital activity can be broken down as follows:

- The Connect offer allows VSEs and SMEs to manage their digital presence on PagesJaunes and the entire Web (several dozen media in total including Google, Facebook, Bing, Tripadvisor, Instagram, etc.) in a few clicks, in time real and in complete autonomy, via a single mobile application, or a web interface. This offer also facilitates the management of interactions between professionals and their customers thanks to several relational functions (instant messaging, formulation of quotes, appointment setting, Click & Collect, etc.). Connect represents a turnover of 108.5 million euros for fiscal year 2020 and is marketed in subscription mode with automatic renewal.
- The Booster offer allows companies to increase their digital visibility beyond their natural presence on the entire Web, with a view to developing local market shares. This offer includes, among other things, the Priority Referencing service launched in the third quarter of 2019 and represents sales of 258.5 million euros in fiscal year 2020.
- Regarding the Sites range, Solocal offers its clients the possibility of creating and referencing their site, according to different budget levels, always in subscription mode with automatic renewal. This offer represents a turnover of 65.8 million euros for the financial year 2020.

Intended for VSEs / SMEs, the Connect and Booster ranges are also available for Major Network Accounts.

The Print activity was discontinued in November 2020 and is restated as discontinued operations.

The Print activity breaks down as follows:

Million euros	As at 31 December 2020	As at 31 December 2019	Change 2020 / 2019
Revenues	26.6	58.7	-54.7%
External expenses	(5.2)	(10.3)	-49.5%
Personnel expenses	(0.6)	(1.6)	-62.5%
Restructuring costs	0.0	0.0	n.a
EBITDA	**20.8**	**46.8**	**-55.6%**
Depreciation and amortization	0.0	0.0	n.a
Operating income	**20.8**	**46.8**	**-55.6%**
Financial income	**0.0**	**0.0**	**n.a**
Corporate income tax	0.0	0.0	n.a
Net income	**20.8**	**46.8**	**-55.6%**

There are no significant intersectoral transactions.

2.2.1 By business sector

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

Revenues by product lines:

In million of euros	As at 31 December 2020	As at 31 December 2019	Change
Connect range	109.8	101.2	8.5%
Booster range	258.5	319.5	-19.1%
Websites	69.1	104.6	-34.0%
Total sales	**437.4**	**525.4**	**-16.7%**

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 2020 (*)	As at 31 December 2019 (*)	As at 31 December 2019 (published)
Revenues	**437.4**	**525.4**	**584.1**
- France	433.9	502.9	561.6
- Others	3.5	22.5	22.5
Assets	**494.7**	**516.9**	**516.9**
- France	490.4	504.3	504.3
- Others	4.4	12.5	12.5

(*) IFRS 5 was applied to Print activity classified as discontinued in 2020 ; FY 2019 was therefore restated

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 2020 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 is presenting the Print business in terms of the IFRS 5 standard as at 31 December 2020.

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.

2020

- The Spanish companies of QdQ and the French company Mappy were sold in 2020. DTS was liquidated on 13 October 2020. These companies were taken out of the consolidation scope over the period.
- Solocal Interactive, a company in Rodrigues, was included in the consolidation scope as of December 31st, 2020. The latter does not yet contribute significantly to the financial statements.
- Finemedia & ClicRDV were merged into Solocal SA as at January 1st, 2020.

2019

- EuroDirectory was liquidated on October 2nd, 2019.

Note 4 – Fixed assets

4.1 Net 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 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.
As of December 31, 2020, there is only one sector determined in accordance with IFRS 8 - "Operating sectors": Digital. As of December 31, 2020, all of the unamortized goodwill is allocated to this segment.

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

(in thousands of euros)	As at 31 December 2020	As at 31 December 2019
Balance at start of year	**88 870**	**88 870**
Acquisitions / disposals	(2 381)	-
Impairments	-	-
Impairments	-	-
Reclassifications and others	-	-
Balance at end of year	**86 489**	**88 870**

The variation identified as at 31 December 2020 can be explained by the disposals during the year 2020.

The value of goodwill was reviewed as part of the closing of the consolidated financial statements on the basis of business plans, a perpetual growth rate of 0.5% and an after-tax discount rate of 10.5%.

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 to complete the development project;
- The capacity to implement or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of appropriate technical, financial and other resources to complete the development and commission or sell the intangible asset;
- The ability to reliably assess the expenses attributable to the intangible asset during its asset development.

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.

The net book value of capitalized development costs at December 31, 2020 represents 75 million euros

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 2020			As at 31 December 2019		
	Gross value	Total depreciation and losses of value	Net value	Gross value	Total depreciation and losses of value	Net value
Software and application support	444 475	(369 561)	74 915	446 542	(360 569)	85 973
Other intangible fixed assets	7 506	(5 598)	1 908	10 385	(5 876)	4 509
Total	**451 982**	**(375 159)**	**76 823**	**456 927**	**(366 445)**	**90 482**

No impairment was recorded in 2020 and 2019.

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

(in thousands of euros)	As at 31 December 2020	As at 31 December 2019
Opening balance	**90 482**	**100 139**
Acquisitions	29	228
Internally generated assets (1)	40 178	39 629
Effect of changes in the scope of consolidation	(8 317)	-
Exchange differences	-	-
Reclassifications	(9)	(208)
Disposals and accelerated amortisation	33	(534)
Depreciation charge	(45 575)	(48 772)
Closing balance	**76 823**	**90 482**

(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.

Lease contracts

Leases are recognized in accordance with IFRS 16. The standard requires that a liability be recorded on the balance sheet corresponding to discounted future rental payments, in return for a right of use on the asset amortized over the term of the contract. .

The scope of the contracts is systematically reviewed by reassessing, for each of them, the existence of a lease according to the criteria of the standard and by excluding, in application of the options provided for by the standard, rentals of less than twelve months that do not include a purchase option and leases of low-value assets (less than € 5k), the fees for the latter being recognized as expenses.

The amount of the liability is thus significantly dependent on the assumptions made in terms of the duration of the commitments and the discount rate. The term of the contract used to calculate the liability is that of the contract initially negotiated, without taking into account the early termination or extension options depending on the type of contract, except in a specific case where the Group has reasonable certainty that the option of extension or termination will be exercised.

The discount rate is determined as the sum of the risk-free rate, by reference to its duration, and the credit risk of the entity corresponding to that of the Group for this same duration reference. The discount rates have been calculated on the residual duration of each contract.

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.

