# 2014 REFERENCE DOCUMENT

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This Reference document *(Document de référence)* was filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on 30 April 2015 pursuant to Article 212-13 of the AMF's General Regulations. It may be used in connection with an offering of securities if accompanied with a short-form prospectus *(note d'opération)* approved by the AMF.

Copies of this Reference document are available free of charge from Solocal Group at its registered office at 7, avenue de la Cristallerie, 92317 Sèvres Cedex, France; on Solocal Group's website at www.solocalgroup.com; and on the AMF's website at www.amf-france.org.

Pursuant to Article 28 of European Regulation No. 809/2004, the following information is incorporate by reference in this Reference document:

- the Group's Company and Consolidated Financial Statements for the year ended 31 December 2013, the Statutory Auditors' Reports and the Group's Management Report for that year are provided respectively on pages 132 to 189, pages 190 to 192 and pages 72 to 77 of the Reference document filed on 15 April 2014 (No. D.14-0366);
- The Group's Company and Consolidated Financial Statements for the year ended 31 December 2012, the Statutory Auditors' Reports and the Group's Management Report for that year are provided respectively on pages 125 to 182, pages 203 to 205 and pages 71 to 79 of the Reference document filed on 29 April 2013 (No. D.13-0470).

The chapters of the 2012 and 2011 Reference documents that are not referred to above are either of no relevance to the investor or are dealt with elsewhere in this Reference document.

*Unofficial translation of the French-language "Document de référence 2014" of Solocal Group, for information purposes only.*

**SOLOCAL GROUP**
A public limited company with share capital of 233,259,388.6 euros
Registered office: 7, avenue de la Cristallerie – 92317 Sèvres Cedex – France
Nanterre Trade and Companies Register No. 552 028 425

# SOLOCAL GROUP
## 2014 FOCUS

**1 EUROPEAN LEADER**
**IN LOCAL ONLINE COMMUNICATION**

**4,800**
**EMPLOYEES & DIGITAL TALENTS***

* FTE workforce at 12/31/2014.

**255 000**
**CREATED WEBSITES**

**68%**
of Internet revenues

**€936 M**
2014 REVENUES

- HOME
- RETAIL
- SERVICES
- B2B
- HEALTH & PUBLIC

"SIMPLY **CONNECT** PEOPLE WITH **LOCAL** BUSINESSES"

**550 000**
**INTERNET ADVERTISERS**

## Corporate Social Responsibility

**1 job in pagesjaunes** creates 2 jobs in French Economy

**82% employees** pleased to work within the Group

**173,000 training hours** +43% compared to 2013

**-55% $CO_2$ emissions** from 2009 to 2013

# AUDIENCES

**MORE THAN 2 000 000 000 OF VISITS** reached by the Group, **increase by +12%[1]**

**OF WHICH +35%[1] for mobile visits**

**STRONG AUDIENCES**
measured by Solocal Group
55% reach[2] through
3 strong Media

PagesJaunes | mappy | Comprendre Choisir

*(1) Compared to 2013.*
*(2) Source: Nielsen Médiamétrie indicator-October 2014- Global reach (fixed & mobile).*

# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF THE DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

**Robert de Metz,**
Chairman of the Solocal Group Board of Directors

**Jean-Pierre Remy,**
Chief Executive Officer of Solocal Group

2014 will be seen as a pivotal year in Solocal Group's history and development.

Despite a very poor business environment, we undertook profound transformations during the year that included restructuring our finances and reorganising our operations.

Last June, thanks to the broad support of our shareholders and lenders, we successfully completed a capital increase of 440 million euros and a refinancing plan. This has enabled us to reduce our debt considerably and significantly strengthen our financial structure.

During the year, all employees were also actively engaged in our Digital 2015 transformation plan, which has involved entirely rethinking our methods and culture to align our business with an increasingly and exclusively digital society. We have also set up a new vertical marketing and sales organisation specialised by client market segment in which our salespeople are now digital communication advisors and specialists who can respond more effectively to the specific needs of our clients.

In 2014, we thus earned 68% of our revenues over the Internet, with Print & Voice and other activities accounting for the remaining 32%. In other words, our digital business activities generated 633 million euro in revenues out of a total of 936 million. Our digital transformation has enabled us to offer our clients new online communication services that meet their new and rapidly changing requirements.

Thanks to the Digital 2015 plan, we already have:

- deployed a new marketing and sales organisation with five vertical segments – Commerce, Services, Home, B2B and Health & Public;
- rapidly grown the online audience of Solocal Group's websites, with a 12% increase in 2014 in the number of visits, which now exceed two billion. Mobile visits accounted for 34% of this total.

Each day Solocal Group is becoming stronger, and our ambition to build a European Internet leader is gradually becoming reality. We are proud of how far we have come and of the efforts that all staff members have accomplished, which have given even more meaning to our five key values – Customer, Team, Integrity, Agility and Innovation.

We are confident that our specialisation by vertical market segment and our rapidly growing online audience will enable us to generate almost 75% of our revenues *via* the Internet next year and gradually enable Solocal Group to post positive growth once again.

**Robert de Metz**

Chairman of the Solocal Group Board of Directors

**Jean-Pierre Remy**

Chief Executive Officer of Solocal Group

# 1. PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT



In this Reference document, the terms "Solocal Group" or "the Company" refer to the Solocal Group SA holding company, and the terms "PagesJaunes SA" or "PagesJaunes" refer to the company PagesJaunes SA. The term "Group" refers to the group of companies formed by the Company and all its subsidiaries, and the term "Consolidated Group" refers to the group of companies formed by the Company and all its subsidiaries, apart from PagesJaunes Outre-Mer, which is not consolidated. A glossary defining the main terms used herein is provided at end of this document.

## 1.1 Responsibility for the Reference document

Mr Robert de Metz, Chairman of the Board of Directors, and Mr Jean-Pierre Remy, Chief Executive Officer of Solocal Group, are responsible for this document.

## 1.2 Attestation of the persons responsible for this document

We hereby attest that the information in this document is accurate and contains no omissions which could limit the scope of its relevance, to the best of our knowledge and after having taken all reasonable measures to ensure the validity of this information.

We hereby attest that to the best of our knowledge, the financial statements were prepared in accordance with the applicable accounting standards and present a true picture of the assets, financial position and net income of the Company and of all of the consolidated companies, and that the management report provided in chapter 20 of this document is an accurate reflection of the development of the business activities, performance and financial position of the Company and of all of the consolidated companies, as well as a description of the main risks and uncertainties they face.

We have obtained a letter from the Statutory Auditors stating that they have completed their work and verified the information on the financial position and accounts provided in this document and read through the entire document.

The Statutory Auditors have reported on the financial information presented in this document.

The Statutory Auditors' report on the consolidated financial statements for 2014, which is presented in chapter 20 of this document, contains no observations. The report on the Consolidated Financial Statements for 2013, which is presented in the Reference document filed with the AMF on 15 April 2014 under No. D.14-0366, contains no observations.

**Mr Robert de Metz**

Chairman of the Solocal Group Board of Directors

**Mr Jean-Pierre Remy**

Chief Executive Officer of Solocal Group

# 2 STATUTORY AUDITORS



## 2.1 Statutory Auditors

### DELOITTE & ASSOCIÉS

represented by Ariane Bucaille
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

A member of the French National Institute of Auditors *(Compagnie Nationale des Commissaires aux Comptes)* and of the French National Association of Chartered Accountants *(Ordre des Experts Comptables)*.

Appointed at the General Shareholders' Meeting of 3 June 2003 to replace the resigning joint Statutory Auditor Ernst & Young, for the remaining period of its predecessor's appointment, *i.e.* until the completion of the General Shareholders' Meeting called to approve 2003 financial statements. This appointment was renewed at the General Shareholders' Meetings of 27 May 2004 and of 10 June 2010 for terms of six years until the completion of the General Shareholders' Meeting held in 2016 to approve 2015 financial statements.

### ERNST & YOUNG AUDIT

represented by Denis Thibon
Tour First
1, place des Saisons
92400 Courbevoie – Paris-La Défense 1

A member of the French National Institute of Auditors *(Compagnie Nationale des Commissaires aux Comptes)* and of the French National Association of Chartered Accountants *(Ordre des Experts Comptables)*.

Appointed a joint Statutory Auditor of the Company at the General Shareholders' Meeting of 27 May 2004. This appointment was renewed at the General Shareholders' Meeting of 10 June 2010 for a term of six years until the completion of the General Shareholders' Meeting of 2016 called to approve 2015 financial statements.

Auditors' fees are presented in note 33 to the consolidated financial statements.

## 2.2 Substitute Auditors

### BEAS

7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex
France

Appointed at the General Shareholders' Meeting of 3 June 2003 to replace the resigning joint substitute auditor Mr Francis Gidoin, for the remaining period of its predecessor's appointment, *i.e.* until the completion of the General Shareholders' Meeting called to approve 2003 financial statements. This appointment was renewed at the General Shareholders' Meetings of 27 May 2004 and of 10 June 2010 for terms of six years until the completion of the General Shareholders' Meeting of 2016 called to approve 2015 financial statements.

### AUDITEX

Tour First
1, place des Saisons
92400 Courbevoie – Paris-La Défense 1
France

Appointed the Company's joint substitute auditor at the General Shareholders' Meeting of 27 May 2004. This appointment was renewed at the General Shareholders' Meeting of 10 June 2010 for a term of six years, *i.e.* until the completion of the General Shareholders' Meeting held in 2016 to approve 2015 financial statements.

# 3. SELECTED FINANCIAL INFORMATION

| *(in millions of euros)* | 2014 | 2013 | 2012 |
|---|---|---|---|
| **CONSOLIDATED INCOME STATEMENT** | | | |
| **Revenues** | **936.2** | **998.9** | **1,066.2** |
| Internet | 632.5 | 632.5 | 622.7 |
| Printed directories and other | 303.7 | 366.4 | 443.5 |
| **Normalised gross operating margin (GOM)** [1] | **350.3** | **424.3** | **464.5** |
| Internet | 226.7 | 267.4 | 269.6 |
| Printed directories and other | 123.6 | 156.9 | 194.9 |
| **Reported gross operating margin** [2] | **322.2** | **424.3** | **464.5** |
| **Operating income** | **216.5** | **329.2** | **408.0** |
| **Financial income** | **(98.1)** | **(132.3)** | **(136.1)** |
| **INCOME FOR THE PERIOD (GROUP SHARE)** | **59.4** | **114.8** | **158.6** |
| Number of shares as at 31 December [3] | 1,161,727,170 | 280,984,754 | 280,984,754 |
| Net profit based on a year end number of existing shares as at 31 December *(in euro)* | 0.05 | 0.41 | 0.57 |
| **CONSOLIDATED BALANCE SHEET** | | | |
| ASSETS | | | |
| **Non-current assets** | **229.6** | **214.8** | **212.3** |
| Of which net goodwill | 82.5 | 78.7 | 82.3 |
| **Current assets** | **606.7** | **585.3** | **653.9** |
| Of which net trade debtors | 441.8 | 405.8 | 429.9 |
| Of which cash and cash equivalents | 46.4 | 75.6 | 111.5 |
| **TOTAL ASSETS** | **836.3** | **800.0** | **866.2** |
| SHAREHOLDERS' EQUITY (GROUP SHARE) | (1,369.4) | (1,866.8) | (2,006.8) |
| **Non-current liabilities** | **1,247.0** | **1,617.5** | **1,777.2** |
| Of which non-current financial liabilities and derivatives | 1,139.6 | 1,516.2 | 1,686.6 |
| **Current liabilities** | **958.6** | **1,049.2** | **1,095.7** |
| Of which trade creditors | 98.9 | 84.5 | 78.3 |
| Of which deferred income | 575.4 | 597.5 | 632.1 |
| **TOTAL LIABILITIES** | **836.3** | **800.0** | **866.2** |
| **Net cash flow** | **37.9** | **136.2** | **185.0** |
| **CONSOLIDATED NET DEBT FOR THE GROUP** [3] | **(1,135.8)** | **(1,579.6)** | **(1,741.7)** |
| Cash generated by the activity of the consolidated Group | 107.1 | 191.4 | 226.5 |

(1) *Normalised GOM for non-cash impacts (28 million euros) of changes to sales contracts.*
(2) *Operating income before amortisation and employee profit-sharing.*
(3) *The capital increase completed on 6 June 2014 resulted in the creation of 880,742,416 new shares.*
(4) *Of which negative fair value of hedging instruments for 54.6 million euros in 2012 and negative for 20.2 million euros in 2013 and negative for 9.9 million euros in 2014. Net debt corresponds to total gross borrowings less and/or plus the fair value of cash flow hedge derivatives (assets and/or liabilities), and less cash and cash equivalents (please see chapter 10).*

# 4. RISK FACTORS



Solocal Group has reviewed the risks that could have a significantly unfavourable effect on its business, financial position or results (or its ability to achieve its goals). We consider that there are no other significant risks apart from the following risk factors, supplemented by other information and the Consolidated Financial Statements provided in this Reference document. Investors are invited to take into consideration the risk factors described in this chapter before taking any decision to invest.

The description of the internal control and risk management organisation introduced by the Solocal Group is provided in the Report of the Chairman of the Board of Directors on the conditions of preparing and organising the work of the Board of Directors and on the procedures for internal control, attached as an appendix to this document. We have also introduced a risk assurance and management programme presented in section 6.8 of this Reference document.

## 4.1 Risks related to the Group's business and strategy

### Changes in technology and consumer preferences – Reduction in the use of printed directories

The development of new technologies and widespread use of the Internet in the workplace, at home and on the move has meant that consumer preferences and habits have changed. This could have a long-term significant influence on printed directories in particular, and it should be noted that a reduction in the audience of a platform to a reduction in advertising revenues for that platform given-woved-lead in the long run. The Paris region is distinguished from the rest of France by a lower use of printed directories and higher use of online directories. Although this can be explained by the fact that the place of usage is often not the home of the person concerned and by a historically higher use of online services, there is no guarantee that this is not a precursor of the long-term situation with regard to directory users in France.

Since we obtain a significant part of our advertising revenues from printed directories, the new revenues which we could extract from online directories may not compensate for an accelerated drop in revenues from printed directories, which could have a significant negative impact on our business, financial position or results. This change in the breakdown of the Solocal Group's revenues has an impact on our organisation, especially from a commercial standpoint, and has to be accepted by all employees.

### Uncertainty about the business model of online advertising

We have to contend with competition in the markets for the Internet services we offer. Various pricing models are used to sell advertising on the Internet and it is hard to predict which of these models will become established as the industry standard, if any. Although we have managed to increase the profitability of our Internet advertising products, due to an increase in the return on investment for advertisers in particular, which would lead to an increase in prices and volumes, increased competition in the online advertising market sector could lead to a drop in market rates and a change in our business model.

These factors could have a significantly negative impact on the Solocal Group's business, financial position or results, or on our ability to achieve our goals.

### Difficulty in remaining competitive

Solocal Group is experiencing an increasing level of competition in the online advertising market. No assurances can be given that we will be able to meet this competition, now or in the future. Increasing competition could result in lower prices, reduced growth, reduced margins or the loss of market share, and each of these elements could have a significantly negative impact on our business, financial position or results.

Our challenge is to be able to always provide pertinent offers in the online advertising market that can best meet the expectations of our customers, in a context of increased competition.

## Sensitivity to the economic climate – Solocal Group's inability to adapt its cost structure

Our income could drop significantly, if the countries where we generate major advertising revenues were to experience a deterioration in their economic conditions.

Our inability to adapt our cost structure if faced with a downturn in the economy or increased competition could also have a significant negative impact on our business, financial position or results.

## Increase in the price of paper or the cost of other production factors

If the price of paper or the cost of other production factors were to rise, operating costs could increase significantly.

An increase in the price of paper or a shortage of paper over a long period could have a significant negative impact on our business, financial position or results. The chronic overcapacities in production faced with a rapidly eroding demand do not suggest any substantial increase in prices. Solocal Group has no mechanisms to cover variations in the price of paper, other than those provided for, in the current contracts.

We subcontract the work involved in printing, binding and packing printed directories. An exclusive printing contract was signed at the end of 2012, allowing for stability in rates over the period 2014 to 2016.

In addition, we have outsourced the distribution of directories to a number of subcontractors. An increase in distribution costs (linked for example to a significant increase in the fuel price or a substantial revaluation of the minimum wage), or difficulties encountered with distribution could have a significant negative impact on our business, financial position or results.

## Risks associated with customer payment for services

Advertisers can be billed on an instalment basis until their advertising products actually appear. There can be no assurances that these payment plans and Solocal Group's current levels of uncollected debts can be maintained in the future, which could have a significant negative impact on our financial position and cash flow.

## Risk of a reduction in the content of published directories – Inability to improve the technical features and functionalities in the services offered by Solocal Group

Our goal in printed directories and online services, as well as *via* directory enquiry services, is to provide useful information which is as comprehensive as possible. The information on individuals and businesses that we publish is mostly gathered from databases of various telecommunications operators. If we were unable to access these databases, or if a large number of subscribers asked to be unlisted, no assurance can be given that we would be able to gather the information about individuals and businesses by other means, and that this would not lead to a reduction in the content of the printed directories, online services and telephone directory enquiry services, which could have a significant negative impact on our business, financial position or results.

In addition, to remain competitive, we must continually improve our reaction time and the functionality and features of our products and services, and develop new products and services which are attractive to users and advertisers. Use of the Internet as a platform for some products, we have developed, has increased this need for adaptability. Compared to other platforms, the Internet is characterised by very rapid technological advances, the frequent introduction of new products and services, rapidly changing business standards, a very volatile and changeable demand from the consumer and instability in its business models for these products and services.

These rapid changes require that we constantly improve our performance and rapidly adapt our technology. Any inability on our part to anticipate or properly respond to changes in technology or demand, significant delays or major costs incurred in developing and marketing new products and services, and as such the inability to honour our promises with regard to the users of our services, could have a significant negative impact on our business, financial position or results.

## Damage to information, production or distribution systems

A major part of the Solocal Group's business depends on the efficient, continuous operation of its information, production and distribution systems. These systems could be damaged by several causes, including fire, widespread power cuts, damage to communications networks, intrusions into computer systems, vandalism or any other cause which could affect operations. As far as the activities that we subcontract are concerned, we cannot respond to these types of events and must rely on the ability of the subcontracting companies to react quickly and effectively. Any inability by subcontractors to respond to these problems could have an impact on our business. As far as the activities over which we have full control are concerned, no assurance can be given that we will have the technical and financial capacity to alleviate all the damage caused. Our business could be significantly affected.

## Fluctuations in Solocal Group's quarterly revenues and semi-annual results

The various editions of our printed directories are published and distributed throughout the year, so the business of printed directories does not go through any major cycles. The publication and distribution of printed directories is carried out according to a calendar defined one year beforehand. From an accounting point of view, income and expenses from selling advertising space in the printed directories are recognised when they are published. Therefore revenues vary from one quarter to the next and the results for a semi-annual period may not be representative of our full-year results. In addition, if the publication of one or more directories is brought forward or delayed, the recognition of revenues as well as the associated costs of publication and distribution could be delayed or brought forward. Finally, the time delay between the recognition of income and costs on one hand and the actual receipt of invoice payments from advertisers on the other hand could affect working capital requirements, operating cash flow, operating income or other financial indicators generally used by investors to evaluate the financial performance of a company and not reflect Solocal Group's actual liquidity level.

## Effect of investments or divestments

Solocal Group may carry out acquisitions or investments in one of its businesses. No assurances can be given that we will manage to successfully integrate the acquired companies, to realise the anticipated synergies, maintain uniform standards, controls, procedures and policies, maintain good relations with the staff at the acquired companies, or that the additional income and results generated by each acquisition will justify the price paid for the acquisition. A failure in any of these integration steps could have a negative impact on our business, financial position or results.

A part of these acquisitions and investments could involve payment by issuing Solocal Group shares, which could have a diluting effect for our shareholders. Such acquisitions and investments, whether paid for in cash or shares, could have an unfavourable effect on our business, financial position or results.

Solocal Group could also decide to divest itself, sell or close down any of its businesses. No assurance can be given that Solocal Group could find potential buyers or that the price received for the sale of these businesses or the cost reductions associated with the disposal or closing of these businesses could offset any drop in our results.

## Inability to comply with its bank covenants and effects of a possible debt refinancing

With net debt[1] amounting to 1,136 million euros as at 31 December 2014, Solocal Group's covenant on financial leverage stands at 3.73 times an aggregate close to the consolidated gross operating margin. No assurance can be given as to our ability to refinance this debt under favourable terms between now and its maturity, in March 2018 for 814 million euros and in June 2018 for 350 million euros. Refinancing this debt could have a cost that is higher than the cost in effect today, and as such affect the results in the long term and the level of cash flow generation (see section 10.1 of this Reference document and notes 26 and 28 in the notes to the consolidated financial statements provided in chapter 20.1).

The financing agreement between Solocal Group and its syndicate of lenders includes default and mandatory early repayment clauses as well as bank covenants which become increasingly tighter (see note 29 in the notes to the consolidated financial statements provided in chapter 20.1). We might have to renegotiate certain terms in our financing agreement if it were determined that a risk of non-compliance with one or more of our covenants had a high probability of occurring in the short to medium term. We have carried out a specific review of our liquidity risk and consider that we are in a position to meet future payment liabilities.

The following financial ratings were attributed to Solocal Group at the date of publication of the Reference document:

- B3 attributed in June 2014 by Moody's with a negative outlook;
- B- attributed in June 2014 by FitchRatings with a negative outlook.

Changes in ratings are presented below:

| | | 31/12/2014 | | 31/12/2013 | | 31/12/2012 | |
|---|---|---|---|---|---|---|---|
| | | Fitch Ratings | Moody's | Fitch Ratings | Moody's | Fitch Ratings | Moody's |
| Solocal Group | Note | B- | B3 | B– | Caa1 | B | B3 |
| | Perspective | Stable | Negative | Negative | Negative | Negative | Stable |
| PagesJaunes | Note | B+ | B3 | B+ | Caa1 | BB– | B3 |
| Finance [2] | Perspective | Stable | Negative | Negative | Negative | Negative | Stable |

*(1) Net debt is the total gross financial debt plus or minus the fair value of derivative instruments used for hedging purposes and minus cash and cash equivalents.*

*(2) Relating to the bond issue for 350 million euros maturing in 2018.*

# 4.2 Legal risks

## Litigation and arbitration

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

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

At the beginning of 2002, PagesJaunes implemented a commercial development plan, including, notably, the modification of the employment contracts of 930 sales representatives. The purpose of this modification was to adapt these contracts to a new competitive environment. Approximately 100 employees refused to sign the proposed new contract and were made redundant during the second quarter of 2002. Almost all these employees commenced legal proceedings against PagesJaunes to contest the validity of the reason for the redundancies. The French Court of Cassation, in two judgements handed down on 11 January 2006, approved the commercial development plan. The Court of Cassation ruled that economic redundancy following a reorganisation implemented to prevent future economic difficulties associated with technological developments was justified. In a further judgement on 14 February 2007, the Court of Cassation upheld the validity of the plan implemented by PagesJaunes.

With regard to cases before administrative courts, the French Council of State, as court of last resort, issued eight judgements unfavourable to PagesJaunes on 12 January 2011, setting aside rulings issued by the Paris Administrative Court of Appeal in 2009 and hence the Minister's authorisation of the redundancies. Two sets of proceedings are still in progress in the Boulogne employee claims court and in the French Court of Cassation, following the appeal by the employee against a judgment of the Court of Appeal of Lyon for indemnisation against the financial consequences of the dismissal authorisations. The 7.3 million euros provision recognised at the end of 2002 in respect of this risk has been the subject of several writebacks since 2006 in view of the favourable progress of these cases, and amounted to 0.8 million euros as at 31 December 2014.

During the year 2013, PagesJaunes had to carry out a further reorganisation, in order to ensure long-term business sustainability in the face of a constantly changing and increasingly competitive market environment. For information, in September 2013, a proposed development of the PagesJaunes model and organisation was presented for information and consultation to the Representative Staff Bodies concerned. Following ten meetings of negotiations with the unions, held at the same time as the HSCWC information and consultation procedure, and the same procedure with the Works Council, a majority agreement on social support measures determining the content of the employment protection plan was signed on 20 November 2013.

This plan foresaw the elimination of 22 jobs, fully offset by the creation of jobs offered to the employees in question in a context of internal redeployment. The aim is to maintain employment within the Company or outside it (providing compensation by financing training). No compulsory redundancies will occur, and the overall project will be a net creator of employment (48 jobs).

This agreement was the subject of a validation decision by DIRECCTE (the State's body in charge of businesses competition, consumption and labour) on 2 January 2014, which was confirmed by a Cergy-Pontoise Administrative Tribunal judgment of 22 May 2014, following a personal appeal by an employee of PagesJaunes, who sought to have the Labour Inspectorate's approval of the PagesJaunes employment protection plan, declared void.

Following an appeal by the employee, this decision was nevertheless overturned by the Versailles Administrative Court of Appeal on 22 October 2014 on the grounds that it had not been a majority decision. The existence or content of the plan was therefore not in question. The decision of the court, as it stands, does not call into question the validity of the procedure followed or the reality of the economic imperative that justified PagesJaunes's pursuit of it.

This annulment therefore does not affect the validity of the dismissal procedure itself. On 10 March 2015, the Council of State denied the application, we filed, requesting an expedited order suspending the effects of that decision pending the High Court's judgment on the merits in this matter.

In total, 311 employees refused to accept the changes to their employment contract in connection with this reorganisation, and 280 of them were dismissed. To date, four administrative cases are pending (three cases before the Cergy-Pontoise Administrative Court requesting the annulment of the dismissal authorisations, and one hierarchical appeal procedure before the Minister for Employment) and 91 judicial proceedings have been brought before the employee claims courts (71 proceedings on the merits claiming damages, and 20 expedited claims requesting an advance payment of damages). On 5 February 2015, the Rennes employee claims court denied all 20 of these expedited claims. An appeal filed by the employees is pending.

Eleven advertising agencies submitted complaints to the French Competition Authority for abuse of a dominant position (particularly for withdrawing the 5% trade discount granted to advertisers using advertising agencies on the Internet and 118,008 platforms), seeking the imposition of provisional measures on the basis of Article L. 464-1 of the French Commercial Code. In a ruling of 22 November 2012, the French Competition Authority accepted the commitments proposed by PagesJaunes, which closes this dispute.

In 2010, PagesJaunes was the subject of an inspection by the French social security agency Urssaf in respect of the 2007, 2008 and 2009 financial years. The Company was notified of an adjustment amounting to 2.2 million euros. This risk was fully provisioned as at 31 December 2010. The adjustment applying to PagesJaunes was confirmed by the Urssaf Arbitration Committee and the Bobigny Social Tribunal in a decision on 6 March 2014, following proceedings brought by PagesJaunes. PagesJaunes has lodged an appeal against this decision in the Paris Court of Appeal, seeking a revised settlement of 1.4 million euros.

PagesJaunes is the subject of a tax inspection in respect of the financial years 2010 to 2013 and, to date, has received a reassessment notice for the financial year 2010. We have taken the view that most of these adjustments are without basis and have therefore made provision to cover the residual risks.

Moreover, in common with other companies in the sector, Solocal Group is frequently the subject of court proceedings brought in relation to errors in the publication of directories and other media. Generally the financial risk represented by each of these proceedings is relatively limited. However, an increase in their number may constitute a significant risk. As at 31 December 2014, there were eleven sets of proceedings, representing total claims for damages of just under 450,000 euros. In these proceedings, our entities endeavour to negotiate out-of-court compensation, which significantly reduces the final total cost of such proceedings. However, no guarantee can be given that these proceedings will not have an adverse impact on our financial position.

To the best of our knowledge, there is no other government, judicial or arbitration procedure, whether pending or threatened, that is liable to have, or has had in the last twelve months, a significant impact on the financial position or profitability of the Company and/or the Group.

All of this information is provided in note 32 of the notes to the consolidated financial statements.

Liaising with the General Management and our subsidiaries, our Legal Department, assisted by law firms, monitors the risks connected with the most significant disputes.

## Changes in regulations affecting the Group's markets

The communications industry in which Solocal Group operates is subject to many regulations (see section 6.6 "Regulations"). Changes in policy or regulations in the European Union, in France or in other European countries where we operate could have a significant unfavourable effect on the business in these countries, especially if such changes increase the cost and regulatory constraints associated with providing our products and services. These changes could have a negative impact on our business, financial position or results.

In order to anticipate any regulatory development that could have a significantly unfavourable effect on its business, Solocal Group carries out permanent monitoring of the regulations.

## Legal risks associated with uncertainty concerning existing regulations

A number of draft laws are being examined, especially in relation to protecting personal information, confidentiality, responsibility for content, e-commerce, encryption, electronic signatures and the taxing of advertising on the Internet.

These future developments in regulations could have a significant unfavourable effect on Solocal Group's business, results and financial position or our ability to achieve our goals.

Solocal Group constantly checks that it complies with the national and international regulations.

## Intellectual and industrial property rights

We cannot be certain that steps taken in France and in other countries to protect our intellectual and industrial property rights, our trademarks in particular, domain names, software and patents, will be adequate, or that third parties will not be able to counterfeit or misappropriate our intellectual and industrial property rights, or have them cancelled. In addition, because of the global nature of the Internet, our trademarks and other forms of intellectual and industrial property could be spread to countries which offer a lower level of protection in terms of intellectual and industrial property than in Europe or the United States. Given the importance and impact of our trademarks, any counterfeiting, misappropriation or cancellation could have a significant, unfavourable effect on our business, operating income and financial position, or our ability to achieve our goals.

In order to monitor its assets and ensure consistent protection, management and defence of its rights, Solocal Group regularly updates its portfolio of intellectual and industrial property rights and we take all legal measures required, particularly by means of actions for infringement and/or unfair competition, to protect and defend our intellectual and industrial property rights.

## Limitations on the Group's right to collect personal information

Solocal Group must abide by privacy protection laws, including European Directive No. 95/46/EC of 24 October 1995, which limits its right to collect and use personal information about its users (see section 6.6.1.2 – Protecting Personal Information). Any restrictions on using cookies installed on an Internet user's terminal or browser when the user looks up information on the Internet showing how the user uses the Internet (cookies), or the obligation to allow users to object to the use of these cookies, could weaken the effectiveness of advertising as part of the Group's business. An increased public awareness of these privacy concerns and changes in the laws, created, among other things, by the European regulation draft on the protection of personal data with which we must comply, could limit our ability to use such personal information for business, and more generally affect the public perception of the Internet as a market for goods and services. Each of these developments could have an impact on our business, financial position or results.

In particular, the French Commission for Data Protection and Liberties *(Commission nationale de l'informatique et des libertés* – CNIL) issued a public warning to PagesJaunes without financial penalty on 21 September 2011 concerning a "Web Crawl" service aimed at enabling users to find a person even if they are not listed on pagesblanches.fr by providing results obtained from social networks. The CNIL criticised PagesJaunes for distributing this data without specifically informing or having obtained authorisation from the persons involved. In the social networks that were crawled, members had the possibility of limiting search engine access to their data, if they so desired. PagesJaunes is appealing this ruling with the Council of State *(Conseil d'État)*. On 12 March 2014 the Council of State dismissed the appeal of PagesJaunes. Among other things, the Council of State upheld CNIL's position on the fact that physical persons whose data is collected indirectly, in particular on the Internet, must be informed at time of collection of the use that will be made of this data, irrespective of the difficulties that may be met with in so doing. In the absence of prior notification given to such physical persons, PagesJaunes is not permitted to crawl personal data on the Internet.

Solocal Group constantly checks that it complies with legislation on the protection of privacy. With this in mind, we have established a Personal Data Department and a Data Protection Correspondent.

# 4.3 Market risks

In view of its financial structure, Solocal Group is exposed to interest rate risk, liquidity risk and credit risk.

The interest rate, liquidity and credit risks are set out in note 29 of the notes to the consolidated financial statements for the 2014 financial year provided in chapter 20.1 – Historical Financial Statements. Information pertaining to Solocal Group's debt is also provided in chapter 10 – Cash and Capital Resources, note 16 – Derivative financial instruments, note 26 – Cash and Cash Equivalents, Net Financial Debt, and note 29 – Financial Risk Management and Capital Management Policy Objectives in the notes to the historical financial statements for the 2014 financial year.

The equity risk is linked to own shares held directly and under the liquidity contract implemented in October 2008, the details of which are set out in note 22.3 of the notes to the consolidated financial statements for the 2014 financial year appearing in chapter 20.1 – Historical Financial Statements.

# 4.4 Industrial and environmental risks

Solocal Group's activities have an impact on the environment, especially those linked to the printed directory business.

As a publisher of printed directories, and market leader, we are concerned about limiting the environmental impacts linked to this business. For this purpose, PagesJaunes has implemented processes which comply with the AFAQ ISO 14001 standard, for which we have obtained a three-year certification in October 2010 covering the design, production and distribution of printed directories. This certification was renewed during the audit conducted in November 2013 for the next three years.

With regard to the impacts associated with the publication, production and distribution of printed directories, the following points can be underlined:

- for activities which are subcontracted and not carried out directly by our companies, such as the production of directory paper, printing and distribution of printed directories, we have only limited room for a manoeuvre in controlling the environmental impacts. We nevertheless devote attention to compliance with environmental criteria when selecting our subcontractors;
- with regard to these activities, the environmental risks are mainly associated with the consumption of resources (paper and ink in particular) and the circulation of a large volume of directories;
- furthermore, there are risks associated with "office" activities, to which similar companies are exposed.

In order to limit this impact, we have implemented a number of measures aiming on one hand, at reducing the quantity of paper necessary for our activity and on the other hand at promoting the recycling of used paper.

The actions implemented are detailed in Chapter 8: Corporate Social Responsibility.

## Reducing paper consumption

With regard to limiting the quantity of paper required to publish its directories, Solocal Group constantly focuses on the following aspects:

- optimisation of the printed directories distribution;
- optimising the directory page layout and formatting in the production of directories;
- selection of paper suppliers who use paper pulp made entirely or partially from recycled paper.

## Directory recycling

In parallel with its efforts to limit the quantity of paper consumed each year, Solocal Group is mindful of what happens to out-of-date printed directories and shares the principles of wider responsibility of the producer: we are particularly concerned with how the directories are collected and what is done with them (especially with regard to recycling).

## Environmental impacts associated with "office" activities

Solocal Group's companies have implemented a number of internal measures to ensure protection of the environment, particularly by reducing the consumption of resources.

Generally, in terms of all the risks described above, although we have adopted a policy of identifying and proactively managing risks related to the environment, health and safety, we cannot guarantee that we will not suffer any environment-related losses, or losses resulting from the application of the regulations in this area. No assurances can be given that our business, financial position or results will not be unfavourably affected by any such losses. In addition, any possible amendments to the legal and regulatory provisions on the environment, at national or international level, could affect our business, financial position or results.

# 5. INFORMATION CONCERNING THE ISSUER



## 5.1 History and evolution of the Company

### 5.1.1 Corporate name and trading name

The corporate name of the Company is "Solocal Group", since the change voted by the General Shareholders' Meeting on 5 June 2013 (previously "PagesJaunes Groupe").

The Group has profoundly transformed itself in order to adapt to technological and societal changes. The name "Solocal Group" expresses our current strength: local and digital services. This change of name was motivated by the desire to become the market leader in local communication.

### 5.1.2 Registration location and number

Trade and Companies Register No: RCS Nanterre 552 028 425

APE code: 7010 Z

### 5.1.3 Date of incorporation and term (Article 5 of the Articles of Association)

The Company was incorporated on 12 January 1897 and registered on 21 February 1955. Based on Article 5 of its Articles of Association, the Company has a term of 99 years, which began on 31 December 1954 and will run until 31 December 2053, unless it is dissolved earlier or extended as provided for in the Articles of Association.

### 5.1.4 Registered office, legal form and legislation

Registered office and the Company's main place of business: 7, avenue de la Cristallerie, 92317 Sèvres Cedex.

Telephone: +33 (0)1 46 23 30 00.

Company's country of origin: France.

Solocal Group is a public limited company with a Board of Directors subject to the provision of Articles L. 210-1 ff. of the French Commercial Code.

### 5.1.5 Major events in the development of business

On 4 February 1946, the Ministry of Posts, Telegraphs and Telephones ("PTT") made *Office d'annonces* ("ODA"), a state-owned company through the Havas advertising agency, responsible for handling advertising representation for directories in mainland France.

The shareholders in ODA changed on several occasions until 1998. In July 1998, Havas, which then owned all the share capital in ODA, sold its holding to Cogecom (a subsidiary of France Télécom). In 2000, before Wanadoo's IPO, France Télécom first transferred some of SNAT's activities (the France Télécom division in charge of publishing the telephone directories) to ODA, then transferred all ODA's shares to Wanadoo. The name of ODA was then changed to "PagesJaunes". Following this reorganisation, PagesJaunes became the owner of the directory publishing business of the France Télécom Group, excluding *l'Annuaire* (formerly known as Pages Blanches) and alphabetical searching on PagesJaunes 3611, which were retained by France Télécom. Advertising representation as well as all of the design and production of *l'Annuaire* and alphabetical searching on PagesJaunes 3611 were nevertheless entrusted to PagesJaunes by France Télécom.

Advertising in directories had developed continuously since 1946 thanks to the consumption growth and in the advertising market in France and thanks to the increase in directory distribution and its audience, linked to the increase in the number of telephone subscribers. The continuous increase in ODA's sales was particularly due to its ongoing ability to make permanent adaptations in terms of business and technology. The 1980s saw the successful launch of the PagesJaunes directory as well as the start-up of Minitel, a pioneer of the advertising model on the Internet. In addition, the Company has developed its range of advertising services beyond that of consumer directories, with a range of directories for businesses (Kompass, PagesPro), as well as a range of services pertaining to the Direct Marketing business (Wanadoo Data).

In the framework of the public offering initiated by France Télécom for Wanadoo in February 2004, it was decided to place some companies in Wanadoo's directory division under the Company's umbrella (QDQ Media, Mappy and Kompass Belgium). These were then admitted for trading to the Eurolist of Euronext Paris on 8 July 2004.

In December 2004, Solocal Group transferred to PagesJaunes SA, by a partial asset transfer agreement, the business assets, business, and staff members in charge of the business of publishing the PagesJaunes directories, previously performed by PagesJaunes SA, which is now Solocal Group. These assets were transferred at their fair value, representing an amount of net assets of 4,005,000,000 euros, with a market value of 3,959,321,134 euros.

In January 2005, Solocal Group consolidated Editus Luxembourg and Kompass Belgium for the first time. Solocal Group had reinforced its presence in Luxembourg in October 2004 by increasing its holding from 50% to 100% in the capital of the Luxembourg company Euro Directory, which holds 49% of Editus Luxembourg, which was then consolidated by the proportional consolidation method.

On 20 January 2006, PagesJaunes signed an operating licence agreement with France Télécom for the printed universal directory in favour of PagesJaunes, accompanied by an acquisition agreement for the *l'Annuaire* name for a total amount of 12.0 million euros. These contracts took effect on 1 January 2006.

Following a competitive tender process in June 2006, France Télécom announced, it had concluded a purchase agreement on 11 October 2006, in which France Télécom agreed to transfer 150,546,830 shares of Solocal Group to Médiannuaire representing approximately 54% of the Company's share capital and voting rights, with Médiannuaire and its sole shareholder, Médiannuaire Holding, a company controlled by an investment fund consortium consisting of Kohlberg Kravis Roberts & Co. and Goldman Sachs.

The transfer of the controlling interest took place on 11 October 2006 within the framework of an over-the-counter transfer of controlling interest that was performed in compliance with Articles 516-2 ff. of the General Regulations of the AMF, on payment by Médiannuaire to France Télécom of a total price of 3,312,030,260 euros, *i.e.* 22.0 euros per transferred share.

Following this acquisition, Médiannuaire made a standing market offer for the Company's shares. As part of this operation, and pursuant to the provisions of Articles 261-1 ff. of the General Regulations of the AMF, the Company's Board of Directors appointed the firm Ricol, Lasteyrie & Associés as independent experts for preparation of a report on the standing market offer. This firm, Ricol, Lasteyrie & Associés, issued an expert opinion confirming that the price offered to shareholders in this operation was equitable. Following this standing market offer, Médiannuaire held 54.82% of the capital and voting rights of Solocal Group. This holding decreased to 54.75% as of 31 December 2007. On 24 November 2006, the Company also paid out an exceptional dividend of 9 euros per share, *i.e.* a total dividend of 2,519.7 million euros. The dividend was partly financed by the Group's cash surplus and partly by arranging a bank loan for a maximum total amount of 2.35 billion euros.

On 9 January 2007, *via* its subsidiary PagesJaunes Petites Annonces, Solocal Group launched an online real estate and vehicle small ads service, accessible *via* "annoncesjaunes.fr". This website is now published by PagesJaunes SA.

On 1 April 2011, Solocal Group finalised an agreement with Price Minister to acquire 100% of the capital of A Vendre A Louer, a key operator in the online real-estate small ads market. This company was absorbed in 2013 by PagesJaunes SA in order to speed up the synergies with the website "annoncesjaunes.fr" in particular.

On 24 May 2011, Solocal Group acquired 100% of the capital of ClicRDV. Formed in 2006, ClicRDV.com is the leader in online appointment booking solutions and now provides tailor-made solutions for the specific needs for all businesses types (Major Accounts, self-employed professionals, SMEs and public bodies).

On 29 July 2011, Solocal Group finalised the acquisition of 100% of the capital of Fine Media, publisher of the ComprendreChoisir.com website, enriching its local and digital communication offering for businesses. Formed in 2007, ComprendreChoisir.com now attracts more than 1.5 million monthly visits and has developed over 280 sites with themed contents aimed at the general public, enabling Internet users to have a better understanding and make the right choices in five areas: Home/Household Jobs, Money/Law, Consumer/Practical Info, Health/Beauty and Business.

On 2 October 2012, Solocal Group announced that its subsidiary Euro Directory had transferred 38.92% of the capital of Editus Luxembourg SA to P&T Luxembourg, number one operator in postal and telecommunications services, Luxemburg, which at that time was already a shareholder of 51% of Editus. Following this disposal, Solocal Group is still a shareholder of Editus with 10.08% *via* its subsidiary Euro Directory.

On 31 December 2012, Solocal Group finalised the acquisition of 100% of the capital of Chronoresto, the reference operator in online meal ordering.

On 13 June 2014, Solocal Group announced the acquisition of 100% of the capital of Leadformance of which we had owned 49% since our initial investment in 2011. This acquisition meets the growing needs of brands and high-street names to increase their visibility on the Internet and mobile devices, in order to better convert internet users into clients who use their shops. The synergy created by 100,000 sites designed by Leadformance, and dedicated to the outlets of major brands and high street names, and 125,000 professional sites created and managed by Solocal Group, reinforces our position as France's leading website designer. Integrating Leadformance also represents a major step for us in the area of Web-to-Store

In order to offer our customers more relevant services, better tailored to their needs, Solocal Group began a process of transformation in 2014. This has two main components: the reorganisation of sales teams and enhanced digital repositioning. To implement this process, Solocal Group sought and successfully secured a capital increase of 440 million euros (a base amount of 361 million euros, respecting Pre-emptive Subscription Rights (PSRs) and a 79 million euros increase in capital reserves) combined with a refinancing plan, both of which were announced on 13 February 2014. Both operations were very successfully concluded as a result of broad support from both our shareholders and creditors. More details in chapter 6 of this document.

# 5.2 Investments

## 5.2.1 Main investments over the past year

Solocal Group makes most of its investments in the Internet sector, where it seeks to improve the user's experience on fixed internet connection, smart phone and tablets, achieve more relevant search results, enhance the quality of content, increase the functionality of its websites (mainly pagesjaunes.fr, mappy.com, comprendrechoisir.com and avendrealouer.fr), strengthen processes for preparing service offerings, online publication plans and advertisements as well as data bases and CRM management.

The table below shows the Group's investment spending in proportion to consolidated revenue over the past three years:

| *(in millions of euros)* | 2014 | 2013 | 2012 |
|---|---|---|---|
| Consolidated revenue | 936.2 | 998.9 | 1,066.2 |
| **Tangible and intangible fixed assets** | **69.5** | **55.3** | **42.6** |
| As a percentage of consolidated revenue | 7.4% | 5.5% | 4.0% |

## 5.2.2 Main investments in progress and planned

The leader in local communication in France, Solocal Group's objective is to help its customers develop their business by bringing them leads through search and display services that increase their visibility, and digital marketing services that include, for example, websites, hotel and restaurant booking, online appointment booking with physicians and other professionals as well as home meal delivery. We are therefore pursuing our strategy of optimising all of our processes and continuously improving our websites and fixed, smart phone and tablet applications, in terms of search result relevance, user-friendliness and the range and quality of our services. We are also making a substantial investment in new sales software and a CRM system for our sales people, marketing teams and PagesJaunes production staff. Our current and future investments will be fully aligned with our strategy and innovation policy, with new products and services for our customers and enhanced functionality of our fixed and mobile websites. We expect to invest from 5% to 7% of our consolidated revenue.

Over the past few years, we have considerably increased our capital spending, from 43 million euros in 2012 to 70 million euros in 2014, to complete our transition to the Internet and to strengthen and adapt our information systems and tools.

To gain rapid access to new technologies and expertise we regularly invest in start-ups whose products and services are complementary to our own. We spend up to 15 million euros on such acquisitions annually.

Our investment policy has three priorities – Sales, Media & Content and Technology.

**Sales** – With almost 700,000 advertiser clients and over 2,300 salespeople, we naturally focus on our clients' concerns and on the challenges of monetisation. This is even more true since we launched our Digital 2015 transformation program, one of the pillars of which is the specialisation of marketing and sales staff and being able to show advertisers that they are getting a good ROI. We have therefore invested over 50 million euros to restructure our sales organisation in 2013 and 2014.

Sales and marketing specialisation is also expected to require additional annual expenditures of approximately 30 million euros.

**Media & Content** – Since the power of any media is basically measured by its audience, meeting the needs of advertisers and Internet users as effectively as possible, Solocal Group continuously invests to enhance its content and the quality of its search and transactional services. This is why, for example, we overhauled our pagesjaunes.fr website, which should be ready in the spring of 2015 after beta testing since December 2014. We also invest in search engine advertising (SEA), which includes search engine optimisation (SEO), search engine marketing (SEM) and social networks. Our Media & Content CapEx exceeded 40 million euros in 2014 and we intend to maintain this level of investment over the coming years.

**Technology** – Another objective of our Digital 2015 transformation plan is to acquire new tools that will enable us to keep pace with fast-changing Internet products and services and customer expectations, while improving the effectiveness of our sales, OTC, BI, finance, infrastructure, invoicing, production and other processes. In 2014, our CapEx for technology was almost 17 million euros and we intend to invest 20 million euros a year in 2015 and 2016.

We also invest *ca.* 10 million euros a year in real estate and IT infrastructures.

All of our investments are funded out of equity and are regularly reviewed by the Management Committee.

The Digital 2015 plan represents a total investment of about 200 million euros over the three years from 2013 through 2015, of which CapEx accounts for 70 million euros, with the additional selling expenses and non-recurring costs of reorganisation accounting for the remaining 130 million euros.

# 6. OVERVIEW OF BUSINESSES



**Solocal Group easily connects consumers with local businesses.**

Through our major brands (PagesJaunes, Mappy, ComprendreChoisir and AVAL) and our partnerships with global Internet players (Google, Bing, Yahoo! and Facebook), we:

- manage the local presence on the Internet and the local communication of 700,000 businesses;
- create rich and pertinent digital business content for our customers that is in tune with the targeted consumers.

**By focusing our positioning on the various businesses in the communication field and on establishing local relationships on the fixed and mobile Internet, we are now among the local communication leaders in Europe, with 936 million euros in advertising revenues** and a normalised gross operating margin of 37% in financial year 2014. The Digital business, which is the primary source of growth, now accounts for 68% of our revenues, whereas Print & Voice and Other Businesses now account for only 32% of our revenues.

**Solocal Group has strengthened its leadership in local digital communications by following a three-pronged strategy over the past several years:**

1. **A single set of digital content covering local businesses, including a growing number of transactional services, with 700,000 advertisers essentially in France and Spain.** We endeavour to constantly expand our local content base by continuously collecting and updating local data. In addition, all of our activities themselves contribute to expanding this content base:
   - services offered to advertisers: creation of fixed and mobile websites with guaranteed visibility on search engines, creation of business Fan Pages on Facebook, creation of "Great Deals", etc.,
   - the development of partnerships with vertical players (lafourchette, expedia.com, booking.com, autoplus, allocine.com),
   - publication of user reviews.
2. **Strong audiences generated by our own platforms** (PagesJaunes, Mappy, Comprendre Choisir, all three of which are among the Top 100 most visited sites in France), **and our partnerships** (Bing, Yahoo!, eBay, Facebook and Google). Solocal Group is among the six groups that have the most visited sites in France, with a monthly average of 22.6 million unique visitors on the fixed and mobile Internet (Nielsen NetRatings – January to October 2014). In 2014, we experienced record audiences: we generated over 2 billion visits in 2014, with PagesJaunes.fr exceeding 100 million monthly visits (excluding PagesBlanches). We are therefore continuing to expand on the digital front, while retaining print distribution as a key component of our ability to reach all consumers and offer our advertisers a full range of communication tools. Moreover, in 2014, printed directories confirmed their strong resilience. Nearly seven out of ten French consumers report consulting them, with a rate of use of 78% among consumers who have printed directories *(source: TNS Sofres)*.
3. **A dense sales network with nearly 2,300 specialised sales advisors trained to advise, design and develop our customers' digital and local communication strategy.** In a constantly evolving digital environment, we rely on a specialised sales force that is divided into five vertical business units (Commerce, Services, Home, B2B and Health & Public), thereby enabling us to market offers and services that are adapted to each of our markets.

   In sum, Solocal Group's strategy focuses on enriching the content we offer in order to expand our audiences, thereby increasing and maximising the return on our advertisers' investment, and enabling optimal monetisation of the traffic generated for our customers.

In 2014, with an aim to offer our customers services that are even more pertinent and adapted to their needs, we continued a transformation process with two main focuses: a reorganisation of our teams and a repositioning with greater emphasis on the digital sector.

**To carry out this process, Solocal Group launched and successfully carried out a capital increase of 440 million euros (of which, 361 million euros maintaining pre-emptive subscription rights and 79 million euros in the form of a reserved capital increase), together with a refinancing plan, both of which were announced on 13 February 2014. These two transactions were successfully completed thanks to very broad support from both our shareholders and our lenders.**

- Firstly, on 29 April 2014, over 96% of our shareholders voted in favour of the capital increase maintaining pre-emptive subscription rights.
- Subsequently, we received a total demand of over 920 million euros for this capital increase, *i.e.* a subscription rate of 255%.
- Lastly, we also obtained the approval of our lenders, who represented over 92% of our debts, to the scheme of arrangement *(sauvegarde financière accélérée)* plan. This plan was approved on 9 May 2014 and led to a partial early repayment of 400 million euros in consideration for extending the 2015 maturity dates to 2018, and giving the company a further option (subject to certain conditions) to extend these maturity dates until 2020.

**This refinancing plan also included numerous innovations in terms of refinancing:**

- This transaction combined an extension of the maturity dates of the Group's bank debt with a capital increase.
- Solocal Group was the first listed group in France to use the scheme of arrangement procedure for refinancing purposes, prompted by the fact that our pre-transaction bank debt was very high (1.2 billion euros).
- We requested our guarantors to guarantee the capital increase transaction during a long period of four months, the necessary time to set up this scheme of arrangement.
- Solocal Group increased its capital, which prior to the transaction was equal to the company's market capitalisation.
- As a result, the Solocal Group's enterprise value (combining market capitalisation and gross bank debt, under the standard definition) rose from 1.9 billion euros on 14 February 2014 before the transaction (over 80% of bank debt) to 2 billion euros as at 31 December 2014, with a better mix of market capitalisation and debt (approximately 6x% of bank debt).

**As a consequence of this transaction, in June 2014, Solocal Group completed a crucial stage of its financial restructuring.**

**Firstly, we reduced our net debt by nearly 400 million euros,** thereby bringing our net financial debt to about 1.165 billion euros at year-end 2013 (pro forma figures to account for the transaction), *i.e.* an overall reduction in our net debt of over 700 million euros since year-end 2011.

**Secondly, we negotiated less restrictive bank covenants.** The financial leverage covenant (the ratio between net debt and gross operating margin), which had been 3.75 times since December 2013, is now set in the new bank documents at 4.50 times until March 2015, then at 4.25 times until September 2015, and thereafter will remain stable at 4 times as from December 2015. These amended bank documents allow greater flexibility in managing the company.

**This reinforced financial structure gives us the means to complete our reorganisation and accelerate our Digital 2015 transformation programme and the expansion of our Internet businesses.** The deployment of our new customer organisation by vertical business units and the strengthening of our management teams were completed in H2 2014. The investments made in Digital 2015 should secure a return to overall growth in 2015 by generating about 75% of revenues from the Internet. The initial success of the Digital 2015 transformation programme is confirmed by the upturn in orders experienced by PagesJaunes SA between early August and the end of December 2014.

**The "Digital 2015" transformation plan, which the Solocal Group initiated in early 2013, accelerated the development of our digital businesses on the basis of our three key assets (content, audiences and sales network), with the goal of becoming an entirely digital company in 2015 and returning to overall growth.**

In support of this digital transformation, we initiated the "Digital 2015" transformation plan, which pursues the following challenges:

- **returning to overall growth in 2015 by generating over 75% of our revenues from the Internet** through specialised offers that focus on customers' needs, market by market, and by developing new capacities enabling us to assist them with their digital marketing;
- **increasing the efficiency of our fixed and mobile media,** by enriching users' experience and increasing profits for customers/advertisers;
- **adopting the operating methods of a nimble digital company** in managing our talent, and through our information systems, organisation and culture;
- **supporting** our expansion in France and abroad.

**This transformation is all at once operational, social and cultural. It has required a high degree of mobilisation by all teams and is now reflected on a daily basis in our relationships with our customers.**

Solocal Group has reorganised its sales and marketing structures and specialised them into five major vertical business units so to offer our customers local communication capabilities that are closely aligned with their marketing requirements, market by market. This decision capitalises on the success of JUMP, a pilot specialisation programme set up in 2011 that secured a return to growth in the real estate and restaurant markets.

In connection with this reorganisation, we redefined the working conditions and employment contracts of our operational teams, and offered our sales representatives a new employment contract and a marked shift toward digital technology jobs. This action led to significant turnover of our sales teams, due to the fact that 280 employees who declined to sign this new contract left the company. These employees were replaced, mainly by the external recruitment of new sales representatives specialised in the digital sector, as well as by several internal promotions.

**The Digital 2015 transformation programme required a significant investment plan of about 200 million euros, which will be spread over three years (2013-2015) on the basis of three objectives:**

- transforming the existing sales model by specialising our offers and focusing them on customers' needs, market by market, and by developing new capacities enabling us to assist them with their digital marketing: reorganisation costs of around 50 million euros in 2013-2014;
- as from 2014, investing an average of 35 million euros per year in commercial and structural costs associated with the reorganisation into vertical business units, across the five vertical business units;
- accelerating this technological evolution and our investment in digital technologies, with additional capital expenditure of around 70 million euros between 2013 and 2016.

**In 2014, the Group experienced the first visible impacts of these transformation actions, firstly with the start of operations based on these five vertical business units in September, which is a key milestone.**

**The initial successes of the Digital 2015 transformation programme include:**

1. **increased audiences generated by our own flagship media** (PagesJaunes, Mappy and ComprendreChoisir in particular) **and our media partners,** who generate increasingly useful traffic and offer a broader coverage of consumers' decision-making process, from the search for information to in-shop purchases. In 2014 we saw record mobile and fixed audience growth: +12% compared to 2013, with a particularly strong increase in mobile audiences of +35%;
2. **an in-depth customer-oriented reorganisation into five vertical business units on the French market, with a brand new marketing approach and customer relationship** offering precise and diversified digital solutions and proven ROI, and providing highly effective reporting and monitoring tools. The deployment of a new sales and marketing organisation on the basis of these five vertical business units (Commerce, Services, Home, B2B and Health & Public) was completed in 2014;
3. **the pursuit of new strategic initiatives,** such as PagesJaunesDoc, an online research and appointment scheduling solution for physicians and the continued development of Mappy Shopping;

4. **the (r)evolution in Solocal Group's corporate culture and the overhauling of all of our working methods,** which are now much more proactive and outward-looking.

These initial successes reinforce our positioning as a fully digital local communication company, that builds on:

- the development of unique Internet content for our 700,000 customers;
- the size of our audiences on the fixed and mobile Internet;
- the power of the partnerships we have closed with worldwide Internet players;
- our reorganisation into five vertical business units in order to better meet customers' digital communication needs and compete with existing vertical market places.

Solocal Group does business in a competitive advertising market with numerous players, in particular competitors that have recently expanded in one or more vertical markets (Yelp, Groupon, LaFourchette, Seloger.com, Le Bon Coin). Under these circumstances, Solocal Group has focused on a positioning that strives to distinguish us from our competitors with a pertinent and effective offer and by clearly showing customers their return on investment. The specificity of our positioning is also reflected in the associated customer service, we provide: customers are assisted by expert advisors, who offer their expertise and experience to service their needs.

# 6.1 The Group's development: audiences, businesses and customers

**Solocal Group assists our customers (small- and medium-sized businesses, local tradesmen and professionals, large companies) to develop and implement the local communication plan that is the most appropriate for their market and specific needs, using our own platforms or those of our partners. We offer these customers a tailor-made communication programme that is deployed on all media relevant to the consumers targeted.**

## 6.1.1 Audiences: sizeable audiences and continued growth

**Solocal Group builds on the size of our audiences, which have grown continuously.**

In 2014, we had over 2 billion visits on the fixed and mobile Internet, an increase of 12%. The mobile Internet accounts for a growing share of visits: 34% in 2014.

Solocal Group's applications (mainly PagesJaunes and Mappy) have been downloaded over 37 million times on smartphones and tablets in France, an increase of 21% compared to 2013.

In 2014, specifically oriented audiences towards businesses, topped 100 million visits per month [(1)], an increase of 22% over the entire year compared to 2013.

Bolstered by the performance of our brands (PagesJaunes, Mappy and Comprendre Choisir are ranked in the Top 100 by Médiamétrie Nielsen, etc.), Solocal Group's platforms reached five out of ten French consumers in 2014. Our Group's Internet platforms continue to generate sizeable audiences: 24 million unique visitors [(2)] to fixed and mobile websites in October 2014 (Solocal ranks us 6th among the most visited fixed and mobile sites in France).

| **Audiences** *(in millions of visits)* | **2014** | **2013** | **Change** |
|---|---|---|---|
| PagesJaunes | 1,484.5 | 1,324.0 | +12.1% |
| of which, mobile | 492.1 | 369.9 | +33.0% |
| Mappy | 331.2 | 310.5 | +6.7% |
| of which, mobile | 135.6 | 111.5 | +21.6% |
| ComprendreChoisir | 116.0 | 69.0 | +68.1% |
| of which, mobile | 38.8 | 15.3 | +153.6% |
| Other | 112.5 | 120.6 | -6.7% |
| **TOTAL*** | **2,044.2** | **1,824.0** | **+12.1%** |
| of which, mobile | 687.3 | 509.6 | +34.9% |

*Source: Solocal Group.*

* *Shutdown of 123people in Q1 2014.*

*On a like-for-like basis.*

(1) *102 million on average in the last four months of 2014 – Source: At Internet.*

(2) *Source: Médiamétrie NetRatings – October 2014.*

## 6.1.2 Main businesses

**In connection with its in-depth digital transformation, Solocal Group has organised its activities into new segments for reporting purposes, based on its two main business lines:**

- **Internet:** This business, which in 2014 accounted for 68% of Group revenues, focuses on two main types of products: "search and display" and "digital marketing". "Search and display" products are the historical base of our Internet business and generate the largest share of Internet revenues. Moreover, we are increasingly diversifying into "digital marketing" activities, primarily by offering new services to our existing "search and display" client base.
- **Print & Voice:** This business, which traditionally generated over half of Group revenues, but only 32% in 2014, is based primarily on our historical business, which is the publication, distribution and sale of advertising space in printed directories (PagesJaunes, *l'Annuaire*) and, to a lesser extent. Businesses such as telephone and SMS directory enquiry services (118 008) and certain PJMS activities.

The table below breaks down Solocal Group's revenues and EBITDA by business segment:

| *(in millions of euros)* | 2011 | 2012 | 2013 | 2014 | CAGR 2011-2014 | % 2013-2014 |
|---|---|---|---|---|---|---|
| INTERNET REVENUES | 567.1 | 617.3 | 630.9 | 632.5 | 3.7% | 0.3% |
| **Search & Display** | 444.0 | 486.8 | 495.7 | 497.4 | 3.9% | 0.3% |
| Number of visits *(millions of visits)* | 1,573 | 1,685 | 1,824 | 2,044 | 9.1% | 12.1% |
| ARPA *(in euros)* (1) | 782 | 842 | 857 | 893 | 4.5% | 4.3% |
| Number of clients *(in thousands)* | 574 | 582 | 586 | 545 | -1.8% | -7.0% |
| **Digital Marketing** | 123.1 | 130.5 | 135.2 | 135.2 | 3.2% | 0.0% |
| Penetration rate (2) | 18% | 20% | 22% | 22% | | |
| PRINT & VOICE REVENUES | 521.2 | 438.5 | 366.4 | 303.7 | -16.5% | -17.1% |
| **CONSOLIDATED REVENUES (3)** | **1,088.3** | **1,055.8** | **997.2** | **936.2** | **-4.9%** | **-6.1%** |

(1) *Average Revenue Per Advertiser.*
(2) *Percentage of "Search & Display" Internet clients benefitting from a "Digital Marketing" service.*
(3) *Pro forma, excluding Editus and Yelster.*

| | Recurring EBITDA (1)(2) | | | | | | Recurring EBITDA/revenues (1)(2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | 2011 | 2012 | 2013 | 2014 | CAGR 2011-2014 | % 2013-2014 | 2011 | 2012 | 2013 | 2014 |
| Internet | 242.0 | 253.7 | 255.8 | 192.8 | -7.3% | -24.6% | 42.7% | 41.1% | 40.6% | 30.5% |
| Print & Voice | 225.1 | 186.7 | 151.1 | 108.5 | -21.6% | -28.2% | 43.2% | 42.6% | 41.2% | 35.7% |
| **GROUP** | **467.2** | **440.4** | **406.9** | **301.3** | **-13.6%** | **-26.0%** | **42.9%** | **41.7%** | **40.8%** | **32.2%** |

(1) *EBITDA excluding non-recurring items such as restructuring and integration costs, impairment losses or exceptional costs like refurbishing costs for premises and double rents recorded in 2014 as part of the project to bring all Parisian activities onto a single area.*
(2) *Excluding Editus and Yelster.*

### 6.1.2.1 INTERNET

#### 6.1.2.1.1 Search & Display

These are activities carried out over the Internet. The main products are the creation and marketing of content and advertising space, listings, targeted advertising and the provision of advertising space for local and national advertisers (often referred to as "display"), as well as a complete range of products and services for the provision and distribution of information with local content. The Group's Internet business is mainly conducted in France, but also in Spain (QDQ Media, a wholly-owned subsidiary of the Solocal Group). This segment comprises the activity of "pagesjaunes.fr" and "pagespro.com", the creation and marketing of "search" and "display" content and advertising space, particularly through Horyzon Media's Internet advertising representation, as well as through online classified ads on "annoncesjaunes.fr" and "avendrealouer.fr".

Through our **pagesjaunes.fr** website, the ninth most visited site in France with nearly 16 million unique visitors, the Group offers our clients high visibility and meets Internet users' needs by providing them useful and precise information with constantly enriched content. The site generates interest and is attractive to users due to its services and database, which is regularly updated and has over 4 million detailed entries.

PagesJaunes.fr had 992.4 million visits in 2014. A majority of visitors to pagesjaunes.fr access the site directly, although it has audience partnerships with sites such as Google, Bing, Yahoo!, SFR and Free. In 2014, the SEO & Affiliates and Syndicated audiences accounted for around 45% of the audience of pagesjaunes.fr in number of visits.

PagesJaunes.fr can also be accessed by **mobile telephone** on an optimised version of the website and mobile applications. Currently, the PagesJaunes application is available for iOS, Android, Blackberry and Windows Phone. At year-end 2014, the PagesJaunes application had been downloaded 21.4 million times on all these platforms. In addition, since June 2014, the Autolib navigation system incorporates the PagesJaunes application. As at 31 December 2014, the mobile traffic of PagesJaunes totalled nearly 492 million visits, *i.e.* 33% of the audience of pagesjaunes.fr, a 33% growth.

**Mappy GPS Free, a navigation system that can be downloaded free of charge,** also offers business search capability using the Mappy "Business Card", which incorporates all of the PagesJaunes and PagesBlanches databases, as well as "Great Deals". This application had 3.6 million monthly visits by year-end 2014, and had been downloaded 5.2 million times (+34% over one year).

**The pagejaunes.fr website provides an innovative set of services that evolve regularly:**

- searches for businesses or individuals;
- the possibility of viewing and leaving reviews of businesses listed by PagesJaunes (on the fixed and mobile Internet). As at the end of December 2014, over 950,000 reviews had been left by users on both our fixed and mobile platforms. Moreover, on 13 November 2014, PagesJaunes was granted "NF Service" certification by AFNOR for the handling of unsolicited reviews posted on its site and mobile application;
- a search service for local "great deals", which can be accessed from the pagesjaunes.fr home page;
- transactional services that enable establishing a closer relationship, such as making reservations, scheduling appointments or requesting quotes;
- access to websites or detailed entries that describe businesses;
- map searches in partnership with Mappy, which enable pagesjaunes.fr users to quickly find a business by navigating in a geographical area directly on a map;
- aerial views provided by IGN and InterAtlas that cover all of France and that allow inter alia searching for a business or individual and then positioning the search result on an aerial view;
- "immersive views" on pagesjaunes.fr, which are available on Mappy for 320 cities and towns;
- a video-based search service called "video for businesses". This service, which was created in November 2009, allows pagesjaunes.fr users to find a business using its video. It currently provides access to nearly 17,000 videos of businesses;
- a free eco-responsible information service was launched with the assistance of a committee of independent and recognised experts in the eco-responsibility field, which enables users to search for businesses that highlight their corporate social and environmental commitments;
- in the B2B market, the pagespro.com website has been added to complement the products offered by the pagesjaunes.fr platform;
- access to the "QuiDonc" reverse directory, a free service since April 2008.

Furthermore, we strongly focus on the **return on investment (ROI) that we generate for our clients.** PagesJaunes has therefore developed a tool for its clients and potential clients – the "Business Center" – that enables them to track their advertisements, clicks and contacts, as well as to identify the platform used (fixed or mobile) and their origin. At the end of December 2014, the "Business Center" had over 870,000 accounts, of which almost 38% were accounts of potential clients.

Most clients have signed up for a listing service, which is our core business. This offer is marketed by all five vertical business units at various rates, with performance-based offers acquiring increasing importance.

As a publisher whose platforms generate strong audiences, Solocal Group is able to market the advertising space available on our sites in various formats, such as banner and block ads and skyscrapers. These spaces can be sold locally as well as nationally, depending on advertisers' location and/or business. Given the nature of our sites, the traffic that views advertisers' ads is highly qualified. Specifically, the premium portion of the inventory available on the pagesjaunes.fr home page is sold mostly on a cost per thousand (CPM) basis, and features numerous national advertisers. Furthermore, we continuously update our offers. For example, since October 2014, the Solocal Network business unit, which services our major accounts, has marketed "ADhesive", a new offer that has already proved successful with our advertisers. This product monitors our clients' advertising on websites visited by users on the basis of their prior searches on PagesJaunes.fr. It is expected that this offer will be expanded to all vertical business units in 2015.

As an Internet advertising representative, Horyzon Media, a subsidiary of the Group, plays a key role. It markets advertising space on 70 general public websites to national advertisers, and handles media buying for the national advertisements of all fixed and mobile websites of the Solocal Group in France.

This Group's subsidiary is one of the major click-based campaign platforms in France, with a network of 12,000 affiliated sites. In 2014, all sites marketed by Horyzon Media had an average monthly reach rate of 56.7%, *i.e.* an average of 26 million unique visitors each month (source: Médiamétrie/NetRatings), providing broadcasters with one of the highest French Internet user reach rates. We have also created a specific mobile Internet offer.

In 2012, Horyzon Media introduced "AdExchange" platforms, which provide improved matching of supply and demand for advertising spaces on the fixed and mobile Internet using a real-time auction system.

#### 6.1.2.1.2 Digital Marketing

The Solocal Group's Digital Marketing solutions offer all businesses, from microenterprises to the largest brand networks, the possibility of expanding their presence on the Internet beyond pagesjaunes.fr, and to benefit from transactional services to establish relationships.

Our digital presence solutions include creating and hosting websites and listing them with pagesjaunes.fr, affiliated partners and search engines (SEO – natural listing, or SEM – paid listing). The sites, we develop for our clients, are compatible with mobile use. In addition, solutions that retarget Internet users expand the visibility of our clients' sites on our partner's premium portals.

Solocal Group also offers transactional services that create contacts and that are suited to business needs: requesting a quote online and establishing contact with building tradesmen on Sotravo, requesting an online quote on the themed content site ComprendreChoisir.com published by Fine Media, scheduling an appointment online using technology developed by ClicRDV, ordering ready meals from locally-listed restaurants and arranging for home delivery on Chronoresto.fr, Web-to-Store solutions using Mappy's mapping assets and Leadformance's store locator technology. Furthermore, Solocal Group provides its clients with the possibility of creating and highlighting "couponing" promotional offers (123deal and Smartprivé), promoting and highlighting Good Deals on pagesjaunes.fr, and creating and managing direct marketing campaigns (SMS, targeted e-mailing).

**WEBSITES**

The Group is No. 1 in France and one of the leaders in Europe in website creation, hosting, management and listing. At year-end 2014, we managed almost 256,000 sites in France and abroad, including 115,000 PagesJaunes sites.

PagesJaunes offers businesses a complete turnkey **website creation, hosting and listing service** that enables them to promote their activities on a website. This offer is a natural extension of our relationship with advertisers, which reinforces Solocal Group's strategy to build client loyalty.

Over the last five years, PagesJaunes has expanded its range of sites with the "Internet Visibility Pack" and an entry-level product marketed as a 12- or 24-month subscription, called "Site Présence". Since mid-2014, the Internet Visibility Pack is being gradually replaced by a new type of vertical site, the "Internet Visibility Sites", which are more user friendly and offer a new design adapted to each client's business sectors. Lastly, PagesJaunes now markets a range of e-commerce sites in partnership with eBay. An advertiser that opts for a PagesJaunes e-commerce site can also have an online shop on eBay's marketplace.

The "Sites" offer provides advertisers that subscribe to this service with increased visibility on the Group's media, search engines, fixed and mobile partner sites. These sites are optimised by PagesJaunes so that they can be easily accessed from pagesjaunes.fr, but also through the various search engines on the market. Since 2010, a mobile version has been available, which is optimised for all application platforms and smartphone formats. This offer has been expanded over time to take into account the specific needs of advertisers in their respective sectors. For example, the Group regularly launches new offers that enable advertisers to enhance the visibility of their website(s), such as paid listings on Google, Yahoo! and Bing pursuant to agreements entered into with those search engines. This activity consists of purchasing key words that offer excellent visibility to websites on those search engines. In addition to Bing and Yahoo!, a partnership agreement was signed with Google in September 2013 in order to incorporate Google AdWords into this offer.

Furthermore, Leadformance, a wholly-owned Solocal Group subsidiary since June 2014, offers businesses fully customised mini-sites for each of their shops. This company, which is the leader in France in locating retail outlets using the Internet and creating online-offline contacts, has developed a SaaS platform for this purpose, called "BRIDGE". This platform enables clients to increase their online brand visibility while bringing traffic directly to their retail outlets. In addition, Leadformance offers to create and manage stock clearance pages for shops. This enables Internet users to easily access all information they need to visit clients' retail outlets (store hours, services, products, etc.), download coupons and contact merchants directly.

As at the end of December 2014, Leadformance had a portfolio of almost 141,000 sites, of which 55% were abroad.

**In addition to PagesJaunes and Leadformance,** our website creation offer has been expanded to other Group brands in France and abroad, some of which are specialised and offer value-added services:

- **creation of specialised sites:** real estate sector (A Vendre A Louer), major accounts and networks, creation of sites with guaranteed visits (PJMS' "Site Connect"), dedicated offers (restaurants and health professionals);
- **creation of sites abroad:** creation of "Solucion Web" sites, paid and natural listing and creation of videos in Spain (QDQ Media);
- **creation of Facebook Fan Pages:** offered to businesses in order to expand their audience on social networks.

QDQ Media is the leading website producer in Spain with over 24,000 clients at year-end 2014. The company offers its advertisers a broad range of online advertising products and numerous digital services that enhance their visibility on the Internet and enable them to manage their presence on social networks (Facebook, blogs, etc.). In June 2008, QDQ Media signed an agreement with Google to distribute the AdWords programme to its local advertisers. QDQ Media expanded its Internet offer by launching a standardised natural listing offer for "Solucion Web" that increases advertisers' visibility. Currently, over 80% of user searches on the "qdq.com" search engine lead to a QDQ Media customer site.

Lastly, Solocal Group has set up partnerships with online directories and agencies throughout the world, with the aim of marketing our technological solutions and know-how (creation of websites and Fan Pages, digital marketing and sales consulting) for local advertisers. The first partnership was initiated in 2012 by its subsidiary PJMS with local.ch for the purpose of offering a website creation and management solution to SMEs and microbusinesses in Switzerland. Since the marketing test was launched using a portion of the local.ch sales force, over 700 sites have been sold and 446 sites are already online.

#### TRANSACTIONAL SERVICES

In addition, Solocal Group offers our advertisers a certain number of transactional services.

Most of these services can be accessed on pagesjaunes.fr from an advertiser's detailed directory entry using the "action buttons" (book, order, etc.), as well as from websites created by PagesJaunes. These services enable users to:

- schedule an appointment online with a business (ClicRDV) or physician (PagesJaunesDoc);
- book a hotel: to expand this service, in 2014 Solocal Group signed a partnership agreement with Expedia;
- book a table at a restaurant. As a result of a partnership agreement concluded in 2014 with LaFourchette, all restaurants listed on LaFourchette can now be booked directly from pagesjaunes.fr, and users can also take advantage of any promotions offered;
- order ready meals online and arrange for home delivery, as a result of the recent acquisition of Chronoresto, which is now fully incorporated into pagesjaunes.fr;
- take advantage of "Great Deals", *i.e.* promotions offered by our clients to their customers;
- request a quote from a tradesman listed with the Home vertical business unit (Sotravo).

Furthermore, the new Web-to-Store services developed by Mappy have led to new offers marketed to businesses:

- Mappy Shopping, which enables merchants to put their stock of products online;
- Vitrine Digitale, which enables merchants to post photos of their shop online.

Lastly, the avendrealouer.fr and annoncesjaunes.fr sites, which together had over 58 million visits in 2014, offer a vast selection of real estate advertisements.

### 6.1.2.2 PRINT & VOICE

#### 6.1.2.2.1 Print

**This segment includes the Group's activities in relation with the publication, distribution and sale of advertising space in printed directories (PagesJaunes, PagesBlanches). Solocal Group sells advertising space, designs advertisements for our clients and creates the layout for the directories. Printing and distribution, which are handled by external service providers, are variable costs. Following the sale of its 39% stake in Editus in October 2012 and the shutdown of the Printed Directories business in Spain at the end of December 2012, the Printed Directories business has since 2013 been conducted exclusively in France.**

The 2014 edition consisted of 239 different directories (129 PagesJaunes directories, 93 PagesBlanches directories and 17 *l'Annuaire* directories). The publication of these directories is staggered throughout the year. Advertising space in the directories for a particular year is sold from April of the previous year to the end of July of the year of publication. On average, preparation of a directory takes six months. Advertising space is not sold in the *l'Annuaire* directories, as these directories are published to comply with the decree on universal service, which PagesJaunes was appointed to provide.

#### 6.1.2.2.2 Other Businesses

This segment includes, firstly, activities specific to Solocal Group, such as telephone and SMS directory enquiries services (118 008) and the QuiDonc reverse directory. This segment also includes certain PJMS activities (formerly PagesJaunes Marketing Services): telemarketing, data mining (database processing), file creation, dealing with potential clients and traditional direct marketing activities (inputting entries and posting mailings).

# 6.2 Description of the five vertical business units

Consistent with its strategy for returning to growth and offering our customers the best possible services, Solocal Group has opted for a new organisation, which is more in line with this constantly changing market. This new organisation into six business units of which five vertical on the French market (Commerce, Services, Home, B2B, Health & Public) enables us to offer our customers communication solutions that more closely match their marketing needs.

**In connection with these changes, we have rethought our business model and reshaped our organisation to match the practices of the digital sector in order to develop a successful customer experience and increase our focus on winning new business:**

- our local communication advisors are now specialised by business unit and each one has an optimised sales prospecting area;
- employees' sales representative contracts and the concept of a guaranteed customer portfolio have been abandoned and replaced with an organisation that combines secure contracts for employees (management status) and time management that focuses on service and return on investment for customers;
- each business unit sets its objectives for acquiring and developing a customer base and maximising customer loyalty, and can adjust these objectives as matters evolve. This decentralised management system enables governance that closely matches the specific features of the relevant market.

This initiative capitalises on the success of the JUMP sales force specialisation pilot programme, which was set up in 2011 for the real estate and restaurant markets.

**Each business unit has its own governance model, which comprises:**

- a Managing Director;
- a sales department that includes the Regional Sales Directors, the Sales Managers, the Regional Marketing Managers and the sales representatives in the field, as well as customer and prospective customer telemarketers;
- a marketing department that includes specialised managers who cover each market of the vertical business unit;
- an operations department with supervisors and project managers;
- the Services business unit also has an "advertising" business that relies on dedicated teams (marketing, sales and management control) and support (technical and customer relations), with employees who handle technical issues, customer support and marketing, and a dedicated sales force.

## 6.2.1 Solocal Habitat

| | 2014 | CAGR 2011-2014 |
|---|---|---|
| Internet revenues *(in millions of euros)* (1) | 180 | |
| Audience *(in millions of searches)* | 110 | |
| Number of Internet clients *(in thousands)* | 120 | -2.5% |
| ARPA (2) Search & Display | €1,170 | 7.6% |
| Digital Marketing penetration rate (3) | 24% | +4 pts *vs.* 2011 |

*(1) France.*
*(2) Average Revenue Per Advertiser.*
*(3) Percentage of "Search & Display" Internet clients benefitting from a "Digital Marketing" service.*

#### 6.2.1.1. THE MARKET OF THE HOME VERTICAL BUSINESS UNIT

The market of the Home vertical business unit includes all home construction, renovation, maintenance and emergency repair businesses. These businesses include tradesmen, construction SMEs, emergency repairmen, sellers/installers of home equipment (kitchens, verandas, swimming pools, etc.).

This business sector is experiencing difficulties and has declined over the past two years, with the new construction market being the most severely impacted. Furthermore, the sale of renovated existing housing has seen slight growth due to energy efficiency subsidies.

Another feature of the Home market is that advertising is a major issue for the tradesmen in this sector, for whom over half of their revenues is generated by new customers. This is also a market in which print retains a significant share, although, however, the various players are gradually moving online.

#### 6.2.1.2. THE POSITIONING OF THE HOME VERTICAL BUSINESS UNIT

Solocal Group's vision is to assist firms in the Home sector to expand their businesses through advertising.

Therefore, the Home vertical business unit focuses on:

- increasing market share by offering, for example, new services in the form of key packages in order to enhance clients' visibility, and promoting digital marketing to its customers;
- developing transactional solutions on PagesJaunes.fr in order to facilitate establishing relationships between businesses and consumers;
- shifting its platforms towards new models that require contributions, thereby capitalising on the role that users' recommendations play.

The Group has key advantages in this Home market:

- significant market penetration;
- expertise in fixed and mobile Internet advertising that is recognised by tradesmen;
- powerful platforms, such as PagesJaunes.fr, ComprendreChoisir.fr (the leading site in the home sector) and printed directories, which provide its clients with a large number of contacts;
- a complete overall offer that is the result of our website's and subsidiaries' offers, in particular (Sotravo, PJMS, etc.).

#### 6.2.1.3. THE COMPETITION FACED BY THE HOME VERTICAL BUSINESS UNIT

Solocal Group's position in the Home market is challenged by active players in various segments:

- specialist companies in the works sector that have positioned themselves as tools to establish contact between tradesmen and individuals: 123devis.com, choisirunartisan.fr, sefaireaider.com, etc.;
- non-specialist players that emphasise digital marketing offers: Google, LeBonCoin, Linkeo, Mediapost.

### 6.2.2 Solocal Services

| | 2014 | CAGR 2011-2014 |
|---|---|---|
| Internet revenues *(in millions of euros)* [1] | 123 | |
| Audience *(in millions of searches)* | 200 | |
| Number of Internet clients *(in thousands)* | 80 | -2.1% |
| ARPA [2] Search & Display | €1,160 | 5.0% |
| Digital Marketing penetration rate [3] | 24% | +3 pts *vs.* 2011 |

*(1) France.*

*(2) Average Revenue Per Advertiser.*

*(3) Percentage of "Search & Display" Internet clients benefitting from a "Digital Marketing" service.*

#### 6.2.2.1. THE MARKET OF THE SERVICES VERTICAL BUSINESS UNIT

The market of the Services vertical business unit breaks down into various segments:

- **Automobile/motorcycle commerce and maintenance:** dealers, mechanics, vehicle inspections, body shops, auto centres and specialists;
- **Services for individuals:** taxis, undertakers, personal services, psychics;
- **Real estate:** real estate agents, notaries, inspectors;
- **Banking and insurance:** banks, supplemental health plans, insurance companies, brokers.

#### 6.2.2.2. THE POSITIONING OF THE SERVICES VERTICAL BUSINESS UNIT

In this market, digital maturity varies significantly by sector. The Services vertical business unit aims to provide greater assistance to our clients as they transition to online advertising by proposing communication plans that offer return on investment (ROI) in order to better meet their needs.

The vertical Services business unit seeks to offer services that are increasingly adapted to its various segments and concentrates on the following key issues:

- offering diversified **media solutions;**
- pursuing the development of **display** advertising, a process that has already been initiated with the launch of a CPM offer;
- reinforcing **transactional services,** through the "Great Deals" offer in particular;
- expanding the personalisation of services offered to clients by developing custom-made solutions for **websites;**
- improving **services** with increasingly diversified and sophisticated measurement tools.

More specifically, in the real estate advertising market, in spring 2011, Solocal Group acquired one of the three leaders in the real estate classified advertising field, the "A Vendre A Louer" website. This acquisition enables us to enhance our offer to our advertisers in the real estate sector and to improve our competitive position.

The Group has significant market advantages:

- a large sales force with solid knowledge of the local market;
- two powerful and dynamic platforms: PagesJaunes, a well-known general platform, and A Vendre A Louer, a dedicated platform that is one of the leaders in the real estate classified advertising field;
- offers adapted to this market, such as the "Pack Vitrine", which offers real estate classified ads on Annonces Jaunes and A Vendre A Louer, the vertical Internet visibility card, a new offer of sites that are more user friendly and effective in terms of natural listings, direct marketing offers through its PJMS entity, etc.

#### 6.2.2.3. THE COMPETITION FACED BY THE SERVICES VERTICAL BUSINESS UNIT

The vertical Services business unit faces well established competitors:

- specialised players in the real estate sector: SeLoger.com (Axel Springer group), Explorimmo (AdenClassifieds), Logic Immo (Spir Communication), Reflexímmo (S3G), De Particulier à Particulier, EntreParticuliers.com;
- specialised players in the automobile, banking and insurance sectors: La Centrale, loan and insurance comparison sites; and
- non-specialised players: leboncoin.fr (Schibsted group), ParuVendu, TopAnnonces (Spir Communication), regional and national daily press publishers, Vivastreet, etc.

## 6.2.3 Solocal Commerce

| | 2014 | CAGR 2011-2014 |
|---|---|---|
| Internet revenues *(in millions of euros)* [1] | 128 | |
| Audience *(in millions of searches)* | 470 | |
| Number of Internet clients *(in thousands)* | 150 | -1.5% |
| ARPA [2] Search & Display | €650 | 1.5% |
| Digital Marketing penetration rate [3] | 16% | +5 pts *vs.* 2011 |

*(1) France.*

*(2) Average Revenue Per Advertiser.*

*(3) Percentage of "Search & Display" Internet clients benefitting from a "Digital Marketing" service.*

#### 6.2.3.1. THE MARKET OF THE COMMERCE VERTICAL BUSINESS UNIT

The market of the Commerce vertical business unit includes businesses offering local services in various segments:

- **Merchants with transactional potential:** restaurants, beauty salons, accommodations;
- **Neighbour-hood shops,** a segment that includes high-street businesses, such as florists, wine shops, dry-cleaners and local grocers;
- **Sports clubs and leisure activities:** sports clubs, cultural establishments;
- **Chains:** supermarkets, clothing shops, DIY shops.

#### 6.2.3.2. THE POSITIONING OF THE COMMERCE VERTICAL BUSINESS UNIT

The various segments within the Commerce vertical business unit pursue diverse communication strategies. Although most advertisers invest primarily to promote their image and in direct offline marketing (advertising mail), certain businesses (mainly restaurants and accommodations) have developed transactional solutions (online appointment scheduling, deals and websites), which already account for a significant share of total advertising in this market.

To meet the diversity of its clients' demands and needs, the Commerce vertical business unit has developed an overall digital offer, but retains a strong presence in printed directories and other paper media.

The Commerce vertical business unit focuses on:

- gaining new customers and territories;
- increasing the share of its clients' advertising that it publishes by developing mobile platforms and optimising existing platforms;
- further enhancing the personalisation of services offered in order to more closely match demands.

The Commerce vertical business unit has significant advantages in this market:

- a dense local network;
- PagesJaunes, which is a particularly strong brand: one merchant in four advertises on PagesJaunes;
- extensive coverage of its clients' communication needs through a broad range of online and offline media;
- highly diversified offers, adapted to this market and its various sectors: transactional solutions, print, searches, Web-to-Store, etc.

#### 6.2.3.3. THE COMPETITION FACED BY THE COMMERCE VERTICAL BUSINESS UNIT

The Commerce vertical business faces a variety of competitors in its market:

- Internet pure players with disruptive models, such as Yelp, JustEat, TripAdvisor, etc.

It should be noted that in the hotel reservation field, Solocal Group is both developing its own solutions and has signed cooperation agreements with Expedia and Booking.

## 6.2.4 Solocal Health & Public

| | 2014 | CAGR 2011-2014 |
|---|---|---|
| Internet revenues *(in millions of euros)*[1] | 65 | |
| Audience *(in millions of searches)* | 550 | |
| Number of Internet clients *(in thousands)* | 80 | 2.7% |
| ARPA [2] Search & Display | €700 | 4.1% |
| Digital Marketing penetration rate [3] | 10% | +2 pts *vs.* 2011 |

*(1) France.*
*(2) Average Revenue Per Advertiser.*
*(3) Percentage of "Search & Display" Internet clients benefitting from a "Digital Marketing" service.*

### 6.2.4.1. THE MARKET OF THE HEALTH & PUBLIC VERTICAL BUSINESS UNIT

The market of the Health & Public vertical business unit covers public institutions, the liberal professions and professionals in the health sector. This market breaks down primarily into four segments:

- **Public sector:** the State and worker protection, local governments (cities and towns, metropolitan areas, departmental councils *(conseils généraux)*), chambers of commerce *(organismes consulaires)*, professional associations, etc.;
- **Education:** driving schools, professional training institutions, primary, secondary and higher education, individual tutoring services, etc.;
- **Liberal professions:** lawyers, chartered accountants, physicians, architects, auditors, surveyors, veterinarians, etc.;
- **Health sector professionals:** health professionals, whether or not regulated by a professional association, pharmacies, health establishments and services, etc.

### 6.2.4.2. THE POSITIONING OF THE HEALTH & PUBLIC VERTICAL BUSINESS UNIT

The Health & Public vertical business unit covers sectors that advertise little, in particular due to regulatory restrictions. As this market gradually opens to advertising, Solocal Group intends to gain market share and to become a leader in this sector by selling sites and providing online appointment scheduling solutions.

Despite this regulatory and budgetary context, the health market is buoyed by strong demand due to an ageing population, a high birth rate, and a greater focus on prevention and screening. The public market must now take into account the fact that users have become "consumers" of public services who have high expectations for easy online access to such services.

The Health & Public vertical business unit focuses on:

- optimising listings and increasing visibility on online media in order to improve users' experience and maximise audience loyalty (navigation/user friendliness and content);
- facilitating business management for customers: online appointment scheduling, secretary services, etc.;
- handling patient oversight, in particular for health professionals: ensuring personalised continuity of care, conducting information campaigns, etc.;
- expanding the personalisation of services offered to clients by developing tailor-made solutions for websites;
- improving services with increasingly diversified and sophisticated measurement tools.

The Group has significant advantages in this Health & Public market:

- a large sales force with solid knowledge of the local market;
- a powerful non-specialist platform that generates strong audiences in this specific sector;
- offers adapted to this market: hotlines, online appointment scheduling, relationship marketing campaign. A meaningful example is the launch of PagesJaunesDoc, a specialised online appointment scheduling solution.

### 6.2.4.3. THE COMPETITION FACED BY THE HEALTH & PUBLIC VERTICAL BUSINESS UNIT

The Health & Public vertical business unit faces splintered competition with numerous players offering very different communication solutions (direct marketing, specialised press, advertising leaflets, etc.).