Amortisation
Fixed assets are amortised 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 amortisation 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 2020			As at 31 December 2019		
	Gross value	Total depreciation	Net value	Gross value	Total depreciation	Net value
IT and terminals	52 634	(51 116)	1 518	59 303	(56 043)	3 260
Right-of-use assets related to leases	102 100	(35 529)	66 571			
Others	72 397	(57 867)	14 530	70 568	(52 851)	17 717
Total	**227 131**	**(144 512)**	**82 618**	**221 114**	**(130 858)**	**90 256**

No significant impairment was recognised for the periods ending 31 December 2020 and 31 December 2019.

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 (*)	**90 256**	**105 134**
Acquisitions	14 023	25 773
Subvention	-	354
Effect of changes in the scope of consolidation	(1 355)	-
Exchange differences	(10)	0
Reclassifications	1 634	208
Disposals and accelerated amortisation	(84)	(10 881)
Depreciation charge	(21 845)	(30 332)
Closing balance	**82 619**	**90 256**

* includes Right-of-use assets related to leases

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, reviewed at each closing.

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

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

Solocal Group markets products and local communication services in digital form. The Digital business includes different types of offers grouped together within three product lines: Connect (formerly Presence), Booster (formerly Digital Advertising) and Websites.

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 2020 amounted to 437.4 million euros compared to 525.4 million euros as at 31 December 2019.

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

Solocal Group’s offers are grouped into two major product lines:

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

Recognition of revenues per service range

- “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.

- "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. The income from this obligation is recognized over the duration of the contractual accommodation period

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 2020	As at 31 December 2019
Gross trade debtors	83 403	114 816
Provisions for impairment	(13 754)	(24 593)
Net trade debtors	**69 649**	**90 223**

Trade debtors were due as follows:

(in thousands of euros)	**Total**	**Not due**	**Overdue**					
			< 30 days	**between 31 and 60 days**	**between 61 and 90 days**	**between 91 and 180 days**	**between 181 and 360 days**	**> 360 days**
31 December 2020	**69 649**	51 627	1 850	1 861	2 688	8 550	520	2 553
31 December 2019	**90 223**	24 501	12 135	45 461	1 415	2 759	1 392	2 560

The Group's portfolio of trade receivables does not present a significant risk of concentration (about 315,000 advertisers).

Provisions for bad debts remain at a very low level, with net provisions amounting to 1% of revenues in 2020 compared to 0.9% in 2019. The provision rate is applied according to the age of the receivables based on the collection history. Factoring debt represented 2.1 million as of December 31, 2020, compared with 7.9 million euros as of December 31, 2019.

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	24 093	30 343
Sundry accounts receivable	15 889	212
Trade payables - Advances and instalments	1 109	4 031
Other current assets	3 547	4 480
Total	**44 639**	**39 065**

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

The change in the Sundry accounts receivable item can be explained primarily by the VAT credit repayment not received as at 31 December 2020 as well as income receivable from URSSAF.

5.4 Contract liabilities

Contract 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).

Contract liabilities amounted to € 108.9 million as of December 31, 2020 compared to € 194.1 million as of December 31, 2019.

The decrease in the liability item on contracts results mainly from the discontinuation of the print business on the one hand and on the other hand from the sharp drop in sales in connection with the health crisis which had an unfavorable effect on the level of sales but also significantly reduced the period between the act of sale and the start of the service (and therefore the start of revenue recognition). Finally, the sequenced invoicing that had been implemented in 2019 had the effect of automatically reducing the prepaid income item symmetrically to the drop in trade receivables. As a reminder, order intake was reduced by 164.5 million euros in 2020 compared to 2019.

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 203.0 million euros in 2020 and are broken down as follows:

(In thousands of euros, except staff count)	As at 31 December 2020 (*)	As at 31 December 2019 (*)	As at 31 December 2019 (published)
Average staff count (full-time equivalent)	2 410	2 562	2 583
Salaries and charges	**197 273**	**244 265**	**245 875**
of which: - Wages and salaries	125 433	156 096	157 169
- Social charges	57 293	70 163	70 700
- Taxes on salaries and other items	14 547	18 006	18 006
Share-based payment	**185**	**1 335**	**1 335**
Employee profit-sharing [1]	**3 310**	**2 383**	**2 383**
	-	-	
Total staff expenses	**200 768**	**247 983**	**249 593**

(*) IFRS 5 was applied to Print activity classified as discontinued in 2020 ; FY 2019 was therefore restated

(1) incl. Coporate contribution

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 2020	As at 31 December 2019
Short-term benefits [1]	6 407	6 880
of which employer charges	2 290	2 258
Post-employment benefits [2]	212	298
Other long term benefits [3]	12	5
End-of-contract benefits [4]	2 619	1 157
Equity benefits [5]	0	231
Non-current provisions	**9 250**	**8 571**

(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

On 4 October 2020, Eric Boustouller terminated his term of office as Chief Executive Officer and obtained a termination allowance of 1.6 million euros according to the strict application of the provisions voted by the General Meeting on the departure conditions namely 18 months of the annual lump-sum remuneration (fixed and variable with targets reached) and the payment subject to the performance condition linked to achieving an average of at least 80% of his annual objectives during the period of presence in the company.

On 2 October 2020 the Board of Directors decided to release Eric Boustouller of his non-compete obligation, such that no non-compete compensation is owed to the latter.

Note 8 – Corporate income 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 2020**	**As at 31 December 2019**
Pretax net income from business	**72 131**	**51 809**
Statutory tax rate	32,02%	34,43%
Theoretical tax	**(23 096)**	**(17 838)**
Earnings from not integrated companies & Foreign subsidiaries	(81)	5 617
Foreign subsidiairies - differences in tax rates	122	2 291
Share-based payment	185	1 335
Corporate value added contribution (after tax)	(5 124)	(4 832)
Difference between the carrying amount of the financial liability extinguished and the amount of the fair value of the equity instruments issued	18 151	-
Ceiling of interest expense deductibility	8 848	10 094
Adjustment corporation tax of prior years	-	(23)
Other non-taxable / non-deductible items [1]	(5 502)	(16 342)
Effective tax	**(6 548)**	**(19 698)**
of which current tax (CVAE excluded)	*(309)*	*(570)*
of which CVAE	*(5 124)*	*(4 832)*
of which deferred tax	*(1 114)*	*(14 296)*
		0
Effective tax rate (deferred tax excluded)	**7,5%**	**-10,4%**
Effective tax rate (excluding the effect of financial restructuring for 2020)	**34,2%**	**38,0%**

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

Net deferred tax assets in the balance sheet stood at 61.5 million euros as at 31 December 2020 compared to 60.9 million euros as at 31 December 2019.

As a reminder, the effective tax rate for fiscal year 2019 (12 months) was 38.0%.

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.