## 6.2.5 Solocal B2B

| | 2014 | CAGR 2011-2014 |
|---|---|---|
| Internet revenues *(in millions of euros)*[1] | 115 | |
| Audience *(in millions of searches)* | 210 | |
| Number of Internet clients *(in thousands)* | 90 | -4.8% |
| ARPA [2] Search & Display | €1,030 | 4.3% |
| Digital Marketing penetration rate [3] | 18% | +4 pts *vs.* 2011 |

*(1) France.*
*(2) Average Revenue Per Advertiser.*
*(3) Percentage of "Search & Display" Internet clients benefitting from a "Digital Marketing" service.*

#### 6.2.5.1. THE MARKET OF THE B2B VERTICAL BUSINESS UNIT

The B2B market includes major national advertisers, as well as 500,000 SMEs, that are active in various business sectors:

- **business services:** photocopying services, messengers, call centres, logistics, polling organisations, medical secretary services;
- **wholesale commerce:** construction materials, office furniture, packaging, wholesalers, etc.;
- **industry:** printing, signs, forklift hire, butchers and abattoirs, dental prosthetists, etc.;
- **construction and public works:** public works, lift repairs, plumbing materials, excavation works, car park equipment, etc.;
- **agriculture:** farmers, cattle farms, grain producers, organic produce farmers, animal breeders;
- **tradesmen:** furniture manufacturers, upholsterers and decorators, fashion designers, costumiers, carpenters, tailors, etc.

These businesses all face similar advertising issues because of their clientele. Nevertheless, the variety of the business sectors represented requires that Solocal Group's teams have in-depth knowledge of these markets in order to design communication and marketing actions whose purposes may differ.

#### 6.2.5.2. THE POSITIONING OF THE B2B VERTICAL BUSINESS UNIT

Solocal Group positions itself as an expert in its clients' digital communication and marketing needs.

The B2B vertical business unit focuses on:

- finely segmenting the various businesses in this market in order to offer services that closely match our clients' needs;
- assisting clients in moving online and diversifying their online communication resources;
- providing clients with the best local communication tools and proving to them the value and return on investment generated.

The Group has significant advantages in this major accounts market:

- powerful and effective platforms and listings • direct marketing solutions;
- highly effective website solutions that take advantage of the power of PagesJaunes;
- a dedicated local leading sales force.

#### 6.2.5.3. THE COMPETITION FACED BY THE B2B VERTICAL BUSINESS UNIT

In this market, Solocal Group faces companies that specialise in certain media, although no single company has emerged as a leader, and competition takes place among equals. These competitors, by platform, include:

- Search: Google, etc.;
- Specialised directories: Companeo, Kompass, hellopro.fr, societe.com, etc.;
- Specialised media: Infopro, Le Moniteur, Facilities, etc.;
- Tradeshows and public relations: Reed Expositions, Comeposium, etc.;
- Sites: Linkeo, etc.;
- Direct marketing and CRM: Mediapost, etc.

### 6.2.6 Chains, brands, major accounts and international activities

**Solocal Network,** the Group's structure dedicated to major brands and chains, does business in France and abroad. It offers a broad range of innovative digital services to improve the performance of local brand communication, in proximity with consumers and buying decisions.

Solocal Network's teams are experts in the three key digital tools:

- local searches (in conjunction with the teams of the PagesJaunes' major accounts department);
- geolocated displays on the Internet and mobile devices (in conjunction with the Horyzon Media advertising representative and using the Group's AdExchange solutions); and
- digital marketing though its dedicated subsidiaries (ClicRDV, No. 1 in Europe in online appointment scheduling, Leadformance, the leader in Europe in store locator solutions).

This business unit focuses on:

- more closely matching the various platforms to the specificities of major accounts. PagesJaunes.fr will be optimised to meet the demands of this market in particular;
- increasing its sales power in an appropriate and structured manner, by consolidating its sales teams and their organisation;
- investing massively in its capacity to collect, use and analyse data in order to assess the return on investment of the various actions carried out.

This business unit focuses primarily on:

- developing smart data through the new "Adhesive" offer, which has been available since October and which has already proved quite successful with our advertisers. This product monitors our clients' advertising on websites visited by users on the basis of their prior searches on PagesJaunes.fr. This offer, which is promoted by the London office, has significant commercial potential for the various vertical business units in France, as well as with the chains, major accounts and brands in France and abroad;
- managing our clients' digital presence by creating sites, in particular with Leadformance, a wholly-owned Solocal Group subsidiary since June 2014, which offers businesses completely personalised mini-sites for each of their shops ("StoreLocator"). This activity relies on both the business website creation platform in Spain (QDQ Media) and the technological expertise cluster in Austria (Yelster Digital).

In this market, Solocal Group faces most of the competitors that are active in the other vertical markets, both specialists and non-specialists.

# 6.3 Exceptional events

At the time of publication, no exceptional event had taken place.

# 6.4 Relations with shareholders

Médiannuaire Holding was a director of the Company until 5 November 2014. There has been no mutually binding agreement between the Company and Médiannuaire Holding since 2013.

Médiannuaire Holding (MDH), controlled by Promontoria Holding 55 B.V. since 27 March 2013, has since this date held 51,960,633 Solocal Group shares representing 18.49% of the Company's capital, subsequent to a transfer of 101,679,554 Solocal Group shares in payment for a portion of its debt.

After the capital increase of 13 May 2014, Promontoria Holding 55 B.V. reported that it held directly and indirectly *via* Médiannuaire Holding 95,480,316 Solocal Group shares, representing 8.22% of the Company's capital.

On 25 August 2014, Promontoria Holding 55 B.V. informed the Company that its direct and indirect holdings held via MDH had fallen below the 5% voting rights threshold on 13 August 2014 and that on 22 August 2014 it held 29,483,213 Solocal Group shares representing 51,012,741 voting rights, representing 2.54% of the Company's capital and 4.31% of its voting rights via MDH.

Lastly, Promontoria Holding 55 B.V. informed Solocal Group that its shareholding held directly and indirectly via MDH, which it controls, fell below the statutory thresholds of 1% capital and voting rights on 6 November 2014.

# 6.5 The Group's dependence on certain factors

## 6.5.1 Dependence on patents and licences

Solocal Group owns many trademarks and domain names for a wide range of products and services, both in France and internationally, including the "PagesJaunes", "Les Pages Blanches", "QDQ, La Guía Útil", "QuiDonc", "Mappy", "123people", "Solocal", "Horyzon Media", "123deal", "PJMS", "Keltravo", "A Vendre A Louer", "LeadFormance", "ClicRDV", "ComprendreChoisir", "Chronoresto", "ZoomOn", "123pages" and "Embauche.com" trademarks.

Solocal Group thus owns all the trademarks it uses for its business.

Furthermore, the Group has registered a large number of domain names, including solocal.com, pagesjaunes.fr, pagesblanches.fr, pagespro.com, quidonc.fr, mappy.com, 123people.com and qdq.com. Solocal Group has also registered or begun registering numerous domain names for each of its sites in the countries where it operates or could operate.

## 6.5.2 Dependence on supply contracts and industrial contracts

### 6.5.2.1 PURCHASE OF PAPER

Solocal Group concludes framework agreements each year with a number of paper suppliers from among the world's largest paper groups. Paper supply contracts include commitments to purchase a volume of paper within a minimum-maximum range. PagesJaunes does not consider itself dependent upon any of these suppliers.

### 6.5.2.2 PRINTING

To have its BtoC directories printed, Solocal Group has signed an exclusive agreement with one printer covering the three years from 2014 to 2016. This contract does not include a volume commitment.

#### 6.5.2.3 DISTRIBUTION

Each year, PagesJaunes concludes contracts with various companies to have the PagesJaunes and the PagesBlanches directories distributed. These contracts include volume and revenue commitments. PagesJaunes does not consider itself dependent on any of these distributors.

#### 6.5.2.4 ACCESS TO DIRECTORY DATA

The Company has signed agreements with a number of operators providing access to their subscriber databases. In general, these agreements are for a one-year period, renewable by tacit agreement for periods of one year.

Under these contracts, the Group's total costs to have access to operator databases for publication purposes (printed directories and online services) amounted to over 5 million euros in 2014. This amount includes a 2.168 million euros payment to Orange, under a contract to make its directory data available.

# 6.6 Regulations

In addition to the regulations generally applicable to companies in the countries in which Solocal Group is present, Solocal Group is more specifically subject to information society legislation with regard to its directories business.

As PagesJaunes is mainly present in Europe, particularly in France, the discussion below focuses on European and French regulations.

## 6.6.1 Information society regulations

#### 6.6.1.1 INTERNET CONTENT REGULATION AND OPERATORS' RESPONSIBILITY

The European Directive of 8 June 2000 on certain legal aspects of information society services, and in particular on electronic commerce, which establishes the obligations and responsibilities of Internet operators, was due to be transposed into French law before 17 January 2002. This directive had been partially transposed in France *via* the Act of 1 August 2000, which amended the Act of 30 September 1986 with a new chapter entitled "Provisions on online communication services other than private correspondence" (Articles 43-7 to 43-10).

This Act created a direct or indirect identification obligation for online communication service publishers. Its Article 43-10 includes an obligation that individuals publishing an online communication service for non-professional purposes include their name and address on the website, or failing that the name and address of the hosting company of their website if they wish to maintain their anonymity. Individuals and legal entities who publish a website for professional purposes must include their exact contact details on their website (company name, registered office and the name of the publication's director or co-director) as well as the name and address of their hosting provider.

To that end, hosting services must provide publishers with the technical means enabling them to meet their identification obligations (Article 43-9).

As regards the hosting service's responsibility for the content of the hosted services, Article 43-8 stipulates that hosting providers are neither criminally nor civilly responsible for the content of the services they host unless, after being contacted by a legal authority, they do not act promptly to prevent access to the said content.

Furthermore, within the context of their identification obligations, hosting providers are required to retain all the information necessary to identify the person who created or produced the content of the services they host in order to be able to provide this information to the legal authorities upon request (Article 43-9).

This provision was supplemented by the Digital Economy Trust Act (or "LCEN" Act) of 21 June 2004, which stipulates the liability regime of technical service providers on the Internet and deals, in particular, with electronic commerce and data encryption.

The LCEN Act also states that hosting providers are not subject to a general obligation to monitor the information they transmit or store, nor a general obligation to investigate the facts or circumstances surrounding illegal activity. However, the judicial authorities may order targeted and temporary monitoring in individual cases.

Furthermore, the LCEN Act stipulates, in Article 6, paragraph I-2, that "individuals or legal entities which, even free of charge, provide storage services for signals, documents, images, sounds or messages of any kind provided by the recipients of these services and to be made available to the general public by means of online public communication services are not civilly liable for the activities or information stored at the request of a recipient of said services if they had no knowledge of the illegal nature thereof or of the facts and circumstances making the aforementioned illegal, or if, from the time they became aware, they acted promptly to remove said data or to prevent access".

The hosting provider, however, is only liable if the content or information in question is manifestly illegal and it fails to take prompt measures to remove such information or make it impossible to access. A recent decision by the Paris Court of Appeal (*Cour d'appel de Paris*) on 2 December 2014 confirmed this, citing Article 6 paragraph I-2 of the LCEN act, by ordering Dailymotion, in its capacity as a web host, to pay 1.2 million euros in damages for having failed to promptly remove videos from its website after being notified to do so by the rights holder.

Lastly, on 10 June 2014, the Conseil constitutionnel formulated the following interpretative reservation on this provision of the LCEN act: "[...] paragraphs 2 and 3 of section I of Article 6 of the Act brought before the Court have the sole consequence of excluding hosting service providers from civil and criminal liability in the two situations mentioned; these provisions would not render a hosting service provider liable in the case that it does not remove information reported by a third party as being illegal unless the said information is manifestly illegal or its removal is ordered by a judge [...]".

Furthermore, three judgements of the French Court of Cassation on 12 July 2012 ruled that the hosting provider cannot be held liable for not having independently of any notification prevented any new publishing online of content that was previously notified as being illicit.

The LCEN Act also strengthens consumer protection, in particular through provisions regarding the obligation to provide the exact identification of the vendor and by establishing principles guaranteeing the validity of online contracts.

The "Creation and Internet" Act (known as the Hadopi Act) of 12 June 2009, to promote the dissemination of information and the protection of creativity on the Internet, created the status of online press publisher for companies that publish unique, quality content, thus allowing them the same tax status as press companies. The requirements for obtaining this status were set out in an Application Decree on 29 October 2009.

Companies that are granted this status will benefit from the tax advantages of press companies, such as full exemption from corporate property taxes and a lower VAT rate of 2.1%, and can also benefit from a special 20 million euros aid fund.

The criteria that determine whether or not a website is entitled to this status are: a "professional information mission"; the "journalistic production of original and renewed content", excluding content that is "self-promotional or incidental to a manufacturing or commercial business activity"; and employing "at least one professional journalist", as defined in Article L. 7111-3 of the French Labour Code.

The Hamon Act of 17 March 2014 transposed into French law Directive 2011/83/EU of 25 October 2011 on consumer rights and strengthened the requirements for distance selling – pre-contractual information, the withdrawal period and the period required for online contracts to become valid – in favour of consumers.

Lastly, AFNOR standard NF 522 was issued in July 2013, to provide a framework for the development of services that enable consumers to post online reviews of products and services. On 13 November 2014 PagesJaunes obtained certification under this standard for a period of three years. This standard aims to increase the reliability of the processes and systems used to collect, moderate and post consumer reviews on all digital economy media. An international standard on online reputations that also includes consumer reviews is also being considered by the International Organization for Standardization (ISO).

### 6.6.1.2 PROTECTION OF PERSONAL DATA

The European Framework Directive 95/46/EC of 24 October 1995, on the protection of individuals with regard to the processing of personal data and on the free movement of such data, defines the legal framework necessary to protect individuals' rights and freedoms. This framework directive was supplemented by a European Sectoral Directive 2002/58/EC of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector, replacing Directive 97/66/EC of 15 December 1997.

The goals of this directive were:

- to harmonise European law on personal data;
- to facilitate their circulation (provided that the country to which the personal data are being transferred offers an appropriate level of protection);
- to protect individuals' privacy and freedoms.

Act 2004-801 of 6 August 2004, on the protection of individuals regarding the processing of personal data and amending Act 78-17 of 6 January 1978 on information technologies, files and freedoms, completed the transposition of Directive 95/46/EC into French law. This Act strengthens people's rights to their data, simplifies the procedures for reporting the processing of data that may be at risk and increases the powers of the regulatory authority, the CNIL

The French Data Protection Act *(loi Informatique et Libertés)* strengthens people's rights to their personal data, requiring data processors to provide more detailed information on the intended use of personal data. The right to oppose the use of personal data for marketing purposes is protected by law and the conditions governing the right of access and rectification of data are set out in the decree of 25 March 2007. For example, all requests to access or correct data must be responded to within two months or will be deemed to have been refused, and all refusals to access data or have them corrected must be justified. To simplify procedures, disclosure has been made the general legal requirement, with CNIL's preliminary control being limited to just those processes that put people's rights and freedoms at risk. Finally, the CNIL's powers have been extended and procedures for performing on-site inspections have been specified, with the CNIL now being able, for example, to issue injunctions to cease or suspend the processing of data, block information and withdraw authorisation. The CNIL can impose financial penalties of up to 150,000 euros for the first confirmed fault if the offender is an individual, and of up to 300,000 euros, or 5% of the previous year's pre-tax revenues, in the case of a company. Finally, the CNIL may make its warnings public and have any sanctions, it decides, published in a newspaper, magazine or other publication at the expense of the person sanctioned. In addition to this, the Hamon Act on Consumption No. 2014-344 of 17 March 2014 amended the Data Protection Act and authorised the CNIL to monitor compliance with the Data Protection Act online remotely from a computer connected to the Internet. It records any violations it observes in a report which it sends to the offender and may use this report in legal proceedings. This amendment has given the CNIL the investigation power and authority it needs to keep pace with the development of digital technology and enables it to be more responsive and effective in a constantly evolving environment. The Commission is thus able to quickly note data security failures on the Internet and take action. It can also easily check the compliance of the legally required information provided on online forms and the rules that govern Internet user consent. This new power applies to *"data that are freely accessible or made accessible"* online and of course does not allow the CNIL to override security measures to penetrate an information system.

Within the framework of its activities, Solocal Group records and processes statistical information, especially regarding visits to its websites. In order to optimise its services and increase revenues it has also developed means to identify, using general statistics, Internet users' areas of interest and behaviour online. For this purpose and to offer more personalised services, the Group also collects and process personal data, it sells to third parties or uses for targeted advertising projects.

The new European sector directive on the processing of personal data and the protection of privacy has made a number of changes to the existing law and expanded its scope of application to include electronic communications. New provisions are the following:

- The concept of traffic data now includes all data on traffic regardless of the technology employed, and therefore includes data on communications over the Internet.

- Cookies" are permitted if clear and complete information is provided to the subscriber or user, particularly on how the data, thus obtained, is to be processed before the cookies are submitted and only if the subscriber or user has first given their informed consent to accept the cookies. However, cookies exclusively designed to perform or facilitate the transmission of a message, or those strictly necessary to provide a service expressly requested by the user (Article 5.3 of the Directive) are outside the scope of this provision. These provisions were transposed into French law by Act No. 2004-801 of 6 August 2004 on the protection of individuals with regard to the processing of personal data (Article 32 of the consolidated version of the Data Protection Act) and by the "Telecom Package" Order of 24 August 2010. A CNIL recommendation dated 5 December 2013 details the practical procedures for obtaining Internet users' consent to the use of cookies (some not requiring consent), by means of an information banner at the top of the first page displayed which links to an information page where the website visitor can refuse the cookie. Otherwise consent is assumed to be granted for a period of 13 months. Subsequent to this recommendation, in October 2014 CNIL began to perform remote verifications to check the compliance of website operators. A Solocal Group website was checked in this way and on 9 December 2014 CNIL issued a report that signalled non-compliance in several areas – cookies submission upon initial page display, the relevance of the data collected, the veracity of the procedures claimed, compliance with legal information obligations and data security.
- Location information other than traffic data may only be processed after anonymisation, or with the consent of the subscriber or user, duly informed in advance, and with the aim of providing an added-value service. Subscribers and users have the right to withdraw their consent at any time and must be able to exercise the option, simply and free of charge, of suspending the processing of these data every time they log on or for each communication transmission. These provisions were transposed into French law by Act No. 2004-669 of 9 July 2004 on electronic communications and audio-visual communication services (Article L. 34-1-IV of the French Post and Electronic Communications Code).
- With regard to public directories, subscribers are entitled to decide whether their data, and where applicable, exactly, which data, may appear. Non-inclusion is free of charge, as are corrections and deletions. EU Member States may require subscriber consent for any public directory that is intended for any use other than simply searching for a person's contact details using their name. These provisions were adopted in Decree No. 2003-752 of 1 August 2003 on universal directories and universal directory enquiry services, which amended the French Post and Telecommunications Code. With regard to unsolicited communications (or spamming), direct marketing by e-mail is prohibited unless targeted at subscribers who have given their prior consent. However, where a person has received electronic contact details directly from a customer, the person may use this information to directly market to this customer products or services similar to those already supplied, provided that the customer is able to refuse such marketing when the customer's personal details are collected and when each message is sent. These provisions were transposed into French law by the LCEN Act and the Electronic Communications Act, which requires people contacted by online marketers to give their prior consent or "opt-in" under Article L. 34-1-III of the French Post and Electronic Communication Code.

The European Directive 95/46/EC on personal data is currently being amended. This amendment will be effected through a regulation that must be approved by the Member States and the European Parliament. The regulation is scheduled to come into force two years after adoption, which should be by the end of 2015. The European Commission has proposed a single set of rules for the entire European Union. The proposals aim to require companies to obtain explicit consent before re-using people's personal data. Furthermore, users must be able to consult their personal data more easily and transfer it to another service provider (data portability).

In addition to the existing rights to access data and have them corrected, the "right to be forgotten" will be strengthened and anyone may request that their personal data be deleted if they feel that a company or other organisation has no legitimate right to retain their data.

To strengthen responsibility and transparency, companies will be required to rapidly inform their customers of any theft or accidental publication of personal data.

When personal data are processed outside Europe, users will be entitled to contact the data protection authority in their country, even when their data are processed by a company based outside the European Union if this company collects their data to market goods and services or for behavioural marketing purposes.

Companies will have a single contact, *i.e.* the data protection authority in the country where they have their main place of business.

The new rules will give national data protection authorities the powers they need to ensure stricter compliance with European Union laws. Financial penalties will be increased, with fines of up to 100 million euros or 5% of the Company's global revenues.

## 6.6.2 Directories

Order 2001-670 of 25 July 2001, to bring the French Intellectual Property Code and Post and Telecommunications Code into compliance with EU law, transposed several European directives into French law, including the Directive on personal data protection in the telecommunications sector and Directive 98/10/EC of 26 February 1998 on the application of open network provision (ONP) to voice telephony. This directive is intended to liberalise the directories market and facilitate the provision of universal directory services. This directive requires telecommunications operators to provide directory publishers with their list of subscribers, upon request and subject to certain conditions.

Decree 2003-752 of 1 August 2003, as amended by the Decrees of 27 May 2005, 2005-605 and 2005-606, regarding universal directories and universal directory enquiry services, and amending the French Post and Telecommunications Code, requires telecommunications operators to supply their subscriber and user lists to any person wishing to publish a universal directory, either in the form of a file or *via* access to a database, operators are required to maintain up to date.

This obligation applies to any entity that is the registered owner of numbers on a fixed-line or mobile network.

This makes it possible to publish a universal directory, *i.e.* one that contains all subscribers to telecommunication services. As a publisher of printed and online directories, Solocal Group welcomes this new regulation, which will enable it to acquire licences to directory data from all telecommunications operators and to enrich its content.

Article L. 34 of the French Post and Electronic Communications Code specifies that there are no restrictions on the publication of lists of subscribers or users to electronic communication networks or services, provided that their rights are protected and that operators are required to provide, in a non-discriminatory manner and at a price that reflects the cost of the service provided, the list of all subscribers or users to whom they have allocated one or more telephone numbers. This article also reaffirms the rights that govern the publication of personal data in directories and the use of directory enquiry services. Lastly, pursuant to this article, subscribers to a mobile telephone operator service must give their prior consent to inclusion in a subscriber or user list.

### 6.6.3 Database regulations

On 11 March 1996, European Directive 96/9/EC on the protection of databases was adopted.

The main innovation introduced by this directive was the creation of a new type of right, in addition to copyright, which protects, for a specified time, a substantial investment of money and/or time, effort or energy to obtain, check and present the contents of a database.

This directive was transposed into French law by an Act of 1 July 1998 that provided for a *sui generis* right that protects the interests of database creators, in addition to any protection provided by copyright (and most notably Articles L. 111-1, L. 112-3 and L. 122-5 of the French Intellectual Property Code and all of Title IV of Book III of this Code, *i.e.* its Articles L. 341-1 to L. 343-7.

This protection applies to database content "the constitution, verification or presentation of which reflects a substantial financial, material or human investment". This protection is independent of and without prejudice to the protection that copyright provides to a database's contents or graphic interface, as Article L. 341-1 of the French Intellectual Property Code stipulates that a database creator, who is understood to be the person who takes the initiative and bears the risk of making the necessary investments, is entitled to protection of his or her database content when its constitution, verification or presentation has required a substantial financial, material or human investment.

Database creators thus have a legal right to prohibit any substantial extraction of the content of their databases and any reuse thereof. Regarding this, Article L. 342-1 of the French Intellectual Property Code stipulates that database creators may prohibit the following:

- the extraction, by a temporary or a continuous transfer, of all of the content of a database or of a part thereof that is quality-wise or quantity-wise substantial, to another medium, by any means and in any form whatsoever;
- the re-use of all of the content of a database or of a part thereof that is quality-wise or quantity-wise substantial, by making such content or part thereof available to the public, in any form whatsoever.

This protection covers the extraction or reuse of a substantial part of a database even when the database has been made publically available. This protection remains valid even when the person extracting content has lawful access to the database. Pursuant to Article L. 342-2 of the French Intellectual Property Code: "The database creator may also prohibit the extraction or the systematic or repeated re-use of parts of the content of the database that are not quality-wise or quantity-wise substantial, when such extraction or systematic or repeated reuse manifestly exceeds normal use of the database." However, Article L. 342-3 of the French Intellectual Property Code stipulates that: "When a database is made available to the public by the rights holder, the latter may not prohibit (...) the extraction or re-use of a part of its content that is not quality-wise or quantity-wise substantial by someone who has lawful access to the database(...)".

The database creator's rights are therefore normally protected for a period of fifteen years after the creation of the database or the date it is made available to the public (paragraphs 1 and 2 of Article L. 342-5). However, the term of protection may be extended if a further substantial investment is made, which in effect means that a database may then be indefinitely protected (paragraph 3 of Article L. 342-5).

## 6.7 Suppliers

See section 6.5.2 "Dependence on supply contracts and industrial contracts".

## 6.8 Insurance and risk coverage

The Company has implemented an insurance and risk management programme to cover its major property damage, civil liability and personal insurance risks.

The Company seeks to continuously optimise the management of risks that can be transferred to insurers.

The exchange of information between the Legal department, the risk manager, the internal control manager and Internal Audit department has been systematically organised to ensure that they each have a comprehensive perspective of the Group's risks that is as exhaustive as possible, in accordance with the risk mapping.

This comprehensive perspective enables the Group to find the most appropriate coverage for its insurable risks.

Insurance is obtained from major international companies and policies are regularly compared between insurers and renegotiated with the assistance of a leading major broker.

Property damage risk is insured under a Group insurance policy that covers "property damage and business interruption losses, including damage to goods during shipment", which covers all direct damage to goods and operating losses except for those that are specifically excluded.

The maximum annual cover amount per claim in 2014 was 49,900,000 euros for damage and business interruption losses, of which the latter accounted for 40,000,000 million euros. This is sufficient to cover business interruption in the event of a major disaster that requires the implementation of a business continuity plan.

When it is time to renew the insurance policy, the insurer is accompanied by engineering department staff and the chief safety officer when inspecting premises to make sure that the insurer is able to assess risk as accurately as possible and that the best possible coverage is negotiated.

To reduce the premium, a term of two years was agreed for the policy, which can be revised in the interim if warranted by claims experience. The policy's limits and deductibles are in line with current market practices.

The civil liability policy covers civil liability claims from customers and third parties that may arise during business operation or business-related activities. The policy is an "all risks, subject to exclusions" policy, which means that all bodily injuries, property damage and consequential damage are automatically covered, including damage from computer viruses, unless expressly excluded.

This policy's deductibles were determined not only on the basis of the types of risk exposure, but also on each subsidiary's scope of exposure. This has made it possible to cover all risks without increasing the premium.

For civil liability coverage in 2014, the Company paid a provisional premium of approximately 85,000 euros, *vs.* 100,000 euros in 2013.

For property damage and business interruption coverage in 2014, the Company paid a premium of approximately 170,000 euros, *vs.* 214,000 euros in 2013.

For automobile insurance coverage in 2014, the Company paid a premium of about 405,000 euros, *vs.* 415,000 euros in 2013.

In response to the change in the Company's shareholding structure in 2013, the Company took out a Company Representatives Liability insurance policy offering maximum coverage of 30,000,000 euros. This insurance cost about 85,000 euros in 2014.

## 6.9 Major tangible fixed assets

Leases and subletting agreements are described in note 31 to the consolidated financial statements for 2014, which is found in chapter 20.1 – Historical Financial Information.

# 7. ORGANISATIONAL CHART



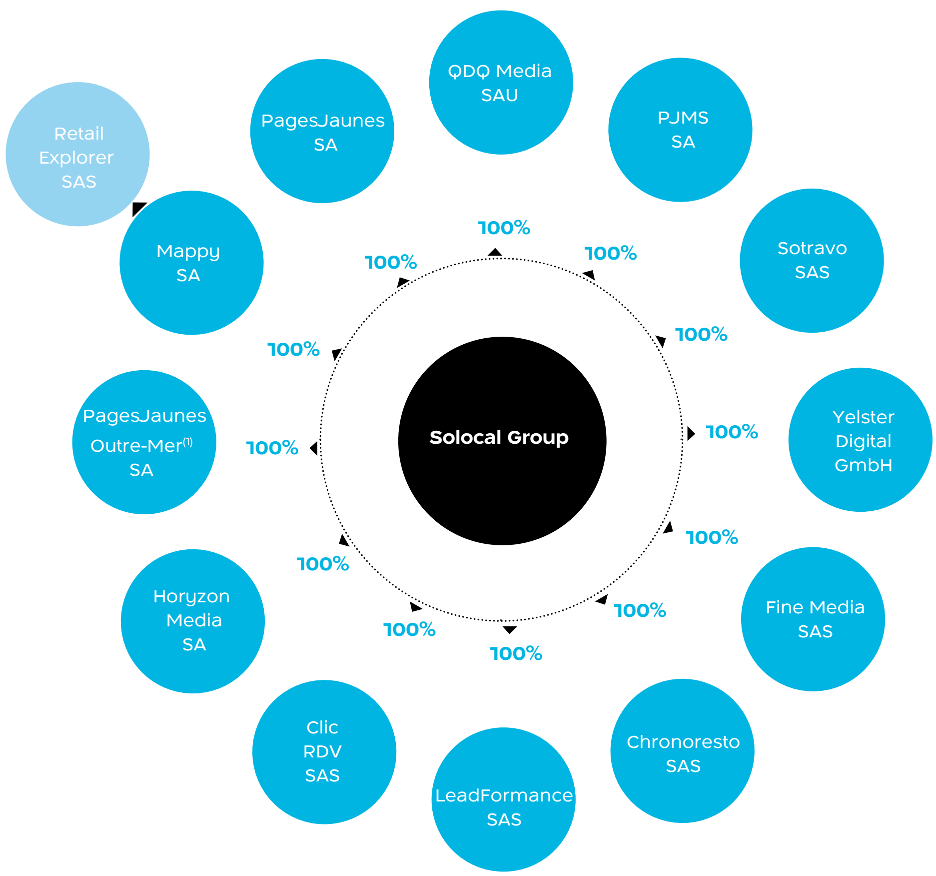
## 7.1 Brief description of the Group

A description of the Group is provided in section 6.1.1 of this document: "General presentation of business activity".

Note 34 to the consolidated financial statements provides a list of the consolidated companies, indicating their country of origin and the Company's percentage of control and equity interest in each one at 31 December 2014.

## 7.2 List of main subsidiaries and equity interests

A simplified organisational chart of Solocal Group at 31 December 2014 is provided below:




(1) *With no revenues and a net 85,000 euros contribution to income, PagesJaunes Outre-Mer is not consolidated since its contribution is considered to be intangible.*

# 8 CORPORATE SOCIAL RESPONSIBILITY

## Introduction

### 1. Message from the Chairman and the General Secretary in charge of Corporate Social Responsibility

2014 has been a year of profound digital, social and cultural transformation for our Group, in keeping with our five key values – Customer, Team, Integrity, Agility and Innovation. This transformation provides us with the opportunity to continue to progress toward the three objectives we set for our CSR strategy in 2013:

- to build a digital Group with a motivating and enriching work environment;
- to conduct business in an eco-responsible manner;
- to promote responsible local economic development.

The numerous occasions we have to meet with our stakeholders give us many opportunities to present our commitments and achievements, as we did at our General Shareholders' Meeting of June 2014.

Our reorganisation, which is intended to adapt our services and resources to better serve our customers, the first of our five key values, has also strengthened our commitment to societal responsibility. We have launched several major initiatives and are already beginning to reap the benefits this year, as shown by the progress we have made in three areas of CSR:

- Employer responsibility – Our adoption of digital cultural codes is accelerating the development of our participatory approach, which encourages employee expression, enables agile project teams and facilitates unconventional ways of recognising employee talent. We are pursuing these efforts, which we believe are essential to developing both collective intelligence and individual motivation.
- Environmental responsibility – In 2014, we continued our actions to promote eco-design and to optimise the distribution of our printed directories, which, over the past three years, has involved asking almost 13 million people if they still wanted to receive a printed directory. We also undertook studies to determine the environmental impact of our digital services and optimised our management of waste electrical and electronic equipment.
- Societal responsibility – We are the first major Internet company to have received AFNOR's NF Service certification for our handling of spontaneous opinions posted on our PagesJaunes.fr website and its mobile application. This effort is consistent with our other civic initiatives, such as conducting audits to increase the security of our personal data protection processes, and our determination to develop and promote responsible and transparent digital communication.

Indeed, we are convinced that the general public's trust in digital services is crucial to our industry, to our competitiveness and to our growth. As a leader in this sector, Solocal Group has a major role to play in developing this trust and will continue to assume this responsibility.

Jean-Pierre Remy, Chief Executive Officer

Pascal Garcia, General Secretary in charge of CSR

### 2. Solocal Group – a responsible company

#### 2.1 ORGANISATION

At Solocal Group, the leader in local digital communication, we provide digital content, advertising solutions and transactional services that bring consumers and local businesses together.

Our organisational structure and strategy are presented on pages 34, 17 and following of this document.

#### 2.2 THE ORIGIN AND DEVELOPMENT OF OUR CSR STRATEGY

For Solocal Group (until June 2013 the PagesJaunes group) corporate social responsibility (CSR) is an integral part of daily business and is essential to achieving financial and extra-financial objectives. Corporate social responsibility means respecting our employees, protecting the environment and ensuring constructive relationships with our clients, suppliers, non-profits and other stakeholders.

Our first CSR initiative was to reduce the environmental impact of our printed directories business by optimising their production and distribution. We soon realised that CSR drives our progress and could inspire many other sustained initiatives.

CSR is a continuous process of improvement that enriches our vision and stimulates our desire to progress and work in partnership with others. Both our management and employees support the CSR strategy and initiatives, which serve the legitimate concerns of our stakeholders.

#### 2.3 CSR GOVERNANCE

In 2011, our Partnerships, External Relations and Strategy department was put in charge of developing CSR strategy, which it now leads and supervises. This department's CSR team reports directly to the General Secretary and Deputy CEO in charge of Partnerships, External Relations and Strategy, who is a member of our Executive Committee. The CSR team, which consists of a CSR officer and CSR project manager, oversees all aspects of CSR.

All PagesJaunes divisions and Solocal Group subsidiaries also have CSR correspondents. As a result, all of our people are actively engaged in our commitment to corporate social responsibility.

To achieve our specific employer responsibility goals, our Human Resources department has trained a team dedicated to improving the quality of life in the workplace, fostering diversity and facilitating the employment of people with disabilities.

Our Printed Directories department has an environmental committee led by its Chief Quality Officer.

The CSR team coordinates the efforts of correspondents and works with them to develop projects that will achieve our strategic CSR goals.

## 2.4 COMMITMENTS, OBJECTIVES AND KEY PERFORMANCE INDICATORS

The Solocal Group's three main commitments to CSR are:

- to build a digital group with a motivating and enriching work environment;
- to conduct business in an eco-responsible manner;
- to promote responsible local economic development.

These commitments have been integrated into our strategy and will drive our growth.

For each of these commitments, we monitor strategic objectives and indicators that enable us to ensure a follow up:

### KEY FIGURES

| **Employer responsibility<br>To build a digital Group with a motivating and enriching work environment** | |
|---|---|
| Train and build teams based on our Group's values | 88% of employees who responded to our survey know our values and 87% support them [(1)] |
| Empower employees to play an active role in our development | 172,894 hours of training were provided in 2014 (43% more YoY)<br>150 Eureka [(2)] suggestions were implemented in 2014 (36% more YoY) |
| Promote diversity and equal opportunity | 28% of senior executives were women in 2014 (*vs.* 26% in 2013)<br>Employees with disabilities represented 3.9% of the workforce in 2013 |
| Provide a pleasant work environment | 70% of employees participated in the opinion survey<br>82% enjoy working for Solocal Group [(3)] |

| **Environmental responsibility<br>To conduct business in an eco-responsible manner** | |
|---|---|
| Reduce the environmental impacts of our products and services | GHG emissions were reduced by 55% from 2009 to 2013 |
| Reduce the impact of employee communities | Mobility plans are being prepared for the head office and other premises in the Paris area |
| Reduce the environmental impact of business activities | 14% of premises met HEQ environmental standards in 2014 (compared to 10% in 2013) |

| **Societal responsibility<br>To promote responsible local economic development** | |
|---|---|
| Make an active contribution to local economies | One PagesJaunes job creates two jobs in the private and public sectors [(4)]<br>93% of French used the PagesJaunes service in 2014 [(5)] |
| Help small businesses increase their online presence | 255,800 websites served at end-December 2014 |
| Ensure responsible communication that respects personal data | Requests to delete or modify personal data were handled in an average of 2.6 days in December 2014 [(6)] |
| Win the trust of our customers | Almost 9 out of 10 Internet users trust the PagesJaunes brand [(7)] |

(1) *Source: Harris Interactive November 2014 survey on corporate values.*

(2) *See "Collaborative innovation" in the section entitled "Employer Responsibility / Eurêka".*

(3) *See our 2013 Employee Opinion Survey.*

(4) *See section on Societal responsibility / Local economic impact.*

(5) *Source: the TNS Sofres Audience Barometer from January to December 2014.*

(6) *Under the terms of an internal service contract, two days are allowed to process requests to cancel or modify personal data (excluding requests handled directly by Data Protection staff). The legal requirement is two months, pursuant to Article 94 of decree No. 2005-1309 of 20 October 2005. The average processing time in December 2014 was estimated to be 2.6 days.*

(7) *Source: Harris Interactive – Tracking the PJ brand, October 2014.*

## 2.5 COMMUNICATING WITH STAKEHOLDERS

To give Solocal Group businesses a stable foundation in the communities we serve and adapt our efforts to meet local requirements, we make it point to listen to and communicate with our stakeholders. Since 2011, we have been tailoring our communication means and messages to communicate more effectively with all of our stakeholder groups, which include:

- Employees:
  - a group network of CSR correspondents meets every year at an annual CSR seminar to report on the year's actions and upcoming projects;
  - efforts to increase employee awareness of CSR commitments and inform staff of CSR actions:
    - newsletters regularly sent to all employees provide news on CSR-related topics,
    - Group entities have organised information and training actions at various events, such as Environment Day, Mobility Week and Handicap Week, at the head office and at other Group sites. A quiz was prepared for Sustainable Development Week;
  - pages dedicated to CSR on our corporate website and intranet site.
- The general public:
  - information on CSR commitments:
    - presentations by Solocal Group experts at Produrable conferences on responsible marketing practices and at the Sustainable Development and Communication Summer University,
    - partnerships with media specialised in sustainable development: Zegreenweb, Green&Vert and e-CSR.net,
    - the corporate website and social networks;
  - development and promotion of our innovative services, such as Mappy's partnership with Citégreen in the "Bike Challenge", to promote sustainable mobility.
- Government and institutions:
  - initiatives to engage with members of parliament, ministerial cabinets and trade associations;
  - cooperation with the Paris town hall in the Spotteo project, within the framework of the Point Paris project to develop intelligent bus shelters with JC Decaux, and to include PagesJaunes service in public electric Autolib cars;
  - drafting of memoranda and participation in roundtable conferences (see section 3.2.: Societal Responsibility).
- Suppliers:
  - most contracts with suppliers include a Sustainable Procurement Charter;
  - supplier selection criteria in some request for proposals and contracts.
- Business community:
  - membership in the Sustainable Development Directors College, with participation in conferences and working groups;
  - membership in OCSR, which monitors trends in corporate social responsibility;
  - CSR team head Carole Vrignon's participation in Label Lucie's Certification Committee;
  - support for various initiatives, such as the Start-Up Bus, Europe's largest online hackathon and new technology projects.
- Business clients and users:
  - independent surveys of 6,000 PagesJaunes' business clients in 2014 to determine their satisfaction and get feedback on specific aspects of the client relationship;
  - a Business Client Experience department and a Consumer Marketing department were set up at PagesJaunes to measure satisfaction with customer service;
  - ongoing and periodic online surveys to measure the satisfaction of PagesJaunes, Mappy and A Vendre A Louer website users.
- Schools and universities (see section 3.2.2.: Employer responsibility):
  - partnerships with leading educational institutions;
  - building the employer brand on social networks.
- Financial sector:
  - exchanges with CSR rating agencies and presence in the GAÏA index;
  - presentation of our CSR strategy and of major achievements at the 2014 General Shareholders' Meeting.

PagesJaunes's Printed Directories department keeps its employees regularly informed of its efforts to obtain environmental certification. This awareness raising begins with senior managers, who inform line managers, who in turn inform their team members.

The Head of the Printed Directories department sets forth environmental responsibility guidelines. A letter indicating the department's quality and environmental commitments was sent to all department employees.

Many awareness-raising actions on environmental initiatives are conducted each year:

- For managers:
  - meetings are organised by the Operations and Field Distribution department's Quality team and by the Head of the Printed Directories department to inform managers and process supervisors;
  - an annual Management Review is organised to examine all certified processes and prepare improvement plans;
  - an annual Environmental Committee meeting is held to review environmental impacts and assess progress. These meetings may include updates on the ongoing ISO 14001 certification of Printed Directories business.
- For all personnel:
  - at least two information meetings are held annually for the approximately 70 employees of the Printed Directories department. These meetings include reports on environmental actions, progress and improvement initiatives;
  - the managers and/or staff members of each Printed Directories operating department meet weekly or twice per month to present progress on environmental actions;
  - department managers organise process reviews with their teams in preparation for the annual Management Review;
  - PagesJaunes has undertaken Life-Cycle Analysis and Carbon Footprint initiatives for each of its activities. Each year, the Strategy, Partnerships and External Relations department presents a report on these actions. This report is then adapted and explained at each team meeting.

# 3. The 2014 CSR report

## 3.1 REPORTING PROCESS

The implementation decree of the Grenelle 2 Act requires certain companies to annually report information on various topics in relation to human resources, the environment and society. To comply with this requirement, Solocal Group expanded the amount of CSR-related information in its Reference document in 2012.

To inform and promote communication with our stakeholders, this CSR report presents all actions and initiatives in connection with our corporate responsibility commitments. The scopes of the reported employer, environmental and societal responsibility indicators vary each year and may also vary between indicators. HR indicators apply to Solocal Group and PagesJaunes employees. Information on the specific scopes covered by other indicators is available.

The HR indicators for 2014 presented in this document include 272 employees who did not sign the new employment contracts, proposed during the restructuring of PagesJaunes' Sales department. These employees are no longer with us since the beginning of 2015. Their inclusion in the 2014 workforce has a substantial impact on HR indicators as presented.

A document explaining the reporting scope and the CSR indicators presented herein may be obtained from the CSR department upon request.

A Solocal Group Statutory Auditor has been appointed to verify the CSR report as an "independent third party", in compliance with the Grenelle II Act. This auditor has prepared the report shown on appendix 2 of chapter 8. It comprises certification that the required HR, environmental and societal information has been reported as well as the auditor's opinion on this information.

## 3.2 GENERAL INFORMATION

### 3.2.1 Information on our ICPE premises

Solocal Group currently has two facilities that are classified as "ICPE", or environmentally-sensitive, and which are subject to a simple registration formality. These facilities are the premises in Sèvres and the data centre in Rennes.

At the Sèvres facility, the classified operations include refrigeration systems, a battery-charging shop and a storage area for chlorofluorocarbons, halons, halogenated hydrocarbons and carbons. At the Rennes facility, the only classified activity is the storage of chlorofluorocarbons, halons and halogenated hydrocarbons and carbons.

### 3.2.2 Financial data on provisions and guarantees on environmental risks

No provisions have been made and no guarantees granted in relation to environmental risks. We have identified no situation where such provisions or guarantees would be necessary.

# Employer Responsibility

Solocal Group provides a dynamic work environment and stimulating career development opportunities for over 5,000 employees. These opportunities are made possible by the variety of our activities, which cover a diverse range of positions in regional and international entities.

Our CSR strategy and commitments is supported by our Human Resources policy, which applies to all employees, regardless of their job or employment status.

In addition to vigorous recruitment, employee retention has always been a priority, even when business is difficult.

Moreover, we are counting on our employees' skills, and on the skills they will develop, to make our transformation a success. One example of this is the ambitious Digital 2015 programme we launched in February 2013 and which has accelerated our digital transformation with several initiatives which we manage in project mode and across departments, and affirmed our five key values that all of our employees now share.

## 1. Sharing Group values

Customer, Team, Integrity, Agility and Innovation are the five values that Solocal Group selected in late 2013, in a participatory approach that included our employees. These values form a common foundation and guidelines for the flatter, more fluid, more agile and more digital company culture we are building.

Since a word can mean different things to different people, each value is accompanied with two "booster" phrases that employees can apply to their everyday work.

- Customer – Be passionate about customer service! Let's make our clients happy!
- Team – Be engaged! Do it with the heart!
- Integrity – Trust and inspire trust! Be a model for others!
- Agility – Dare! Focus on what is essential!
- Innovation – Create and simplify! Aim for excellence!

In 2014, these values and phrases were deployed throughout the Group in a major communication campaign that included a video, a dedicated website, our intranet, a poster and the distribution of goodies, with managers ensuring their practical implementation. These values must drive our collective efforts.



## 2. Employment policy and employability

### 2.1 WORKFORCE AND REMUNERATION

#### 2.1.1 Breakdown

**BREAKDOWN**

| | Solocal Group | | | PagesJaunes | | |
|---|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2012** | **2013** | **2014** |
| Total workforce at year end | 4,925 | 4,903 | 5,482 | 4,005 | 3,978 | 4,423 |
| *France* | *4,525* | *4,463* | *5,008* | | | |
| *International* | *400* | *440* | *474* | | | |
| FTE workforce at year end | 4,519 | 4,441 | 4,802 | 3,626 | 3,553 | 3,789 |
| Field sales representatives at year end | 1,305 | 1,317 | 1,568 | 1,192 | 1,179 | 1,421 |
| Telesales representatives at year end | 912 | 848 | 957 | 755 | 719 | 846 |
| Non-sales staff at year end | 2,708 | 2,738 | 2,976 | 2,058 | 2,073 | 2,156 |
| Employees with indefinite-term contracts at year end | 4,867 | 4,844 | 5,422 | 3,961 | 3,940 | 4,386 |
| Percentage of indefinite-term contracts at year end | 99% | 99% | 99% | 99% | 99% | 99% |
| Percentage of senior executives out of total workforce at year end | 3.1% | 3.3% | 3.2% | | | |

The French workforce and the recruitment of new sales staff by PagesJaunes account for most of the increase in the payroll in 2014. The total workforce at the end of the year includes 272 people who chose not to sign the new contracts that were proposed during the reorganisation of PagesJaunes' sales department. The increase in the workforce is also a consequence of the acquisition of Leadformance, Lookingo and Retail Explorer. The workforce outside of France was boosted by Moroccan subsidiary Orbit Interactive.

PagesJaunes' employee data for 2013 and 2014 include A Vendre A Louer, subsequent to the acquisition of the latter.

### AVERAGE EMPLOYEE AGE AND LENGTH OF SERVICE

| | Solocal Group | |
|---|---|---|
| | 2013 | 2014 |
| Average employee age at year end | 41.7 | 40.9 |
| Average length of service at year end | 11.8 | 10.9 |

The decrease in the average age and length of service is due to new hires at PagesJaunes.

### WORKING HOURS

| | Solocal Group | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| Percentage of part-time employees at year end | 5.7% | 6.0% | 5.9% |

The agreement on working hours is the main contract of part-time employment at Solocal Group, with parental leave being the number-two factor.

Part-time employees can be found in all departments and positions, including Sales, Support, Production and Information Systems.

The number of part-time employees is fairly stable, at around 6% of the workforce.

## 2.1.2 Recruitment, turnover and departures

### TURNOVER

| | Solocal Group | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| Overall turnover | 11.9% | 10.2% | 12.4% |

In 2014, our turnover rate for France was 10.6%, and 8.8% at PagesJaunes.

| | PagesJaunes | | |
|---|---|---|---|
| | 2012 | 2013 | 2014 |
| Telesales representative turnover | 21.0% | 17.0% | 23.8% |
| Field sales representative turnover | 4.3% | 4.2% | 4.7% |
| Non-sales staff turnover | 4.7% | 4.2% | 7.0% |

The increase in turnover is the natural consequence of the increase in hiring.

### NUMBER OF HIRES AND DEPARTURES BY TYPE

| | Solocal Group | | PagesJaunes | |
|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 |
| Hires under indefinite-term contracts during the year | 462 | 1158 | 202 | 814 |
| Departures at end of indefinite-term contract trial period | 134 | 250 | 49 | 162 |
| *Percentage of all departures* | *27%* | *39%* | *19%* | *44%* |
| Voluntary departures under indefinite-term contracts (departures initiated by the employee) | 143 | 177 | 87 | 86 |
| *Percentage of all departures* | *28%* | *28%* | *34%* | *23%* |
| Non-voluntary departures under indefinite-term contracts (departures initiated by the employer) | 228 | 206 | 121 | 120 |
| *Percentage of all departures* | *45%* | *33%* | *47%* | *33%* |
| Total number of departures under indefinite-term contracts | 505 | 633 | 257 | 368 |

In restructuring its Sales organisation, PagesJaunes recruited new employees, with an emphasis on telesales and field sales reps.

The increase in the number of departures at the end of the employee trial period is caused by the increase in hiring.

### 2.1.3 Employee remuneration and trend

Beyond the increase in the average workforce and the acquisition of new subsidiaries, comparison between the 2014 and 2013 payrolls is impracticable due to the major change in the remuneration of PagesJaunes sales staff. 2014 was a year of transition between two different remuneration and payment policies. The percentage of change between these two years therefore has little relevance.

## 2.2 ENGAGING EMPLOYEES IN SOLOCAL GROUP'S TRANSFORMATION

### 2.2.1 Skills development

#### 2.2.1.1 TRAINING PROGRAMMES

We underwent profound changes in 2014, as we began to implement our Digital 2015 transformation programme, the objective of which is to realign our Group with the new competitive challenges in the online advertising market, increase customer satisfaction and loyalty, and return to growth.

By getting employees engaged in Group projects and improving their skills, training has played a key role in supporting this change.

#### EMPLOYEE TRAINING

| | Solocal Group | | PagesJaunes | |
|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 |
| Number of hours of training | 121,286 | 172,894 | 114,407 | 162,485 |
| Number of employees trained | 3,806 | 3,916 | 3,358 | 3,465 |
| Average number of hours per employee trained | 32 | 44 | 34 | 47 |
| Percentage of payroll allocated to training (1) | 4.3% | 3.9% | 4.8% | 4.5% |

*(1) Given the increase in payroll (as explained in section 2.1.3 above) this indicator does not reflect the substantial increase in the training budget.*

Training in 2014 was aimed at the following three objectives:

- Helping employees adapt to changes in jobs, skills and organisations

  In 2014, we set up a comprehensive training programme to enable specific employee categories to align their skills with the Digital 2015 transformation project. These employees included sales staff, their managers, customer-service and production personnel and staff in functional departments (*i.e.* Marketing, Client experience, Finance and Human Resources).

  Several training modules were created to enable everyone understand the purpose and process of the new organisation, the new employment contracts, remuneration methods and objectives, and each business unit's specific characteristics, *i.e.* competitive environment, specific PagesJaunes offerings, key differentiators and selling points.

  This training, which is provided by both in-house and external trainers, according to subject, was scheduled to meet the evolving needs of newly created departments and teams and enable feedback.

  The training budget for employees entitled to training under the "DIF" training allowance, was increased substantially to respond to a surge in demand, as this is the last year that such training will be possible.

- Pursuing our digital transformation

  In response to the recommendations of the various Digital 2015 project working groups, training to increase proficiency in digital services and skills was expanded.

  This resulted in the creation of the Digital Academy, which offers 10 courses ranging from an introduction to digital communication principles to advanced level certification for employees already with a good understanding. Over 80 training sessions were held in 2014 and some 40 employees have been certified so far.

  In parallel with this, all individual and group digital training modules were promoted to all employees.

- Helping managers become "change ambassadors"

  All training actions intended for managers were reviewed in 2014 to incorporate and develop the management principles selected by the Digital 2015 programme's "Values" working group.

  We therefore revised initial training programmes to ensure that young managers will be able to learn these management principles and implement them as soon as possible.

  Training courses for seasoned managers, which were set up in 2013, have been extended to include all relevant managers, except for field-sales managers, who are very busy with training for the Company's reorganisation. Eleven courses were organised for this purpose and trainee satisfaction has been good.

  Training courses in occupational health and co-development were provided and are described below in the section on "Quality of life in the workplace".

#### 2.2.1.2 CAREER DEVELOPMENT

Since 2012, the Human Resources department has been preparing the Individual Human Resources Report, which is intended to provide employees with more information about the various factors that determine their remuneration as an employee of the Solocal Group, and which include direct remuneration (fixed salary, variable remuneration, bonuses, Company savings plan, social security benefits and paid holidays) and any other benefits to which they may be entitled (*e.g.* Company restaurant, restaurant vouchers, corporate concierge service, etc).

Initially distributed to Solocal Group and PagesJaunes employees, the report's distribution was extended to all subsidiaries in 2013.

Since 2014, the report is also available online, on the Solocal Group portal, which is accessible to 3,905 employees in France and was consulted at least once a month by 40.5% of employees.

To help employees manage their careers and enable them to contribute to our growth, Talents Reviews were made available to non-sales staff in 2014 and will be provided to sales staff in the first half of 2015.

The Human Resources department also continues to promote internal mobility *via* the Job Centre portal on the Company intranet, where employees can update their CVs, apply for Company job offers or request to receive alerts on selected job opportunities. Employees have priority over external job applicants and are also regularly informed of job vacancies *via* the weekly newsletter.

### 2.2.2 Developing a digital company culture

#### 2.2.2.1 EURÊKA AND THE BENEFITS OF COLLABORATIVE INNOVATION

Since September 2010, the Eureka collaborative innovation programme has enabled employees to play an active role in our transformation. Eureka aims to liberate their creativity energy so that they can improve internal processes and come up with ideas for new products and services. On our collaborative intranet platform employees form a virtual community whose main focus is innovation.

Since this project was launched, employees have submitted over 5,200 ideas and over 78% of the employees targeted have visited the platform at least, once. Their enthusiasm is easy to understand – their ideas and suggestions are given immediate visibility and they want to play a part in our transformation and be able to express their opinions on key questions in an open environment.

More than 150 ideas inspired by employees have already been used and more than 62 have been added to department roadmaps and implemented.

By supporting the change process, transforming managerial behaviour and promoting the exchange of ideas and information across departments, Eureka is making a strong contribution to Solocal Group's innovation culture.

#### 2.2.2.2 FINDING AND USING IN-HOUSE TALENT

The Digital 2015 programme also includes initiatives for revealing our "talents" and putting them to use:

- One example is Digital Talents, which involves organising "initiative contests" and creating employee communities that discuss topical subjects within their field of expertise. The objective is to use contests and the exchange of information to detect expertise, "talented" employees and transform company culture and behaviour throughout the Group.
- Another one is the Tech-It Days symposium, which brings technical teams together and shows that Solocal Group is determined to make technology its central focus and to recognise and promote the technical skills of its employees. The first symposium, which was held in September 2014, brought together 120 employees for a two-day programme of presentations, round tables, workshops led by internal or external experts, and a challenging and fun contest to close the event.

## 3. Diversity

For several years now, Solocal Group has been actively committed in promoting diversity and equal opportunity in the workplace. Increasing diversity is at the core of our employment policy and is a strategic objective of the Human Resources department.

In order to achieve this commitment and prevent all forms of discrimination, we undertake action plans and sign Company and/or group-wide agreements on gender equality and on the sustainable employment of the disabled, older people and unemployed young people.

### 3.1 IMPROVING THE GENDER BALANCE

Solocal Group is committed to promoting diversity and in particular gender equality in the workplace. For this purpose PagesJaunes signed an agreement to foster equal treatment between male and female employees in January 2012.

This agreement has six objectives:

- promote and hire more women internally and externally;
- increase the number of women in senior management positions;
- improve access to training;
- promote equal pay for equal work;
- improve the work-life balance;
- increase the number of women in employee representative bodies.

#### THE STATUS OF WOMEN EMPLOYEES

| | Solocal Group | | PagesJaunes | |
|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 |
| Percentage employed under indefinite-term contracts at year end | 51% | 50% | 51% | 50% |
| Percentage employed under fixed-term contracts at year end | 73% | 68% | 84% | 73% |
| Number of women senior executives at year end | 43 | 49 | 29 | 36 |
| Percentage of women senior executives at year end | 26% | 28% | 26% | 27% |

At the end of 2014, approximately 1% of Solocal Group and PagesJaunes employees were employed under fixed-term contracts.

Aware that gender equality in the workplace is impossible without a proper balance between work and personal commitments, we have made a considerable effort to adapt working conditions to accommodate the personal constraints of our employees. For example, all requests to work part time are accepted.

Another way in which we have improved the work-life balance is our corporate concierge service, which provides employees with a range of practical services within their Company, such as dry cleaning, ironing, shoe repair, car washing and maintenance, childcare, tutoring and gardening. The objective is to help them manage day-to-day tasks.

In September 2014 PagesJaunes began negotiations on a second three-year agreement in view of pursuing its initiatives and incorporating essential measures and goals.

## 3.2 MAKING SURE, NO ONE IS EXCLUDED

In keeping with the strategic objectives of our Human Resources policy, Solocal Group makes a special effort to hire and retain older people, unemployed youth and people with disabilities.

On 2 October 2013, a new group-wide agreement to employ older people and unemployed young people and foster exchanges between generations was signed by our Chief HR Officer and the representatives of five labour unions: Autonome, CFDT, CFE-CGC, CGT and FO.

This agreement reflects our:

- strong commitment to hiring "young people" – *i.e.* aged less than 26, or age 30 if they are legally recognised as being disabled – and developing their professional skills;
- unequivocal commitment to implementing policies, measures and resources for the benefit of our "older" employees, *i.e.* those age 45 or older.

### 3.2.1 Older employees

Solocal Group recognises the experience and talent of its older employees and has made a formal commitment to developing their skills and improving their working conditions.

Our policy for older employees includes six distinct measures:

- recruitment and retention;
- developing skills and qualifications and providing training;
- career planning;
- preparing the transition from work to retirement;
- transferring knowledge and skills through mentoring programmes;
- improving working conditions and preventing arduous situations.

The main focus of our Older Employees Agreement is adapting working conditions to meet their specific needs. In keeping with the Human Resources policy, it prevents age-based discrimination and ensures equal access to training and career opportunities.

This agreement shows that we value the skills of our older employees and are ready to help them plan the second half of their careers.

Some examples of these new measures:

- a mid-career interview, to discuss the changes underway in job requirements, career prospects with Solocal Group, and the employee's skills, training requirements and professional situation. These interviews are conducted on a voluntary basis and at the employee's request to his or her local Human Resources correspondent;
- special part-time working arrangements for older employees except for "VRP" sales/representatives on the field, at the employee's initiative and provided that the request is approved by his or her management and the Human Resources department. This involves reducing the number of work hours to 80% or 60% for at least 12 months and no more than four years prior to the full-retirement age, at a higher hourly pay rate, with 80% and 60% part-time employment paid respectively at 90% and 72% of the full salary and with full compensation for pension contributions. When the employee retires, he or she will receive a full retirement bonus;
- throughout the term of the current agreement, 75 employees will normally be entitled to this part-time work arrangement;
- the Retirement Planning Assessment is intended to help employees aged 56 and older prepare for their retirement. The assessment is conducted by a specialist company and is financed by Solocal Group. Under the Older Employees Agreement, we had agreed to finance up to 100 retirement planning assessments in 2013, 50 in 2014 and 50 in 2015.

### 3.2.2 Young people

#### 3.2.2.1 EFFORTS TO EMPLOY YOUNG PEOPLE

As of the agreement signed in October 2013, our employment commitments toward students and young recruits include:

- Helping young people get onto the job market. This involves giving student interns and co-op students from various academic backgrounds an opportunity to discover a profession in a company work environment while promoting diversity in the workplace. Our objective is to ensure that young people employed under co-op contracts account for at least 2.5% of the average annual workforce throughout the term of the agreement.
- Increasing the number of co-op students hired under indefinite-term or fixed-term contracts. Co-operative education programmes enable students to gain professional experience and skills while they study. These contracts or agreements meet the needs of managers while giving many young people a chance to discover the many and diverse career opportunities that Solocal Group offers. We would also like to hire more co-op students when they complete their studies, with our objective being: to recruit at least 10% of the young people employed under work-study programmes either permanently or for at least six months.
- Encouraging between generations exchange. Under the new agreement, when a young person arrives in the Company their direct manager will introduce them to their "guide", who will show them around and help them learn about their job and work environment. The agreement also provides for a mentoring programme that enables experienced management staff to share their knowledge and skills. Through mentoring we recognise the value and experience of older employees, enable the exchange of information between generations, foster our company culture, and facilitate the integration of young recruits.

This agreement clearly demonstrates our determination to reach out to and employ Generation Y graduates.

For example, we have made a commitment to hire student interns and co-op students under work-training and apprenticeship contracts, enabling them to increase their employability while they study. This also enables us to develop stronger relationships with French schools and universities.

In 2014, PagesJaunes employed 119 student interns in various departments. This number does not include shorter-term internships involving younger students from junior high school to junior college level.

### CO-OPERATIVE CONTRACTS

| | PagesJaunes | |
|---|---|---|
| | 2013 | 2014 |
| Number of annual hires under co-operative work-study contracts | 53 | 61 |

In 2014, an initiative was launched to learn how student interns and co-op students felt about their experience working for Solocal Group. This involved a satisfaction survey that these young people could complete online, once they had finished their internship or work-study programme. This effort earned us the "Happy Trainees" seal of approval on the Meilleure-Entreprise.com employer rating website and recognition by young people as a good company to work for.

#### 3.2.2.2 BUILDING RELATIONSHIPS WITH SCHOOLS AND UNIVERSITIES

To achieve our goals, we need employees with skills in the latest Internet technologies. To ensure that we will be able to attract all available talent we actively seek to develop relationships with educational institutions.

Since our objective is to be seen as a top employer by students and educational institutions, we have made considerable efforts to reach out to schools and universities that are actively involved in new information and communication technologies.

We have thus developed relationships with 12 high flying institutions:

- three leading business schools: EDHEC, ESCP and HEC;
- one engineering *grande école:* Centrale Paris;
- one top engineering and statistics school: ENSAI;
- three webschools: École 42, Epitech and Web School Factory;
- four regional business schools: EM Normandie, Kedge, Iéseg and Skema.

This initiative is strongly supported by our senior managers and Executive Committee members, who are all personally involved, with each school having its own "ambassador".

These partnerships enable us to promote our career opportunities at Corporate Talks and Career Days for example; take part in various events, such as specialised job forums and challenges; and provide consultancy services.

#### 3.2.2.3 DEVELOPING OUR EMPLOYER BRAND

To increase the visibility of our employer brand and gain name recognition with young people from age 19 to 25 in addition to the students of our partner schools, we have been actively present on social networks since November 2012 and creating much of our own content.

Our strategy is to:

- make it known that we are a leading digital Group and employer;
- show concretely what our employees do;
- offer internship, work-study and job opportunities.

Solocal Group has therefore increased its presence on such professional social networks as LinkedIn and Viadeo, while getting closer to young people (and possibly future employees) by also being present on Facebook, Twitter, Yupeek and Wizbii, and on job sites that specialise in the recruitment of young graduates, such as Jobteaser.

To engage with and stay close to young people, we have adapted our editorial policy to appeal specifically to them, with a casual tone, attractive visuals and 100% online events. One example is a viral campaign we launched on Facebook and Twitter in December 2014 to introduce our recruitment team in an offbeat way. The goal was to engage potential job candidates in a tweetchat (hashtag #JeCherche1job) that lasted one week. This enabled students to ask recruiters questions and send in their CVs.

To accompany this effort, we also launched "featuring.solocalgroup.fr", an innovative platform dedicated to recruiting young people.

Lastly, in late 2013 we launched *Digital Talents News*, a newsletter specifically intended for young graduates and students. In December 2014, we sent out our fourth issue to over 100,000 students, potential job applicants and opinion leaders in leading French schools and universities.

### 3.2.3 Employing the disabled

Since 2005, Solocal Group's commitment to promoting diversity in the workplace includes actively employing people with disabilities. Ever since that year, we have been recruiting the disabled (their employment rate has grown steadily and was 3.94% in 2013) and keeping them employed. In addition to various actions under a two-year agreement signed in 2010 with Agefiph, a French association that promotes the employment of the disabled, on 6 March 2012 we signed an agreement with all unions to hire people with disabilities and retain disabled employees. Agefiph is responsible for managing the tax that companies must pay if less than 6% of their workforce has a disability, for co-ordinating efforts with public-sector employment agencies *(Pôle Emploi)*, vocational training organisations (regional councils) and CNSA (which provides aid to the elderly and handicapped), and for funding projects to hire the disabled and to enable private-sector employers to keep disabled employees employed in ordinary working environments. Agefiph also helps large companies set up disabled employment policies.

This agreement gives new impetus to our disabled employment policy and makes it possible to develop several types of initiatives that will increase the visibility of what we have accomplished.

### DISABLED EMPLOYMENT RATE

| | Solocal Group (for France) | |
|---|---|---|
| | 2013 | 2014 |
| The percentage of people with disabilities employed relative to the workforce at year end | 3.1% (1) | 3.9% (1) |

(1) *Please note: these rates were corrected in accordance with the Compulsory Disabled Employee Employment Statement, filed in 2012 and 2013.*

Our disabled employment policy involves two main types of actions:

- Hiring and integrating people with disabilities:

  We have set up recruitment processes for disabled job applicants, see to it that their workstations are properly adapted and work in partnership with organisations that support the employment of the disabled. Since 2010, work-training contracts have played a major role in hiring people with disabilities. We have committed to hiring 15 disabled people a year under these contracts and will hire 48 people under the current agreement. This objective has been exceeded since 2012 and 59 people with disabilities are currently employed.
- Retaining disabled staff:

  We make it a point to address any compensatory arrangements that may be necessary to accommodate an employee with a disability. This may involve adapting a work station with new equipment, reorganising work (through teleworking or by changing working hours), or providing human assistance (such as a sign-language interpreter or a speech therapist) or special transportation arrangements. After training and skills development, an employee with a disability may also be offered a more suitable position. Such training was provided to 11 employees in 2014.

  When the Company occupational physician feels that a disabled employee cannot continue in their current job, redeployment is our priority. This may require training a multi-disciplinary group to find an appropriate solution.

  We also assist employees in getting their disabled status recognised by the government.

In 2014, Solocal Group's Disabled Staff Task Force completed 114 employee retention actions. These involved, for example, adapting workstations, conducting ergonomic studies, providing special training and purchasing special sports equipment.

Training to increase the awareness of managers and staff in the various issues involved in employing people with disabilities is provided by an outside training firm. In order to raise the disability awareness of our employees, each year we organise a special event entitled Put Yourself in My Shoes, which includes "discovery" and "experience" workshops. In 2014, this day-long event was held in all Paris area subsidiaries and at PJMS (in Angouleme and Suresnes), Mappy, Horyzon Media and Sotravo.

This action is conducted in conjunction with Disabled Employment Week and the International Day of Persons with Disabilities. It shows both our employees and our external stakeholders that we are committed to being a responsible employer.

In October 2014, we initiated talks with union and government representatives to renegotiate measures to hire people with disabilities and retain disabled employees.

## 4. Safety, health and well-being at work

Solocal Group affirms its ambition to make quality of life in the workplace a priority as it helps its employees through the changes in their jobs and learn new working methods.

Completed in 2012, the National Quality of Work Life and Occupational Health Plan was the first step toward building a "chain of stakeholders capable of improving the quality of work life", which includes occupational health physicians, social workers, employee representatives on the Health, Safety and Working Conditions (HSWC) Committee, managers and the chief HR officer. Safety, physical and mental health and well-being at work are the three pillars of this plan, which adopts a specific and pragmatic approach to preventing psychosocial risks and improving working conditions.

In 2014, we prioritised actions to address the situations we face during our Group transformation.

### 4.1 WELL-BEING AT WORK

#### 4.1.1 Employee opinion survey

Each year, we poll all of our employees to get their opinions on their work environment, work content, career development, communication, management and quality of life.

This annual survey gives all managers an opportunity to listen to their staff, understand needs, identify priorities and determine the means and actions that will be necessary to correct any problems observed. The survey is conducted online by a survey firm and is entirely anonymous.

The 2014 opinion survey was conducted in December 2013. The response rate was 70% of our employees. The survey's findings revealed four main strengths:

- 82% of respondents found working for us to be a pleasurable experience, a figure that is consistently high each year;
- 86% were proud to work for Solocal Group;
- 88% wanted to "do their best" to contribute to our success;
- 78% felt that relationships with co-workers were good and based on mutual respect and that their direct managers were available and supportive.

It should be noted that the results of the 2014 survey have confirmed the positive impact of the Digital 2015 programme, with higher scores in such areas as assistance with organisational change (+6 points), implementing progress actions based on survey feedback (+4 points) and improving internal communication (73%) with specific materials and initiatives.

### 4.1.2 Measuring, assessing and understanding actions to improve work environments

#### 4.1.2.1 STUDIES OF SPECIFIC BUSINESS ACTIVITIES AND/OR SITES

To enable its employees to express their opinion about their work environment, PagesJaunes deployed the following tools in 2014:

- employee questionnaires for evaluating the results of actions taken to improve well-being at work (260 employees);
- a survey on change management that enabled employees to provide feedback on new work methods;
- ergonomic studies on working groups involving 10 offices.

#### 4.1.2.2 DEVELOPING RELEVANT PERFORMANCE INDICATORS

Two multi-disciplinary working and training groups were set up in 2014. In February, HSWC committee representatives, Human Resources managers, occupational health physicians and ANACT worked together to find indicators that would enable a better understanding of sick-leave related absenteeism at PagesJaunes. Their efforts resulted in absenteeism performance indicators that are more relevant to all stakeholders and comparable between them. The interpretation and analysis of these indicators is expected to enable HSWC committees, HR staff and line managers to address psychosocial risk factors more effectively and reduce sick leave.

In 2014, PagesJaunes also included the detection and reporting of employee work stress in its manager training.

In order to assist employees with changes in their jobs resulting from reorganisation, special indicators were designed to monitor their acquisition of new skills and adaptation to new tools and organisational structures.

### 4.1.3 Other sources of information

Annual reports from occupational health physicians, quarterly reports from social workers, social assistance actions, reports from external service providers and experts are examined to determine whether more vigilance in specific areas is required.

## 4.2 CONCRETE ACTIONS TO ASSIST EMPLOYEES

### 4.2.1 Meetings with employees to address their concerns

Working groups were formed locally to get feedback from volunteer PagesJaunes telesales representatives and appropriate tools were deployed to inform, train and get employees in working groups engaged in adopting new organisational structures and work methods and in making the transformation a success. This effort is in keeping with the objectives of directly informing employees and enabling them to express themselves on working conditions set forth in the National Industrial Relations Agreement of 19 June 2013.

### 4.2.2 Reducing and preventing absenteeism

#### WORK ACCIDENT FREQUENCY AND SEVERITY

| | Solocal Group | | PagesJaunes | |
|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 |
| Work accident frequency rate | 6.4% | 7.3% | 5.3% | 6.5% |
| Work accident severity rate | 0.6% | 0.4% | 0.8% | 0.5% |

We have undertaken a major effort to reduce and prevent sick leave and has prepared a national action plan that was incorporated in the Group current life and health insurance policy. Indeed, our sick leave rate in 2014 was 5.5% while that of PagesJaunes was 5.9%. The sick leave rate declined in 2014 compared with 2013 for all employee categories. This decrease is due to operations in France and in particular to PagesJaunes. The hiring of new sales staff in conjunction with the new employment contract for sales staff and the Employment Protection Plan played a large role in reversing the increasing absenteeism trend observed over the previous years.

The absenteeism rate is a key indicator in the identification and assessment of stress or dissatisfaction in the workplace. This is why we:

- are working with PagesJaunes' life and health insurance provider to get a better understanding of the causes and significance of absenteeism. Monthly meetings were held throughout 2014 to define the specific types of absenteeism and the target levels for each company and department;
- have included absenteeism in our management training programme;
- have redefined sick leave statistics and share them with HR and line managers.

In 2014, PagesJaunes implemented three measures to help its employees return to work:

- Special support to facilitate the return to the Company of employees on sick leave for more than two months. These employees may receive personalised assistance from a specialised company if they so choose. The occupational health physician, Company social worker and Human Resources staff may all help prepare the employee's return to work, depending on the situation;
- Human Resources staff may provide special assistance to employees who need to have their workload and/or objectives adapted by providing special training that enables them to remain employed or other means in accordance with their health or disability;
- Managers were asked to pay particular attention to employees who return to work after extended sick leave.

### 4.2.3 Making life easier for employees through teleworking

Teleworking is very appealing to employees who are looking for a better balance between their work and personal lives and who would like to reduce the time and fatigue associated with commuting. In some cases, teleworking also enables employees with disabilities, older workers who must commute long distances and other employees in difficult situations to continue working for the Company.

We launched our teleworking project at PagesJaunes in 2012, with a trial involving a pilot group of employees. Initially, the trial phase involved some 50 employees and was later expanded in 2013 to include 100. The volunteers for this trial were office employees with indefinite-term employment contracts whose work was compatible with teleworking, with no particular selection criteria in terms of employee status, working hours or department. Employees could work at home for one or two days a week.

To learn what they and their managers thought about this experience, two questionnaires were sent out, respectively after the first and the second trial phases. All respondents, employees and managers alike, thought that the experiment was a success. Given this result, PagesJaunes has just begun talks with union representatives to come to an agreement on teleworking in 2015.

### 4.2.4 Assistance with work-related and personal problems

In 2014, we strengthened measures to provide moral support and assistance to individual employees, *via* the employee assistance hotline, *acti-prevention* personalised assistance and more support for employees seeking to return to and continue work.

Employees may express their concerns or requests to HSWC committee members, occupational health physicians or Company social workers, who will pass this information on to the employee's manager or Human Resources staff. To improve the effectiveness of each of these channels, the National Quality of Work Life and Occupational Health Plan specified their respective roles as follows:

- Company social workers: In 2014, the role and responsibilities of the "chief" social worker at our head office in Sèvres were realigned with Group requirements and more resources were allocated to this function. This person may also now visit sites outside of the Paris area;
- HSWC committee: The Coordinating Committee and the eight regional HSWC committees are now involved in the execution of the PagesJaunes Quality of Work Life and Occupational Health Plan;
- Occupational health physicians: In keeping with recent changes in the provision of occupational healthcare services, the role of occupational health physicians has been realigned to:
  - ensure more effective exchange of information on the occupational health actions we have undertaken with the 37 occupational healthcare centres,
  - implement means for assessing work stress based on the examination of Company annual reports.

## 4.3 INCREASING AWARENESS OF PSYCHOSOCIAL RISK PREVENTION

### 4.3.1 Training managers and other stakeholders (HSWC, HR dept., etc.)

To facilitate the transformation of management practices PagesJaunes has included a training module in psychosocial risk (PSR) prevention in its new manager training programme. One of the priorities of its National Quality of Work Life Plan is to prepare a training module on identifying PSR and knowing who to contact. This training is intended to enable managers to:

- understand PSR (its human and economic costs, main theories, organisational, managerial and individual factors and the manager's role and responsibility);
- learn how to identify high-risk situations;
- adapt their day-to-day management practices to prevent PSR in the work environment.

By the end of 2014, PagesJaunes had provided PSR training to 531 managers.

### 4.3.2 Co-development, a new approach

In 2014, Solocal Group launched a programme of co-development, which is an approach to professional development that was developed in Canada. It is based on North-American pedagogical techniques of learning through action and experimentation and group dynamics and involves exchanging practices and opinions on work-related questions or problems. We have trained in-house trainers in co-development techniques and they regularly provide co-development training to twelve groups of managers from various departments. The Human Resources department oversees the planning and execution of this project.

## 4.4 IMPROVING BUSINESS PERFORMANCE THROUGH SPORTS AND EXERCISE

Raising employee awareness about the importance of sports and exercise is not only good for their health, it also builds team spirit. This is why we developed a project that enables our employees to practice a physical activity together. There are three objectives – combat the sedentary lifestyle, prevent musculo-skeletal diseases (MSD) and other physical ailments, and develop "healthy attitudes" by raising awareness.

This programme consists of a daily workshop where employees may discover a new indoor physical activity proposed on our intranet or on posters at some sites. The programme includes such activities as yoga, sophrology, pilates, warm-up exercises and Amma massage. Outdoor sports and exercise activities are even more motivating. These include speed walking, jogging and participation in races, such as the *Parisienne* and *Odysséa* races, which serve worthy causes. "Move it Day", the first annual group sporting event open to all employees, was held in June 2014. Lastly, we organised conferences on sports themes that included the participation of star athletes and Olympic medal winners.

Thanks to these events, 650 employees were able to practice a sport or other physical activity in 2014.

On 16 December 2014, the French National Olympic and Sports Committee (CNOSF) awarded Solocal Group its "Health and Well-being" prize at its *"Sentez-vous sport"* awards ceremony. This award encourages companies to develop sports activities for their employees, not only to improve their health but also business and social performance. By promoting sports and exercise we will be able to accelerate our transformation in accordance with our values and management model and strengthen working groups.

We also proposed the following training modules:

- Improve your health every day, which aims to make employees aware of how their behaviour can affect their health, enable them to measure the consequences of their lifestyle and take action to prevent health problems, for example by eating properly and getting enough sleep;
- Fighting tobacco addiction, for employees who want to stop smoking.

## 5. Labour relations

PagesJaunes needed to restructure its operations in 2013 to ensure its survival in a constantly evolving and increasingly competitive market environment.

A project to develop a new business model and reorganise PagesJaunes was presented to employee representative bodies for review in September 2013. After ten meetings with union representatives and informing and consulting with the HSWC committees and the Works Council, a majority-rule agreement on the re-employment measures of the Employment Protection Plan was signed on 20 November 2013.

This plan calls for the elimination of 22 jobs, which are fully offset by the creation of new jobs that are proposed to affected employees who are willing to accept redeployment. The objective is to keep these people employed in the Company or help them get a job elsewhere, for which special training funded by the Company is provided. As a result, no one was laid off and the business project created a net 48 jobs.

This agreement was validated by DIRECCTE on 2 January 2014 and confirmed by a decision of the Administrative Court of Cergy-Pontoise on 22 May 2014. This decision was reversed however by the Administrative Appellate Court of Versailles on 22 October 2014, for "lack of a majority". The plan's existence or content was therefore not challenged. The appellate court's decision, as it stands does not challenge:

- the validity of the dismissal procedure undertaken by PagesJaunes;
- the grounds of the economic justification of this procedure.

The reversal of the administrative court's decision therefore does not invalidate the dismissal procedure itself. Furthermore, given the extremely questionable legal grounds for the appellate court's decision, PagesJaunes has referred the matter to the *Conseil d'État:*

- in summary proceedings, to have the effects of the decision suspended, given their extremely negative impact on the Company; and
- until the *Conseil d'État* renders a decision on the merits.

The new contracts were proposed to 1,958 field and telesales employees and were refused by 18.4% of these, with 81.2% either agreeing to the new contract or to redeployment. PagesJaunes allocated a budget of 975,000 euros in 2014 to provide training for employees who refused the modification of their employment contracts under the Employment Protection Plan.

Labour negotiations in 2014 resulted in the signing of several agreements:

- an adaptation agreement subsequent to PagesJaunes' acquisition and absorption of A Vendre A Louer;
- rider No. 4 to the Group's mandatory profit-sharing agreement;
- an agreement on union rights at PagesJaunes;
- rider No. 3 to the Group's life and health insurance policy;
- rider No. 2 to the voluntary profit-sharing agreement at PagesJaunes Outre-Mer;
- rider No. 4 amending the Group's Employee Savings Plan;
- a "Group method agreement" on the time-table for the Citylights property development project.

Five collective agreements concerning PagesJaunes were signed with union representatives in 2014.

Although no specific agreement on occupational safety and health was signed, the health and safety plan described above in this document was prepared.

### NUMBER OF COLLECTIVE AGREEMENTS SIGNED

| | PagesJaunes | |
|---|---|---|
| | 2013 | 2014 |
| Number of collective agreements signed with representative unions that were still in effect during the year (excluding riders and agreements signed that year). | 24 | 22 |

# Environmental responsibility

Solocal Group has made eco-responsible management of its activities a top priority and a basic component of its culture, in line with its key value of Integrity. Another of our objectives is to develop services that will enable our clients to do their share to protect the environment.

GHG emissions assessments in 2009 and 2010 and an environmental performance assessment we completed in 2011 have enabled us to identify our major environmental impacts and prioritise actions in the following areas:

- printed directories, over their entire product life cycle;
- digital services, the impact of which is increasing as more and more energy is consumed to serve expanding online audiences and channels;
- employee commuting and travel, and in particular the energy consumed by Company vehicles;
- office activities, where the main challenges are reducing energy consumption and selecting more energy-efficient IT hardware and eco-responsible suppliers.

What we have learned from GHG emissions assessments has enabled us to undertake concrete actions to reduce emissions throughout our sphere of activity and influence. We scaled these actions to ensure the engagement of PagesJaunes employees, without which rapid and substantial progress cannot be made. These initiatives involved reducing GHG emissions from the following six sources, which are listed in decreasing order of total emissions reduction:

- printed directories;
- business-related employee transportation;
- recycling and waste disposal;
- freight;
- power consumption;
- refrigerant fluid leaks.

Our subsidiary PagesJaunes has set some ambitious targets for reducing greenhouse gas emissions resulting from its activities and intends to reduce them by 50% by 2015, compared with 2009.

This overall target includes the following three types of emissions defined under the GHG Protocol:

- Scope 1: direct emissions due primarily to combustion and leakage of refrigerants:
  - the reduction target is 10%;
- Scope 2: indirect emissions resulting mainly from energy consumption:
  - the reduction target 8%;
- Scope 3: other indirect emissions, which account for almost 90% of Solocal Group's carbon footprint:
  - the reduction target is 55%.

According to the last GHG emissions assessment in 2013, which covered the main emissions sources of scopes 1 to 3, the actions undertaken had already enabled PagesJaunes to reduce its GHG emissions by 55% between 2009 and 2013.

### REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS

| | PagesJaunes | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009/2013 change |
| GHG emissions *($CO_2$ Teq. m.t.)* | 186,300 | 140,440 | 132,600 | 99,900 | 83,200 | -55% |

*Source: PagesJaunes 2013 $CO_2$ Assessment, PwC.*

PagesJaunes' scope 1 and 2 GHG emissions in 2013 are described in detail in section 1.5.

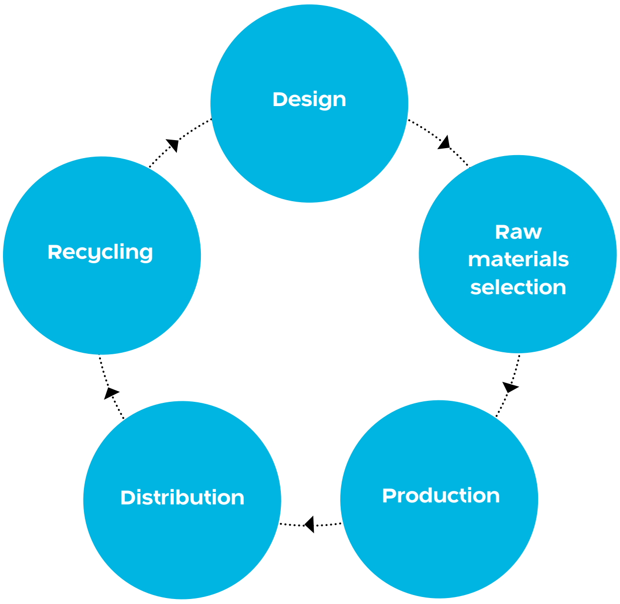
8

# 1. Impact of activities

## 1.1 PRINTED DIRECTORIES

### 1.1.1 Environmental management system

Efforts to reduce the environmental impact of printed directories form a holistic approach that covers the entire product life cycle, from design to recycling.




In accordance with this approach, in 2009 PagesJaunes' Printed Directories department decided to set up an environmental management system to provide a framework for its efforts to mitigate the environmental impact of its activities. The following year, this system was granted ISO 14001 certification after auditing by AFAQ, the French Association for Quality. As a result, all aspects of the design, production and distribution of printed directories are dealt with by a certified environmental management system.

This approach has enabled the Printed Directories department to address environmental considerations in all of its processes and makes it possible to measure and reduce the environmental impact of all the activities, the department oversees, in compliance with applicable laws and regulations.

Achieving regulatory compliance under ISO 14001 involved:

- identifying all regulations that apply to Solocal Group's industry and those that apply to its specific objectives;
- implementing a system for monitoring changes in these regulations.

In terms of operations, this standard has contributed to:

- identifying, within each process, the activities that are most likely to have a significant environmental impact; and
- preparing an annual action plan (the Environmental Management Plan) for deploying actions to reduce the significant environmental impacts of activities, in compliance with applicable regulations. Twice a year, the Environmental Committee monitors indicators to check on the progress of these actions.

As described above, the environmental management system for printed directories includes suppliers, all of whom are regularly informed of PagesJaunes' requirements. Whether paper manufacturers, printers, distributors or shippers, all are made aware of the Company's environmental policy. Moreover, all of PagesJaunes paper suppliers and printers are ISO 14001 certified.

As a result, the carbon footprint of Printed Directories fell by about 60% between 2009 and 2013. The eco-design efforts during this period, as described below, accounted for 30% of this decrease.

### 1.1.2 Processes and indicators

#### 1.1.2.1 DESIGN

Reducing the environmental impact of printed directories begins with the design phase, *i.e.* is the responsibility of the Printed Directories Marketing department, which therefore has a say in such decisions as the overall directory format, page layout, page background colour, type of paper used, etc.

Working from the Environmental Management Plan, the Printed Directories department has assessed and implemented the following actions:

- reducing the density of the background colour of PagesJaunes directories;
- modifying page size to reduce cutting waste in print shops;
- limiting PagesBlanches directories to local areas, to reduce the amount of paper used;
- reducing the weight of directory paper from 36 to 34 grammes, to lower total weight for transportation;
- conducting a study on using thinner packaging film to reduce consumption.

#### 1.1.2.2 ECO-RESPONSIBLE SELECTION OF RAW MATERIALS

The selection of the materials used to make directories is the second essential phase of the product life cycle that PagesJaunes must take into consideration their environmental impact reduction. As their main component, paper is a strategic purchase, the procurement of which must be ensured responsibly and sustainably. To achieve this objective, PagesJaunes engages its paper suppliers in its environmental management system.

For example, although the paper used for PagesJaunes yellow page directories is not PEFC or FSC compliant, suppliers declare that over half of the paper supplied contains from 40% to 100% recycled fibres.

Furthermore, all of the Printed Directories department's paper suppliers have implemented sustainable resource management policies and obtain their wood from forests that are certified to be sustainably managed. This ensures that the wood, they purchase is precisely identified and closely monitored and that sustainability claims are reliable.

It should also be noted that attempted delivery notice slips left by directory distributors are printed on PEFC-certified paper. This is also the case for notices posted in apartment buildings when directories are distributed.

#### 1.1.2.3 PRODUCTION

The Printed Directories department's environmental system also covers the printing and assembly of directories. Printers are therefore closely monitored to ensure they are able to obtain and maintain environmental certification. Printers these days may be required to obtain several types of certification, such as ISO 9001 (quality management), ISO 14001 (environmental management) and EMAS (European Eco-Management and Audit Scheme) and to comply with PEFC and FSC sourcing requirements. These certifications ensure that they have a system for managing risk.

Printers are also regularly audited by the Printed Directories department's Quality staff. During these audits, printers present a report on their activity. The areas that can be improved and possible corrective actions are then discussed. One example of such a corrective action is a study of overall shipping and transportation requirements that covered everything necessary to minimise their environmental impact.

Lastly, the amount of paper to be used to make directories is specified in printer contracts. To encourage printers to reduce paper consumption, a monetary penalty is applied when a specified limit is exceeded. If they use less paper, PagesJaunes will pay them a bonus.

### PRINTED DIRECTORY PRODUCTION AND DISTRIBUTION

| | 2013 | | |
|---|---|---|---|
| | **PagesJaunes** | **2014** | **2013/2014 change** |
| Ink consumption *(in metric tonnes)* | 522.5 | 400.4 | -23% |
| Paper consumption *(in metric tonnes)* | 27.8 | 19.5 | -30% |
| Paper distributed *(in thousands of metric tonnes)* | 21.0 | 16.4 | -22% |
| Number of directories printed *(in millions)* | 34.9 | 28.8 | -18% |

The decrease in paper consumption and distribution is due to the selective reduction of directory production and various eco-design initiatives.

#### 1.1.2.4 OPTIMISING DISTRIBUTION

Special attention is also paid to directory distribution, to reduce paper and packaging consumption and ensure that directories are not delivered to people who don't want them.

To begin with, PagesJaunes uses environment-friendly or recyclable packaging for its directories.

Secondly, before distribution, PagesJaunes uses its distribution database, which covers all of continental France, to telephone intended recipients and ask them whether or not they want a printed directory.

However, in highly populated areas people are not contacted in advance by telephone and the proportion of directories to be distributed relative to the local population is determined on the basis of studies conducted by the Printed Directories department.

Almost 12.8 million homes have been contacted so far. An average of 71.9% of households asked to be delivered directories, even in the Paris area. People who cannot be contacted by telephone are sent a pre-paid postage card. If they no longer wish to receive a directory they are asked to mail the card back, or to cancel delivery online on the recevoirmesannuaires.pagesjaunes.fr website, which is also accessible by smart phone. The pre-paid postage card campaign was a finalist for the "Efficiency" prize in the *Trophée Média Courrier* awards competition.

The purpose of the recevoirmesannuaires.pagesjaunes.fr website, launched in September 2008, is to provide an online tool that enables consumers and businesses to indicate what directories they would like to receive, if any.

The website saw the number of visits and requests grow by 46% and 95% respectively in 2014 compared with 2013, with 511,640 people saying they no longer wished to receive a directory, compared to 17,750 in 2013, *i.e.* 18.3% growth. Yet 43% of customer requests received online are to continue delivery.

PagesJaunes also works to continuously improve the quality of the addresses in its distribution database, to ensure accurate distribution and reduce the cost of delivery errors.

Pre-delivery consultation will be pursued in 2015, with emphasis on households that answered "Yes" when questioned in 2011, to enable them to confirm their decision or change their mind.

#### 1.1.2.5 DIRECTORY RECYCLING

We also care about what happens to our directories when they are no longer needed and believe that the manufacturer is responsible throughout the product life-cycle. We therefore organise the collection, disposal and recycling of used directories.

It should also be noted that some of the paper purchased is recovered and recycled by the printer during printing and assembly. Furthermore, any excess copies are collected and recycled by specialised waste-processing companies.