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 2020**	**As at 31 December 2019**
Retirement benefits	21 775	20 016
Legal employee profit-sharing	961	728
Non-deductible provisions	-232	3 513
Tax loss carryforward	41 582	37 345
Other differences	19 894	19 275
Subtotal deferred tax assets	**83 980**	**80 877**
Other differences	-4 628	0
Depreciations accounted for tax purposes	-17 860	-19 949
Subtotal deferred tax liabilities	**-22 488**	**-19 949**
Total net deferred tax assets / (liabilities)	**61 492**	**60 928**

Net deferred tax assets in the balance sheet stood at 61.5 million euros as at 31 December 2020 compared to 60.9 million euros as at 31 December 2019. 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 the 2018 restructuring plans 2018.

- The loss carry forwards generated in French tax consolidation.

The tax disbursed during the 2020 financial year was 5.5 million euros as against 5.9 million euros in 2019.

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:

- Trade receivables resulting from invoiced turnover. Their amortized cost equal to their face value unless the application of an implicit interest rate has a significant effect.

- Cash: i.e. cash and sight deposits and cash equivalents. These are very liquid investments indexed to a money market rate and the amount of which is known or subject to negligible uncertainty.

Financial assets and short-term investments whose maturity is generally less than or equal to three months from the acquisition date are measured at amortized cost and are subject to monitoring for objective evidence of impairment. A financial asset or a short-term investment is impaired if its book value is greater than its recoverable value estimated during 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:

These are financial assets held for investment purposes, recognized as an asset between the dates of purchase and sale and whose changes in fair value are recognized in financial income according to the market prices published on the date. Closing. The category of fair value through profit or loss also includes investments in unlisted entities over which the Group has no control, joint control, significant influence, or intention to sell in the short term.

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 2020	As at 31 December 2019
Gain on debt restructuring through the issuance of equity instruments (1)	63 187	-
Gain from debt restructuring	**63 187**	**-**
Interest and similar items on financial assets	368	-
Dividends received	-	4
Financial income	**368**	**4**
Interest on financial liabilities	(44 421)	(38 504)
Other financial expenses & fees excluding financial restructuring (2)	(16 472)	(4 971)
Accretion cost (3)	(656)	(1 349)
Financial expenses	**(61 548)**	**(44 824)**
Gain (loss) on exchange	-	-
Financial income	**2 006**	**(44 820)**

(1) This amount, before fees related to financial restructuring, is the difference between the book value of the debt converted into equity instruments and the fair value of these same instruments which revealed non-monetary financial income of 63.2

(2) Mainly composed of ongoing costs related to debt management and € 13.6 million of costs related to financial restructuring after deduction of costs charged directly to reduce the capital increase in cash and costs integrated into interest rates effective interest on new debts.

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

9.5 Financial restructuring

The Extraordinary General Meeting of shareholders on July 24th, 2020 approved the implementation of the following financial restructuring plan:

Description of the operation carried out

In accordance with the agreement signed with its creditors and following the approval by the General meeting of shareholders of the restructuring project, the Group launched a capital increase of 359.5 million euros fully guaranteed by the bond creditors. The latter allowed for a reduction in the debt by an amount between 261.5 million euros and a cash contribution of 85 million euros.

The capital increase of 359.5 million euros was broken down as follows:
- A first reserved capital increase in the amount of 10.5 million euros for the benefit of Golden Tree Asset Management LP and SARL Financière de la Clarée. This capital increase was carried out at a price of 8 cents per share and carried out by converting debt into capital;
- A capital increase with maintenance of preferential subscription rights for an amount of 336 million euros, which was carried out at a price of 3 cents per share. This capital increase, open to all shareholders, was fully guaranteed by bond creditors, providing liquidity for 85 million euros and debt conversion for the remainder;
- A capital increase of 13 million euros with elimination of preferential subscription rights carried out by offsetting a debt. This receivable resulted from the commission remunerating the subscription guarantee in the amount of 85 million euros by the bondholders for 6.5 million euros and from the commission paid in shares to all the bondholders for their participation in the restructuring for 6.5 million euros as well.

This capital increase was preceded by an allocation of free shares for the benefit of all existing shareholders, at the rate of one free share for one share held on August 31, 2020 on the basis of the shareholding of the company immediately before the completion of the reserved capital increase, ie an issue of 626 million shares. This allocation of free shares was carried out by incorporating premiums into the capital.

To this capital increase is added the securing of additional financing of 32 million euros.

- An ATOUT loan of 16 million euros taken out by Solocal SA with BPI France Financement;
- A "mini-bond" issuing of 17.7 million euros (associated with an issue premium of 1.7 million euros) by certain bond creditors. The issue was carried out with a discount of 10%, the amount received in cash by the company therefore amounts to 16 million euros.

These financing lines were obtained and exercised in August 2020.

The terms of the RCF which had been signed on March 29, 2019 for € 15 million, then on July 12, 2019 for € 25 million and finally on December 6, 2019 for € 10 million, have been substantially modified in order to take into account a new maturity, a modification of the amortization plan and methods and the possibility of repaying in cash or in shares (see Note 9.6).

All of these transactions resulted in an increase in the nominal value of the Group's gross financial debt of around 227 million euros.

The impact of these transactions on the Group's consolidated shareholders' equity amounts to 295 million euros and is detailed as follows:
- Capital increases: 359 million euros;
- Costs recorded as a reduction of shareholders' equity: (15.8) million euros
- Counterpart of the gain recorded in financial income corresponding to the difference between the book value of the original debt and the fair value of the shares issued: (48) million euros.

Accounting treatment of capital increases, the issuance of new debts and costs incurred in connection with these operations

- The original debt that has been the subject of the restructuring has been derecognized in its entirety (429.3 million euros) due to the substantial modification of the latter in application of IFRS 9 (substantially future cash flows). different from those of the old debt).

- - The fair value of equity instruments issued was determined on the date of issue in accordance with IFRIC 19 and amounts to EUR 212.8 million.
- - The new debt is recognized at its fair value, i.e. € 153.3 million on the date of issue, knowing that the incremental costs directly attributable to the new debt, i.e. € 3.8 million, were then charged against view to determine the amortized cost of the new debt.
- - The difference between the book value of the original debt and the sum of the fair value of the shares issued and the new debt amounts to € 63.2 million (excluding the impact of costs) and is recognized as an offsetting entry. of the result on the line "Gain from debt restructuring".

As part of the financial restructuring, the Group incurred approximately 32 million euros in costs. All costs incurred in connection with the restructuring were recorded in profit or loss for 13.6 million euros, with the exception of:

- Costs directly attributable to the issuance of equity instruments which were recorded as a reduction in equity, for 15.8 million euros;
- Costs relating to the new debt which were charged in the calculation of the amortized cost of the new debt for € 4.1 million and which will be amortized using the effective interest rate method over the term of the loan bond.