Solocal Group contributes actively to the efforts of EcoFolio, an environmental organisation that coordinates and funds paper recycling. PagesJaunes' financial contribution for 2014 was 444,000 euros net of VAT.

PagesJaunes also facilitates the recycling of used directories by using less background ink on its yellow page directories, which also reduces ink consumption significantly. As a result, in April 2012, the Board of Directors of REVIPAP, a French trade association of paper manufacturers that use recyclable paper, changed the waste-recovery classification of telephone directories from "tolerated" to "acceptable".

## 1.2 INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

Solocal Group is concerned about the environmental impact of its digital services, which are growing at a rapid pace.

In 2014 we undertook several actions to raise awareness of the importance of eco-design for ICT facilities, with expert Frédéric Bordage of GreenIT.fr. To ensure that employees understand the basic principles of eco-design, we organised information meetings for the managers of Solocal Group's major digital media, presented the environmental impact of ICT to our senior management, provided awareness-raising training to software developers at PagesJaunes' Media division, and organised a conference for all employees on World Environment Day.

There are also many projects underway to digitise paper documents and processes. These include, for example, all commercial transactions from ordering to collection, employee pay slips, and the supplier purchasing portal. We conducted an impact study on one of these projects to ensure that best environmental practices were being observed.

### 1.2.1 Data centres

Subsidiaries PagesJaunes, Mappy, PJMS and QDQ use internal and external data centres. Each year the power consumption of these data centres is optimised as the number of servers required for new projects and applications increases. Measures to reduce power consumption include:

- reorganising data centre premises to enable more efficient cooling of servers, by changing room layouts, confinement and anti-UV filters;
- replacing existing servers with more energy-efficient models that give off less heat;
- massive deployment of cloud computing and virtualisation technologies, which not only reduce the power consumption of individual servers hosting applications, but also enables more efficient overall use of IT infrastructure and operational flexibility;
- as a result, virtual machines account for the great majority of the server systems currently deployed, with 71.8% of PagesJaunes servers virtualised in 2014.

#### DATA CENTRE POWER CONSUMPTION

On the basis of the power consumed by PagesJaunes' largest data centre, we estimate by extrapolation that data centres accounted for approximately 14% of its total power consumption in 2014, compared with 15% in 2013.

| | Solocal Group (1) | | PagesJaunes | |
|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 |
| Data centre power consumption in MWh | 5,699 (3) | 6,213 (2) | 5,345 (3) | 5,832 |

(1) *Scope covers 82% of workforce*

(2) *6% of consumption is estimated on the basis of rated server power consumption.*

(3) *The method used to calculate the power consumption of PagesJaunes data centres was modified in 2014. Using this new method, their power consumption in 2013 would be 5,938 MWh for PagesJaunes and 6,292 MWh for Solocal Group (scope covers 82% of workforce).*

### 1.2.2 IT equipment

Reducing the environmental impact of office activities also requires the adoption of a Green IT strategy and various measures such as processes for automatically switching computers to stand-by or hibernate mode, replacing fixed office computers with laptops, which consume less energy, and optimising the number of printers at Group sites.

| | Solocal Group (1) |
|---|---|
| | 2014 |
| Average number of computers per employee | 1.43 |
| Average number of printers per employee | 0.37 |

(1) *Scope covers more than 92% of workforce.*

These ratios do not include external service providers accommodated on-site, even though, they do use resources on a long-term basis.

### 1.2.3 Waste electrical and electronic equipment (WEEE)

WEEE, such as computer monitors and other IT waste, are recycled by companies, specialised in recycling this type of waste and ensure that, equipment that still works is reused.

#### AMOUNT OF WEEE DISPOSED OF

| | Solocal Group (1) | PagesJaunes | |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| WEEE disposed of *(in tonnes)* | 14.2 | 6.5 | 11.2 |

(1) *Scope covers more than 86% of workforce.*

## 1.3 EMPLOYEE BUSINESS TRAVELLING

Close attention is paid to employee travelling, and in particular sales' representatives, which has a significant impact on PagesJaunes' GHG emissions.

Our digital transformation project includes efforts to optimise and reduce the number of kilometres travelled by sales representatives, by reducing the size of their territories. This initiative has significantly decreased the risk of driving accidents as well as GHG emissions.

We have also drafted a policy on the use of Company vehicles and distributed it to all employees who use a Company car, including sales representatives hired under the new employment contract. This policy's main objectives are to clarify the rules for allocating and using Company vehicles and to improve vehicle fleet management. The policy specifies a list of "authorised" carmakers and limits GHG emissions to 135 g/km (compared to 150 g/km previously). It specifies various rules, requires employees to sign a Car Policy Agreement before being issued a vehicle and rewards them with a gross bonus of 300 euros at the end of the lease period if they keep up with the policy's vehicle maintenance and usage rules.

Solocal Group's Travel Policy lays down general rules that govern employee travel in an equitable manner and ensures a standard level of service and comfort. It sets forth strict guidelines on the means of transportation that can be used for a given trip. For example, with few exceptions employees must use the train for trips of less than three hours, air travel of less than six hours must be in economy class, and employees who frequently make the same journeys are encouraged to purchase season tickets.

We also provide employees with tools for conducting meetings remotely (such as Microsoft Lync and videoconference equipment in meeting rooms) in order to reduce the need to travel between sites.

## 1.4 OFFICE PREMISES

### POWER CONSUMPTION EXCLUDING DATA CENTRES

| | Solocal Group [1] | | PagesJaunes [2] | |
|---|---|---|---|---|
| | **2013** | **2014** | **2013** | **2014** |
| Total power consumption excluding data centres and machine rooms *(in MWh)* | 9,594 [3] | 8,205 | 9,363 [3] | 7,987 |
| Total power consumption excluding data centres and machine rooms per sqm *(in kWh per sqm)* | 167 [3] | 145 | 167 [3] | 133 |

*(1) Limited scope, covers 82% of workforce.*

*(2) On the basis of KWh/sqm consumed at premises where PagesJaunes manages power contracts, this value was extrapolated to about 17% in 2014 (vs. 23% in 2013), i.e. 133 kWh per sqm compared to 167 kWh per sqm in 2013.*

*(3) The modification of the method used to calculate the power consumption of PagesJaunes' data centres in 2014 has an impact on that used to calculate power consumption excluding data centres and machine rooms. Using this new method, power consumption excluding data centres and machine rooms in 2013 would be 9,602 MWh for PagesJaunes (167 kWh/sqm) and 9,824 MWh for Solocal Group (167kWh/sqm) (Scope covers 82% of workforce).*

Solocal Group promotes the use of renewable energies. In its contract with the electrical utility at its main site in Sèvres, there is a specific clause that requires the utility to provide at least 25% "green" energy obtained from 100% renewable sources certified by TÜV-SÜD. In all, renewable energy sources accounted for 24.6% of total energy consumption at PagesJaunes sites in 2014, compared with 21.7% in 2013.

### 1.4.1 High Environmental Quality (HEQ) buildings

HEQ buildings are now preferred when selecting new premises.

In 2014, we signed a lease in view of moving our head office and Paris area subsidiaries, by April 2016, to a high-rise building that was designed and constructed to be fully compliant with HEQ, BREEAM and BBC environmental requirements.

| | Solocal Group [1] | |
|---|---|---|
| | **2013** | **2014** |
| Percentage of HEQ buildings among all leased premises at 31 December | 10.5% | 13.9% |

*(1) Scope covers 82% of workforce.*

### WATER CONSUMPTION

| | PagesJaunes | |
|---|---|---|
| | **2013** | **2014** |
| Annual water consumption per employee in $m^3$ | 8.4 | 6.0 |

Since PagesJaunes sites are mainly leased office premises, it is difficult to compile data on the amount of water consumed. The figure indicated above therefore applies to only 53% of PagesJaunes' leased surface area.

### 1.4.2 Other energy consumption

The amounts of natural gas and fuel oil consumed are immaterial in comparison with our electrical power consumption and are therefore not indicated in this report.

### 1.4.3 Waste management

Although subsidiaries and sites manage waste differently, each year selective waste collection is being extended to new sites.

For example, in 2014, we implemented selective waste collection at our head office and at two sites in the Paris area.

Spanish subsidiary QDQ has been sorting waste of its premises for many years now.

PagesJaunes has also amended its graphic charter to reduce the consumption of ink cartridges.

### 1.5 GHG EMISSIONS

Emissions in 2014 were calculated for scopes 1 and 2, which cover electricity consumption at PagesJaunes and Solocal Group sites and therefore for a limited scope. GHG emissions of vehicles used for business purposes, which pursuant to the GHG Protocol are included in scope 3 (vehicles that we do not own directly, employee vehicles and long-term leased vehicles) are not indicated in this report. However, we are planning to report data on these emissions in 2015 since they have a significant environmental impact given our Group's size.

**GHG EMISSIONS**

| | Solocal Group (1) | | PagesJaunes | |
|---|---|---|---|---|
| | **2013** | **2014** | **2013** | **2014** |
| GHG emissions from electricity consumption *(in $CO_2$ equivalent kg)* | 971,186 (2) | 910,924 | 951,457 (2) | 883,479 |

(1) *Scope covers 82% of workforce.*

(2) *The modification of the method used to calculate the power consumption of PagesJaunes data centres in 2014 has impacted that used to calculate power consumption excluding data centres and machine rooms and therefore the calculation of the corresponding GHG emissions. On the basis of this new method, GHG emissions attributable to power consumption in 2013 would be 1,011,374 $CO_2$-equivalent kg for PagesJaunes, and 1,035,803 $CO_2$-equivalent kg for Solocal Group (scope covers 82% of workforce).*

### 1.6 BIODIVERSITY

As a service company, Solocal Group has little impact on biodiversity.

Being aware that the production of its printed directories may potentially have an impact on forests, PagesJaunes is careful to select suppliers that are committed to sustainable forest management.

Moreover, Solocal Group and PagesJaunes take part in the Reforest'action programme and consequently have agreed to fund the planting of a tree in France to replenish the French forest for every season's greeting card sent in 2014. This has resulted in the planting of 2,137 trees in 2014, in the departments of Vendée, Yonne, Eure-et-Loir and Val-d'Oise.

### 1.7 OTHER TYPES OF POLLUTION AND NUISANCE

Given the service nature of our business and the outsourcing of printed directory production, we release no significant amounts of pollutants into the atmosphere, water or ground that have a serious impact on the environment.

At our two facilities that are classified as "environmentally-sensitive" and where chlorofluorocarbons, halons and halogenated hydrocarbons and carbons and similar products are stored and refrigerated, we comply with regulatory requirements to reduce major environmental risks.

Furthermore, given their number and size, these facilities generate no significant noise pollution for nearby populations. No request from stakeholders regarding this, has been registered.

Lastly, the service sites we leased in 2014 cover a total land area of almost six hectares. Our impact on land and soil use is deemed to be minimal in comparison with other industries.

## 2. Helping people be eco-responsible

Another way that we reduce the environmental impact of Solocal Group's activities is by developing innovative services that enable our customers to act responsibly with respect to the environment.

### 2.1 INCREASING THE VISIBILITY OF ECO-RESPONSIBLE BUSINESSES

PagesJaunes wants to encourage consumers to select manufacturers and service providers who have made a commitment to protect the environment. In 2011, it launched an eco-responsible information service to provide visitors to its websites with free and impartial information on the eco-responsibility of local businesses.

Businesses that voluntarily report their commitment to eco-responsibility, or which have been granted one of the 36 labels or certificates selected by a committee of independent experts, are identified with a green leaf symbol. Most of these labels or certificates reflect a commitment to protecting the environment, in the construction industry (such as Eco-artisans, the Energy Performance Pros, QualiPV and QualiPac) or in other sectors (such as *La Clef Verte*, the European Ecolabel and Imprim'Vert).

For more information about this service please see section 1.2 (Promoting CSR) in the Societal Responsibility chapter.

The PagesJaunes.fr website also lists some 4,900 organic food and/or vegetarian restaurants.

### 2.2 HOW MAPPY SUPPORTS THE CAUSE OF SUSTAINABLE MOBILITY

Solocal Group's subsidiary, Mappy, designs, develops and provides services that help people get from one place to another, with maps, routes and a local search function, on home computers, smart phones and tablets.

Mappy can also calculate "green" routes for public transportation users, cyclists and pedestrians. In 2014, Mappy users searched for some 40 million non-driving routes involving:

- Public transportation

  In November 2010, a service exclusively dedicated to public transportation in the Paris region was set up in partnership with STIF and Canal TP. It can calculate a route that includes all possible interconnections. Two partnership agreements were also concluded with Mecatran and Cityway to enable route calculation on almost 90% of the French public transportation network.

- Bicycles

  Mappy's route planning service for personal and public bikes, developed in partnership with JC Decaux, can immediately find the closest bike station and determine bike availability in departure stations and the number of open docks at arrival stations. A partnership with Geovelo is currently underway to expand the number of bike-path routes.

- Walking

  Mappy has had a pedestrian route-planning service ever since day one.

When users search for a standard driving route, Mappy will propose the following alternative solutions:

- Ride sharing

  Since July 2011, Mappy has been promoting Blablacar.com's long-distance ride-sharing service, which enables drivers and ride seekers to find each other. Each Mappy user who requests a route between cities will have the opportunity to post their trip on Blablacar.com to share their driving expenses with Blablacar users who need to make the same journey. Not only does this enable Mappy users to save money, it's also good for the environment. Through this partnership, Mappy can offer its visitors a new way to get around that is simple, more economical and eco-responsible.

- Rental car return

  Since October 2013, Mappy users who request a driving route have access to Driiveme, a French start-up that brings together car rental agencies that need to balance out their rental fleet and move their vehicles between cities, and people who don't want to spend more than one euro to get where they have to go (excluding toll road and fuel expenses).

- Train travel

  Lastly, when a route that a Mappy user searches matches a train line, Mappy will suggest booking a train ticket *via* a link to voyages-sncf.com, SNCF's travel website. This encourages Mappy users to take the train, issuing therefore less $CO_2$ than a passenger car.

In 2014, there were almost 1.2 million clicks to the Blablacar, Driiveme and voyages-sncf.com websites.

Mappy launched its new MappyCity application last November, which simplifies mobility in Paris using public transportation or the Vélib bike-sharing system.

Mappy also sponsored the Vélocité Challenge, which encouraged everyone to use their own or a public bike during European Mobility Week and automatically register their rides to win prizes. The event was organised by Citégreen.

## 2.3 SOTRAVO FACILITATES ENERGY-EFFICIENT RENOVATION

Solocal Group's subsidiary Sotravo develops online services that enable people with construction, renovation or home-improvement projects to easily obtain quotes from construction and home-improvement companies and professionals.

Among the many categories of quote requests posted on simpledevis.fr and decotravaux.com, two leading websites, Sotravo received over 71,000 requests in 2014 for sustainable housing projects that involved, for example, insulating an attic or installing a heat pump, new doors or windows, a closed fireplace, wood log or pellet stoves, a ventilation system or other equipment. This represents about 15% of the total number of quote requests detected on the Internet.

Sotravo thus estimates that it contributed to almost 47,000 energy-efficient renovation projects [(1)] in French homes in 2014.

Lastly, Sotravo also produces the Kelplanete.fr website, where it aggregates practical and useful information on sustainable energies and on reducing energy consumption and greenhouse gas emissions. Kelplanete.fr also offers links to websites that provide topical information on renewable energies, the latest innovations and key issues and challenges in the energy industry.

## 2.4 COMPRENDRE CHOISIR

The ComprendreChoisir.com website is produced by Fine Media, which was formed in 2007 and acquired by Solocal Group in 2011. ComprendreChoisir provides expert responses to questions that concern the day-to-day concerns of French people on over 400 subjects that are organised into five main themes: Home/Household Jobs; Money/Law; Consumer/Practical Info, Health/Beauty and Business.

Many of the subjects dealt with on ComprendreChoisir have to do with saving energy and renewable energies (*e.g.* solar energy, passive houses and energy efficiency), consumer and employee rights (consumer protection, litigation with employers and employment contracts) and people with limited mobility (handicapped accessibility, wheelchairs and avoiding institutional care).

The Comprendre Choisir website has over 12 million visits a month.

## 2.5 CHRONORESTO

Chronoresto.fr is France's second largest web portal of its type. Visitors can use their fixed Internet connection, smart phone, tablet or connected television to order a meal from a local restaurant and have it delivered to their home. Delivery is made directly by one of the 800 participating restaurants within 30 to 45 minutes.

Chronoresto also proposes digital marketing services for the restaurant/catering sector that include the creation of websites for desktop and mobile platforms and an ordering application.

Its website also informs users when a restaurant's menu offers meals that are prepared entirely in the restaurant from basic ingredients.

*(1) Source: simpledevis.fr User Satisfaction Survey of September 2014: 66% of simpledevis.fr quote requests result in an order.*

# Societal responsibility

As a major player in digital and local communication, Solocal Group's objective is to promote local economic activity in a responsible manner. By creating content and providing news and information, we make it easier for consumers to connect with local businesses and professionals. This is something we have been doing for over 60 years, as a key advertising and communication medium for tradespeople, small businesses, large national companies, professionals, local government services and others. We advise them and offer a range of advertising options in line with their budgets and objectives that will ensure their visibility on desktops, smart phones and tablets regardless of their level of online expertise.

Using our media and content-enriched offerings, consumers can easily find and access information about the products and services, they need and thus contribute to the local economy. We also strive to maintain a relationship of trust with all of our stakeholders. This is why we have taken steps to ensure that we protect personal data and observe the rules of fair competition and ethical behaviour.

Our commitment to society is thus consistent with our values as a company that places the interests of its customers at the heart of everything it does.

## 1. Promoting local economic activity

### 1.1 HELPING COMMUNITIES GROW THROUGH DIGITAL SERVICES

#### 1.1.1 Creating content and providing local information

The local media activities of our subsidiaries basically involve bringing consumers into contact with local businesses and professionals.

Printed directories are designed to be guide books to local communities that bring businesses and consumers closer together. For many people, a directory is a useful complement to web-based services. It is still the main source of local information for 23% of French people [1] who do not have an Internet connection. This is why we believe that printed directories fulfil a useful function in society and that they should be distributed free of charge within reasonable limits.

The diversity of our media and their availability on computers, smart phones and tablets enable Internet users in France and Spain to easily access local information anywhere and anytime. Among other things, our services provide consumers not only with reliable contact details, but also with a wealth of information for selecting and using products and services wisely. This includes practical information and advice, access to over 400 themed websites *via* ComprendreChoisir.com, access to detailed information about businesses and professionals, local business Good Deals, information about sales, etc.

Mappy also serves local business, by displaying store locations on its maps since 2012. Since early 2013, its new website offers the following features:

- dynamic and contextual merchant information on maps;
- merchant identification in street views;
- merchant search by category and display on map;
- detailed information on each business, which can be updated on the Mappy Local Business portal;
- store locator applications, to locate chain store locations.

To facilitate shopping and commerce in city centres, Mappy has published 360° indoor views of over 30,000 French shops.

It has now expanded its offering to these merchants to include a Digital Store Window that will enhance their visibility to some 10 million Mappy users on fixed and mobile platforms and encourage them to walk into their shops.

This approach has been adopted by the city of Dijon, which selected Mappy to provide themed tours of the city with detailed information and street views of 650 merchants.

Mappy's Shopping service enables consumers to look for products in retail chain stores and check whether a product is available in a store nearby.

The MappyGPS Free application offers an interface that facilitates the search for a nearby merchant or parking facility and suggests a route to get there. The application can also be set to "walk" mode, since people on foot account for 20% of the application's GPS navigation.

Other Group subsidiaries also serve neighbourhood and local merchants. For example, Leadformance provides digital solutions for optimising and accelerating transactions between consumers and local businesses. Leadformance offers local merchants "mini-sites" that are fully tailored to each of their shops and which, for example, provide information about sales and features such as Click and Collect and Pick Up in Store. This enables these merchants to increase their online brand visibility while bringing nearby consumers directly into their shops.

The advantages for Internet users is being able to easily access all the information they need to shop (shops' opening hours, services, products, etc.), download coupons and phone merchants directly.

We founded our subsidiary Sotravo-Keltravo to provide the most effective solutions for finding reliable providers of construction and renovation services.

Solocal Group is therefore doing what it has always done – enabling local businesses and professionals to promote their products and services to local consumers. However, it is doing so in new and innovative ways by developing multiple service channels on printed, digital and mobile media.

To make sure that no one is excluded, our staff are aware of the importance of the accessibility of digital media. A presentation on this subject was made at the CSR Correspondents Conference in 2014 and PagesJaunes has provided awareness training for its Media department's software developers.

(1) *Source: Audirep study – September 2014.*

### 1.1.2 Helping small and large business users with their digital communication

Local digital communication provides new business development opportunities to all stakeholders in local communities. Solocal Group is convinced that there is a place for everyone on the Internet, in accordance with their needs and objectives. Our commitment is to give everyone the resources they will need to use the Internet to develop their business and grow sales, whether they be entrepreneurs or small business owners, seeking solutions for their specific needs, large companies with large networks to manage, or government agencies looking for more efficient ways to serve the public.

To help our clients differentiate themselves in a highly competitive environment, we are continuously looking for innovative solutions that meet their needs and the needs of their customers.

The fixed and mobile websites, Facebook fan pages, SEO pages, display ad campaigns and Good Deal Shops have made us a key force in the market. At the end of 2014 we were serving some 255,800 websites.

Lastly, we provide advice and assistance that is tailored for each market segment and solutions for the specific requirements of each industry sector, we serve. Our 2,525 local communication advisors are specialised in such sector or markets as real-estate, automobile, hotel/catering, local retail, construction, public sector and B2B. Our advisors and long experience in local digital communication make Solocal Group the natural choice for entrepreneurs who are looking for assistance to develop their business.

Over 697,000 French companies currently benefit from our advice and digital services.

QDQ, our Spanish subsidiary, is also committed to the online development of local merchants. Its blog, Proyecto Activa Internet, keeps visitors regularly informed of the latest developments in digital marketing. It has also published a guidebook to online marketing for small and medium-size businesses.

### 1.1.3 Partnerships to get small and medium-sized businesses online

Solocal Group is involved in several initiatives with institutional partners to help tradespeople, professionals and small businesses start using digital communication practices.

Some of the many actions undertaken in 2014 include partnerships with:

- the French government's *Direction Générale des Entreprises* (DGE) and its "Digital Transition" programme to help small and medium-sized businesses make the transition to digital technologies. This involved preparing training modules for Digital Transition delegates, participating in Internet round-tables and in a National Digital Transition Conference workshop entitled "Commerce in 2020", which was attended by Axelle Lemaire, the French Secretary of State for Digital Technology;
- the Paris and Île-de-France Region Chamber of Commerce and Industry, to promote digital communication technologies (DCT) by joining in trade shows and providing training to small and medium-sized business managers and employees;
- the Department of Hauts-de-Seine Chamber of Commerce and Industry, in the I Like My Store campaign to get the department's merchants to embrace digital business practices;
- the Permanent Assembly of Chambers of Trades and Crafts, in the *Passionnément Artisans* (Passion for craft) initiative, which recognises the best practices of French tradespeople who use DCT in their day-to-day business;
- the Department of Rhone Chamber of Trades and Crafts, in the European Biennial Artisans Fair, where Solocal Group experts helped present DCT to trades and crafts people;
- the City of Paris, by participating in the *Grand Prix de l'Innovation*, which promotes business innovation.

In addition to this, several of our experts have given presentations on the digital transition of French companies at various trade shows, conferences and other institutional events.

### 1.1.4 Local Ideas blog

Solocal Group provides new and innovative services that can help companies with their local communication.

One such example is our *"Blog des idées locales" (local ideas blog)* blog, which provides an innovative way for local merchants to keep track of the latest business trends online (on both fixed and mobile devices) and find inspiration and solutions for developing their business.

It is intended for all types of businesses and in particular small and medium-sized businesses. Although they express a need for creative stimulation, they don't necessarily have the time and resources to track the latest ideas and trends.

The blog provides over 400 examples of original initiatives, from the most simple to the most daring, from all over France and from over 20 countries worldwide. It has received over 300,000 visits since its inception and now offers a White Paper, a newsletter and other content *via* partnerships with news and trends websites. At the 2013 Grand Prix du Brand Content awards in May 2013, the Local Ideas blog won the Gold Prize in the B2B category.

With this blog, we have found a new way to share the expertise we have gained from many years of working closely with local businesses.

We have also developed an English version of the blog called (Local Ideas) .

## 1.2 PROMOTING CSR COMMITMENTS

Solocal Group wants to enhance the visibility of businesses and companies that meet new consumer expectations thanks to their commitment to sustainable development. This is why PagesJaunes launched a service in 2011 that provides free and impartial information on the eco-responsible practices of local businesses.

Helping people find eco-responsible businesses is a natural development from our core business of providing useful and practical services that bring consumers and businesses together.

There are two ways that an eco-responsible business can be indexed in this service free of charge:

- It has been awarded one of the 36 labels or certificates selected by our committee of independent experts, whose members include Valérie Martin (head of ADEME's Public Information and Communication department), Christophe Lestage (an engineer in ADEME's Industry department), Tristan Lecomte (the Chairman and founder of AlterEco and founder of the *"Pur Projet"* group), Élisabeth Laville (founder of *Utopies* and cofounder of mescoursespourlaplanete.com, and Sylvain Lambert (a partner in PricewatehouseCoopers' Sustainable Development department).
- The businesses they select are found in all economic sectors. Labels and certificates may be specific to a given industry – such as *La Clef Verte* and *Agir pour un Tourisme Responsable* (for the hotel, catering and leisure industry); *Éco Artisans, Energy Performance Pros, QualiPV* and *QualiPac* (for the building industry and building trades; and *The Fair Trade Platform* and *My Hairdresser Cares* (for the retail sector) – or be generic to all industries, such as the Global Pact, the *Professional Equality Label* and the *Diversity Label*;

- It may also present its eco-responsible efforts in a statement that is posted on PagesJaunes.fr. The Solocal Group Business Centre provides a form that businesses can fill out to describe their actions to protect the environment, improve society or provide eco-responsible products and services.

Our staff checks these statements before they are posted.

Businesses that assert their eco-responsibility are indicated on the PagesJaunes.fr website with a special pictogram. Clicking on this will display details of the business's certificates/labels and environmental and societal initiatives.

Between end of 2012 and end of 2014, the number of eco-responsible businesses indexed has increased by 8%, from 62,816 to 67,871. This increase is partly attributable to the growing number of certified RGE *Environment Champion* installers of *Qualit'Enr* certified renewable energy equipment.

### 1.3 LOCAL ECONOMIC IMPACT

Since we care about our role in local economies, in 2012 we measured the economic impact of our subsidiary PagesJaunes in France, where almost all of its operations are located. To assess the economic and social impacts of its activities in a given geographic area, we used UTOPIES' LOCAL FOOTPRINT® model. This enabled us to determine that PagesJaunes' purchases in France and the payroll and income taxes it pays generate two jobs in the public and private sectors for every employee.

We also make it a point to preserve local jobs when we acquire a new subsidiary. When QDQ acquired Optimizaclick in 2014, for example, the subsidiary's workforce grew by 25% and boosted employment in the Spanish region of Asturias.

We are also a partner in *Utopies*'s Local Economic Footprint initiative, which enables consumers to assess the economic impact of their purchases on a dedicated website.

Each year, PagesJaunes also sponsors "Let's Go to the Restaurant !", which invites food lovers for one week in September to discover fine local restaurants and benefit from the special "Your guest is my guest" offer.

## 2. Personal data and responsible communication

### 2.1 INFORMATION SECURITY AND PERSONAL DATA PROTECTION

At Solocal Group, we care about providing information that is reliable and secure to the users of our websites and services, who use this information in their everyday lives and appreciate its relevance and accuracy. We are also actively committed to protecting the data we collect from them and showing respect for their privacy.

Each of our websites provides detailed information on how data are used and on the rights of users to access their personal data and have them corrected or deleted if necessary. They may exercise these rights easily by simply clicking on the e-mail address of our Data Protection Correspondent (DPC).

Our Data Protection Team has four members: the DPC, a senior lawyer, a security engineer who joined Solocal Group in 2013 after having worked at CNIL (the National Commission for Information Technology and Rights) and a junior lawyer who joined the team in 2014.

#### 2.1.1 Information security

Employees can access the Solocal Group Information Security Policy on our intranet.

This policy constitutes a code of conduct that governs all behaviour that may affect the security of Solocal Group data and must be observed by each Group entity. It describes management's commitment to information security, its scope, the property covered, regulations, contractual obligations, objectives and responsibilities. It deals with all physical, technical and organisational security issues in relation to the processing of information on all media. It also covers the use of information and telecommunications technologies.

Guidelines are being prepared to specify the rules and best practices to be observed, in accordance with standard practices (and especially with respect to new digital technologies and their risks), to ensure the proper identification and authentication of internet users who log onto any component of the Solocal Group Information System, *i.e.* a computer, system, application, router or other software or device.

#### 2.1.2 Protecting user's personal data

Our intranet provides our employees with information on personal data protection on a dedicated "Personal Data" page.

##### 2.1.2.1 INTERNAL RULES AND PROCEDURES

Solocal Group's commitment to information security is governed by the following rules and procedures:

- the Personal Data Archiving Rules, implemented in March 2005;
- a procedure to formally document processing personal data (last updated on 3 May 2012) which among other things specifies the disclosure obligations that must be observed before processing personal data;
- a procedure that governs the reporting of personal data processing and which serves to ensure proper maintenance of the DPC register in which all processing of personal data by the Group's French companies are recorded, and verification that any new data processing or any change to current data processing complies with the French Data Protection Act (*loi Informatique et Libertés);*
- a procedure that governs the transfer of databases that contain personal data within the Group, to ensure the protection of these data by specifying the requirements for such transfers, so as to minimise any risk of misuse, theft or loss, during their transmission or otherwise;
- a procedure for handling requests from individuals to access their personal data (last updated on 17 September 2012), which seeks to ensure that these practices are uniform throughout Solocal Group and facilitate the exercise of this right;

- a procedure for handling requests from individuals to correct or delete their personal data (last updated on 18 September 2012), which seeks to ensure that these practices are uniform throughout Solocal Group and facilitate the exercise of this right.

The last two procedures are part of our personal data protection system. Accordingly, all of our companies, and especially employees responsible for data processing, must make sure to implement procedures for satisfying the requests of individuals who exercise their right to have their personal data corrected or deleted pursuant to Articles 38 and 40 of the French Data Protection Act of 6 January 1978, as amended by the Act of 6 August 2004, and Articles 92 to 97, 99 and 100 of Decree No. 2007-451 of 25 March 2007, which amended the Decree of 20 October 2005.

Furthermore, these procedures are consistent with the DPC's role, which is to ensure that personal data correction and deletion rights are observed, mostly by ensuring that appropriate procedures are implemented.

In 2014, we updated the procedure concerning the rules to be observed in the event of an audit by CNIL and posted practical guidance on the Group's intranet.

We also posted a process to ensure compliance with the rules for protecting the personal data of Solocal Group website users on the Group's intranet. These rules cover the encryption of communication, authentication procedures and the need to obtain the website user's permission to agree to the use of cookies and other tracking tools. These rules were accompanied with practical information on the use of cookies on our websites.

### REQUESTS TO AMEND OR DELETE PERSONAL DATA ON PAGESJAUNES IN 2014

| | PagesJaunes | |
|---|---|---|
| | **2013** | **2014** |
| Requests received by Customer Service: | | |
| *Requests for deletion* | *20,000* | *22,684* |
| *Requests for modification (No-advertising list, PagesBlanches, aerial views)* | *19,000* | *36,227* |
| **Requests received directly by the DPC** | **200 (o/w 64 written)** | **4,197 (o/w 179 written)** |
| Requests received by the DPC from CNIL | 16 | 5 |

Under the terms of an internal service contract, two days are allowed to process requests to cancel or modify personal data (excluding requests handled directly by Data Protection staff). The legal requirement is two months, pursuant to Article 94 of decree No. 2005-1309 of 20 October 2005. The average processing time in December 2014 was estimated to be 2.6 days.

#### 2.1.2.2 IN-HOUSE TRAINING

The DPC team has set forth guidelines for project managers that include:

- a process that specifies all issues to be addressed when designing a new product or service and when the DPC team must be contacted;
- a processing description form for exchanging information with project managers and ensuring that all required information is reported to the DPC team so that it can update the register, among other things;
- a presentation of the basic principles of the French Data Protection Act in the form of FAQ.

The purpose of these guidelines is to address Data Protection Act requirements before projects begin. These documents therefore serve to:

- ensure that the necessary information is reported to the DPC team so that it can centralise data processing information;
- provide operational staff with clear rules that enable them to detect events that may have an impact on personal data and contact the DPC team when necessary;
- detect and deal effectively with sensitive issues whose implementation requires examination before making a decision.

These guidelines were issued at the end of 2013 and implemented early 2014. They were also published on the Group's intranet.

Awareness-raising and training actions were pursued in 2014, on such subjects as the technical challenges of the Data Protection Act and the return on investment of compliance with CNIL requirements.

Group employees who deal with personal data receive a bi-monthly newsletter entitled *"En Bref sur les Données"* (data in short) that covers recent news on personal data issues.

#### 2.1.2.3 INTERNAL AND EXTERNAL AUDITS

Internal audits are regularly conducted throughout the year, either by the DPC team or the Internal Audit department.

Audits conducted by CNIL in 2010 resulted in sanctions for Solocal Group in 2011. These audits concerned the "Webcrawl" service created for the pagesblanches.fr website in March 2010, which served to complete user first and last names entered on the site with responses found in public profiles on six social networks: Facebook, Twitter, LinkedIn, Copains d'Avant, Trombi and Viadeo. When this service was made available, CNIL conducted an audit in Solocal Group's premises in Sèvres and Rennes. In late 2011, SoLocal Group was sanctionned for the following:

- collecting personal data without first informing users;
- using directory data to eliminate foreign user profiles on Facebook;
- not updating data collected from Twitter, Facebook and other sources;

- failure to observe user rights;
- inappropriate, irrelevant and excessive collection of IP addresses.

This decision resulted in a public notification which in turn led Solocal Group to lodge an appeal with the *Conseil d'État*. This appeal was dismissed on 12 March 2014.

The Hamon Act on Consumer Protection No. 2014-344 of 17 March 2014 amended the Data Protection Act and enabled CNIL to conduct inspections and audits online and note failure to comply with the Data Protection Act remotely, from a computer connected to the Internet. In October 2014, CNIL thus began to conduct remote audits to check whether website operators were complying with its recommendation of 5 December 2013. These audits covered the submission of cookies upon initial page display in particular, the relevance of the data collected, verification that claimed procedures were in place, compliance with information obligations and data security. Subsequent to these audits, the DPC team reminded Solocal Group website managers of its recommendations regarding user information requirements and the importance of complying with data security obligations.

#### 2.1.2.4 DRAFT EUROPEAN REGULATION AND CO-OPERATION WITH TRADE ASSOCIATIONS

Solocal Group has decided to review the potential impacts that the draft European Regulation on personal data protection may have on its activities. For this purpose, in the second half of 2012, the DPC team worked with the Institutional Relations department to undertake the following actions:

- Within the Group – set up working groups to explore the Regulation's impact on each category of affected personal data, estimate the economic consequences of the impacts identified and suggest solutions in line with the draft Regulations;
- Outside the Group – lobbying activities (meetings with several French ministers and European Commission members) *via* such associations as AFEP (the French Private-Sector Enterprises Association) to propose solutions that take Solocal Group's needs into account while protecting data privacy.

Lastly, in 2014 the DPC team continued to take part into the AFCDP, AFEP and FING trade associations, which are working to find solutions to ensure the responsible use of personal data, such as the "My Data" pilot project. To contribute to this effort, Solocal Group sponsored the 8th DPC university organised by AFCDP, which was held on 27 January 2014, and participated in the drafting of GESTE's Cookies Consent white paper and in the work of Syntec Numérique, an IT technology trade association.

## 2.2 OTHER ACTIONS TO PROMOTE RESPONSIBLE DIGITAL COMMUNICATION

### 2.2.1 The CNIL seal of approval

The Hamon Act on Consumer Protection No. 2014-344 of 17 March 2014 amended the Data Protection Act and authorised CNIL to grant a quality label to products and procedures that endeavour to protect the personal data of consumers, once assured that these products and procedures comply with the Data Protection Act and with the guidelines published in the *Journal officiel* on 10 January 2015. Solocal Group is weighing the costs and benefits of applying for this quality label.

### 2.2.2 Improving the quality of consumer reviews

In order to build a lasting relationship of trust with its advertisers and consumers, PagesJaunes applied late 2013 to get its online consumer review service certified by AFNOR Certification, a well-known independent French certification body, which in 2013 issued the world's first voluntary quality standard (NF Z74-5012) on the handling of consumer reviews on the Internet.

For 18 months, PagesJaunes has worked with AFNOR and some 40 other organisations to specify rules that could be applied to all websites that features consumer reviews on products, restaurants, tourist facilities and other services.

Late 2013, PagesJaunes staff therefore began working on rules and procedures that would make its services even more reliable and provide assurance as to the methods used to collect, process, moderate and post consumer reviews online, while ensuring that review authors may be contacted and optimising external measures for assessing the reliability of reviews and detecting those that are fraudulent.

AFNOR certification was obtained on 13 November 2014 and will be valid until 13 November 2017. It applies to reviews published on PagesJaunes' fixed and mobile websites and PagesJaunes' application for Android and iPhone smart phones.

### 2.2.3 Responsible communication charters

Solocal Group and its subsidiaries have signed the following charters, which reaffirm or further specify their commitments:

- the Data Protection Charter, which describes our measures to protect the personal data of the people who use our websites and online services;
- the Targeted Advertising and Internet User Charter, which was drafted by trade associations of targeted advertising agencies, such as Horyzon Media, PagesJaunes Marketing Services and PagesJaunes.fr. The charter make substantial contributions to limit the lifespan of cookies, foster transparency and give Internet users more control over their personal data;
- the Internet Authentication Charter. This charter is in keeping with our belief that given our role in bringing Internet users and businesses together, we have a duty to promote user authentication and to assist consumers and business users in securing their transactions;
- the "Right-to-be-Forgotten" Charter, which supports the rights of Internet users to have information they post online removed. The charter specifies best practices for collaborative websites (*i.e.* social networks, blogs, forums, content publication and messaging websites) and for search engines where Internet users may post information about themselves;
- the Charter of SNCD (the National Direct Communication Association). For the third consecutive year in 2014, PagesJaunes Marketing Services (PJMS) signed SNCD's Responsible Development Charter, which includes commitments to employees, the environment and society. Among other initiatives, PJMS uses software to detect changes in a customer's address to reduce misdelivery.

We are also a member of the Open Internet Project, which includes over 400 leading European digital firms that defend Net neutrality.

# 3. Compliance with professional ethics and competition law

## 3.1 CODE OF CONDUCT

Solocal Group does business within a framework of responsible development that is underpinned by ethical principles that must be shared by all employees. These principles, which are set forth in our Code of Conduct, are based on our values and determine our behaviour with respect to our customers, shareholders, employees, suppliers and competitors, to the environment, and to the countries where we do business. It applies to everyone, including members of the Board of Directors and senior management.

Our Code of Conduct is aligned with such fundamental and universal principles as those of the Universal Declaration of Human Rights; those set forth in International Labour Organisation agreements on freedom of association, the right to collective bargaining, eliminating discrimination in respect to employment and occupation, eliminating forced or compulsory labour, and abolishing child labour; and those of the Organisation for Economic Cooperation and Development, especially with respect to efforts to fight corruption. The Solocal Group Code of Conduct also addresses our commitments in other areas, such as sustainable development.

The Code also specifies the need to comply strictly with stock trading rules and includes specific preventive measures, such as having Board members, senior executives and other "permanent insiders" observe a "blackout" period before selling any shares they may hold in the Company.

The Code prohibits corruption especially when dealings with customers and suppliers.

## 3.2 RESPONSIBLE LOBBYING

In keeping with its CSR policy, Solocal Group strives to be exemplary in its dealings with elected officials and political institutions, which are governed by the following four basic values:

- Ethics – Our Institutional Relations department is registered and approved by the French National Assembly. This means that this department's staff members:
  - comply with the disclosure requirements of the National Assembly Bureau, the French Senate, the European Parliament and the European Commission, and have agreed to make public the information provided in their disclosure statement,
  - systematically disclose their identity, that of their employer and the interests they represent when dealing with Assembly members, senators or members of European Parliament or of the European Commission,
  - comply with the rules governing access to and circulation within the premises of the National Assembly, French Senate, European Parliament and the European commission;
- Transparency – We are committed to exemplary behaviour and to disclosing our discussions with public authorities whoever they may be;
- Sustainability – We work to establish durable relationships with public authorities to build projects that will generate long-term benefits for society;
- Community involvement – The primarily local dimension of our institutional relations policy distinguishes us from most other companies. Our position in local communities, which is even reflected in our name, connects us intimately with the day-to-day concerns of public authorities.

## 3.3 COMPLIANCE WITH COMPETITION LAW

Solocal Group strives to conduct all business activities in strict compliance with competition law.

PagesJaunes has made a commitment to the French competition authority (ADLC) to ensure that its staff observe the rules of fair competition, especially with regard to advertising agencies, and to implement a compliance programme that prevents sales staff from engaging in anti-competitive behaviour, including but not limited to the disparagement of advertising agencies in any way, pursuant to the ADLC Decision No. 12-D-22 of 22 November 2012 in response to the complaint regarding PagesJaunes' business practices lodged by NHK Conseil, Agence I&MA conseils, Sudmédia conseil, OSCP, Audit Conseil Publicité Annuaires, Charcot.net, Agence Heuveline, Avycom publicité annuaire, Toocom, Ecoannuaires and Netcreative-Pages annuaires.

To comply with this decision and prevent future incidents, PagesJaunes has prepared and implemented a programme to ensure that its relevant departments observe competition rules. This programme aims to prevent the alleged disparagement of competitors by sales personnel, through the:

- distribution of a revised version of the Competition Booklet, which is appended to the Company's bylaws;
- organisation of compulsory annual training in competition rules, intended specifically for all PagesJaunes sales personnel and including a specific module on disparagement. This training was provided to 369 people in 2014. Pursuant to the decision of 22 November 2012, PagesJaunes has until the end of March 2015 to provide a second training session in competition law to all sales personnel. The figure indicated for 2014 applies only to sales advisors hired in 2014;
- training of a Compliance Team to handle any alerts or complaints about the behaviour of PagesJaunes sales staff, examine these complaints and answer any questions that PagesJaunes employees may have about competition rules;
- application of disciplinary sanctions on employees who knowingly fail to observe competition rules.

In addition to the aforementioned compliance programme, PagesJaunes has agreed to maintain and make compulsory preliminary checks to validate customer orders that involve "risky" activities, as described in Sales department memorandum No. 2010/09 of 20 October 2010 and its most recent revision of 22 April 2013.

It should be noted that PagesJaunes has drafted "sales instructions" to ensure that the advertisements of its clients comply with the law, and with consumer protection rules in particular. PagesJaunes may indeed be held liable for complicity in false advertising if the information in an advertiser's advertisement does not reflect the advertiser's actual business or the services that a prospective customer may legitimately expect.

It has also become apparent that certain services (such as plumbing, lock repair or house moving) require that the service provider comes to the customer's premises, and often urgently. It must therefore be checked that the advertisements for such services reflect the advertiser's actual business activity.

PagesJaunes implemented these checks on advertiser business activity in 2009 after complaints about misleading advertisements in high-risk services in certain departments near Paris and in southern France.

These checks also reduce the risk of criminal liability for complicity in money laundering. One of PagesJaunes' commitments to ADLC is to maintain these checks until at least, 31 March 2016.

Lastly, PagesJaunes has also committed to strengthening its current risk control system, with random checks on orders placed with PagesJaunes sales staff that do not require preliminary checking pursuant to the aforementioned Sales department memorandum, because they are located in French departments and/or involve high-risk activities that are not listed in this memorandum. These checks are performed to ensure that these orders comply with Sales Instructions.

These commitments will be observed for three years, as of 31 March 2013.

## 4. Relationships with suppliers

### 4.1 PROCUREMENT CHARTER

Through its Purchasing department, Solocal Group seeks to engage with its suppliers and share its responsible procurement values with them.

For this purpose we have drafted a Sustainable Procurement Charter, which is signed by each new supplier or upon renewal of a supply contract. The supplier's business relationship with Solocal Group will depend largely on its compliance with this charter, which requires the supplier to observe basic principles regarding working conditions, health, safety, the environment and ethics. The charter covers many subjects, including clandestine or forced labour, discrimination, compliance with environmental regulations and resource management. Suppliers must ensure that their own suppliers and subcontractors, for all of their business activities and sites worldwide, observe the requirements of this charter.

This charter has been signed by 110 PagesJaunes, Mappy and Solocal Holding suppliers under new or amended contracts.

### 4.2 PURCHASING GUIDELINES

The Responsible Purchasing Guidelines were updated in 2011 and are intended for all Group subsidiaries. They are the foundation of Solocal Group's responsible procurement policy, which seeks to encourage the procurement of products and services that are more respectful of the environment, people and society, and may even provide individual or societal benefits.

There are three objectives:

- prioritising products, services and companies that address the CSR challenges that are specific to their business activities;
- gradually increase the sustainability criteria for people, the environment and society, in a continual improvement approach;
- monitor the CSR performance of suppliers to help them improve.