The amortization of the new debt using the effective interest rate method over the term of the loan also includes the difference of € 15.1 million between the nominal value of this debt (€ 168.4 million) and its fair value recognized in the balance sheet at the date of the modification (153.3 million euros).

9.6 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 2020**	**As at 31 December 2019**
Cash equivalents	197	46
Cash	61 182	41 505
Gross cash	**61 379**	**41 551**
Bank overdrafts	-	(93)
Net cash	**61 379**	**41 458**
Nominal value of bond loans	184 454	397 835
Fair value of hedging instruments	(15 160)	-
Nominal value of revolving credit facilities drawn	50 000	50 000
Debt issue costs integrated into the effective interest rate of the debts	(4 074)	-
Amortization of the difference in fair value and costs at the effective interest rate	1 079	-
Other loans	16 000	-
Accrued interest not yet due on loans	2 516	1 387
Lease liability	110	3 359
Factoring	2 064	7 890
Price supplements on acquisition of securities	0	170
Others	30	2 915
Current and non current financial liabilities	237 019	463 556
Long-term and short-term liabilities	93 966	104 104
Gross financial debt	**330 985**	**567 660**
of which current	*27 653*	*40 722*
of which non-current	*303 332*	*526 938*
Net debt	**269 606**	**526 109**
Net debt of consolidated group	**269 606**	**526 109**

Following the financial restructuring voted by the general meeting of 24 July 2020, the bond loan in nominal value amounts to 168.4 million euros as at 31 December 2020, the latter amounted to 397.8 million euros as at 31 December 2019.

During the month of august 2020, two financing lines were obtained and exercised for an amount of 32 million euros (16 million euros for a mini-bond and 16 million euros for an ATOUT loan).

Cash and cash equivalents

As at 31 December 2020, the amount of cash and cash equivalents amounted to 61.4 million euros, primarily comprised of non-blocked, remunerated, fixed-deposit accounts.

Change in the liabilities stemming from financing activities

(in thousand euros)		Cash flows		Variations "non cash"						
	As at 31 December 2019	In	Out	Capital increase by offsetting receivables	Other Variations	Interests	Var. of change	IFRS 16	Reclass & changes in scope	As at 31 December 2020
Bond loans (*)	397 835	16 000		(260 876)	31 495		(15 160)	-	(4 074)	168 467
Revolving credit	50 000	-		-	-		-	-	-	50 318
Other bank borrowing	-	16 000		-	-		-	-	-	16 060
Capital lease	3 359	-		-	-		-	-	-	110
Earn-Out	170	-		-	(170)		-	-	-	-
Factoring	7 890	-		-	-		-	-	-	2 064
Lease liabilities										
Bank overdrafts	93	(93)		-	-		-	-	-	-
Others	2 915	-		-	-		-	-	-	30
Total Liabilities fron financing activities	566 366	31 907		(260 876)	31 325		(15 160)	7 954	(4 074)	331 015

(*) Other changes in bond issues correspond to the interest on the original bond debt which has been incorporated into the principal

Issuing of bonds

Following the realisation of the financial restructuring in 2020, the Group's residual gross debt was reduced to 168.4 million euros, redeveloped in the form of issuing bonds for 334,125,321 euros of a face value of €0.5041647472146 each for which the settlement-delivery took place on 5 October 2020, reserved for creditors under the Credit Agreement, and of which the main details are as follows (starting on 1st October 2020):

Interests:

- Euribor with 3-month Euribor rate floored at 1% + 7% spread payable quarterly in arrears on March 15, June 15, September 15 and December 15, as follows: one half is payable in cash, and the other half by capitalization at the principal amount until December 15, 2021;
- Euribor with Euribor floor 1% + 7% payable in full in cash thereafter
- Late payment interest: 1% increase in the applicable interest rate

Financial commitments:

- the Consolidated Net Leverage Ratio (Consolidated Leverage / Consolidated EBITDA) must be less than 3.5:1

- the interest hedging ratio (Consolidated EBITDA/ Consolidated Net Interest Expense), must be greater than 3.0:1;
- and if the Consolidated Net Leverage Ratio exceeds, on 31 December of the preceding year, 1.5:1 , investment expense (excluding growth operations) (Capital Expenditure) concerning Solocal Group and its Subsidiaries are limited to 10% of consolidated revenue of Solocal Group and its Subsidiaries

Maturity date: 15 March 2025

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 may at any time and in several installments, redeem all or part of the Bonds at a redemption price equal to 100% of the principal amount plus, during a period of 2.5 years, an early redemption penalty known as no. -call corresponding to interest due from August 6, 2020 to February 6, 2023).
• In addition, the Bonds must be subject to mandatory early redemption (subject to certain exceptions) in whole or in part, in the event of the occurrence of certain events, such as a Change of Control, a disposal of assets (Assets Sale), or the receipt of net debt proceeds (Net Debt Proceeds) or net receivables proceeds (Net Receivables Proceeds). Mandatory prepayments are also provided with funds from a percentage of excess cash flow, depending on the level of the Company's Consolidated Net Leverage Ratio.

The terms of the Bonds also contain certain covenants not to make, prohibiting Solocal Group and its Subsidiaries, subject to certain exceptions, in particular:
• Support additional financial debt;
• Grant collateral;
• Pay dividends or make distributions to shareholders; as an exception, the payment of dividends or distributions to shareholders is permitted if the Consolidated Net Leverage Ratio does not exceed 1.0: 1.

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

Mini Bond:

Following the adoption of the Amended Safeguard Plan and of the approval of a conciliation protocol by the Tribunal de commerce of Nanterre, Solocal Group on 14 August 2020 issued a bond loan for a total amount in principle of 17,777,777 euros, carried out with a discount of 10% for a subscription amount of about 16 million euros.

The new bonds, with a nominal value of one (1) euro, have essentially the same characteristics as the Bonds. The main terms include in particular:

Interest:

- Euribor with 3-month Euribor rate floored at 1% + 7% spread (not less than 8%) payable quarterly in arrears on March 15, June 15, September 15 and December 15, as follows: half is payable in cash, and the other half by capitalization in the principal amount until December 15, 2021;

- Euribor with Euribor floor 1% + 7% (not less than 8%) fully payable in cash afterwards.

- Maturity: 15 March 2025

- Quotation on euronext

The amounts owed in terms of these bonds are guaranteed by a fifth-rank securities account pledge concerning the securities issued by Solocal SA held by Solocal Group.