The Solocal Group Purchasing Guidelines also set forth more general guidelines such as:

- promoting official eco-labels and eco-designed products;
- increasing supplier awareness of the role their products, services or industries play in society;
- encouraging suppliers to be more transparent about the environmental characteristics of their products.

When selecting suppliers, we also take the following CSR criteria into account – CSR knowledge and experience, quality control process, human resources policy (employee loyalty, training and turnover), eco-responsibility policy (*e.g.* CSR Charter), financial health and geographic location. Furthermore, we systematically send requests for proposals to companies that employ over 80% disabled workers.

## 5. Relationships with nonprofits

PagesJaunes.fr and other Group subsidiaries donated unsold advertising space to charities in 2014, such as Alzheimer prevention or Jaccede.com, under partnership agreements or on a one-off basis.

For example, Solocal Group supported the 2014 *Téléthon* on 5 and 6 December, with massive 100% digital visibility (including banner and block ads, promotional home pages and ads on social networks) on its main websites, with fresh content that links to the donation form.

For the 12$^{th}$ consecutive year, digital marketing and data solutions provider PagesJaunes Marketing Services (PJMS) made its call centre in Angouleme available to volunteers receiving donations by telephone. The 78 volunteers handled 3,586 calls.

Our subsidiaries also support local nonprofits. For example, QDQ Media organises food and clothing drives for Caritas and other charitable organisations.

# Outlook

Solocal Group has made CSR the foundation of its business strategy and therefore of its digital transformation. Our move to our future headquarters at the new Citylights site in Boulogne-Billancourt near Paris, in 2016, will be a fitting symbol of our efforts and commitment.

The site's compliance with HEQ Exceptionnel, Breeam Very Good and BBC environmental certification criteria will enable us to further reduce the environmental impact of our office activities. This move also gives us an opportunity to execute a Company Mobility Plan that will enable us to reduce our carbon footprint by facilitating sustainable mobility and to increase employee well-being. Regarding the latter, we will provide our staff with a range of services that include a concierge service, a wellness centre, a gym, a relaxation area, a traveller lobby and five restaurants. Furthermore, requests for proposals currently issued or planned include CSR criteria that prioritise sustainable local supply chains, the employment of people with disabilities and the reduction of environmental impact.

With this project, which is perfectly aligned with its Corporate Social Responsibility strategy, Solocal Group is making it clear that it is determined to keep getting better.

# CSR contacts

Please address any questions on Solocal Group's corporate social responsibility to the CSR team at:

Solocal Group

CSR Department – Direction Stratégie, Partenariats et Relations Extérieures et Secrétariat Général

7, avenue de la Cristallerie
92317 Sèvres Cedex – France
rse@solocal.com

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# Appendix No. 2: Report of the Statutory Auditor as an Independent Third Party

## Report of the Statutory Auditor acting, as an independent third party, on the consolidated corporate social responsibility information provided in the Management Report

*For the financial year ended 31 December 2014*

To the Company's shareholders,

In our capacity as Solocal SA's auditor and independent third party, certified by COFRAC (No. 3-1048 [(1)]) and pursuant to Article L. 225-102-1 of the French commercial code, we hereby present our report on the consolidated corporate social responsibility information provided in the Company's Management Report (the "CSR Information") for the financial year ended 31 December 2014.

### RESPONSIBILITY OF THE COMPANY

It is the Board of Director's responsibility to prepare a Management Report that includes the CSR information specified in Article R. 225-105-1 of the French commercial code and which is consistent with the Company's reference documents (the "Guidelines") which are available upon request at the Company's registered office.

### INDEPENDENCE AND QUALITY CONTROL

Our independence is subject to the applicable regulations, our professional code of ethics and the provisions of Article L. 822-11 of the French commercial code. In addition, we maintain a comprehensive system of quality control which includes documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### RESPONSIBILITY OF THE STATUTORY AUDITOR

Our duties are, on the basis of our auditing work, to:

- attest whether the required CSR information is presented in the Management Report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of Article R. 225-105 of the French commercial code (Attestation of the presentation of the CSR information);
- provide limited assurance on whether the CSR information, taken as a whole, is fairly presented, in all material aspects, in accordance with the Guidelines (Reasoned opinion on the fair presentation of the CSR information).

Our work was carried out by a team of four people over a period of about five weeks, from November 2014 until February 2015. To assist us with our work, we have called upon our experts in social and environmental responsibility.

Our engagement was performed in accordance with professional standards applicable in France, with the Decree of 13 May 2013, which sets forth the procedures to be adopted by independent third parties in carrying out their engagements, and with ISAE 3000 with regard to the reasoned opinion on truth and fairness [(2)].

#### 1. Attestation of presence of CSR information

We examined, on the basis of interviews with the managers of the departments concerned, the guidance on sustainable development, in relation to the consequences of the Company's activity on its staff and on the environment and its commitments to society and, where relevant, the resulting actions or programmes.

We compared the CSR information presented in the Management Report with the list provided in Article R. 225-105-1 of the French commercial code.

In the event of the omission of some consolidated information, we verified that an appropriate explanation was given in accordance with the third paragraph of Article R. 225-105 of the French commercial code.

We have checked whether the CSR information covered the Company's consolidated scope, *i.e.* the Company and its subsidiaries as defined in Article L. 233-1 and the companies it controls as defined in Article L. 233-3 of the French commercial code, within the methodological limits indicated in the chapter of the Management Report that deals with corporate social responsibility.

On the basis of this work and taking into account the limits referred to above, we attest that the required CSR information is presented in the Management Report.

#### 2. Reasoned opinion on the sincerity of the CSR information

**NATURE AND EXTENT OF THE ENGAGEMENT**

We carried out around 10 interviews with the persons in charge of preparing the CSR information within the departments responsible for the information gathering processes and, where relevant, those responsible for the internal control and risk management procedures, in order to:

- assess the appropriateness of the Guidelines regarding their relevance, completeness, reliability, neutrality and clarity, taking into consideration, where applicable, best practices in the sector;
- verify that a process had been set up for the collection, compilation, processing and control of the CSR information to ensure its completeness and consistency, and examine the internal control and risk-management procedures relating to the preparation of the CSR information.

We determined the nature and extent of our tests and checks based on the nature and importance of the CSR information with regard to the Company's characteristics, the social and environmental issues stemming from its activities, its sustainable-development policies and best practices in the sector.

(1) *See www.cofrac.fr for more information.*

(2) *ISAE 3000 – Assurance engagements other than audits or reviews of historical information.*

Concerning the CSR information we consider to be most significant (see Appendix 2):

- at the consolidating entity level, we consulted the source documents and carried out interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and consolidation of the data as well as verifying their coherence and their consistency with the other information disclosed in the Management Report;
- at the level of subsidiary PagesJaunes SA, which was selected on the basis of its business activity, its contribution to the consolidated indicators, its geographic presence and a risk analysis, we conducted interviews to verify that the procedures were correctly applied and performed tests of details based on sampling, which consisted in verifying the calculations made and reconciling the data with the supporting documents. The sample thus selected represented an average of 81% of the workforce and between 78% and 100% of the quantitative environmental information.

As regards the other consolidated CSR information, we assessed its consistency in relation to our knowledge of the Company.

Finally, we assessed the relevance of any explanations given to explain the total or partial absence of some information.

We believe that the sampling methods and sample sizes we have adopted by exercising our professional judgment have enabled us to form a limited assurance conclusion; a higher level of assurance requiring more extensive verification work. Due to the use of sampling techniques and other limitations inherent in the functioning of any internal control and information system, the risk of failing to detect a significant anomaly in the CRS information cannot be totally eliminated.

### Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR information, taken as a whole, is not fairly presented, in accordance with the Guidelines.

Neuilly-sur-Seine, 13 February 2015

One of the Statutory Auditors,

Deloitte & Associés

Ariane Bucaille
Partner

Florence Didier-Noaro
*Sustainability* Services Partner

### Appendix

The information was deemed most significant and was examined in detail:

***Quantitative indicators***

<u>Human resources</u>

Total workforce registered at year end

Number of people hired under indefinite-term contracts during the year

Total number of indefinite-term contract departures

Percentage of people working part-time at year end

Sick leave rate

Accident frequency rate

Accident severity rate

Number of hours of training provided during the year

% female senior executives

Percentage of women among employees with indefinite-term contracts at year end

Percentage of women among employees with fixed-term contracts at year end

<u>Environment</u>

WEEE disposed of (at data centres and other sites) (in metric tonnes)

Amount of paper distributed (in thousands of metric tonnes)

Electricity consumption of data centres

Electricity consumption excluding data centres and machine rooms (in kWh per sqm)

GHG emissions from electricity consumption (in CO2-equivalent kg)

<u>Society</u>

Number of suppliers that have signed the Group Sustainable Procurement Charter

Average time required to process customer personal data requests (other than those handled directly) during the year

***Qualitative information***

Operation and use of the employee internal mobility portal

Deployment of action plans to implement agreements to employ young people and older people

Deployment of action plans to implement the agreement concerning people with disabilities

Actions taken to optimise the distribution of directories

Efforts to promote commerce in city centres (Mappy's "Web-to-Store")

# 9 ANNUAL ACTIVITY REPORT AS OF 31 DECEMBER 2014



## 9.1 Overview

Through its subsidiaries, Solocal Group conducts three complementary businesses: the provision of content and services, media and advertising representation. Its offering comprises a diversified range of products and services associated with this activity for the general public and businesses.

The Group creates services and makes them available which give access to a mine of useful and reliable information. Constantly adapted to today's consumption modes, they accompany citizens everywhere and everyday and make their life easier: locating and contacting a business, finding friends on the net, obtaining an itinerary, visiting merchant shops, finding good deals...

Always in line with the uses, Solocal Group develops its services across all the mobile platforms (in particular *via* applications for iPhone, iPad and Android), as such meeting the growing needs for information availability and proximity.

The Group's business model is based on that of the media: *i.e.* offering quality content which generates an audience and then monetising this audience, either as a whole or in segments, through advertisers. The Group's brands benefit from the strong notoriety and from the trust of users. The credibility of services, built year after year, is the base for the power of the audiences. Since the beginning of 2014, the Group has reorganised itself around five vertical "markets" (Retail, B2B, Home, Services, Health & Public) + one business unit that includes major accounts, which should allow it to improve the customer experience, and to best meet their expectations, in particular with the development and the marketing of adapted products and services.

The Group's activities are organised in three product segments:

- **Internet:**

  These are the activities carried out through the Internet. The main products are the creation and marketing of content and advertising space, listing, targeted advertising and the provision of advertising space for local and national advertisers (often referred to as display), as well as a complete range of products and services for the provision and distribution of information with local content. The Group's Internet activity is mainly carried out in France, but also in Spain (QDQ Media). This segment comprises the activity of "pagesjaunes.fr" and "pagespro.com", the creation and marketing of content and advertising space of the "search" and "display" type, particularly through Horyzon Media's Internet advertising representation, as well as through online small ads from "annoncesjaunes.fr" and "avendrealouer.fr".

  Display, clicks, site creation and hosting, video, listing on pagesjaunes.fr, affiliated partners and search engines – "SEO" (natural listing) or "SEM" (paid listing)... Solocal Group markets a very wide range of advertising formats and services on fixed and mobile Internet which allows any business, from an SME to a major networked brand, to build an ad hoc communication plan.

  This segment includes routes, geolocation and reservation services of Mappy, but also couponing with 123deal or smartprivé, and digital promotion.

  Online quotation requests and contact establishment with players of the construction industry from Sotravo, online appointment making using the technology developed by ClicRDV, the themed content site ComprendreChoisir.com published by Fine Media, the online ordering of meals on Chronoresto.fr from locally-listed restaurants (in 2013) and the Direct Marketing (e-mailing type) products and services are also included this segment. The online people and profile search service with 123people was shut down in March 2014.

- **Printed Directories:**

  This is the Group's historical activity, involving the publication, distribution and sale of advertising space in printed directories (PagesJaunes, *l'Annuaire*).

- **Other businesses:**

  This comprises the specific businesses of Solocal Group: directory enquiry services by telephone and SMS (118 008), and the QuiDonc reverse directory. This segment also includes some activities of PJMS (formerly PagesJaunes Marketing Services): telemarketing, data mining, database generation, prospect processing and traditional direct marketing activities (data entry and postage).

# 9.2 Commentary on the 2014 full-year results

| **Solocal Group** *(in millions of euros)* | As at 31 December | | |
|---|---|---|---|
| | **2014** | **2013** | **Change 2014/2013** |
| **Revenues** | **936.2** | **998.9** | **-6.3%** |
| Net external expenses | (228.3) | (222.1) | -2.8% |
| Salaries and charges | (385.7) | (352.5) | -9.4% |
| **Gross Operating Margin** | **322.2** | **424.3** | **-24.1%** |
| *As % of revenues* | *34.4%* | *42.5%* | |
| Legal employee profit-sharing | (10.3) | (15.4) | 33.1% |
| Share-based payment | (8.6) | (1.5) | na |
| Depreciation and amortisation | (48.4) | (40.7) | -18.9% |
| Other income and expenses | (38.5) | (37.4) | -2.9% |
| **Operating income** | **216.5** | **329.2** | **-34.2%** |
| *As % of revenues* | *23.1%* | *33.0%* | |
| Financial income | 1.6 | 2.9 | -44.8% |
| Financial expenses | (99.7) | (135.2) | 26.3% |
| **Net financial income** | **(98.1)** | **(132.3)** | **25.9%** |
| Share of profit or loss of an associate | (0.0) | (0.2) | na |
| **Income before tax** | **118.4** | **196.7** | **-39.8%** |
| Corporate income tax | (58.9) | (81.9) | 28.1% |
| Income for the period from continuing operations | 59.4 | 114.8 | -48.3% |
| **Income for the period** | **59.4** | **114.8** | **-48.3%** |
| of which attributable to: | | | |
| ■ shareholders of Solocal Group | 59.4 | 114.8 | -48.3% |
| ■ non-controlling interests | 0.0 | 0.1 | |

The number of visits to the Group's websites as a whole exceeded 2-billion visits for the first time, totalling 2044.2 million in 2014, up 12.1% compared to 2013 on a like-for-like basis, with a number of visits on mobile up 35%. Mobile represents 34% of the Group's internet audience. The audience directed towards pagesJaunes.fr professionals is up sharply by 22%, with 1,132.3 million visits in 2014.

In 2014, the profound commercial transformation and the setting up of new sales staff contracts resulted in the departure of nearly 300 sales staff which is about 20% of the workforce concerned, and the recruiting of about 450 new sales staff. In this context and in that of an economy that is still morose, consolidated revenues for Solocal Group stand at 936.2 million euros in June 2014, down 6.3% compared to 2013 based on published figures. Internet revenues represent 68% of the Group's revenue in 2014 compared to 63% in 2013. The revenues of the Printed directories segment decreased by 17.3% compared to 2013. Internet revenues are stable in 2014, and are up +2.0% in the 4$^{th}$ quarter of 2014 compared to the 4$^{th}$ quarter of 2013. The deployment of the new commercial organisation by vertical was finalised at the end of September 2014.

The Group's normalised gross operating margin stands at 350.3 million euros in 2014, down 17.4% compared to 2013 (for the notion of normalised GOM, see below, "Change in the employment contracts of the sales force"). The Group's published gross operating margin amounts to 322.2 million euros in 2014, down 24.1% compared to 2013. The gross operating margin is down mainly under the effect of the fall in revenues from printed directories and Other business segments for 62,7 million euros, and commercial investment. The 28% reduction in the costs of producing printed directories made it possible to partially offset the impact of the increase in commercial and technological investments required to support the digital transformation. The normalised gross operating margin rate stood at 37.4% in 2014 compared to 42.5% in 2013. The published gross operating margin rate is 34.4% in 2014.

The Group's operating income decreased by 34.2% compared to 2013 at 216.5 million euros. The 112.7 million euros decrease stems from the 102.0 million euros drop in the gross operating margin, from the increase in depreciation and amortisation of 7.7 million euros, from the 5.1 million euros drop in profit sharing, from the increase in share-based payments of 7.1 million euros and for 1.1 million euros in exceptional events including a provision of 10.4 million euros for refurbishing costs of premises and future double rents, restructuring costs of 23.5 million euros in 2014 compared to 28.1 million euros in 2013 and an impairment of 3.8 million euros in 2014 compared to 8.4 million euros in 2013. Excluding exceptional events, operating income is down 30.4%.

The Group's financial result represents a net expense of 98.1 million euros which decreased 25.9% between 2013 and 2014, primarily under the effect of a drop in the cost of the debt. The average interest rate for the debt decreased 63 basis points, changing from 6.83% in 2013 to 6.20% in 2014, this drop is due to the favourable effect of hedging instruments and to a 3.25% drop in the margin on bank loans during a part of 2014. Moreover, the capital increase subscribed to in June 2014 made it possible to pay back the bank debt for an amount of 400 million euros.

The effective tax rate stands at 49.8% in 2014, up 8.2 points compared to 2013, which can be explained by an impact that was more unfavourable in 2014 than in 2013 of the partial deductibility of financial interest that changed from 85% in 2013 to 75% in 2014 and a larger portion of the CVAE (Corporation Value added tax) (mechanical effect linked to the drop in income before tax). Moreover, the Group benefited in 2013 and in 2014 from a favourable impact linked to a favourable response to tax claims which resulted in a drop in the effective tax rate of 5.4 points in 2013 and 3.7 points in 2014.

Income for the period amounted to 59.4 million euros, down 48.3% compared to 2013. Excluding exceptional events, income for the period is down 41.3%.

### CHANGE IN THE EMPLOYMENT CONTRACTS OF THE SALES FORCE

The year 2014 is marked by the extension, to almost all of the sales force, of the "specialist" status, resulting in a modification of the employment contract with in particular the switching from a travelling sales representative to an executive status. This modification comes with the introduction of a fixed remuneration and reimbursement for costs, with the direct consequence of a decrease in the variable share of the sales force compensation. Recall that this status had already been partially set up in 2012 with a population of about 230 sales staff.

Recall that, according to IFRS rules, only the variable compensation with an incremental nature were capitalised as "acquisition costs of contracts" and were recognised as expense at the same time as the revenue, *i.e.* in a single action at the time of publication for printed directories and, spread out starting from online publication, and over the duration of publication.

The 2014 financial statements, starting in the 2nd quarter, support a dual accounting effect: the recognition as expense of the commercial costs concerning the revenue prospected in 2013 (activated and listed on the balance sheet at 31 December 2013) as well as the fixed remuneration paid in 2014 for the revenue prospected in 2014.

As the sales representatives do not receive double compensation in 2014, this is a double accounting effect without impact on cash flow.

The purpose of normalised GOM is to neutralise this double effect linked to the acceleration in the recognition of commercial costs (decrease in the variable share in total remuneration) in order to make it possible to obtain a pertinent and comparable aggregate, in such a way that it reveals the economic activity of the business. The impact in terms of figures corresponds to an estimate based on forecast projections.

The following table summarises the revenues and gross operating margin for each of the Group's three segments: Internet, Printed directories and Other businesses.

| **Solocal Group** *(in millions of euros)* | **As at 31 December** | | |
|---|---|---|---|
| | **2014** | **2013** | **Change 2014/2013** |
| Internet | 632.5 | 632.5 | 0.0% |
| Printed directories | 285.2 | 344.7 | -17.3% |
| Other businesses | 18.5 | 21.7 | -14.7% |
| **Revenues** | **936.2** | **998.9** | **-6.3%** |
| *Internet revenues as % of total revenues* | *67.6%* | *63.3%* | |
| Internet | 207.3 | 267.4 | -22.5% |
| Printed directories | 110.1 | 150.9 | -27.0% |
| Other businesses | 4.8 | 6.0 | -20.0% |
| **Gross Operating Margin** | **322.2** | **424.3** | **-24.1%** |
| *As % of revenues* | *34.4%* | *42.5%* | |

## 9.2.1 Analysis of the revenues and gross operating margin of the internet segment

The following table shows the revenues and gross operating margin of the Internet segment in 2013 and 2014:

| **Internet** *(in millions of euros)* | **As at 31 December** | | |
|---|---|---|---|
| | **2014** | **2013** | **Change 2014/2013** |
| **Revenues** | **632.5** | **632.5** | **0.0%** |
| **Gross Operating Margin** | **207.3** | **267.4** | **-22.5%** |
| *As % of revenues* | *32.8%* | *42.3%* | |

Internet segment revenue is stable at 632.5 million euros in 2014. Internet revenues are up 2.0% in the 4th quarter of 2014, but revenues in previous quarters were affected by the commercial reorganisation, the slowdown in the growth of the Search activity, and the low Display in a morose advertising context.

The gross operating margin of the Internet segment stands at 207.3 million euros in 2014 (226.9 million euros as normalised), down 22.5% compared to 2013 (down 15.1% as normalised). The gross operating margin of the Internet segment is affected by the commercial reorganisation, investments in the management of the digital transformation and the advertising campaigns aimed at promoting the Sites products and the A Vendre A Louer brand. This also results in a 9.5 point drop in the published gross operating margin rate which decreased from 42.3% in 2013 to 32.8% in 2014. The normalised gross operating margin rate decreased from 6.4 points, from 42.3% in 2013 to 35.9% in June 2014.

## 9.2.2 Analysis of the revenues and gross operating margin of the printed directories segment

The following table shows the revenues and gross operating margin of the Printed Directories segment in 2013 and 2014:

| **Printed directories** *(in millions of euros)* | As at 31 December | | |
|---|---|---|---|
| | **2014** | **2013** | **Change 2014/2013** |
| **Revenues** | **285.2** | **344.7** | **-17.3%** |
| **Gross Operating Margin** | **110.1** | **150.9** | **-27.0%** |
| *As % of revenues* | *38.6%* | *43.8%* | |

The revenues of the Printed directories segment decreased by 17.3% in 2014 to 285.2 million euros. The decline in printed directories therefore remains contained. Les Pages Blanches of the *département du Nord* were discontinued in the 3rd quarter of 2014.

The gross operating margin of the Printed Directories segment stands at 110.1 million euros in 2014 (118.5 million euros as normalised), down 27.0% compared to 2013 (down 21.5% as normalised). The gross operating margin rate is down 5.2 points, to 38.6% in 2014 (a moderate drop of 2.2 points, to 41.5% as normalised). The limited erosion in the margin rate reflects the continuation of sustained efforts to reduce the production, printing and distribution costs of Printed directories, which declined significantly by 28% at the end of December.

## 9.2.3 Analysis of the revenues and gross operating margin of the other businesses segment

The following table shows the revenues and gross operating margin of the Other businesses segment in 2013 and 2014:

| **Other businesses** *(in millions of euros)* | As at 31 December | | |
|---|---|---|---|
| | **2014** | **2013** | **Change 2014/2013** |
| **Revenues** | **18.5** | **21.7** | **-14.7%** |
| **Gross Operating Margin** | **4.8** | **6.0** | **-20.0%** |
| *As % of revenues* | *25.9%* | *27.6%* | |

The revenues of the Other businesses segment decreased by 14.7% in 2014 to 18.5 million euros. This was primarily due to the sharp decrease in revenues from telephone directory enquiry services, and in revenues from advertisers and from calls made by users of this service.

The gross operating margin of the Other businesses segment amounts to 4.8 million euros in 2014, down 20.0% compared to 2013. The gross operating margin rate decreased from 27.6% in 2013 to 25.9% in 2014. The drop in the margin rate stems from the drop in revenue. As the advertising expenses to promote the telephone directory enquiry services (118 008) were discontinued in 2012, efforts in optimising the margin are now based primarily on controlling production costs and continuing with initiatives to save on call processing costs.

## 9.2.4 Analysis of consolidated operating income

The table below shows the Group's consolidated operating income in 2013 and 2014:

| **Solocal Group** *(in millions of euros)* | As at 31 December | | |
|---|---|---|---|
| | **2014** | **2013** | **Change 2014/2013** |
| **Gross Operating Margin** | **322.2** | **424.3** | **-24.1%** |
| Legal employee profit-sharing | (10.3) | (15.4) | 33.1% |
| Share-based payment | (8.6) | (1.5) | na |
| Depreciation and amortisation | (48.4) | (40.7) | -18.9% |
| Other income and expenses | (38.5) | (37.4) | -2.9% |
| **Operating income** | **216.5** | **329.2** | **-34.2%** |
| *As % of revenues* | *23.1%* | *33.0%* | |

#### 9.2.4.1 EMPLOYEE PROFIT-SHARING AND SHARE-BASED PAYMENT

The employee profit-sharing in the Group amounted to 10.3 million euros in 2014, down 33.1% compared to 2013.

The expense for share-based payments amounted to 8.6 million euros in 2014 compared to 1.5 million euros in 2013. This expense stems from free grants of shares set up from 2011 to 2014. This increase can be explained in particular by the granting in June 2014 of 45.2 million performance shares.

#### 9.2.4.2 DEPRECIATION AND AMORTISATION

The Group's depreciation and amortisation charges amounted to 48.4 million euros in 2014, compared to 40.7 million euros in 2013, an increase of 18.9%. This increase reflects the ongoing investments carried out by the Group in order to support its digital transformation, with in particular a revamping of the sales tools, the enhancements to the functionalities of the Group's fixed and mobile websites.

#### 9.2.4.3 OTHER INCOME AND EXPENSES

Other operating expenses and income include in particular the result from disposals of non-financial assets, impairment on goodwill and on fixed assets, changes in fair value in price supplements granted in the framework of securities acquisitions and acquisition costs of shares and restructuring costs, as well as a provision for refurbishing costs of premises and any future double rents.

The total these expenses represents an amount of 38.5 million euros in 2014 compared to 37.4 million euros in 2013.

Impairment on goodwill and fixed assets amount to 3.8 million euros in 2014 compared to 8.4 million euros in 2013.

The net restructuring costs generated by the commercial and marketing reorganisation of PagesJaunes amount to 23.5 million euros in 2014 and 28.1 million euros in 2013.

In the framework of the grouping together of the Parisian entities onto one site scheduled for 2016, a provision for refurbishing costs of premises and any future double rents was booked in 2014 for an amount of 10.4 million euros. This provision does not affect the Group's cash flow in 2014.

#### 9.2.4.4 OPERATING INCOME

The Group's operating income decreased by 34.2% compared to 2013 at 216.5 million euros. The 112.7 million euros decrease stems from the 102.0 million euros drop in the gross operating margin, from the increase in depreciation and amortisation of 7.7 million euros, from the 5.1 million euros drop in profit sharing, from the increase in share-based payments of 7.0 million euros and for 1.1 million euros in exceptional events including a provision of 10.4 million euros for refurbishing costs of premises and future double rents, restructuring costs of 23.5 million euros in 2014 compared to 28.1 million euros in 2013 and an impairment of 3.8 million euros in 2014 compared to 8.4 million euros in 2013. Excluding exceptional events, operating income is down 30.4%.

## 9.2.5 Analysis of income for the period

The table below shows the Group's income for the period in 2013 and 2014:

| **Solocal Group** *(in millions of euros)* | **As at 31 December** | | |
|---|---|---|---|
| | **2014** | **2013** | **Change 2014/2013** |
| **Operating income** | **216.5** | **329.2** | **-34.2%** |
| Financial income | 1.6 | 2.9 | -44.8% |
| Financial expenses | (99.7) | (135.2) | 26.3% |
| **Net financial income** | **(98.1)** | **(132.3)** | **25.9%** |
| Share of profit or loss of an associate | (0.0) | (0.2) | 100.0% |
| **Income before tax** | **118.4** | **196.7** | **-39.8%** |
| Corporate income tax | (58.9) | (81.9) | 28.1% |
| **Income for the period** | **59.4** | **114.8** | **-48.3%** |
| of which attributable to: | | | |
| ■ shareholders of Solocal Group | 59.4 | 114.8 | -48.3% |
| ■ non-controlling interests | 0.0 | 0.1 | |

#### 9.2.5.1 FINANCIAL RESULT

The Group financial result represents a net expense of 98.1 million euros in 2014 compared to 132.3 million euros in 2013. The financial result is primarily composed of interest expense relating to the bank loan, amounting to 813.8 million euros as at 31 December 2014 (1,297.5 million euros as at 31 December 2013), and relating to the bond loan for an amount of 350.0 million euros. As at 31 December 2014, the revolving line of credit was utilised for 20.0 million euros.

As at 31 December 2014, the bank debt is hedged 98.3% by forward swaps and a collar.

The total interest expense amounts to 85.2 million euros in 2014, compared to 119.9 million euros in 2013. The average interest rate for the debt decreased from 6.83% in 2013 to 6.20% in 2014, which is a decrease of 63 basis points due to the favourable effect of hedging instruments and to a 3.25% drop in the margin on bank loans during a part of 2014. Moreover, the capital increase subscribed to in June 2014 made it possible to pay back the bank debt for an amount of 400 million euros.

The financial result also includes the amortisation of loan issue expenses amounting to 13.1 million euros in 2014 compared to 12.2 million euros in 2013. The debt refinancing in June 2014 resulted in the extinguishment of part of the bank debt and the recognition of accelerated amortisation of part of the expenses associated with the issue of this financing amounting to 3.8 million euros.

Investment income amounted to 0.6 million euros in 2014 compared to 1.1 million euros in 2013. The change in the fair value of hedging instruments (portion recognised in profit or loss) represented income of 1.0 million euros in 2014 compared to 1.7 million euros in 2013.

#### 9.2.5.2 CORPORATION TAX

In 2014, the Group recorded a corporation tax charge of 58.9 million euros, down 28.1% compared to 2013. The effective tax rate is 49.8% in 2014 compared to 41.6% in 2013. This increase in the effective tax rate can be explained by an impact that was more unfavourable in 2014 than in 2013 of the partial deductibility of financial interest that changed from 85% in 2013 to 75% in 2014 and a larger portion of the CVAE (Corporation Value added tax) (mechanical effect linked to the drop in income before tax). Moreover, the Group benefited in 2013 and in 2014 from a favourable impact linked to a favourable response to tax claims which resulted in a drop in the effective tax rate of 5.4 points in 2013 and 3.7 points in 2014.

#### 9.2.5.3 INCOME FOR THE PERIOD

The Group income for the period amounted to 59.4 million euros in 2014, compared to 114.8 million euros in 2013, a decrease of 48.3% between the two periods. Excluding exceptional events, income for the period is down 41.3%.

## 9.3 Consolidated results for the 1st quarter of 2015

| *In million of euros* | Q1 2014 | Q1 2015 | Change |
|---|---|---|---|
| INTERNET REVENUES | 154.0 | 160.3 | +4.1% |
| Search & Display revenues | 121.2 | 127.9 | +5.5% |
| Number of visits *(in million)* | 485 | 555 | +14% |
| ARPA[1] *(in €)* | 215 | 237 | +10% |
| Number of clients *(in thousand)* | 560 | 536 | -4% |
| Digital marketing revenues | 32.7 | 32.3 | -1.2% |
| Penetration rate *(in number of clients)*[2] | 21% | 22% | +1 pt |
| PRINT & VOICE REVENUES | 61.7 | 49.0 | -20.6% |
| **GROUP REVENUES** | **215.7** | **209.2** | **-3.0%** |

The Group posted **consolidated revenues of €209.2 million** in Q1 2015, down **-3.0%** compared to Q1 2014:

- the **Internet** business is up by **+4.1%**, driven by the **Search & Display** business, which grew by +5.5% mainly driven by the increase of +10% in ARPA[1], which is the result of improved monetisation of Internet audiences, up by +14%. The strong increase in ARPA[1] more than offsets the decrease in the number of clients -4%, which, amongst others, has been impacted by the priority given to the commercial development of high-value clients in early 2015;
- the Digital marketing[3] penetration rate[2] rose from 21% to 22%, which is in line with our strategy of reaching a penetration rate of 30% within 3 years;
- the **Print & Voice** business fell by **-20.6%** in the period, which is a sharper decrease than last year (-19% in Q4 2014 and -17% in full year 2014), and which leads us to revise slightly our Group revenue growth forecast 2015.

| | Recurring EBITDA[4] | | | Recurring EBITDA/Revenues[4] | |
|---|---|---|---|---|---|
| *In million of euros* | Q1 2014 | Q1 2015 | Change | Q1 2014 | Q1 2015 |
| **Internet** | **56.8** | **41.8** | **-26.4%** | **37%** | **26%** |
| Print & Voice | 25.0 | 12.4 | -50.4% | 40% | 25% |
| **GROUP** | **81.8** | **54.2** | **-33.7%** | **38%** | **26%** |

(1) *Average Revenue Per Advertiser.*
(2) *% of Internet clients "Search & Display" benefiting from a Digital marketing product*
(3) *Creation and referencing of web/marketing content and transactional services*
(4) *Excluding exceptional items.*

**EBITDA** of **€54.2 million** in Q1 2015 dropped by 33.7% compared to Q1 2014. The **EBITDA/revenues margin** was **26%** in Q1 2015, compared to 38% in Q1 2014. This 12-point fall in the EBITDA/revenue margin is due primarily to:

- a 7-point increase due to sales cost increase as a result of investments made to the reinforcement of the sales and marketing organisation around our 5 verticals;
- a 5-point drop due do the Print & Voice business as a result of the accelerated decrease in that business.

Under these circumstances, the Group is setting up an operational contingency plan that will reduce costs by nearly €30 millions on a yearly basis. Thanks to this plan, we remain confident in our ability to achieve an EBITDA/revenue margin[1] of between 29% and 30% in 2015.

| *In million of euros* | Q1 2014 | Q1 2015 | Change |
|---|---|---|---|
| **Recurring EBITDA[2]** | **81.8** | **54.2** | **-33.7%** |
| Exceptional items | (9.3) | (0.5) | 94.6% |
| **EBITDA** | **72.5** | **53.7** | **-25.9%** |
| Depreciation and amortisation | (10.3) | (11.9) | -15.5% |
| Net financial income[2] | (27.7) | (22.0) | -20.9% |
| Corporate income tax | (14.9) | (7.5) | +49.7% |
| **NET INCOME** | **19.5** | **12.4** | **-36.4%** |

**The Group's EBITDA of €53.7 million** in Q1 2015 is down -26% and is impacted by the drop in recurring EBITDA, which is partially offset by non-recurring exceptional items in the Q1 2015.

**Net financial income was negative by -€22.0 million in the Q1 2015**, down -20.9% compared to Q1 2014, thanks primarily to the impact of debt repayments made between the two periods.

**In Q1 2015, the Group recognised corporate income tax expense of €7.5 million, a decrease of -49.7%** compared to Q1 2014. The effective tax rate of 38% in the Q1 2015 is exceptionally lower by 5 points compared to Q1 2014 due to the one-off deduction of share-based compensation expenses.

**The Group net income amounted to €12.4 million in Q1 2015, down -36.4%** compared to Q1 2014.

After the refinancing carried out in 2014, **net debt**[2] **totalled €1,125.8 million as of 31 March 2015**, in decrease by €416.1 million compared to 31 March 2014.

**The Group's net cash flow was €20.7 million as of 31 March 2015**, down by -59.5% compared to Q1 2014. This drop is primarily driven by the EBITDA decrease and the increase in working capital requirements temporarily implied by the new sales compensation structure. These two items are partially offset by the fact that no tax payments were made during the period.

**As of 31 March 2015, Solocal Group held €42.0 million in net cash.**

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*(1) Recurring EBITDA/Group revenue margin, excluding exceptional items.*

*(2) Excluding exceptional items.*

*(3) Including share of profit or loss of an associate.*

*(4) Net debt is the gross financial debt plus or minus the fair net asset value of asset and/or liability derivative instruments used for cash flow hedging purposes, minus cash and cash equivalents.*

# 10 CONSOLIDATED LIQUIDITIES, CAPITAL RESOURCES AND INVESTMENT EXPENSES



## 10.1 Consolidated liquidities, capital resources and investment expenses

The table below shows the consolidated Group's cash position in the years ending on 31 December 2013 and 31 December 2014:

| **Solocal Group** *(in millions of euros)* | **As at 31 December** | |
|---|---|---|
| | **2014** | **2013** |
| Accrued interest not yet due | 0.2 | 0.0 |
| Cash and cash equivalents | 46.2 | 75.5 |
| **Cash** | **46.4** | **75.6** |
| Bank overdrafts | (2.8) | (2.5) |
| **Net cash** | **43.6** | **73.1** |
| Bank borrowing | 813.8 | 1,297.5 |
| Bond loan | 350.0 | 350.0 |
| Revolving credit facility | 20.0 | - |
| Loan issue expenses | (25.8) | (25.4) |
| Capital leases | 0.8 | 0.0 |
| Fair value of hedging instruments | 9.9 | 20.2 |
| Accrued interest not yet due | 5.1 | 6.3 |
| Earn-outs | 1.4 | 3.3 |
| Other financial liabilities | 4.1 | 0.8 |
| **Gross financial debt** | **1,179.4** | **1,652.7** |
| *of which current* | *39.7* | *136.4* |
| *of wich non current* | *1,139.6* | *1,516.2* |
| **Net debt** | **1,135.8** | **1,579.6** |
| **Net debt excl. fair value of hedging instruments and loan issue expenses** | **1,151.6** | **1,584.8** |

The Group net debt is down 443.8 million euros compared to 31 December 2013. It stood at 1,135.8 million euros as at 31 December 2014 compared to 1,579.6 million euros as at 31 December 2013.

As at 31 December 2014, it mainly comprised:

- of a tranche A7 bank loan, for a total amount of 813.8 million euros, the final maturity is March 2018 (or March 2020 on option). The contract for this loan was amended during the first half of 2014 (see details in note 26 of the consolidated financial statements);
- the fair value of hedging instruments which represents a debt of 9.9 million euros as at 31 December 2014. As at 31 December 2014, the bank debt is hedged 98.3% by forward swaps and a collar;
- a revolving credit line of a total of 60.0 million euros. The drawing on this line amounted to 20.0 million euros as at 31 December 2014;
- a bond loan amounting to a total of 350.0 million euros at a fixed rate of 8.875% repayable in mid-2018.
- of net cash flow of 43.6 million euros.

As at 31 December 2014, including the amount available in the revolving credit line, available cash thus amounted to 83.6 million euros.

Excluding the fair value of interest rate hedging instruments, representing a liability of 9.9 million euros as at 31 December 2014, compared to a liability of 20.2 million euros as at 31 December 2013, and excluding loan issue expenses of 25.8 million euros as at 31 December 2014, compared to 25.4 million euros as at 31 December 2013, the net debt amounted to 1,151.6 million euros as at 31 December 2014, compared to 1,584.8 million euros as at 31 December 2013.

The table below shows the consolidated cash flows for the period in 2013 and 2014:

| Solocal Group *(in millions of euros)* | As at 31 December | | |
|---|---|---|---|
| | **2014** | **2013** | **Change 2014/2013** |
| Net cash from operations | 107.1 | 191.4 | (84.3) |
| Net cash used in investing activities | (83.7) | (59.9) | (23.7) |
| Net cash provided by (used in) financing activities | (52.9) | (150.2) | 97.3 |
| Impact of changes in exchange rates on cash | 0.0 | (0.0) | 0.0 |
| **Net increase (decrease) in cash position** | **(29.5)** | **(18.8)** | **(10.7)** |
| Net cash and cash equivalents at beginning of period | 73.1 | 91.9 | (18.8) |
| **Net cash and cash equivalents at end of period** | **43.6** | **73.1** | **(29.5)** |

Net cash and cash equivalents for the Group amounted to 43.6 million euros as at 31 December 2014, compared to 73.1 million euros as at 31 December 2013.

The net cash from operations amounted to 107.1 million euros in 2014 compared to 191.4 million euros in 2013, representing a decrease of 84.3 million euros due mainly to:

- a gross operating margin of 322.2 million euros in 2014, down 102.0 million euros compared to 2013;
- an increase in the working capital requirement of 35.7 million euros in 2014 compared to an increase of 2.4 million euros in 2013, representing a change of 33.3 million euros between the two periods;
- a net disbursement of 25.0 million euros in respect of restructuring costs in 2014 compared to 7.4 million euros in 2013;
- a net disbursement of 87.0 million euros in respect of financial interest in 2014 compared to 128.4 million euros in 2013, which included a payment of 10 million euros of interest owed in respect of 2012;
- a disbursement of 60.6 million euros in respect of corporation tax in 2014 compared to 85.7 million euros in 2013.

The net cash used in investing activities represents a disbursement of 83.7 million euros in 2014, up 23.8 million euros, compared to a disbursement of 59.9 million euros recorded in 2013, mainly comprising:

- 69.5 million euros in respect of acquisitions of tangible and intangible fixed assets in 2014 compared to 55.3 million euros in 2013, reflecting the ongoing investments carried out by the Group in order to support its digital transformation, with in particular a revamping of the sales tools, the enhancements to the functionalities of the Group's fixed and mobile websites;
- 8.2 million euros in terms of the acquisition of equity interests and net price supplements of the cash flow acquired in 2014 (100% takeover of LeadFormance, Retail Explorer) compared to 1.6 million euros in 2013 (whose acquisition of shares Wozaïk);
- 6.0 million euros in terms of cash collateral paid as a guarantee for two commercial lease contracts for future completion subscribed to in May 2014 (see note 31 of the consolidated condensed accounts).

The net cash used in financing activities amounted to 52.9 million euros in 2014 compared to 150.2 million euros in 2013, representing a decrease of 97.3 million euros due mainly to:

- a decrease of 83.6 million euros corresponding to contractual repayments of the bank loan of which 41.7 million euros in respect of the excess cash flow clause, compared to a decrease of 70.7 million euros in 2013;
- the drawing on the revolving credit line for 20.0 million euros as at 31 December 2014, compared to a decrease of 75.8 million euros corresponding to the repaying of the balance of the revolving credit lines as at 31 December 2013;
- a disbursement of 12.1 million euros in 2014 in respect of expenses relating to refinancing, compared to 2.7 million euros in 2013;
- a 400.0 million euros decrease related to the repayment of a portion of the bank loan following its renegotiation (see details in note 26 of the consolidated condensed accounts);
- a capital increase net of subscription costs of 422.6 million euros (see details in note 22 of the consolidated accounts).

## 10.2 Off-balance-sheet commitments, disputes and related parties

See notes 30 to 32 of the consolidated financial statements.

## 10.3 Risks and uncertainties related to the 2015 financial year

The main risks and uncertainties identified by the Group concern:

- The operational activities and the strategy of the Group: the decrease in the use of the Printed directories combined with increasing competition in the online advertising market, a deterioration in the economic conditions, uncertainty concerning the economic model for online advertising and the reduction in the content of its services are risk factors that could have a significant negative impact on the Group's business, financial position or results.
- The financial aspects: in view of its financial structure, the Group is exposed to interest rate risk, liquidity risk and credit risk.
- The legal aspects: the occurrence of arbitration procedures or major lawsuits, uncertainty or stiffening of applicable regulations, especially the application of restrictions to the Group's right to collect personal data, could have a significant unfavourable effect on the Group's business, results, financial position or its ability to achieve its goals (see note 32 of the consolidated financial statements).

## 10.4 Events subsequent to the closing date of 31 December 2014

None.

# 11. RESEARCH AND DEVELOPMENT

At the cutting edge of its sector, the Solocal Group conducts high-performance research and innovation thanks to its teams and numerous partnerships. These teams bring together the best specialists in their respective fields with the aim of promoting innovation and excellence.

The amount and breakdown of business developments costs are given on note 12 of the Notes to the Consolidated Financial Statements for financial year 2014, in chapter 20.1 – Historical Financial Information.

# 12 INFORMATION ON TRENDS



## 12.1 Main trends affecting the group's business

See chapters 9 and 10.

## 12.2 Trends that may affect the Group's business

The main trends liable to influence the Group's activity in 2015 are associated with developments in the advertising market in France and in Spain, particularly in local communication, which are expected to affect the commercial prospecting of Solocal Group.

## 12.3 Outlook

**Solocal Group published the following forecasts for 2015 in its press release dated 10 February 2015:**

From now on, Solocal Group will use EBITDA to measure and report its financial performance, in line with market practices. In financial year 2014, EBITDA was €267.1 million, down 29.2% compared to 2013, and the EBITDA margin was 28.5%.

**The expected outlook for 2015 is:**

- Internet revenue growth between +5% and +10%;
- stable Group revenues;
- consolidated EBITDA margin between 29% and 30%;
- an increase > +30% in consolidated net income.

The consolidated EBITDA margin includes the impact of commercial investment on a full-year basis.

Furthermore, the Group would like to:

- proceed with partial purchases of its high yield debt during 2015; and
- achieve a reverse stock split, subject to the shareholders vote at the next Combined General Shareholders' Meeting.

**At its Investor Day, which was held in Paris on 28 April, the Group outlined its forecasts for 2015-2018 as follows:**

**1/ Group outlook for 2015:**

- Internet revenue growth between +5% and +10%,
- a slight decrease in consolidated revenues – but less significant than in 2014 – due to the continuing decline in the Print & Voice business,
- EBITDA/revenues margin[1] between 29% and 30%,
- to maintain this margin rate, the Group is setting up an operational improvement plan that will reduce costs by nearly €30 million per year. Due to this plan, net income is expected to remain stable compared to 2014;

(1) *Recurring EBITDA/Group revenues margin, excluding exceptional items*

**2/ In 2015 the Group anticipates:**

- proceeding with partial purchases of its high yield debt;
- proceeding with partial purchases of its bank debt in an amount of at least €15 million;
- achieving a reverse stock split, subject to the shareholders vote at next Combined General Shareholders' Meeting scheduled for 11 June 2015;

**3/ its priorities for the period up to 2018, which are sustainable and profitable growth and continuing to deleverage, as well as its aim to achieve, by 2018:**

- Internet revenue growth of approximately +10%,
- an EBITDA/revenues margin of approximately 30%
- net debt reduction of > €300 million compared to the current amount.

# 13. PROFIT FORECASTS OR ESTIMATES

The Company does not issue forecasts as defined in European regulation (EC) 809/2004.

# 14 ADMINISTRATIVE AND MANAGEMENT BODIES



## 14.1 Board of Directors

As of the date of this document, the Board of Directors is composed of the following members:

- Nathalie Balla;
- Thierry Bourguignon;
- Sandrine Dufour;
- Robert de Metz;
- Cécile Moulard;
- Jean-Pierre Remy;
- Rémy Sautter and
- Jean-Marc Tassetto.

In accordance with the commitment he made in June 2014 upon completion of the capital increase, on 5 November 2014, Jean-Pierre Remy resigned his office as Chairman of the Board of Directors, but retained his positions as Chief Executive Officer and Director.

As a result, on 5 November 2014, the Board of Directors decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer, to appoint Robert de Metz as Chairman of the Board of Directors and to retain Jean-Pierre Remy as Chief Executive Officer.

Furthemore, as announced at the General Meeting of 19 June 2014, François de Carbonnel resigned his Director office at the Board meeting of 27 April 2015. Taking into account this resignation, the Board of Directors is composed of eight members, of whom one is a corporate officer, one is an employee representative and six are independent directors.

| Name | Nationality | Function | Date appointed | Date office expires | Other duties and main offices in other companies during the past five years |
|---|---|---|---|---|---|
| **Thierry Bourguignon**<br>PagesJaunes<br>7, avenue de la Cristallerie<br>92310 Sèvres<br>France | French | Director representing personnel<br>Member of the Remuneration and Appointments Committee | 20 July 2011 | 20 July 2015 | N/A<br>**Offices no longer held:**<br>N/A |

| Name | Nationality | Function | Date appointed | Date office expires | Other duties and main offices in other companies during the past five years |
|---|---|---|---|---|---|
| **Nathalie Balla**<br>La Redoute<br>57, rue Blanchemaille<br>59100 Roubaix<br>France | French | Director and member of the Audit Committee | 29 July 2014 | General Shareholders' Meeting to be held in 2018 | Permanent representative of NewR, Chairwoman of La Redoute SAS (France)<br>CEO of Relais Colis SAS (France)<br>Director of La Redoute Sverige (Sweden)<br>Director of Redcats UK Ltd (United Kingdom)<br>Director of Redcats Brands Ltd (United Kingdom)<br>Director of Redcats Finance Ltd (United Kingdom)<br>Director of Holdsworth Collections Ltd (United Kingdom)<br>Liquidator of La Redoute Mag SAS (France)<br>Director of La Redoute Catalogue Benelux SA (Belgium)<br>Director of Redcats Switzerland SA (Switzerland)<br>Chairwoman of La Redoute Catalogue Benelux SA (Belgium)<br>Permanent representative of La Redoute, Chairwoman of Les Aubaines Mag SAS (France)<br>Director of FEVAD (France)<br>**Offices no longer held:**<br>Chairwoman of Ref Brésil SA (France)<br>Liquidator of Ellos France SAS (France)<br>Permanent representative of La Redoute Mag, director of Ref Bresil SA (France)<br>Director and vice-president of PICOM (France)<br>Chairwoman of La Redoute Mag SAS (France)<br>Chairwoman of Ellos France SAS (France) |
| **Sandrine Dufour**<br>Proximus (Belgacom)<br>Boulevard du Roi Albert II, 27<br>1030 Brussels<br>Belgium | French | Director<br>Member of the Audit Committee | 23 April 2013 | General Shareholders' Meeting to be held in 2018 | N/A<br>**Offices no longer held:**<br>Executive Director of Finance and Strategy of Groupe SFR (France)<br>Chairwoman and CEO of CID SA (France)<br>Chairwoman and CEO of SNBL SA (France)<br>Permanent Representative of SFR, director of SFD SA (France)<br>Director of SHD SA (France)<br>Permanent Representative of SFR, director of Service Client SA (France)<br>Permanent Representative of SFR, director of SFR Collectivités SA (France)<br>Director of Société Financière de Communication et du Multimedia SA (France)<br>Permanent Representative of SFR, director of Ltb-R SA (France)<br>Member of the Supervisory Committees of Foncière Rimbaud 1 SAS, Foncière Rimbaud 2 SAS, Foncière Rimbaud 3 SAS, Foncière Rimbaud 4 SAS (France)<br>Member of the Strategic and Financial Committee of La Poste Telecom SAS (France)<br>Member of the Supervisory Committee of Numergy SAS (France)<br>Chairman of the Board of LDCom Italy (Italy)<br>Chairman of the Board of LDCom Switzerland (Switzerland)<br>Member of the Audit Committee of Maroc Telecom (Morocco)<br>Director of CEREP (France)<br>CEO and director of Watchever Group (formerly Vivendi Mobile Entertainment) (France)<br>Director of Groupe Telindus France<br>Director of SIG 75 (France) |

| Name | Nationality | Function | Date appointed | Date office expires | Other duties and main offices in other companies during the past five years |
|---|---|---|---|---|---|
| **Robert de Metz**<br>Dexia Group<br>Bastion Tower<br>Place du Champ de Mars 5<br>B-1050 Brussels<br>Belgium | French | Director<br>Chairman of the Board | 5 Nov. 2014 | General Shareholders' Meeting to be held in 2015 | Chairman of the Board and independent director of Dexia SA (Belgian public company)<br>Chairman of the Board and director of Dexia Crédit Local (Belgium)<br>Executive director of La Fayette Investment Management Ltd (UK)<br>Executive Director of La Fayette Management Ltd (UK)<br>Director and Chairman of the Audit Committee of Media Participations (Franco-Belgian)<br>Deputy Chairman of Bee 2 Bees SA (Belgium)<br>Member of the Executive Committee of the *Fondation pour les Monuments Historiques* (France)<br>**Offices no longer held:**<br>Member of the Supervisory Board of Canal Plus France SA (France)<br>Non-executive director and member of the Audit Committee of Belfius Banque (Dexia Banque Belgium) (Belgium) |
| **Cécile Moulard**<br>Sixième Continent<br>5, rue de la Baume<br>75008 Paris<br>France | French | Director<br>Member of the Remuneration and Appointments Committee | 26 March 2013 | General Shareholders' Meeting to be held in 2015 | Director of MilleMercis (French public company)<br>Director of Truffle Capital, an Internet incubator holding company (France)<br>Director of AXA France (IARD-Vie) (France)<br>**Offices no longer held:**<br>Director of Foncière INEA (France) |
| **Jean-Pierre Remy**<br>Solocal Group<br>7, avenue de la Cristallerie<br>92310 Sèvres<br>France | French | Director,<br>CEO | 17 May 2009 | General Shareholders' Meeting to be held in 2018 | Chairman of the Board and Director of PagesJaunes (France)*<br>Director of PJMS (France)*<br>Director of Mappy (France)*<br>Chairman of the Board and Director of QDQ Media (Spain)*<br>**Offices no longer held:**<br>Chairman of the Board of Solocal Group (French public company)<br>CEO of PagesJaunes (France)<br>Chairman of the Board of Directors and Director of Médiannuaire Holding (France) |
| **Rémy Sautter**<br>RTL<br>22, rue Bayard<br>75008 Paris<br>France | French | Director<br>Chairman of the Audit Committee | 27 May 2004 | General Shareholders' Meeting to be held in 2018 | Chairman and CEO of Bayard d'Antin (France)<br>Chairman of the Supervisory Board of Ediradio/RTL (France)<br>Member of the Supervisory Board of M6 (France)<br>Director of Partner Re (USA)<br>Chairman and director of Technicolor (France)<br>**Offices no longer held:**<br>Director of M6 Publicité (France)<br>Director of Wanadoo (France)<br>Chairman of Sicav Multimedia et Technologies (United Kingdom)<br>Director of Taylor Nelson Sofres (UK public company)<br>Director of Thomson (France) |
| **Jean-Marc Tassetto**<br>Coorpacademy - EPFL<br>Innovation Park<br>Bâtiment I<br>1015 – Lausanne<br>Switzerland | French | Director<br>Member of the Remuneration and Appointments Committee | 5 Nov. 2014 | General Shareholders' Meeting to be held in 2015 | Independent consultant to the Board of Directors of Fullsix (France)<br>Director of Paper.li (Switzerland)<br>**Offices no longer held:**<br>N/A |

* *Solocal Group subsidiary.*

## Changes in the composition of the Board of Directors

Following the Combined General Shareholders' Meeting of 19 June 2014, the composition of the Board of Directors was changed to take into account the new allocation of the share capital after completion of the capital increase approved by the General Meeting of 29 April 2014:

- the number of Directors was reduced from eleven to nine (Messrs Élie Cohen and Steven Mayer did not wish to have their terms of office as Director renewed at that General Meeting);
- the duration of Directors' terms of office was reduced from five years to four years, and that change was applied to the terms of office in progress.

Furthermore, in accordance with the commitment he made in June 2014 upon completion of the capital increase, on 5 November 2014, Mr Jean-Pierre Remy resigned his office as Chairman of the Board of Directors, but retained his positions as Chief Executive Officer and Director.

As a result, on 5 November 2014, the Board of Directors decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer, to appoint Robert de Metz as Chairman of the Board of Directors and to retain Jean-Pierre Remy as Chief Executive Officer.

### RENEWAL OF THE TERMS OF OFFICE AS DIRECTOR OF MS SANDRINE DUFOUR AND MESSRS JEAN-PIERRE REMY, FRANÇOIS DE CARBONNEL, RÉMY SAUTTER AND LEE MILLSTEIN

The General Shareholders' Meeting of 19 June 2014 renewed for four years the terms of office as Director of Ms Sandrine Dufour and Messrs Jean-Pierre Remy, François de Carbonnel, Rémy Sautter and Lee Millstein.

Furthemore, as announced at the General Meeting of 19 June 2014, François de Carbonnel resigned his Director office at the Board meeting of 27 April 2015. He had been appointed Company's Director in 2004. The Board will decide in due course of his replacement.

### APPOINTMENT OF MS NATHALIE BALLA AND MESSRS ROBERT DE METZ AND JEAN-MARC TASSETTO AS DIRECTORS

At its meeting held on 29 July 2014, the Board of Directors acknowledged the resignation of Mr Lee Millstein from his position as Director and decided to co-opt Ms Nathalie Balla. Unless renewed, Ms Nathalie Balla's term of office will expire when Mr Lee Millstein's term of office was originally scheduled to expire, *i.e.* at the conclusion of the General Shareholders' Meeting to be held in 2018.

At its meeting held on 5 November 2014, the Board of Directors acknowledged the resignation of Messrs John Ryan (representing Médiannuaire Holding) and Marc Simoncini from their positions as Directors. At that same meeting, the Board of Directors decided to co-opt Messrs Robert de Metz and Jean-Marc Tassetto. The terms of office as Director of Messrs Robert de Metz and Jean-Marc Tassetto will expire at the conclusion of the General Shareholders' Meeting to be held in 2015.

These cooptations will be laid for ratification at the General Meeting on 11 June 2015. There will also a proposal at the General Assembly to renew the positions of Mrs Cecile Moulard and Messrs Robert de Metz and Jean-Louis Tassetto as Directors for a further four-year term.

## Independent directors

The Board of Directors has six independent directors (75% of the Board of Directors): Ms Nathalie Balla, Ms Cécile Moulard, Ms Sandrine Dufour, Mr Robert de Metz, Mr Rémy Sautter and Mr Jean-Marc Tassetto.

The criteria used to determine whether or not a director is independent are those of the AFEP/MEDEF Corporate Governance Code.

With respect to the Chairman of the Board of Directors, Mr Robert de Metz, the Board considers that he is an independent director based on the AFEP/MEDEF Corporate Governance Code criteria, and the fact that Mr de Metz recently advised the Board in respect of the Company's financial restructuring transactions is not in contradiction with these criteria, since the cost of the shares in the Company that Mr de Metz purchased after his appointment far exceeded the compensation he received for these advisory services and paid to a company he was the main shareholder of.

There are no family relationships between the members of the administrative and management bodies.

## Directors' biographies

**Nathalie Balla** has managed several companies and is a specialist in e-commerce and digital transformations. After beginning her career as the CEO of several subsidiaries of the Karstadt Quelle group, where she launched the Quelle e-commerce site, she was appointed CEO in 2009 of La Redoute, where she implemented a transformation plan that enabled it to return to growth a year later. In 2011, she was named "E-commerce Personality" of the year by E-commerce magazine. In December 2013, the Kering group decided to sell La Redoute to Nathalie Balla, who thus became the French retailer's chairwoman and CEO and to Éric Courteille, General Secretary at Redcats. Nathalie Balla graduated from the ESCP-EAP business school in Paris and holds a doctorate degree in economics and accounting.

**Thierry Bourguignon** joined PagesJaunes in November 1988 and has occupied a broad range of sales positions. He is currently Clientele Manager at Solocal Network. He was also a union representative until being appointed to Solocal Group's Board of Directors on 20 July 2011.

**Sandrine Dufour** has been a member of the Steering Committee of Proximus in Brussels since January 2015 and will become its chief financial officer in April 2015. From May 2013 until the end of 2014, she was Executive Director of Finance and Strategy at Groupe SFR. Prior to that, Ms Dufour worked at Vivendi, successively as Special Assistant to the Chief Financial Officer, Chief Financial Officer of VU Net, Head of Internal Auditing and Special Projects at Vivendi in New York, Deputy Chief Financial Officer and Head of Innovation at Groupe Vivendi. Before joining Vivendi in 1999, Ms Dufour was a financial analyst for BNP and stockbroker for CAI Cheuvreux. She holds a degree from ESSEC Business School and is a member of SFAF (the French Society of Financial Analysts) and a chartered financial analyst (CFA).

**Robert de Metz** began his career at the *Inspection générale des Finances* (the French public-sector auditing body). He then moved to the private sector working for Banque Indosuez in Hong-Kong and Paris and then for the Demachy Worms bank. After joining Paribas, where he was successively the bank's general secretary, a member of its Executive Committee and Management Board, where he oversaw fixed-income, foreign exchange and derivatives, Mr de Metz then joined the Vivendi group, where he was deputy CEO in charge of disposals and acquisitions and strategy from 2002 to 2007. After becoming an independent member of Dexia's Board of Directors in 2009, he was appointed Chairman of the Board in 2012. In parallel with this, he manages La Fayette Investment Management, a fund management company based in London. Mr de Metz graduated from the *Institut d'études politiques* de Paris and from the *École nationale d'administration*.

**Cécile Moulard** began her career in media (radio and television). In October 1995 she founded Carat Interactive, assuming the role of Chief Executive Officer and heading the company's international development. She then joined the Vivendi group as an advisor to the Chairman on Internet-related issues, served as Amazon.fr first CEO in charge of Strategy, Marketing and Development, before joining Meetic's management team to prepare its IPO. Today, Cécile Moulard shares her time between France and the United States. She is a founding partner of Smallbusinessact.com and sits on the boards of MilleMercis and AXA France. A Young Leader Fellow, an Einsenhower Fellow and a Remarque Fellow, Cécile Moulard graduated from IEP Paris with a DESS degree in Marketing and earned a certificate in Finance at UCLA.

**Jean-Pierre Remy** has been Solocal Group's Chief Executive Officer since 25 May 2009 and was also its Chairman of the Board from 11 December 2012 until 5 November 2014. Born in 1964, he is a graduate of the *École centrale* in Paris and of the HEC business school, where he completed the doctoral programme. After many years of experience as a strategic consultant and partner at Bain & Company where he specialised in the digital economy, he founded Egencia in 2000, which became the global leader in online business travel. In April 2004, Mr Remy sold Egencia to Expedia and was put in charge of Expedia's European and then Global Business Travel units and also sat on Expedia Inc.'s Executive Committee.

**Rémy Sautter** began his career at Caisse des Dépôts et Consignations in 1971. In 1981, he joined the French Defence Ministry, where he was an advisor on financial and budgetary affairs until 1983, when he joined Agence Havas as its chief financial officer. In 1985 he was appointed Vice-Chairman and Chief Executive Officer at RTL, where he remained until 1996. Mr Sautter then joined CLT- UFA where he served as Chief Executive Officer until 2000 when he returned to RTL as its Chairman and Chief Executive Officer until December 2002, when he was appointed Chairman of RTL's Supervisory Board. Born in 1945, Mr Sautter holds a law degree and is a graduate of the *Institut d'etudes politiques* in Paris and the *École nationale d'administration*.

**Jean-Marc Tassetto** was chief marketing officer at a Danone group subsidiary before joining Groupe SFR where he served successively as CMO, deputy CEO, Head of Services and Products, and finally Head of Marketing and Consumer Business. In 2010, he was made CEO of Google France and in 2013 founded Coorpacadémy. Mr Tassetto graduated from ESCP and holds a DEA post-graduate degree in business management. He is an affiliate professor at HEC Paris.

# 14.2 Criminal offences and potential conflicts of interest

Over the past five years, no member of an administrative body, a management body or of senior management has been:

- convicted of fraud;
- directly involved in bankruptcy, receivership or liquidation proceedings;
- charged with a crime and/or sanctioned by a statutory or regulatory authority;
- involved in legal proceedings to prevent him or her from serving on an administrative, management or supervisory body of an issuer of securities or from participating in the management or administration of an issuer of securities business.

There is no potential conflict of interests between the duties of the members of administrative and management bodies and of senior management with regard to the Company and their private interests and/or other duties.

Certain restrictions concerning the liquidity of the securities held by Médiannuaire Holding are described in section 18.4 – Shareholder agreements.

# 14.3 Management bodies

As of the date of this document, the Company's senior management is composed of the following members:

| Name | Function |
|---|---|
| Jean-Pierre Remy | Chief Executive Officer |
| Christophe Pingard | Deputy Chief Executive Officer |
| Julien Ampollini | Assistant CEO in charge of Media |
| Virginie Cayatte | Chief Financial Officer in charge of Finance, Property and Purchasing |
| Pascal Garcia | General Secretary and Assistant CEO in charge of Strategy, Partnerships and External Relations |
| Julien Veyrier | Assistant General Secretary, Head of Human Resources and Institutional Relations |
| Nicolas Gauthier | Head of Business Solutions (Information System and Internet Ad Technologies – Adnet) |

**Jean-Pierre Remy** has been Solocal Group's Chief Executive Officer since 25 May 2009 and was also its Chairman of the Board from 11 December 2012 until 5 November 2014. Born in 1964, he is a graduate of the *École centrale* in Paris and of the HEC business school, where he completed the doctoral programme. After many years of experience as a strategic consultant and partner at Bain & Company where he specialised in the digital economy, he founded Egencia in 2000, which became the global leader in online business travel. In April 2004, Mr Remy sold Egencia to Expedia and was put in charge of Expedia's European and then Global Business Travel units and also sat on Expedia Inc.'s Executive Committee.

**Christophe Pingard** has been Solocal Group's Deputy Chief Executive Officer since 21 November 2011. He is accountable for the revenues of all Group entities and heads the Advertisers Division's Sales, Marketing and Operations departments. Before joining Solocal Group, he worked for Steelcase Strafor for 12 years before leaving the company to co-found Egencia, the leader in online business travel. There is served as CEO for France and then Senior Vice-President for Europe and Asia-Pacific. Born in 1964, Christophe Pingard holds an MBA and a DESS degree in Quality Management and Innovation.

**Julien Ampollini** is Assistant CEO and Head of the Media Division. Born in 1974, he is a graduate of the HEC business school. After beginning his career with the LVMH Group in New York, in 1998 Mr Ampollini joined the strategic consulting firm of Bain & Company in Paris. In 2000, he was a co-founder of Egencia, which became the European leader in online business travel and was acquired by Expedia. Two years later, he joined Boston Consulting Group, where he was made Manager. From 2007 to 2009, he was Head of Strategy at Canal+ Group and a member of its Management Committee. He joined Solocal Group in 2009 as Head of Strategy and Communication and then oversaw the Major Accounts and Digital Marketing division until 2013.

**Virginie Cayatte** is Chief Financial Officer in charge of Finance, Property and Purchasing. Ms Cayatte, who is 44 years old, was awarded the *Légion d'Honneur* in 2014 and became a member of French Financial Analysts Society (SFAF) in 1997. She also holds degrees from the *École Polytechnique* (1993) and the *École des Mines* in Paris (1995). Before joining Solocal Group, she was Chief Financial Officer at AXA IM, the asset management subsidiary of the AXA group. From 2002 to 2006, she oversaw the regulation of financial markets at the French Treasury Department *(Direction générale du Trésor et de la prévision économique)*. She began her career at the AXA group in the Finance department, where among other things she oversaw financing and cash management from 1997 to 2002.

**Pascal Garcia** is General Secretary and Assistant Chief Executive Officer in charge of Strategy, Partnerships and External Relations. He previously held various senior management posts within Solocal Group, first at Telelistas, a Brazilian subsidiary, from 1997 to 2001, then at Wanadoo Edition in 2002, before serving as CEO of Spanish subsidiary QDQ Media from 2003 to 2008. Until 1 January 2014 he was Assistant CEO in charge of Strategy, Partnerships and External Relations. He began his career in 1982 in the Financial department of Comex, and oilfield services company, and then joined Coflexip in Brazil, where he held various management posts in France and internationally before being appointed CEO of Coflexip Stena Offshore Brazil. Mr Garcia was born in 1958, is of French and Brazilian nationality, is a graduate of HEC business school and holds MBAs from *Fundação Getulio Vargas* (São Paulo, Brazil) and ESADE (Barcelona, Spain).

**Julien Veyrier** is Assistant General Secretary, Head of Human Resources and Institutional Relations. A graduate of the *École normale supérieure* (Paris) and Sciences-Po Paris, he also holds a DEA degree in Economic Geography from the Paris-I University. Mr Veyrier began his career as Assistant Head of Research at UMP, a political party. In 2007, he joined the National Education Ministry as an advisor and then became personal advisor to Xavier Darcos, the Minister of Labour, Industrial Relations, the Family, Solidarity and the City. In 2010, he was appointed Assistant to the Principal Secretary of the Minister of Industry, then Assistant to the Principal Secretary to the Minister of Apprenticeship and Vocational Training. Since 2011, he is the director of Centre Inffo, the Centre for Information on Continuing Education.

**Nicolas Gauthier,** a graduate of ESIGETEL, began his career at Bossard Consultants, then joined Accenture, where for eight years he specialised in the Telecoms, Media and Internet sectors. In 2006, he joined Capgemini Consulting where as Vice-President he headed the TechnoStrategy business unit. In 2010, he joined Solocal Group where he is currently head of Business Solutions

# 15 COMPENSATION AND BENEFITS



## 15.1 Overall compensation and benefits in kind

All gross compensation, excluding employer charges and benefits in kind individually owed and paid by the Company to the corporate officers during the year ended 31 December 2014 within Solocal Group is summarised in the tables below:

### SUMMARY TABLE OF COMPENSATION AND OPTIONS AND SHARES AWARDED TO EACH EXECUTIVE CORPORATE OFFICER

| | 2014 financial year | 2013 financial year |
|---|---|---|
| **Robert de Metz, Chairman of the Board of Directors (1)** | | |
| Compensation owed for the year (detailed in the table below) | 5,133 (2) | — |
| Valuation of the options awarded during the year | — | — |
| Valuation of the performance shares awarded during the year | — | — |
| **Jean-Pierre Remy, Chief Executive Officer** | | |
| Compensation owed for the year (detailed in the table below) | 1,067,620 | 961,138 |
| Valuation of the options awarded during the year | — | — |
| Valuation of the performance shares awarded during the year (3) | (4) | — |
| **Christophe Pingard, Deputy Chief Executive Officer** | | |
| Compensation owed for the year (detailed in the table below) | 554,875 | 575,366 |
| Valuation of the options awarded during the year | — | — |
| Valuation of the performance shares awarded during the year (3) | (5) | — |
| **TOTAL** | **1,622,495** | **1,536,504** |

*(1) Robert de Metz was appointed as Chairman of the Board of Directors on 5 November 2014.*

*(2) This amount does not include the fees recevied by a company whose main shareholder is Robert de Metz for consulting services, he provided between September 2013 and May 2014 as part of the financial restructuring of the Company. The total of the fees paid to the company whose main shareholder is Robert de Metz for these services amounted to 433,000 euros excluding taxes.*

*(3) See presentation of the method for valuing performance shares in note 25 to the consolidated financial statements.*

*(4) The shareholders of Solocal Group, at the Extraordinary General Shareholders' Meeting on 29 April 2014, authorised the Board of Directors to introduce a performance share plan, which resulted, on 19 June 2014, in the allocation for the benefit of Jean-Pierre Remy of (i) 4,200,000 performance shares for the three years 2014/2016, conditional on revenue growth being greater than 0% (vesting will be carried out by third parties in 2016, 2017 and 2018) and (ii) 4,500,000 performance shares conditional on sales growth being above 3% (CAGR) (vesting will take place in four years' time: in 2018).*

*(5) The shareholders of Solocal Group, at the Extraordinary General Shareholders' Meeting on 29 April 2014, authorised the Board of Directors to introduce a performance share plan, which resulted, on 19 June 2014, in the allocation for the benefit of Christophe Pingard of (i) 2,100,000 performance shares for the three years 2014/2016, conditional on revenue growth being greater than 0% (vesting will be carried out by third parties in 2016, 2017 and 2018) and (ii) 1,750,000 performance shares conditional on sales growth being above 3% (CAGR) (vesting will take place in four years' time: in 2018).*

### SUMMARY TABLE OF THE COMPENSATION OF EACH EXECUTIVE CORPORATE OFFICER

| | 2014 financial year | | 2013 financial year | |
|---|---|---|---|---|
| | Amounts owed | Amounts paid | Amounts owed | Amounts paid |
| **Robert de Metz, Chairman of the Board of Directors [(1)]** | | | | |
| Fixed compensation | — | — | — | — |
| Variable compensation | — | — | — | — |
| Exceptional compensation | — | — | — | — |
| Director's fees | 5,133 | 0 | — | — |
| Benefits in kind [(2)] | — | — | — | — |
| **TOTAL** | **5,133 [(3)]** | **0** | **—** | **—** |
| **Jean-Pierre Remy, Chief Executive Officer** | | | | |
| Fixed compensation | 520,000 | 520,000 | 520,000 | 520,000 |
| Variable compensation | 494,000 | 390,000 | 390,000 | 325,000 |
| Exceptional compensation | — | — | — | — |
| Director's fees | 33,531 | 33,185 | 30,597 | 30,597 |
| Benefits in kind [(2)] | 20,089 | 20,089 | 20,541 | 20,541 |
| **TOTAL** | **1,067,620** | **963,174** | **961,138** | **896,138** |
| **Christophe Pingard, Deputy Chief Executive Officer** | | | | |
| Fixed compensation | 370,000 | 370,000 | 370,000 | 370,000 |
| Variable compensation | 166,500 | 185,000 | 185,000 | 120,250 |
| Exceptional compensation | — | — | — | — |
| Director's fees | — | — | — | — |
| Benefits in kind [(2)] | 18,375 | 18,375 | 18,363 | 18,363 |
| **TOTAL** | **554,875** | **573,375** | **575,363** | **508,613** |

(1) *Robert de Metz was appointed as Chairman of the Board of Directors on 5 November 2014.*

(2) *Availability of a Company car and payment of unemployment insurance.*

(3) *This amount does not include the fees recevied by a company whose main shareholder is Robert de Metz for consulting services, he provided between September 2013 and May 2014 as part of the financial restructuring of the Company. The total of the fees paid to the company whose main shareholder is Robert de Metz for these services amounted to 433,000 euros excluding taxes.*

## TABLE OF DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE OFFICERS

| Non-executive officers | Amount owed | Amounts paid in 2014 (*) | Amounts paid in 2013 (*) |
|---|---|---|---|
| **Nathalie Balla** (1) | | | |
| Director's fees | 10,266 | 0 | — |
| Other compensation | — | — | — |
| **Thierry Bourguignon** | | | |
| Director's fees | 41,212 | 20,681 | 27,633 |
| Other compensation | — | 128,369 | 120,945 |
| **François de Carbonnel** | | | |
| Director's fees | 58,644 | 58,644 | 52,654 |
| Other compensation | — | — | — |
| **Élie Cohen** (2) | | | |
| Director's fees | 23,266 | 23,266 | 44,556 |
| Other compensation | — | — | — |
| **Sandrine Dufour** | | | |
| Director's fees | 36,098 | 23,266 | 21,704 |
| Other compensation | — | — | — |
| **Steven Mayer** (3) | | | |
| Director's fees | 7,755 | 7,755 | 2,964 |
| Other compensation | — | — | — |
| **Médiannuaire Holding** (4) | | | |
| Director's fees | 36,135 | 36,135 | 30,022 |
| Other compensation | — | — | — |
| **Lee Millstein** (5) | | | |
| Director's fees | 20,681 | 20,681 | 27,059 |
| Other compensation | — | — | — |
| **Cécile Moulard** | | | |
| Director's fees | 51,552 | 51,552 | 41,592 |
| Other compensation | — | — | — |
| **Rémy Sautter** | | | |
| Director's fees | 47,689 | 29,082 | 48,871 |
| Other compensation | — | — | — |
| **Marc Simoncini** (6) | | | |
| Director's fees | 10,340 | 10,340 | 10,996 |
| Other compensation | — | — | — |
| **Jean-Marc Tassetto** (7) | | | |
| Director's fees | 7,699 | 7,699 | — |
| Other compensation | — | — | — |
| **TOTAL** | **351,337** | **417,470** | **428,996** |

*(*) For 2014, the amounts indicated do not include the 30% withholding for foreign tax residents and 21% withholding for French tax residents. For 2013, the amounts indicated do not include the 30% withholding for foreign tax residents and 21% withholding for French tax residents.*

*(1) Nathalie Balla was appointed by the Board of Directors at its meeting on 29 July 2014.*

*(2) Élie Cohen resigned at the Board of Directors meeting of 19 June 2014.*

*(3) Steven Mayer resigned at the Board of Directors meeting of 19 June 2014. Steven Mayer did not wish to receive all the director's fees owed to him in 2013 (amount due: 21,704 euros /amount received: 2,964 euros).*

*(4) The Board of Directors, at its meeting on 5 November 2014, noted the resignation of Médiannuaire Holding.*

*(5) Lee Millstein resigned from his position as director at the Board of Directors meeting of 29 July 2014.*

*(6) Marc Simoncini resigned at the Board of Directors meeting of 5 November 2014.*

*(7) Jean-Marc Tassetto was appointed by the Board of Directors at its meeting of 5 November 2014.*

Directors are paid the following fees for their attendance:

- 4,000 euros per Board of Directors meeting;
- 4,000 euros per Committee meeting;
- a fixed fee of 10,000 euros to the Chairman of the Audit Committee;
- a fixed fee of 50,000 euros to the Chairman of the Remuneration and Appointments Committee.

The information on the share options awarded or exercised by the corporate officers of the Company is provided in section 17.1.

In 2014, the Chief Executive Officer was eligible for a variable portion of 100% of the annual fixed component with objectives achieved varying from 0% to 200%, structured as follows:

- 50% on a qualitative scale varying from 0% to 200% based on criteria primarily related to the transformation and debt reduction of the Group;
- 50% on a quantitative scale based on a gross operating margin ranging from 0% to 200%.

In financial year 2014, the variable portion of the Chief Executive Officer's remuneration totalled 494,000 euros, which represents 95% of the target objective: 20% for the quantitative component (against the target of 50% of objectives achieved) and 75% for the qualitative component (against the target of 50% of objectives achieved).

For information, the variable portion for the Chief Executive Officer amounted to 390,000 euros, or 75% of the target objective, for financial year 2013, and 325,000 euros, or 65% of the target objective, for financial year 2012.

For 2015, the Chief Executive Officer is eligible for a variable portion of 100% of the annual fixed portion, with objectives achieved, ranging from 0% to 200%, and structured as follows:

- 50% on a qualitative scale ranging from 0% to 200% and based on criteria primarily related to growth in sales, transformation and reduction of debt;
- 50% on a quantitative scale based on a GOM objective.

In addition, since the Company has set up specific supplementary pension schemes (see chapter 17.2), the Board of Directors decided to offer the Chief Executive Officer the defined-contribution supplementary retirement plan (Article 83 of the French General Tax Code) established for Group executives.

The employer's share of old age pension destined to Jean-Pierre Remy in accordance with Article 83 of the French Tax Code amouts to 8,674 euros for 2014.

The Deputy Managing Director was eleigible for a variable compensation of 50% of the annual fixed compensation, with objectives met, varying from 0 to 100%.

The Deputy Manging Director's variable compensation is based on the results of the Group to which the Company is part of but also based on qualitative and quantitative targets achievements set every year. Out of confidentiality, these kind of targets are not made public.

In respect of the 2014 financial year, the Deputy Managing Director's variable compensation amounts to 166,500 euros, *i.e.* 90% of the target.

For memory, the Deputy Managing Director variable compensation amounted to 185,000 euros for the financial year 2013 and 120,250 euros for 2012.

For memory, the Deputy Managing Director variable compensation amounted to 185,000 euros for the financial year 2013 and 120,250 euros for 2012.

The Deputy Managing Director is eligible for a variable worth 60% of the annual fixed compensation, targets met, varying from 0% to 120%. Here's the breakdown:

- 50% calculated on common target to the Executive Committee, varying from 0 to 200%, based on criteria mainly linked to sales growth, EBITDA, IT transformation and HR;
- 50% calculated on specific qualitative targets based on Solocal Group's tansformation, varying from 0 to 200%.

Moreover, Solocal has put in place additional specific pension schemes (see section 17.2), the Board of Directors decided to have the Deputy Managing Director benefit from the additional pension defined contribution scheme (Article 83 of the French General Tax Code), establised by the executives of the Group.

The employer's share of old age contribution scheme in respect of article 83, for Christophe Pingard amounted to 8,674 euros in 2014.

The Company has not put in place any additional specific pension scheme for its corporate officers.

## Commitments made to corporate executive officers

Robert de Metz does not benefit from any deferred compensation commitment by the Company.

As Jean-Pierre Remy has no employment contract, the Board of Directors approved a severance package in the event he was forced to leave the Company because of a change in control or strategy or its implementation, the amount of which would be equal to his flat gross annual compensation (fixed and variable with objectives achieved), on condition that Jean-Pierre Remy has achieved at least 80% of his annual targets for the last three years.

The severance package would be paid only after the Board of Directors of the Company verified the achievement of the applicable performance condition.

A non-competition obligation is stipulated in the event of termination of Jean-Pierre Remy's appointment as Chief Executive Officer for any reason and in any form. This competition prohibition would be limited to a period of 24 months beginning on the effective termination date, and would cover all of the French territory. The corresponding package would be equal to 12 months of compensation calculated on the basis of the monthly average of total gross compensation for the 12 months of employment preceding the termination date. It would be paid to Jean-Pierre Remy in instalments of one-fourth of the total package at the end of every six-month period. The Company will have the option to release Jean-Pierre Remy from this non-competition clause by informing him of its decision no later than 15 calendar days after the Board meeting that noted or decided to terminate Jean-Pierre Remy's position as Chief Executive Officer of the Company.

The cumulative total of these two packages, severance and non-competition, may not exceed two years' compensation, fixed and variable.

Christophe Pingard was appointed Deputy Chief Executive Officer by the Board of Directors on 26 October 2011. At that time, the Company made the following commitments to him.

As Christophe Pingard has no employment contract, the Board of Directors approved a severance package in the event he was forced to leave the Company because of a change in control or strategy or its implementation (regardless of the form of departure: dismissal, non-renewal or resignation) on condition that the following performance target has been met: the average increase in turnover over the previous three years, shown in the consolidated financial statements approved by the Board of Directors before the date of departure of Christophe Pingard, will be equal to, or greater than, the average increase in turnover set out in budgets for the same period.

If Christophe Pingard leaves between the end of the first year and the end of the third year after he assumed his position, the performance condition will be assessed on the year or years ended in which Christophe Pingard was present in the Company.

The severance package will be paid only after the Board of Directors verifies the achievement of the performance condition.

This package will be equal to 12 months of compensation calculated on the basis of the monthly average of his total gross compensation over the last twelve months of activity preceding the termination date.

A non-competition obligation will be established in the event that Christophe Pingard's appointment as Deputy Chief Executive Officer is terminated for any reason and in any form. This competition prohibition will be limited to a period of 24 months beginning on the effective termination date, and would cover all of the French territory.

The corresponding package will be equal, on the basis of a 24-month non-competition period, to 12 months of compensation calculated on the basis of the monthly average of the total gross compensation for the 12 months of employment preceding the termination date. It will be paid to Christophe Pingard in four instalments at the end of each six-month period.

At the time of termination, the Company may waive the benefit of the non-competition commitment (in which case it will not be required to pay the corresponding severance package).

The cumulative total of these two packages, severance and non-competition, may not exceed two years' compensation, fixed and variable.

| Corporate executive officers | Employment contract | | Supplementary Pension Scheme | | Indemnities or benefits due or which could be due because of termination or a change in position | | Indemnities tied to a non-competition clause | |
|---|---|---|---|---|---|---|---|---|
| | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** |
| Robert de Metz<br>Chairman of the Board of Directors | | X | | X | | X | | X |
| Jean-Pierre Remy<br>Chief Executive Officer | | X | Defined contribution supplementary pension scheme (Article 83 of the General Tax Code) | | X | | X | |
| Christophe Pingard<br>Deputy Chief Executive Officer | | X | Defined contribution supplementary pension scheme (Article 83 of the General Tax Code) | | X | | X | |

# 15.2 Sums provisioned or recognised elsewhere for payment of pensions, retirement or other benefits

On the date of this Reference document, the sums provisioned or recognised elsewhere for the payment of pensions, retirement or other benefits were as follows:

- for Jean-Pierre Remy: 0 euro;
- for Christophe Pingard: 0 euro;
- for Thierry Bourguignon: 89,446 euros as provision for the retirement scheme and 9,920 euros as provision for the seniority plan.

# 15.3 Components of compensation submitted for shareholder approval

Pursuant to the AFEP/MEDEF corporate governance code, which the Company follows, the shareholders will be asked at the Annual General Shareholders' Meeting to approve the elements of the compensation owed or awarded to Jean-Pierre Remy and Christophe Pingard for 2014.

### ROBERT DE METZ, CHAIRMAN OF THE BOARD OF DIRECTORS

| Elements of the compensation owed or awarded for the year ended | | |
|---|---|---|
| | **Amounts or valuation submitted for vote** | **Description** |
| **Fixed portion** | N/A | No fixed compensation |
| **Amount of the annual variable portion** | N/A | No variable compensation |
| **Valuation of the deferred variable portion** | N/A | The principle of awarding deferred variable compensation is not applied |
| **Valuation of the multi-year variable compensation** | N/A | There is no multi-year variable compensation mechanism |
| **Amount of exceptional compensation** | N/A | No exceptional compensation |
| **Valuation of share options and performance shares or any other item of long-term compensation** | N/A | No award |
| **Director's fees** | €5,133 | €4,000 per Board meeting attended during his term as Director |
| **Valuation of benefits of any kind** | N/A | |
| **Compensation elements due or awarded for the year ended which have been approved or will be submitted for approval by the General Shareholders' Meeting under the procedure for related-party agreements and commitments** | | |
| **Amount due for termination of position:**<br>**— Severance package**<br>**— Non-competition indemnity** | N/A | N/A |
| **Amount due for supplementary pension scheme** | N/A | N/A |

### JEAN-PIERRE REMY, CHIEF EXECUTIVE OFFICER

| Elements of the compensation owed or awarded for the year ended | | |
|---|---|---|
| | **Amounts or valuation submitted for vote** | **Description** |
| **Fixed portion** | €520,000 | €520,000 in 2013 |
| **Amount of the annual variable portion** | €494,000 | Jean-Pierre Remy is eligible for a variable portion of 100% of the annual fixed portion with objectives reached, ranging from 0% to 200%, based on: (i) 50% on a qualitative scale, varying from 0% to 200% and based on criteria primarily related to the Group's transformation and debt reduction; and (ii) 50% on a quantitative scale based on a target GOM rating from 0% to 200%. In financial year 2014, the variable portion of the Chief Executive Officer's remuneration totalled 494,000 euros, which represents 95% of the target objective: 20% for the quantitative component (against the target of 50% of objectives achieved) and 75% for the qualitative component (against the target of 50% of objectives achieved). |
| **Valuation of the deferred variable portion** | N/A | The principle of awarding deferred variable compensation is not applied. |
| **Valuation of the multi-year variable compensation** | N/A | There is no multi-year variable compensation mechanism. |
| **Amount of exceptional compensation** | N/A | No exceptional compensation |
| **Valuation of share options and performance shares or any other item of long-term compensation** | (i) 4,200,000 performance shares for the three years 2014/2016, conditional on revenue growth being greater than 0% (vesting will be carried out by third parties in 2016, 2017 and 2018) and (ii) 4,500,000 performance shares conditional on sales growth being above 3% (CAGR) (vesting will take place in four years' time: in 2018). | The shareholders of Solocal Group, at the Extraordinary General Shareholders' Meeting on 29 April 2014, authorised the Board of Directors to introduce a performance share plan, which resulted, on 19 June 2014, in the allocation for the benefit of Jean-Pierre Remy of: (see opposite) |
| **Director's fees** | €33,531 | €4,000 per Board meeting |
| **Valuation of benefits of any kind** | €20,089 | Company vehicle and payment of unemployment insurance contributions. |

| Compensation elements due or awarded for the year ended which have been approved or will be submitted for approval by the General Shareholders' Meeting under the procedure for related-party agreements and commitments | | |
|---|---|---|
| **Amount due for termination of position:**<br>**— Severance package** | No amount due for the year ended | As Jean-Pierre Remy has no employment contract, the Board of Directors approved a severance package in the event he was forced to leave the Company because of a change in control or strategy or its implementation, the amount of which would be equal to his flat gross annual compensation (fixed and variable with objectives achieved), on condition that Jean-Pierre Remy has achieved at least 80% of his annual targets for the last three years.<br>The severance package would be paid only after the Board of Directors of the Company verified the achievement of the applicable performance condition. |
| **— Non-competition indemnity** | No amount due for the year ended | A non-competition obligation is stipulated in the event of termination of Jean-Pierre Remy's appointment as Chief Executive Officer for any reason and in any form. This competition prohibition would be limited to a period of 24 months beginning on the effective termination date, and would cover all of the French territory. The corresponding package would be equal to 12 months of compensation calculated on the basis of the monthly average of total gross compensation for the 12 months of employment preceding the termination date. It would be paid to Jean-Pierre Remy in instalments of one fourth of the total package at the end of every six-month period. The Company will have the option to release Jean-Pierre Remy from this non-competition clause by informing him of its decision no later than 15 calendar days after the Board meeting that noted or decided to terminate Jean-Pierre Remy's position as Chief Executive Officer of the Company.<br>The cumulative total of these two packages, severance and non-competition, may not exceed two years' compensation, fixed and variable.<br>These commitments were previously approved by the Board of Directors at its meetings of 17 May 2009 and 10 March 2014 and by the General Shareholders' Meetings of 10 June 2010 and 19 June 2014. |
| **Amount due for supplementary pension scheme** | No amount due for the year ended | Defined contribution supplementary pension scheme (Article 83 of the General Tax Code), resulting in a contribution of 5.50% applied to tranches B and C of the compensation. 40% of this contribution is paid by Jean-Pierre Remy, *i.e.* 2.20%, and 60% by the Company, which equals 3.30%.<br>These commitments were previously approved by the Board of Directors at its meetings of 17 May 2009 and 10 March 2014 and by the General Shareholders' Meetings of 10 June 2010 and 19 June 2014. |

## CHRISTOPHE PINGARD, DEPUTY CHIEF EXECUTIVE OFFICER

| Elements of the compensation owed or awarded for the year ended | | |
|---|---|---|
| | **Amounts or valuation submitted for vote** | **Description** |
| **Fixed portion** | €370,000 | €370,000 in 2013 |
| **Amount of the annual variable portion** | €166,500 | Christophe Pingard is eligible for a variable portion of 50% of the annual fixed portion with objectives achieved ranging from 0% to 100%, based on *(i)* 50% on a qualitative scale ranging from 0% to 200% based on criteria related to the transformation of the Group and *(ii)* 50% on a quantitative scale ranging from 0% to 200% based on gross operating margin and revenue objectives. In financial year 2014, the variable portion of the Deputy Chief Executive Officer's remuneration totalled 166,500 euros, which represents 90% of the objective: 50% for the quantitative component (against a target of 50% of objectives achieved) and 40% for the qualitative component (against a target of 50% of objectives achieved). |
| **Valuation of the deferred variable portion** | N/A | The principle of awarding deferred variable compensation is not applied. |
| **Valuation of the multi-year variable compensation** | N/A | There is no multi-year variable compensation mechanism. |
| **Amount of exceptional compensation** | N/A | No exceptional compensation |
| **Valuation of share options and performance shares or any other item of long-term compensation** | (i) 2,100,000 performance shares for the three years 2014/2016, conditional on revenue growth being greater than 0% (vesting will be carried out by third parties in 2016, 2017 and 2018) and (ii) 1,750,000 performance shares conditional on sales growth being above 3% (CAGR) (vesting will take place in four years' time: in 2018). | The shareholders of Solocal Group, at the Extraordinary General Shareholders' Meeting on 29 April 2014, authorised the Board of Directors to introduce a performance share plan, which resulted, on 19 June 2014, in the allocation for the benefit of Christophe Pingard of: (see opposite) |
| **Director's fees** | N/A | Christophe Pingard is not a member of the Board of the Company and does not receive director's fees. |
| **Valuation of benefits of any kind** | €18,375 | Company vehicle and payment of unemployment insurance contributions. |

| Compensation elements due or awarded for the year ended which have been approved or will be submitted for approval by the General Shareholders' Meeting under the procedure for related-party agreements and commitments | | |
|---|---|---|
| **Amount due for termination of position:**<br>**— Severance/non-competition payment** | No amount due for the year ended | As Christophe Pingard has no employment contract, the Board of Directors approved a severance package in the event he was forced to leave the Company because of a change in control or strategy or its implementation (regardless of the form of departure: dismissal, non-renewal or resignation) on the condition that the following performance target has been met: the average increase in turnover over the previous three years, shown in the consolidated financial statements approved by the Board of Directors before the date of departure of Christophe Pingard, will be equal to, or greater than, the average increase in turnover set out in budgets for the same period. If Christophe Pingard leaves between the end of the first year and the end of the third year after he assumed his position, the performance condition will be assessed on the year or years ended in which Christophe Pingard was present in the Company. The severance package will be paid only after the Board of Directors verifies the achievement of the performance condition.<br>The amount of this severance pay shall equal 12 months of remuneration calculated based on the average monthly total gross remuneration paid during the 12 months of activity preceding the date of cessation of duties.<br>A non-competition obligation will be applied in the event of termination of Christophe Pingard's term of office as Deputy Chief Executive Officer for any reason and in any form whatsoever. This competition prohibition would be limited to a period of 24 months beginning on the effective termination date, and would cover all of the French territory. The corresponding compensation shall amount, based on a non-competition period of 24 months, to 12 months' remuneration calculated on the basis of the monthly average of his total gross pay for the 12 months prior to the date on which the term of office was terminated. It will be paid to Christophe Pingard in four instalments at the end of each six-month period.<br>At the time of termination, the Company may waive the benefit of the non-competition commitment (in which case it will not be required to pay the corresponding severance package).<br>These commitments were previously approved by the Board of Directors at its meeting of 26 October 2011 and 29 April 2014 and by the General Shareholders' Meeting of 6 June 2012 and 19 June 2014. |
| **Amount due for supplementary pension scheme** | No amount due for the year ended | Defined contribution supplementary pension scheme (Article 83 of the General Tax Code), resulting in a contribution of 5.50% applied to tranches B and C of the compensation. 40% of this contribution is paid by Christophe Pingard, *i.e.* 2.20%, and 60% by the Company, which equals 3.30%.<br>This commitment was previously approved by the Board of Directors at its meeting of 26 October 2011 and 29 April 2014 and by the General Shareholders' Meeting of 6 June 2012 and 19 June 2014. |

# 16 ADMINISTRATION AND MANAGEMENT BODIES



The Company is managed by a Board of Directors that decides business strategy and oversees its execution by senior management. Without prejudice to the powers expressly reserved by law for General Shareholders' Meetings and within the limits of the corporate purpose, the Board may address any concern that may have an impact on the Company's business and decide any matters within its remit. It also expresses its opinion on all major decisions in relation to the Company's strategy, business development, human resources, finances and technology.