RCF:

A revolving credit facility of fifteen million was signed in February 2019 with two banking partners. The company worked on increasing this credit facility, which was increased by 25 million on July 12, 2019, and then by 10 million on December 6, 2019 to reach 50 million. This revolving credit facility has been fully drawn.

This RCF remains identical in amount, however its particulars are modified:

- **Interest**: Euribor floor 1% + margin
- **Facility fee** : 3.5% annual payable on September 15, 2021, September 30, 2022, September 30, 2023
- **Margin**:
  - Until 15 September 2021:
    - Tranche of 15 million euros: 4.5%
    - Tranches at 25 million and 10 million euros: 5%
  - Starting on 15 September 2021: 5% for all the tranches
- **Maturity**: 29 September 2023

- **Amortization :**
  - September 2021: 5 to 10 million euros payable in cash or in shares for a variable number of equity instruments in the hand of Solocal. Solocal obtained at the extraordinary general meeting of shareholders of July 24, 2020, authorization for 2021 to issue these shares.
  - September 2022: 5 to 10 million euros payable in cash or in shares for a variable number of equity instruments in the hand of Solocal
  - September 2023: Repayment of residual debt in cash or in shares for a variable number of equity instruments in Solocal's hand. If Solocal were to reimburse the residual balance of the RCF in shares, each creditor may choose to extend the maturity of one year in order to be reimbursed in cash in September 2024. In this case, Solocal would amortize the RCF for an amount between 5 million euros and 10 million euros in cash or shares in his hand.

Price supplements on acquisition of securities

As part of the sale of Mappy, a price supplement of one million euros has been recognized and will be paid over the next three years.

Financial instruments in the balance sheet

(in thousands of euros)	Carrying amount in balance sheet	Breakdown according to IFRS 9 Fair value recognised in profit or loss	 Amortised cost	Breakdown by level in IFRS 13 Level 1 and Treasury	 Level 2	 Level 3
Other non-current financial assets	7 711	1 293	6 418	-	7 711	-
Derivative financial instruments	-	-	-	-	-	-
Net trade accounts receivable	69 649	-	69 649	-	69 649	-
Other current financial assets	1 004	-	-	-	1 004	-
Cash equivalents	197	-	197	197	-	-
Cash	61 182	-	61 182	61 182	-	-
Financial assets	**139 742**	**1 293**	**137 445**	**61 379**	**78 363**	**-**
				-	-	-
Non-current financial liabilities and derivatives	228 252	-	228 252	228 252	-	-
Current financial liabilities and derivatives	8 767	-	8 767	-	8 767	-
Trade accounts payable	59 458	-	59 458	-	59 458	-
Financial liabilities	**296 476**	**-**	**296 476**	**228 252**	**68 225**	**-**

As at 31 December 2020, the fair value of the bond loan and of the mini-bond represent 169.2 million euros, compared to a carrying value of 184.4 million euros.

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);
- Level 3: data relating to assets or liabilities not based on observable market data (non-observable data)

In the 2020 financial year, there were no transfers between levels 1 and 2 in the hierarchy of fair values, nor any transfers to or from level 3.

Note 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 EBITDA), in order to reduce the cost of its capital while maintaining financial flexibility enabling the Group to meet its development plan.

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's covenant on financial leverage stands at 1.91 times consolidated EBITDA such as defined in the bond contract. Consequently, the Group complies with the financial leverage covenant as at 31 December 2020.

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 2020, the total amount of trade receivables, net of write-downs, amounted to 69.6 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 2020.

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 2020**	**As at 31 December 2019**
Post-employment benefits	84 498	86 149
Other long-term benefits	7 801	7 811
Non-current personnel benefits (1)	**92 299**	**93 960**
Other Provision for risks	0	0
Provisions for social or fiscal disputes	6 842	11 025
Non-current provisions	**6 842**	**11 025**

(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)	18 645	-	-	(12 121)	-	6 524
Restructuring provisions (2018)	39 834	-	-	(29 997)	-	9 837
Restructuring provisions (2014)	11 024	-	(3 780)	(404)	-	6 840
Provisions for social and fiscal risks	9 632	8 639	(5 132)	(969)	-	12 170
Other provisions for risks	2 995	221	(145)	-	-	3 071
Total provisions	**82 130**	**8 860**	**(9 057)**	**(43 491)**	**-**	**38 442**
- of which non current	*11 025*	*-*	*(3 780)*	*(404)*	-	*6 841*
- of which current	*71 106*	*8 860*	*(5 277)*	*(43 087)*	-	*31 602*

Retirement benefits and similar commitments

In France, legislation provides for benefits to be paid to employees at retirement on the basis of their length of service and salary at retirement age.
In accordance with IAS 19, obligations under defined benefit schemes are measured by the projected unit credit method. According to this method, each period of service gives rise to an additional unit of benefit entitlement and measures each unit separately to value the final obligation, using demographic hypotheses (turnover of the personnel, mortality, retirement age, etc.) and financial hypotheses (future increase in salary by category).

This final obligation is then discounted with a rate determined in reference to the yield on first-category long-term private bonds (or State bonds if there is no liquid market).

Actuarial differences relating to post-employment benefits are recognised for the full amount in other comprehensive income which is net positive impact of 1.7 million euros as at 31 December 2020.

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

Other retirement schemes

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

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

(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	**86 533**	**8 273**	**94 806**	**85 512**	**9 036**	**94 549**
Adjustment of the opening periode (change of method)	0	0	0	-	-	-
Total value of commitments at start of period (adjusted)	**86 533**	**8 273**	**94 806**	**85 512**	**9 036**	**94 549**
Cost of services rendered	5 559	566	6 125	5 756	734	6 490
Discounting cost	639	60	699	1 227	124	1 351
Reductions/liquidations	(3 920)	(368)	(4 287)	(9 169)	(812)	(9 982)
Actuarial (gains) or losses	2 315	271	2 586	8 739	15	8 754
Benefits paid	(598)	(226)	(824)	(159)	(252)	(410)
Changes in scope	(567)	-	(567)	-	-	-
Others	(4 924)	(392)	(5 316)	(5 372)	(573)	(5 946)
Total value of commitments at end of period (A)	**85 039**	**8 183**	**93 222**	**86 533**	**8 273**	**94 806**
Commitments at end of period relating to non-financed schemes	*85 039*	*8 183*	*93 222*	*86 533*	*8 273*	*94 806*
of which short term	*541*	*383*	*924*	*384*	*460*	*844*
of which long term	*84 497*	*7 800*	*92 298*	*86 149*	*7 813*	*93 963*
Pension charge						
Cost of services rendered	5 559	566	6 125	5 756	734	6 490
Discounting costs	639	60	699	1 227	124	1 351
Effect of reductions/liquidations	(3 920)	(368)	(4 287)	(9 169)	(812)	(9 982)
Total pension charge	**2 279**	**258**	**2 537**	**(2 187)**	**46**	**(2 141)**
Movements in the provision / (asset)						
Provision / (assets) at start of period	**86 533**	**8 273**	**94 806**	**85 512**	**9 036**	**94 549**
Pension charge	2 279	258	2 537	(2 187)	46	(2 141)
Pension charge from divested businesses	-	-	-	-	-	-
Contributions paid by the employer	-	-	-	-	-	-
Benefits paid directly by the employer	(598)	(226)	(824)	(159)	(252)	(410)
Change of scope	-	-	-	-	-	-
Actuarial gains or (losses)	2 315	271	2 586	8 739	15	8 754
Others	(4 924)	(392)	(5 316)	(5 372)	(573)	(5 946)
Provision / (assets) at end of period	**85 606**	**8 183**	**93 789**	**86 533**	**8 273**	**94 806**
Assumptions						
Discount rate (%)	0.35%	0.35%	0.35%	0.75%	0.75%	0.75%
Expected long-term inflation rate (%)	1.50%		1.50%	1.5%		1.5%
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	**(1 681)**	**(31)**	**(1 712)**	**(2 345)**	**(206)**	**(2 551)**

As at 31 December 2020, the expense stated in respect of defined contribution pension plans amounted to 1.7 million euros.

The discount rate retained in the assessment of the commitments as at 31 December 2020 compared to 31 December, amounts to 0.35% in accordance with actual market conditions (iBoxx AA10+ rate).

The total amount of the provision in the balance sheet stood at 93.2 million euros as at 31 December 2020 compared to 94.8 million euros as at 31 December 2019.

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

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 3.0 million euros, while a decrease of 0.25% in the discount rate leads to an increase in the commitment of about 3.6%, i.e. around 3.2 million euros.

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

A 0.25% increase in the discount rate leads to a decrease in the commitment of about -2.6%, or around 0.2 million euros, while a decrease of 0.25% in the discount rate leads to an increase in the commitment of about 2.7%, i.e. around 0.2 million euros.

Note 12 – Trade payables

As of December 31, 2020, trade payables are due within one year. Trade payables do not bear interest and are in principle payable between 30 days and 60 days.

Note 13 - Equity and earnings per share

13.1 Share capital

The social capital of Solocal Group is comprised of 129,505,837 shares each with a par value of 1 euro, which is a total amount of 129,505,837 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 1,492.7 million euros as at 31 December 2020, compared to a negative amount of 1,454.2 million euros as at 31 December 2019, 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 54.5 million euros;
- The cross-entry for the share-based payment expense corresponding to the portion settled in equity instruments in a negative amount of 65.3 million euros;
- Fair value items of the bond loan following the financial restructuring in the amount of 48 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 7,818 treasury shares as at 31 December 2020, for a value of 21 thousand euros, compared to 5,676 treasury shares (which is 567,596 treasury shares before the consolidation of shares that occurred in November 2020) as at 31 December 2019, recognised as a decrease in equity for the amount of their acquisition cost.

13.4 Dividends

Solocal Group did not distribute any dividends in 2020 or in 2019.

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

	As at 31 December 2020	**As at 31 December 2019**
Share capital (weighted average)	13 173 478	584 689 263
Treasury shares from liquidity contract (weighted average)	(8 229)	(365 739)
Number of basic shares	13 165 249	584 323 524
Number diluted Equity (weighted average)	13 362 549	592 461 273
Additional information (average)		
Number of existing basic shares as of 31 december 2020	35 304 320	586 905 558
Number of existing diluted shares as of 31 december 2020	35 461 739	594 778 441

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 a reminder, a consolidation of shares by means of an exchange of one hundred old shares for one new share was carried out on November 24, 2020. In addition, the number of new shares to be issued was adjusted. of each free share allocation right on the basis of 2,109 new shares. For the 2018 and 2019 plans, all of the elements mentioned below are understood to be before consolidation.

2019 Plan

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 400,000. 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.

2018 Plan

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.

There was no new plan in 2020.

14.3 Changes to stock option and free share allocation plans

	Closing balance as at 31 December 2019	Granted	Cancelled/ lapsed before reverse stock split	Sub-total before reverse stock split	Sub-total after reverse stock split (1)	Cancelled/ lapsed after reverse stock split	Closing balance as at 31 December 2020	Exercise price
Subscription share plans	**30 095**	**-**	**(30 095)**	**-**	**-**	**-**	**-**	
December 2010	2 248	-	(2 248)	-	-	-	-	105.10 €
July 2010	27 847	-	(27 847)	-	-	-	-	127.20 €
Free share plans	**12 983 000**	**-**	**(1 899 500)**	**11 083 500**	**233 751**	**(88 988)**	**144 763**	**Final vesting date**
November 2019 (2)	321 500	-	**(321 500)**	**-**	**-**	**-**	**-**	03/11/2020
June 2019	5 100 000	-	**(565 000)**	**4 535 000**	**95 643**	**(36 948)**	**58 695**	18/06/2022
April 2018	7 561 500	-	(1 013 000)	6 548 500	138 108	(52 040)	86 068	24/04/2021

(1) A reverse stock split on an exchange basis of one new share for one hundred existing shares was implemented on 24th November 2020
2.109 new free shares were granted to one old free share

(*) This plan does not have any performance condition

The share issue options can be exercised for 10 years. As at 31 December 2020, the options in the 2010 plans have elapsed.

14.4 Expenses relating to stock option and free share allocation plans

The impact on profit and loss for fiscal 2020 represents an expense of €0.2m compared to expense of 1.3 million euros in 2019.

Note 15 – Information on related parties

During fiscal 2020, the amounts owed in terms of these bonds of the mini-bond for an amount of 17.7 million euros were guaranteed by a fifth-rank securities account pledge concerning the securities issued by Solocal SA held by Solocal Group. The agreement was concluded between Solocal Group and Solocal SA of which the common director was Eric Boustouller. The boards of administration of Solocal Group and Solocal SA authorised the signing of the pledge agreement during the meetings that were held on 7 August 2020.

There are no other related party agreements concluded in 2020 by the group.

Key management as related parties as at 31 December 2020 are the members of the Board of directors including the Chief Executive Officer and the 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 2021 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 2021.

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 2020, the remaining provision on the statements is 6.8 million euros compared to 11.0 million euros as at 31 December 2019.

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

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

Tax audit

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

On 30 March 2020 the company received an expert report from the Ministry of Research and Innovation that recognises the eligibility for the research tax credit for several projects from 2010 and 2011 rejected by the administration. Income receivable of 2.8 million euros was recognised, corresponding to the best estimation.

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

There were no new significant commitments during fiscal 2020.

Significant off-balance-sheet commitments are as follows:

Contractual obligations (in thousands of euros)	As at 31 December 2020				As at 31 December 2019
	Total	Payments due per period			Total
		Less than 1	In 1 to 5	In more than 5	
Operating leases	**1 000**	**315**	**685**	**0**	**3 960**
Paper, printing, distribution	12	12	0	0	3 292
Other services	9 635	8 098	1 537	0	13 656
	9 647	**8 110**	**1 537**	**0**	**16 948**
	10 647	**8 425**	**2 222**	**0**	**20 908**

The "Other services" section includes all firm orders placed as at 31 December 2020 for goods and services deliverable from 1 January 2021.

Leases

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

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

As part of the sale agreement, Solocal is committed to continuing its business relationship with mappy for three years.

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

Contractual obligations (in thousands of euros)	As at 31 December 2020				As at 31 December 2019
	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	126 955	126 955	0	0	176 803
Total	**126 955**	**126 955**	**0**	**0**	**176 803**

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 2020

None

Note 18 – Scope of consolidation

Entities	Country	As at 31 December 2020 Interest	As at 31 December 2020 Voting rights	As at 31 December 2019 Interest	As at 31 December 2019 Voting rights
Solocal Group (consolidante)	France	100%	100%	100%	100%
Solocal S.A.	France	100%	100%	100%	100%
SOMS	France	100%	100%	100%	100%
Mappy (1)	France	0%	0%	100%	100%
Leadformance	France	100%	100%	100%	100%
ClicRDV (2)	France	0%	0%	100%	100%
Fine Media (2)	France	0%	0%	100%	100%
Effilab	France	100%	100%	100%	100%
PagesJaunes Outremer	France	100%	100%	100%	100%
GIE	France	100%	100%	100%	100%
QDQ Media (3)	Spain	0%	0%	100%	100%
Optimizaclick (3)	Spain	0%	0%	100%	100%
Trazada (3)	Spain	0%	0%	100%	100%
PagesJaunes Finance & Co	Luxemburg	100%	100%	100%	100%
Digital To Store (4)	United Kingdom	0%	0%	100%	100%
Yelster Digital	Austria	100%	100%	100%	100%
Orbit Interactive	Morocco	100%	100%	100%	100%
Solocal Interactive	Rodrigues	100%	100%	0%	0%

(1) Mappy sold on 31 October 2020
(2) ClicRDV et Fine Media absorbed by Solocal S.A. on 31 May 2020 retroactively on 1st January 2020
(3) QDQ Media, Optimizaclick and Trazada sold on 28 February 2020
(4) Digital To Store sold off on 13 October 2020

Note 19 – Auditors' fees

(amounts in thousand of euros)	Amount		In % of fees		Amount		In % of fees	
	2020	2019	2020	2019	2020	2019	2020	2019
Certification of individual and consolidated	**371**	**423**	**46%**	**81%**	**323**	**389**	**69%**	**90%**
- Including Solocal Group	175	200	22%	38%	150	140	32%	33%
- Including fully consolidated subsidiaries	196	223	25%	43%	173	248	37%	58%
Other services excluding certification of	**427**	**100**	**54%**	**19%**	**146**	**41**	**31%**	**10%**
- Including Solocal Group	427	97	54%	19%	146	41	31%	10%
- Including fully consolidated subsidiaries	-	3	0%	1%	-	-	0%	0%
TOTAL	**798**	**523**	**100%**	**100%**	**469**	**430**	**100%**	**100%**

Other services excluding certification of accounts are related, as for BEAS/Deloitte, to services rendered in the framework of the plan to dispose of the subsidiary Mappy and to services rendered in the framework of issuing certification for the issuing of a report on the capital increase of a subsidiary. As for Auditex/Ernst&Young, it is related to a cash forecast review.

3 Declaration of the person responsible

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

Boulogne-Billancourt, 17 February 2021
Pierre Danon
Chief Executive Officer

4 Statutory Auditors’ Report on the consolidated financial statements – Year ended 31 December 2020

This is a translation into English of the statutory auditors’ report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors’ report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

To the annual general meeting of Solocal Group

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Solocal Group for the year ended 31 December 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee

Basis for Opinion

<u>Audit Framework</u>

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

<u>Independence</u>

We conducted our audit engagement in compliance with independence requirements of the French

Commercial Code *(Code de commerce)* and the French Code of Ethics *(Code de déontologie)* for statutory auditors for the period from 1 January 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments – Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

<u>Accounting impacts of the financial restructuring</u>

Risk identified

The health crisis related to the Covid-19 pandemic and the lock down measures announced on 12 March 2020 in France generated a significant decrease in the commercial activity of the Group. In order to preserve its cash, Solocal Group announced the suspension of its quarterly interest payments on its bond and begun discussions with its creditors. A conciliation procedure was opened with the Nanterre commercial court on 16 March 2020. On 3 July 2020, Solocal group and its creditors signed an agreement enabling notably:

- A reduction in the Group’s gross debt by €227 million;

- A cash contribution of €85 million via a share capital increase in cash and of €32 million via the grant of two additional financings.

-

These operations led to an increase in the Group's equity of around €295 million.

This agreement was approved by the Extraordinary General Shareholders' Meeting of July 24, 2020.

The number of operations constituting the financial restructuring, the accounting consequences described in note 9.5 of the notes to the financial statements and the evaluation of the accounting consequences required important judgement by Management, notably with regard to the fair value of the new instruments issued/delivered as part of the restructuring.

Considering the amounts involved, the complexity of the refinancing operations, and the analyses and judgements required by Management to determine the applicable accounting treatment according to IFRS, we considered the financial restructuring accounting as a whole to be a key audit matter.

Treatment of the key audit matter during the audit

We obtained an understanding of the detailed terms and conditions of each financial restructuring operation approved by the Shareholders' Meeting of July 24, 2020.

Our procedures mainly consisted in:

- Analyzing all the legal documentation relating to each operation: share capital increases, partial extinguishment of the pre-existing bond debt, restructuring of unconverted bonds and the Revolving Credit Facility ("RCF") and issue of new debt instruments;
- Examining the appropriate recognition of the operations in the consolidated financial statements and the extinguishing of the original bond and the RCF with regard to IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments and IFRS 9 – Financial Instruments, and analyzing the determination of the fair value of the equity instruments against the extinguishing of the original bond, the bond and the RCF after restructuring ;
- Examining the costs incurred for these operations and their nature and reviewing their accounting treatment.
-

We also examined the appropriateness of the disclosures in the notes to the consolidated financial statements (particularly Note 9.5).

Accounting of « digital » revenue

Risk Identified

"Digital" activities of the Solocal Group regroup numerous commercial offerings which evolve regularly and a large volume of data to be processed. These “Digital” offerings are grouped into 2 main classes:

– sales of websites that are designed and made available to customers for a contractual period of 12 or 24 months;

– products related to digital services, such as digital presence or advertising proposed for a renewable period of 12 or 24 months and digital advertising products which refer to one-off services or campaigns.

The revenue recognition principles related to these products, disclosed in Note 5.1 "Revenue" of the footnotes of the consolidated financial statements, are different depending on the nature of the products or services sold. This accounting, in particular the correct cut-off, depends on complex IT systems.

Depending on the class of product proposed by Solocal Group, one or two performance obligations are identified for which revenue is recognized on a straight-line basis over the period during which the performance obligation is satisfied. For the class “Digital services excluding websites” the application of IFRS15 leads to revenue being recorded on a straight-line basis as the transfer of control of the services is continuous. Two separate performance obligations are observed for the websites class:

- Website conception over the conception period (between 30 and 120 days depending on the product). Revenue is recognized over the duration of the conception.
- Hosting and updating of the site over the contractual hosting period comprised between 12 and 24 months. Revenue is recognized over the duration of the contractual hosting period.
-

Considering the high volume of transactions processed and the importance of automated processing in accounting for revenue recognition, we considered revenue recognition for "digital" activities as a key audit matter.

Treatment of the key audit matter during the audit

We have examined the revenue recognition process, from ordering to invoicing and reception of payments and closing entries.

Considering the complexity of the IT systems involved in the revenue recognition process and the high volume of transactions, we have involved in our team specialists with data analysis skills.

Our main procedures performed were:

– To analyze, for the main offers, the consistency between the contractual data and the configuration of revenue recognition in the information systems;

– With the involvement of our specialists with particular skills on data analytics:

  o To perform a reconciliation between data from ordering systems and data from billing systems in order to assess the completeness of revenue billed;

  o To perform a recalculation of revenue recognised from the billing systems based on accounting rules configured in the systems.

<u>Intangible assets arising from internal development</u>

Risk Identified

The net book value of capitalized development costs as of December 31, 2020 amounts to €75 million, i.e. 15% of the group total assets.

Development costs are to be recognized as an intangible asset when all of the 6 criteria defined by IAS 38 – Intangible assets are demonstrated, as described in note 4.2 to the consolidated financial statements.

Intangible assets resulting from internal developments are amortized on a straight-line basis over their useful life, which is generally no longer than three years. Determining the projects and costs that can be recorded as assets requires significant judgements and estimates, particularly as regards assessing whether the criteria provided in IAS 38 - *Intangible Assets* have been met. For this reason, the recognition and measurement of such intangible assets is a key audit matter

Treatment of the key audit matter during the audit

We reviewed the process implemented by the Group to determine if the criteria for capitalizing development costs are met.

Our work consisted of:

- Regarding material cost items associated with internal developments recognized as intangible assets during the period:
- Analyzing and testing compliance with the IAS 38 criteria for a sampling of development projects capitalized during the period in particular by meeting with project managers with respect to the perspective to generate probable future economic benefits;
- Comparing the amounts recorded in the accounts with data extracted from the

operational time monitoring systems on time charged to development projects from operational monitoring systems;
- For a sampling of development projects commissioned during the year, comparing the accounting commissioning's date with the commissioning minutes' reports and analyzing the reasonableness of the amortization duration with the explanations given by the operational teams.

Going Concern

Risk Identified

As of December 31, 2020, the Group has negative equity of 276 million euros, 368 million euros of current liabilities and 180 million euros of current assets. On the same date, available cash amounts to 61 million euros.

As disclosed in Note 1.5 "Going concern" in the consolidated financial statements, following the approval of the financial restructuring plan voted at the general meeting of July 24, 2020 and following the contracting of two financing lines that were set up and exercised in August 2020 for € 32 million, and on the basis of the 2021 forecast made by the Group in the context of Covid-19 crisis set out in section 1.4.1, Solocal considers it is able to meet its financial commitments for the next 12 months.

As a consequence, we consider that the assessment of the going concern, on the basis of which the consolidated accounts were prepared, is subject to the judgment of management, in particular with regard to:

- The perspectives of future operational activity underlying the budget adopted by the board, give that, as indicated in note 1.4.1 "Covid-19 Crisis" to the notes, the health crisis related to Covid-19 has had a significant impact on the Group's commercia activity, with a decrease of approximately -25% of order intake since 15 March 2020;
- The related estimates of future cash flows.

For these reasons, we considered the assessment of the going concern as a key audit matter.

Treatment of the key audit matter during the audit

We have obtained an understanding of the process implemented by management to assess the Group's ability to continue operating over a period of 12 months from the closing date. Our work mainly consisted in:

– Examining the budget and cash flow forecasting process;

– Examining the operational assumptions underlying the budget and including managements assumptions of the impact of the Covid 19 crisis on the Group's commercial activity;
– Examining the correct implementation of budgetary data into the cash flow forecast model;

– Reconciling the starting point of the cash flow forecast model with the cash position disclosed in the financial statements as at December 31, 2020;

– Analyzing the correct configuration of the cash flow simulation file underlying the monthly cash flow forecasts for the next 12 months and in particular:

  o Examining the consistency of conversion from sales to cash rates by type of product according to their payment terms;
  o Examining the main formulas of the files involved in the modeling of monthly cash receipts;

– Inquiring of management about its knowledge of events or circumstances subsequent to the close which could impact these forecasts, notably in the context of the Covid-19 crisis.

We have also assessed the appropriateness of the information relating to the going concern disclosed in Note 1.5 on the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Directors' Report

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information relating to the Group given in the management report, it being specified that, in accordance with Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*Code monétaire et financier*).

Appointment of statutory auditors

We were appointed as statutory auditors of Solocal Group by the annual general meeting of 19 October 2016 for BEAS, an entity of the Deloitte network and for AUDITEX, a member of the ERNST & Young Global Limited network. As at 31 December 2020, BEAS and AUDITEX were in their fifth year of total uninterrupted engagement since securities of the Company were admitted to trading on a regulated market.

Deloitte & Associés and ERNST & YOUNG Audit served as statutory auditors for Solocal Group from 2003 to 2015 and from 2004 to 2015 respectively, including twelve years for each firm since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.

- Assesses the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

French language original signed at Paris-La Défense, on 26 February 2021

By the Statutory Auditors

AUDITEX	BEAS
Jeremy THURBIN	Jean-François VIAT