## 16.1 Compliance with French corporate governance standards

Solocal Group observes the corporate governance principles for listed companies set forth in the consolidated version of December 2008 of the AFEP/MEDEF Corporate Governance Code, and in particular those principles that deal with:

- the responsibility and integrity of senior managers and directors;
- the Board of Directors' independence;
- the transparency and disclosure of information;
- respect for shareholder rights.

The Company is committed to implementing the recommendations in this report, notably through the Board of Directors' adoption of Bylaws, which set forth guidelines for the Board's operation and procedures (see section 21.2.1).

Pursuant to Article L. 225-37 of the French Commercial Code, in a report appended to the Board's management report, the Chairman must describe how the Board has prepared and organised its work and indicate the Company's internal control procedures. This report is appended to this Reference document.

At its meeting on 18 December 2008, the Board noted the AFEP/MEDEF recommendations of 6 October 2008 on the compensation of corporate officers at listed companies.

The Board considers that the Company's corporate governance system observes these recommendations.

Accordingly, pursuant to the Act of 3 July 2008, the AFEP/MEDEF Corporate Governance Code as amended will serve as the framework for the Company's drafting of the report stipulated in Article L. 225-37 of the French Commercial Code.

The Board of Directors has identified no difference between Solocal Group's practices and the recommendations of the AFEP/MEDEF Corporate Governance Code.

## 16.2 Service agreements

Médiannuaire Holding was a member of the Company's Board of Directors until 5 November 2014. There is no more service agreement between the Company and Médiannuaire Holding since 2013 (see section 6.4.3 of this document).

Prior to his appointment as a director and Chairman of the Board, Mr Robert de Metz was an advisor to the Board in respect of the Company financial restructuring transactions, these advisory services ending in May 2014. With this exception, no member of the Board of Directors and no Chief Executive Officer has a service agreement with the Company or with one of its subsidiaries that provides for benefits upon contract termination.

# 16.3 Report of the Chairman of the Board of Directors and Auditor's Report on the Chairman's Report

## 16.3.1 Report of the Chairman of the Board of Directors

**(pursuant to Article L. 225-37 of the French Commercial Code)**

**For the year ended 31 December 2014**

Pursuant to Article L. 225-37 of the French Commercial Code, in this report the Chairman of your Board of Directors will report on the following:

- the Board's composition, how the Board prepares and organises its work, and the Company's internal control and risk management procedures;
- the limitations the Board of Directors has placed on the Chief Executive Officer's powers;
- compliance with the recommendations of the AFEP-MEDEF Corporate Governance Code, which Solocal Group observes;
- shareholder participation in General Shareholders' Meetings and the Board of Directors' principles and rules for determining the compensation and benefits awarded to corporate officers.

Pursuant to Article L. 225-37 of the French Commercial Code, this Chairman of the Board's report includes a description of the Group's internal control and risk management procedures and standards and of the associated responsibilities within the Group.

This report was approved by the Board of Directors at its meeting of 9 February 2015.

### 1. CORPORATE GOVERNANCE

#### CORPORATE GOVERNANCE CODE

Solocal Group observes the AFEP / MEDEF Corporate Governance Code, available on the www.medef.fr website, and complies with all of the operating rules recommended in this code.

### 1.1 Members of the Board of Directors

Following the resignation of Jacques Garaïalde as Chairman of the Board, at the Board meeting of 11 December 2012, the Board members decided, on the recommendation of the Remuneration and Appointments Committee, to merge the offices of Chairman and Chief Executive Officer. As of that date, Jean-Pierre Remy became the Company's Chairman in addition to being its CEO.

On 5 November 2014, the Board of Directors decided to separate the offices of CEO and Chairman, on the proposal of Jean-Pierre Remy and in accordance with the commitment he had made in June 2014 when the capital increase was completed.

The Board of Directors then appointed Mr Robert de Metz Chairman and Mr Remy continued to serve as the Company's CEO.

Given this decision, the Board then decided to do away with the office of Lead Director, which had been created at its meeting of 11 December 2012. Mr François de Carbonnel, an independent director, had been appointed to this position. His main duties were to assist the Chairman and CEO with discussions of strategic and financial matters with the Group's main shareholders and creditors, to lead meetings in the absence of the Chairman and CEO upon completion of some Board meetings, and to conduct the annual evaluation of the Chairman and CEO.

At the date of this report, the Board's members are:

- Nathalie Balla;
- Thierry Bourguignon (director and employee representative);
- François de Carbonnel;
- Sandrine Dufour;
- Robert de Metz;
- Cécile Moulard;
- Jean-Pierre Remy;
- Rémy Sautter;
- Jean-Marc Tassetto.

The Board of Directors has seven members who are independent, in accordance with the criteria of the AFEP/MEDEF Corporate Governance Code: Ms Nathalie Balla, Ms Sandrine Dufour and Ms Cécile Moulard, Mr François de Carbonnel, Mr Robert de Metz, Mr Rémy Sautter and Mr Jean-Marc Tassetto.

Solocal Group selects directors on the basis of the criteria recommended by the Remuneration and Appointments Committee. The main criteria are their availability and their experience and expertise in the Group's businesses activities and the specific challenges of its markets. These criteria are the same as those recommended in the AFEP/MEDEF Corporate Governance Code. The Remuneration and Appointments Committee pays particular attention to ensuring that the expertise of Board of Directors members is complementary, that there is an appropriate balance on the Board and that its members have the requisite experience.

There are no family relationships between the members of the administrative and management bodies.

Additional information on the Board's composition is provided in section VI of the Management Report.

### 1.2 The preparation and organisation of the Board's work

#### 1.2.1. BYLAWS

At its meeting of 23 September 2004, the Board drew up bylaws based on those recommended in the AFEP-MEDEF Corporate Governance Code. These bylaws lay down the basic principles that govern the Board's operations and the rights and duties of directors.

The main provisions of the Board of Directors' bylaws are described in section 21.2.1 of this present document.

### 1.2.2. BOARD MEETINGS

The Board of Directors gives its opinion on all major decisions in relation to the Company's strategy, business development, human resources, finances and technology and sees to it that senior management implements these decisions.

The Board met thirteen times in 2014. Taking into account the number of meetings and the changes in the Board's composition, on average 85% of Directors attended each Board of Directors meeting during the financial year. The average meeting was two hours long.

The Board of Directors' work mainly involved:

- reviewing financial accounts and results – the Board reviewed and approved Company and consolidated annual and semi-annual accounts and management reports. It examined quarterly revenue and key income figures and the associated financial communication. It prepared the reports and resolutions for General Shareholders' Meetings;
- reviewing business performance – at each Board meeting, senior management reported on business conditions and results, which enabled directors to keep close track of business activity;
- reviewing strategy – business unit managers regularly gave presentations of a specific Group business to the Board. The Board examined the strategic plan, discussed it at length and approved it;
- approving strategic transactions – the Board discussed current and planned acquisitions and disposals;
- approving the refinancing plan and the 440 million euro capital increase;
- corporate governance – pursuant to Article L. 225-37 of the French Commercial Code, the Board approved the Chairman's report on the preparation and organisation of the Board's work and on internal control and risk management procedures.

### 1.2.3. BOARD OF DIRECTORS COMMITTEES

At its meeting of 23 September 2004, the Board of Directors formed two committees within the Company, the Audit Committee and the Remuneration and Appointments Committee.

#### 1.2.3.1 Audit Committee

The Audit Committee must have at least two members, which are appointed by the Board of Directors on the Chairman's recommendation. Pursuant to its charter, the Audit Committee designates its own Chairman.

As of the date of this document the Audit Committee was composed of the following members:

- Mr Rémy Sautter, Chairman;
- Ms Nathalie Balla;
- Ms Sandrine Dufour.

Therefore, all of its members are independent Directors. The Audit Committee monitors all matters that have to do with the preparation and auditing of accounting and financial information. Without prejudice to the powers of the administrative, management and supervisory bodies, it is responsible for the following, in particular:

- monitoring the preparation of financial information, specifically:
  - reviewing Company and consolidated draft annual and semi-annual financial statements and draft management reports and sales and earnings tables,
  - reviewing financial communication documents,
  - ensuring that Company and consolidated financial statements comply with the accounting standards adopted,
  - reviewing the accounting treatment of specific transactions and the corresponding disclosures,
  - checking the quality and relevance of the information communicated to shareholders;
- monitoring the effectiveness of internal control and risk management systems, in particular:
  - checking that internal data collection and control procedures are complied with,
  - reviewing the annual audit programmes proposed by the statutory and internal auditors, examining the internal auditing reports for the past year and preparing the audit engagement programme for the current year,
  - each year, assessing the Group's exposure to risks and in particular to financial and litigation risks, significant off-balance sheet commitments and the effectiveness of the internal control system;
- the statutory audit of the annual Company, and if applicable consolidated, accounts;
- monitoring the independence of the Statutory Auditors;
- giving its opinion on the Statutory Auditors proposed for appointment at the general Shareholders' Meeting;
- reporting regularly on its work to the Board of Directors and informing it immediately of any difficulty encountered.

These duties do not limit the powers of the Board of Directors, which cannot rely on the duties or opinions of these committees to reduce its responsibility.

The Audit Committee shall meet as often as it deems useful and shall address any matter that falls within its remit. It may ask the Company to provide it with any document or information it needs to carry out its duties and conduct any internal or external audit on any matter, it believes is pertinent to these duties. When reviewing annual and semi-annual draft financial statements, the committee may question the Statutory Auditors in the absence of the Company's senior executives. The Audit Committee must be notified of any accounting or auditing irregularity.

The Audit Committee met four times in 2014. An average of 92% of the Audit Committee's members attended the committee's meetings during the year. It regularly met with the Company's senior executives, senior Finance Department managers, the head of Internal Auditing and the Statutory Auditors, to discuss their work programmes and follow-up actions.

The Audit Committee looked at the following in 2014 in particular:

- the annual Company and consolidated financial statements for 2013;
- half-year consolidated accounts at 30 June 2014 and revenues and key income figures for the first and third quarters of 2014;
- 2014 Internal Audit programme, findings of the year's audit engagements and implementation of recommendations;
- risk management system and major risk mapping.

#### 1.2.3.2 Remuneration and Appointments Committee

This committee is comprised of at least three members who are appointed by the Board of Directors on the Chairman's proposal. The committee designates its own Chairman.

As of the date of this report the Remuneration and Appointments Committee was composed of the following members:

- François de Carbonnel, Chairman;
- M. Thierry Bourguignon;
- Cécile Moulard;
- M. Jean-Marc Tassetto.

Therefore, 75% of its members are independent Directors. The Committee is responsible for proposing appointments to the Board of Directors and to Board committees, and to the offices of Chairman and Chief Executive Officer. It is also kept informed by the Chairman of the Board of other senior executive appointments within the Group. The Committee also advises the Board of Directors on the amount of Directors' fees to be proposed at the General Shareholders' Meeting and on the allocation of these fees between Board members.

The Committee also proposes the remuneration of corporate officers to the Board of Directors and may also, at the Chairman's request, make recommendations on the remuneration of senior executives.

The Remuneration and Appointments Committee met seven times in 2014. All members attended these meetings.

In 2014, the Committee reviewed issues involving the definition of performance targets and the calculation of the variable part of the Chief Executive Officer's remuneration, the composition of the executive management team – and in particular the hiring of the new Chief financial officer, her remuneration and long-term incentives – and the composition of the Board of Directors and of the Board committees.

### 1.3 Evaluation of the Board of Directors

A new procedure for evaluating the Board of Directors' operating procedures was adopted, to ensure that important questions are appropriately prepared, handled and debated at Board meetings, and to assess progress relative to the previous year's assessment.

To make this evaluation a detailed questionnaire was sent to each director and the individual responses were compiled by the Remuneration and Appointments Committee and then discussed at a Board meeting.

The Board of Directors considered that the results thus obtained showed that the Board was functioning appropriately.

### 1.4 Limitation of the Chief Executive Officer's powers

Without prejudice to the powers expressly granted by law to shareholder meetings and to the Board of Directors and within the limits of the corporate purpose, the Chief Executive Officer has the broadest powers to act on behalf of the Company under all circumstances, with the following stipulations:

**(i)** the Chief Executive Officer must present a draft strategic plan to the Board of Directors each year that indicates the Group's operational guidelines over the medium term and includes projections for the Group's key operational and financial indicators and a proposed annual budget;

**(ii)** the following decisions must be approved in advance by the Board of Directors:

- the annual budget and any significant changes thereto,
- the annual and three-year business plans,
- the acquisition or disposal of a business by Solocal Group or a subsidiary that is not included in the annual budget, the total amount of which, including all liabilities and off-balance sheet commitments exceeds 10 million euros,
- any investment in or divestment of fixed assets that is not included in the annual budget, the total amount of which, including all liabilities and off-balance sheet commitments exceeds 10 million euros,
- the modification of the employment contract or the hiring/appointment or dismissal/removal from office of Solocal Group's Chief Financial Officer. Although the modification of the employment contract or the hiring/appointment or dismissal/removal from office of any other Solocal Group executive officer whose total gross annual remuneration exceeds 200,000 euros will not require the Board of Directors' prior approval, it will require the prior approval of the Remuneration and Appointments Committee,
- any increase in the total indebtedness of Solocal Group or of a subsidiary that exceeds the amount authorised under the financing or loan agreements previously authorised by Solocal Group's Board of Directors,
- any agreement to form a joint-venture with a third party that is not included in the annual budget and which would result in a commitment that exceeds 10 million euros over the term of the joint-venture for Solocal Group or a subsidiary,
- any decision to have the securities of Solocal Group or a subsidiary listed on a regulated exchange and any subsequent action to have additional Solocal Group or subsidiary securities listed if already listed on a regulated exchange,
- any decision to delist or buy back shares (except share purchases under liquidity agreements previously authorised by the Board of Directors),
- the acquisition or subscription, by Solocal Group or by a subsidiary, of shares, other equity securities or securities giving access to the capital of (i) any company the value of which, including all liabilities and other off-balance sheet commitments, exceeds 10 million euros, provided that the liability of Solocal Group or its subsidiary is limited and the transaction is not already included in the annual budget, or (ii) any company irrespective of the amount invested if Solocal Group or its subsidiary is acting as an unlimited liability partner in such a company,
- any diversification of the business activities of Solocal Group or of a subsidiary that is unrelated to previous business activities, or any diversification that is related to previous business activities but is not included in the annual budget and involves a financial commitment that exceeds 10 million euros,
- any sale, transfer or termination of a major business activity of Solocal Group or of a subsidiary that is not included in the annual budget or the three-year business plan,
- any incentive plan (as defined under French labour law or the labour law of another country, with the exception of a mandatory or standard voluntary profit-sharing plan) to be implemented in Solocal Group or within a subsidiary, or any measure that encourages employees to directly or indirectly acquire shares in Solocal Group or a subsidiary,
- any authorisation or instruction given to a Solocal Group subsidiary to examine or undertake any of the transactions referred to in this appendix,

- any agreement that is not included in the annual budget and which would involve payments or the supply of goods or services by Solocal Group or by a subsidiary the annual value of which exceeds 10 million euros,
- any decision relating to plans for the merger or demerger of a Solocal Group subsidiary, the spin-off of the assets of a Solocal Group subsidiary, or a long-term agreement to manage a Solocal Group subsidiary, that is not included in the annual budget or the three-year business plan, excluding internal reorganisation that has no material impact on Solocal Group's position,
- any transfer or assignment to provide collateral, any decision to grant a pledge or other security interest by Solocal Group or by a subsidiary to meet debts or honour guarantees to third parties that are not included in the annual budget and of which the total value exceeds 10 million euros,
- any loans made by Solocal Group or by a subsidiary that are not included in the annual budget the cumulative amounts of which exceed five million euros.

### 1.5 Shareholder access, participation and voting at General Shareholders' Meeting

Information on shareholder access, participation and voting at General Shareholders' Meetings is provided in Articles 11 and 26 to 32 of the Company's Articles of Association and in section 21.2.2 of the Reference document.

### 1.6 Disclosure of the share capital structure and of information that may be relevant in the event of a public offering

Information on the share capital is provided in section 21.1 of the Reference document.

### 1.7 The Chairman of the Board's remuneration

On 5 November 2014, the Board of Directors decided that for his duties as Chairman of the Board of Directors, Robert de Metz would receive total direct and indirect remuneration of 90,000 euros, in the form of directors' fees or other remuneration.

### 1.8 The Chief Executive Officer's remuneration

#### 1.8.1. FIXED REMUNERATION

At its meeting of 11 December 2012, the Board of Directors' set Mr Jean-Pierre Remy's gross annual remuneration, for a period of twelve months, at 520,000 euros.

#### 1.8.2. CALCULATION OF VARIABLE REMUNERATION

At its meeting of 10 March 2014, the Board of Directors' set forth the rules for calculating the variable share of the Chief Executive Officer's remuneration, on the recommendation of the Remuneration and Appointments Committee.

In 2014, the Chief Executive Officer was eligible for a variable share of 100% of the annual fixed remuneration, with performance target achievement ranging from 0% to 200%, based:

- 50% on qualitative criteria related to Solocal Group's transformation, the increase in shareholders' equity, the completion of debt refinancing and sales growth, with targets ranging from 0% to 200%;
- 50% on a quantitative gross operating margin target ranging from 0% to 200%.

#### 1.8.3. SEVERANCE PAYMENT

As Jean-Pierre Remy has no employment contract, the Board of Directors approved a severance payment in the event he is forced to leave the Company due to a change in the control or strategy of the Company or in the implementation of its strategy. The amount of this payment is Mr Remy's gross annual lump-sum compensation, *i.e.* fixed plus variable remuneration with objectives achieved. It is subject to the condition that he achieves at least 80% of his annual targets over his last three years of office.

The severance payment would be paid only after the Company's Board of Directors is satisfied that the above performance condition has been met.

#### 1.8.4. NON-COMPETITION CLAUSE AND COMPENSATION

A non-competition obligation will come into effect if Mr Jean-Pierre Remy ceases to be Chief Executive Officer for any reason and in any way whatsoever. This obligation would be limited to a period of 24 months as of the date he ceases to perform his duties and shall be valid throughout France. This severance pay would be equal to twelve months of remuneration at the average monthly rate of the total gross remuneration over the last twelve months of his term of office. One-fourth of this compensation would be paid to Mr Remy at the end of each six-month period. The Company will have the option to release Mr Remy from this non-competition clause by informing him of its decision to do so no later than fifteen calendar days after the Board of Directors' meeting where the termination of Mr Remy's term of office as Chief Executive Officer is acknowledged or decided.

The combined total of the severance payment and the non-competition compensation may not exceed two years' of fixed and variable remuneration.

#### 1.8.5. RETIREMENT

Regarding the supplementary retirement scheme consisting of (i) a PERCO collective retirement savings plan with a matching employer contribution set up in 2007 for all employees of the Group's French subsidiaries and (ii) a supplementary defined contribution retirement plan available to all Group subsidiary management staff as of 1 January 2008, Jean-Pierre Remy is not entitled to participate in the PERCO plan.

However, Solocal Group's Board of Directors has approved, pursuant to Article L. 225-38 of the French Commercial Code, the provision that enables Mr Remy to participate in the supplementary retirement plan (Article 83 of the French general tax code) under the same conditions as other contributors to this plan.

Mr Remy also participates in the Company's retirement, life and health insurance plans under the same conditions as other Group employees.

The above rules comply with the provisions of the AFEP/MEDEF Corporate Governance Code.

## 2. INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT AT SOLOCAL GROUP

### 2.1 Internal control and risk management guidelines, objectives and scope

#### 2.1.1 INTERNAL CONTROL AND RISK MANAGEMENT GUIDELINES

In order to achieve its objectives, Solocal Group has set forth and implemented general guidelines for internal control that are largely based on the guidance published in 1992 by the Committee of Sponsoring Organisation of the Treadway Commission (COSO) and on the AMF's internal control framework and recommendations. The following description of Solocal Group's internal control and risk management procedures is based on this framework. The assessment made for this purpose was carried out in accordance with the key points of this framework and its implementation guidance. It also takes into account the work of IFACI, the French Internal Control and Audit Institute.

#### 2.1.2 INTERNAL CONTROL DEFINITION AND OBJECTIVES

Internal control at Solocal Group is a set of processes and measures that are defined by senior management and implemented by employees and which serve to meet the following objectives:

- compliance with the applicable laws and regulations in force, both within and outside Solocal Group;
- observance of the Board of Directors' instructions and guidelines;
- prevention and control of operational risks, financial risks and the risk of error and fraud;
- optimisation of internal processes by ensuring that operations are effective and that resources are used efficiently;
- the quality and fair presentation of accounting, financial and management information.

These principles are underpinned by:

- a policy that fosters the development of an internal control culture and the principles of integrity;
- the identification and analysis of risk factors that could compromise the achievement of the Group's objectives;
- an organisation and procedures designed to ensure that senior management's strategies are implemented;
- periodic review of control activities and a continuous effort to improve;
- a process for distributing internal control information.

However, as with any control system, the rules and principles implemented cannot provide absolute assurance that all risks will be eliminated or controlled.

#### 2.1.3 THE INTERNAL CONTROL SCOPE

The procedures described below apply to all Solocal Group subsidiaries.

The internal control measures employed within each entity (*i.e.* department or subsidiary) involve implementing the Group's procedures and specifying and implementing procedures that are specific to each business line, in accordance with the entity's organisation, culture, risk factors and operational characteristics.

### 2.2 The internal control environment

#### 2.2.1 RULES OF CONDUCT AND ETHICS APPLYING TO ALL EMPLOYEES

Solocal Group's growth is underpinned by the values and principles of its Professional Ethics Charter. These values and principles are intended to serve the interests of our customers, shareholders and employees and the communities and countries where we do business, while protecting the environment and the needs of future generations.

Our Professional Ethics Charter is aligned with such fundamental and universal principles as those of the Universal Declaration of Human Rights, those set forth in International Labour Organisation agreements (in particular regarding the prevention of child and forced labour) and those of the OECD (and most notably efforts to fight corruption); and addresses our commitments also in other areas, such as sustainable development. These values and principles guide the actions of Solocal Group and its subsidiaries and provide a framework for all employees regardless of their job or duties. It is thus everyone's responsibility, and especially that of Group and subsidiary senior managers, to observe and promote these values and implement these principles.

These rules, which are presented on the Solocal Group website at www.solocalgroup.com and on its intranet, cover the following:

- the Group's values;
- the principles that underlie Group actions that may affect customers, shareholders, employees, suppliers, competitors or the environment;
- the principles that guide individual behaviour and which serve to ensure good relationships with customers and suppliers, protect Group assets, compliance with Group rules and values, prevent conflicts of interest and ensure ethnical stock trading.

In addition to the Professional Ethics Charter, a Securities Trading Code of Conduct has also been drafted to deal specifically with stock-trading issues.

It informs the employees and directors of Group companies of the rules that govern the trading of securities, of the need to comply scrupulously with these rules, and of the various preventive measures that Solocal Group has implemented to enable all employees to invest securely in the listed securities of Group companies.

To reduce the risk of improper trading, Solocal Group has all of its employees whose work involves sensitive information sign a confidentiality agreement, particularly when they work with people outside of the Group who may not be bound to a confidentiality obligation under their own rules of professional ethics.

Accordingly, any permanent or occasional insider who has doubts or questions about selling or purchasing the securities of a Group company, or about the nature of the information that he or she can disclose, must consult his or her manager or the Chairman of the Group's Ethics Committee, or if applicable the Ethics Committee of their specific company. If they are a Board member, they must contact the Chairman of the Board.

Lastly, in 2014 Solocal Group redefined its values, which are now: Clients, Teams, Integrity, Innovation and Agility. The value of Integrity means that all employees, whatever their position may be, must first of all behave in an exemplary manner and set high standards for themselves before they can do so for others.

### 2.2.2 MANAGEMENT'S RESPONSIBILITY AND COMMITMENT

Solocal Group has set up a Risk Management Policy that includes a guidance memo that specifies senior management's commitments. This policy is reviewed twice yearly with the Group's subsidiaries and departments. The Group's Risk and Security committee monitors and compiles updates to risk assessments and the actions taken and reports this information to senior management's Executive Committee at least once a year.

A Business Unit Risk and Security correspondent, who is also responsible for the implementation of internal control procedures in his or her entity, is appointed in each Group subsidiary and department. The work of these correspondents is co-ordinated by a Division Co-ordinator who reports all substantial matters involving risks, security and internal control directly to a member of the Group's Executive Committee, and also by the follow-up committee headed by the Group's Risk Manager and Head of Internal Control, who, as members of the Auditing, Risks and Internal Control department report directly to senior management.

### 2.2.3 HUMAN RESOURCES AND SKILLS MANAGEMENT POLICY

Solocal Group's performance depends directly on the skills of its employees and on its ability to manage and adapt its human resources. Our Human Resources Department works in close partnership with our operational departments to develop, provide and manage human resources that will further the company's strategy. To meet the needs of managers and employees more effectively, the HR department has been divided into two sub-departments: HR Business Partners and HR Policy.

The role of the HR Business Partners department is to provide HR support to the managers of the divisions and departments within its remit and manage their employees. In addition to a thorough understanding of the Group's business activities, this department must also understand how the division or department is organised and what its objectives are.

The role of the HR Policy department is to define HR policies and improve processes. It deploys the Group's HR policy and resources to the HR Business Partners department and to regional HR managers in particular, and provides the tools and advice they need to do the best job they can.

Since Solocal Group is determined to make quality of life in the workplace a priority as it helps its employees learn new working methods and adapt to changes in their jobs, our priority in 2014 was to take action in response to specific situations that employees encountered during our digital transformation. These actions are described in detail in chapter 8 of the Reference document.

### 2.2.4 INFORMATION SYSTEM

Solocal Group's various information systems are composed of:

- Business activity software: *e.g.* for creating and storing digital content and dedicated website tools;
- Business management software; *e.g.* accounting and financial applications;
- Communication software: messaging systems, collaborative tools (Intranet), etc.;
- Risk management software, with specific modules for risks, security, crisis management, business continuity plans (BCP) and auditing.

PagesJaunes Business Solutions (which manages information systems) and Media/DT (the Media division's Technical Services department) are largely responsible for supervising the Group's information systems and in particular for ensuring that they will enable the Group to achieve its long-term objectives. They work closely with DARCI, which monitors and manages IT risks to reliability, business continuity, legal and regulatory compliance as well as operational objectives. Risk control and IT security actions are monitored quarterly by the BU Risk and Security Correspondents and are reviewed every six months by the risk manager and the relevant department.

## 2.3 Risk monitoring and management

### 2.3.1 ORGANISATIONAL FRAMEWORK

Like any company, Solocal Group's business activities expose it to various risks. The main risks that have been identified are described in chapter 4 **(Risk factors)** of this document. Risk management is a priority and is conducted at two levels: by subsidiaries and by the Group, which compiles information and ensures consistent practices.

Risk management serves to:

- develop a comprehensive, systematic, integrated and flexible method for identifying, assessing, analysing and managing risks and for promoting risk control;
- develop risk management best practices;
- prevent risks that threaten the Company and mitigate their consequences.

The Risk Management Policy applies to all Solocal Group entities. The Group has set up a risk governance system in a department that reports directly to the Chief Executive Officer. This system is composed of a Risk Manager and a network of BU correspondents.

### 2.3.2 RISK IDENTIFICATION AND ANALYSIS PROCESS

Below is a list of some of the many procedures, the Group employs to identify risk:

- a risk assessment and classification method that was deployed in 2005.

  This method involves a risk mapping approach that ranks the main risks to which the Group believes, it may be exposed, in terms of their seriousness and likelihood of occurrence, and assesses the level of coverage;
- risk and security reviews, which are conducted at least annually;
- a network of co-ordinators who oversee the implementation of the risk and security policy and which is supervised by a dedicated governance unit;
- a risk and security management information system that includes the description and monitoring of risk-management actions. This system also includes risk and security management dashboards, a crisis management process, business continuity plans and audit recommendations follow-up.

## 2.4 Internal audit and control

The first level of control is the one exercised by the functional and operational departments using standard procedures and processes. Solocal Group has set up three levels of risk management and control: **operational management, risk management and internal control,** and **internal auditing.** The objective in implementing these systems is to harmoniously combine regulatory measures (instructions and directives), organisational measures (organisational charts and processes) and technical measures (mostly IT and communication) in accordance with the following basic principles:

- these systems provide the Group's management and its Board of Directors with reasonable and not absolute assurance;
- these systems are not simply a collection of manuals and procedures but are implemented by employees at all levels of the organisation.

### 2.4.1 INTERNAL AUDIT

The Internal Audit team ensures that the internal control system is mature and appropriate by evaluating its effectiveness and efficiency, while promoting continuous improvement. On the basis of a risks assessment, the Internal Audit team evaluates the system's relevance and effectiveness by assessing the quality of the Group's control environment, the work of internal governance bodies, the reliability and integrity of financial and operational information, operational effectiveness and efficiency, asset protection, and legal, regulatory and contractual compliance.

Solocal Group's Internal Audit team is responsible for conducting the engagements specified in the audit plan at the beginning of the year. It reports directly to Group Management while being supervised by the Audit Committee.

Internal Audit staff perform three types of audits:

- on the compliance and effectiveness of processes and activities;
- on the maturity of French and foreign subsidiary Internal Control systems (excluding PagesJaunes SA and the Solocal Group);
- on the compliance or performance of specific themes selected by the Audit Committee.

Scheduled operational security compliance audits are also conducted and followed up.

### 2.4.2 INTERNAL CONTROL

The internal control system is composed of the various policies and procedures that an entity's management has implemented to provide the greatest possible assurance that its business activities are being managed effectively. By deploying controls, identifying any corrective actions that may be necessary and making sure that recommendations are observed, the internal control system ensures that these policies and procedures are effective and properly implemented.

The internal control system involves all Solocal Group governance bodies and employees.

The organisation of internal control requires centralised supervision and leadership that is supported by a network of employees in the various departments and entities.

In deploying the internal control system, this organisation aims to provide reasonable assurance that the Company's objectives are being achieved reliably and in compliance with obligations.

The Internal Control Charter approved by Solocal Group's Chief Executive Officer sets forth the guidelines that all entities must observe with respect to internal control.

The charter:

- specifies the scope, objectives and limits of Solocal Group's internal control system;
- indicates the people who are responsible for the system;
- specifies the internal control standards and guidelines to be observed throughout the Group.

### 2.4.3 THE CONTRIBUTION OF THE STATUTORY AUDITORS

The work of the Statutory Auditors includes a limited interim Group level review and, toward the end of the year, a pre-closing review followed by a full audit of accounts at 31 December. They also perform limited reviews on the internal auditing systems of the Group's main subsidiaries, in accordance with an audit plan submitted to the Audit Committee's Internal Audit unit. The main recommendations are presented to the Financial departments and to the Audit Committee.

Efforts to continuously improve processes and standards serve to enhance operational control, effectiveness and efficiency.

## 2.5 Internal control procedures on the preparation and processing of accounting and financial information

Solocal Group's Finance Department is responsible for preparing accounting and financial information.

To increase the reliability of published accounting and financial information, various committees, rules, procedures, controls, a skills management policy, and a continuous process to improve procedures have been implemented.

Specific internal control procedures on accounting and financial information have thus been set up *via*:

- the Financial Information Committee;
- the Group's financial and management accounting organisation;
- a unified financial and management accounting reporting process;
- Group-wide accounting methods and standards;
- the scheduling of year-end closure work of Group accounts;
- the financial communication process.

### 2.5.1 THE FINANCIAL INFORMATION COMMITTEE

The preparation and control of financial information are organised in a manner that is consistent with Solocal Group's management organisation and systems. To improve the quality and reliability of financial information, a system for managing and monitoring financial information based essentially on the work of the Financial Information Committee, has been set up. The Committee is responsible for ensuring the integrity, accuracy, quality and consistency of Solocal Group's financial information and that this information complies with legal and regulatory requirements and professional standards.

The Committee reviews all financial information that must be publicly disclosed, prior to examination by the Audit Committee and the Board of Directors. This review covers, among other things, press releases containing financial information and presentations to financial analysts.

The Committee is involved in Group procedures for preparing and validating financial information. It is chaired by the Group's CEO and CFO and is composed of management staff with expertise in accounting, consolidation, legal affairs, communication, investor relations and management control.

The Committee was established in July 2004 and met four times in 2014.

### 2.5.2 ACCOUNTING AND MANAGEMENT CONTROL

The Consolidation department, the Group Management Control department and subsidiary Finance departments perform essential tasks to ensure that Solocal Group's financial information is consistent. These departments report to the Group's Chief Financial Officer.

These tasks include:

- preparing Solocal Group company and consolidated financial statements within the time constraints of financial markets, legal and regulatory requirements and contractual obligations;
- managing the budgeting and forecasting process and preparing the monthly management report as quickly as possible, while ensuring that data is consistent;
- preparing the documents necessary to communicate financial results and to enable Solocal Group's management to prepare its management report;
- designing and implementing Solocal Group's accounting and management control methods, procedures and standards;
- identifying and overseeing any changes to Solocal Group's accounting and management information systems that may be necessary.

### 2.5.3 THE UNIFIED ACCOUNTING AND MANAGEMENT CONTROL REPORTING SYSTEM

The Group's business management cycle is composed of four basic components:

- the three-year strategic marketing plan;
- the budget process;
- the monthly reporting system;
- business and financial performance reviews.

#### a. The strategic marketing plan

Each year, Solocal Group prepares a strategic marketing plan for the coming three years. This plan takes into account the Group's strategic priorities and any changes in market trends, business segments or the competitive environment.

#### b. The budget process

The budget process covers Solocal Group and its subsidiaries. It involves the following steps:

- in the fall, each entity updates its budget for the current year and prepares next year's budget, which is broken down month by month;
- in the spring, the initial budget forecast for the year is updated and this updated budget is used to prepare the strategic marketing plan;
- in the summer, the budget for the second half of the year is updated on the basis of the results of the previous six months.

To improve the management and monitoring of performance, an ongoing reforecasting process was implemented in 2007.

#### c. Monthly reporting system

Monthly reporting is a major component of the financial information and control system. It is the main tool that Solocal Group's management uses to monitor trends and performance and make decisions going forward. The report comprises several documents that are prepared by the Management Control and Accounting departments.

Monthly reporting includes quantified data, commentary on trends and performance indicators.

The Management Control and Accounting departments use a consolidation tool to ensure that budgeted figures, actual figures and forecasts are reported in a consistent and uniform manner.

#### d. Business and financial performance reviews

Quarterly business performance reviews with all subsidiary senior managers and monthly financial reviews with Financial departments are a key component of Solocal Group's management and control system. Their main objective is to ensure that the actions undertaken are consistent with Group priorities and long-term goals. In 2015, the scope of these reviews will be adapted to the new Business-Unit based organisation set up in 2014.

### 2.5.4 COMMON GROUP ACCOUNTING METHODS AND FRAMEWORK

The Group prepares its provisional and actual consolidated accounts in accordance with the "unification principle". This involves:

- uniform accounting methods, standards and consolidation rules;
- standardised presentation formats;
- the use of a Group-wide consolidation application.

Solocal Group has a single accounting system that standardises the reporting of all consolidated items, including off-balance-sheet commitments, and which has been adopted by all of the consolidated Group entities. The Group prepares its consolidated financial statements in compliance with IFRS standards (European Regulation 1606/2002 of 19 July 2002).

The consolidated accounting documents are prepared in accordance with local accounting principles and are restated to comply with Group and IFRS standards. The Group's finance Department sends out memoranda to specify the year-end closing process and timetable. Each Solocal Group subsidiary adapts these processes and timetables as necessary.

### 2.5.5 SCHEDULING OF CLOSURE WORK AT GROUP LEVEL

In order to meet accounting deadlines, and enable the Board of Directors to publish consolidated accounts in February, the Group has established a precisely scheduled programme of its year-end accounting work. This programme includes:

- budget monitoring processes;
- preparation of pre-closing accounts;
- documented closing processes;
- the anticipated treatment of estimates and complex accounting transactions.

The progress that the Group has made in preparing year-end accounts can largely be attributed to greater co-ordination between Group divisions and functions, more accurate forecasts, better control over financial processes, and better preparation and speedier execution of account-closure processes.

#### 2.5.6 FINANCIAL COMMUNICATION

Other than the Chief Executive Officer, the only people authorised to communicate financial and strategic information outside of the Group are the Chief Financial Officer, the Head of Investor Relations and the Head of External Communication and Press Relations.

Solocal Group's finance Department, in collaboration with management control and the Legal Department, is responsible for drawing up the following periodic and permanent information documents and distributing them to regulatory authorities, the financial market authority (the AMF) and other intended recipients:

- periodic financial press releases (quarterly information, semi-annual and annual income and earnings) and ad hoc releases (*e.g.* to announce acquisitions, divestments, financing transactions, changes in governance or a strategic partnership);
- presentations at meetings with financial analysts or investors and press conferences;
- quarterly financial information;
- semi-annual and annual financial reports;
- the Reference document;
- presentation for the Annual General Shareholders' Meeting.

These documents are reviewed by the Financial Information Committee (see section 2.3.1).

Solocal Group strives to provide information that is easy to understand, relevant and reliable, and to comply with stock market regulations and sound principles of corporate governance.

### 2.6 Information and communication within the Group

All of the Group's press releases and the major regulatory documents are posted on the Group's intranet, which is accessible to all employees.

Collaborative tools and other applications available on the Group intranet also ensure efficient distribution of information to everyone throughout the Group.

### 2.7 Outlook

For 2015, Solocal Group will continue to provide audit, internal control and risk management support to operational entities and to empower them in these areas.

Sèvres, 9 February 2015

Robert de Metz

Chairman of the Board of Directors

### 16.3.2 Statutory Auditors' Report on the Chairman of the Board's Report, pursuant to Article L. 225-235 of the French Commercial Code

**Year ended 31 December 2014**

To the shareholders,

In our capacity as Solocal Group Statutory Auditors and pursuant to the provisions of Article L. 225-235 of the Commercial Code, we present below our report on the report prepared by the Chairman of your Company pursuant to the provisions of Article L. 225-37 of the Commercial Code for the financial year ended 31 December 2014.

It is the duty of the Chairman to prepare and submit for the approval of the Supervisory Board a report concerning the internal control and risk management procedures implemented in the Company and to provide the other information required by Article L. 225-37 of the Commercial Code, relating in particular to the system of corporate governance.

It is our duty to:

- provide to you our comments on the information contained in the Chairman's report regarding the internal control and risk management procedures in relation to the preparation and processing of accounting and financial information; and
- certify that the report includes the other information required by Article L. 225-37 of the Commercial Code, on the understanding that it is not our role to verify the accuracy of such other information.

We have performed our work in accordance with the professional standards applicable in France.

#### INFORMATION REGARDING THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATED TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Professional standards require implementation of procedures for assessing the accuracy of information regarding internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the Chairman's report. Such procedures consist, among other things, of:

- reviewing the Internal Audit and risk management procedures used in relation to the preparation and handling of accounting and financial information on which the information presented in the Chairman's report is based, and the existing documentation;
- reviewing the work which enabled the preparation of such information and existing documentation;
- determining whether any major internal control deficiencies related to the preparation and processing of the accounting and financial information which we have noted in the performance of our duties are appropriately reported in the Chairman's report.

On the basis of this work, we have no comments to make on the information regarding the Company's internal control and risk management procedures related to the preparation and processing of the accounting and financial information contained in the report of the Chairman of the Board of Directors, prepared pursuant to the provisions of Article L. 225-37 of the Commercial Code.

#### OTHER INFORMATION

We certify that the report of the Chairman of the Supervisory Board includes the other information required in Article L. 225-37 of the Commercial Code.

Paris-La Défense and Neuilly-sur-Seine, 16 February 2015

The Statutory Auditors

| Ernst & Young Audit | Deloitte & Associés |
|---|---|
| Denis Thibon | Ariane Bucaille |

# 17. EMPLOYEES



## 17.1 Shareholdings, share subscription and options purchase, free share allotments made to each corporate officer and options exercised by officers

### Shareholdings

On the date this Document was filed, and to the Company's knowledge, the members of the Board of Directors held the following number of Solocal Group shares:

| Director | Number of shares |
|---|---|
| Nathalie Balla | 1 |
| Thierry Bourguignon | 360 |
| Sandrine Dufour | 1,000 |
| Robert de Metz | 1,060,000 |
| Cécile Moulard | 4,201 |
| Jean-Pierre Remy and related persons | 289,855 |
| Rémy Sautter | 1,773 |
| Jean-Marc Tassetto | 19,500 |

### Stock options plans

#### 2005 PLAN

The Company set up a share subscription option plan on 28 June 2005 involving 3,796,800 options with an exercise price of 11.72 euros (before adjustment subsequent to the capital increase of 6 June 2014) and a term of 10 years. The options are fully vested after three years.

#### 2007 PLAN

The Company implemented a second share subscription option plan on 20 December 2007 involving 2,927,900 options with an exercise price of 14.46 euros (before adjustment subsequent to the capital increase of 6 June 2014) and the same characteristics as the original plan, *i.e.* a term of ten years and full vesting of options after three years.

#### 2009 PLAN

In 2009, the Company set up three share subscription option plans: on 23 July 2009 involving 1,145,000 options at an exercise price of 6.71 euros (before adjustment subsequent to the capital increase of 6 June 2014), on 29 October 2009 involving 87,000 options at an exercise price of 8.843 euros (before adjustment subsequent to the capital increase of 6 June 2014) and on 17 December 2009 involving 75,000 options at an exercise price of 7.821 euros (before adjustment subsequent to the capital increase of 6 June 2014). As with the first plan, these plans all have terms of 10 years and are fully vested after three years.

Concerning the plan of 23 July 2009, the Board of Directors adopted the proposal of the Remuneration and Appointments Committee to grant 140,000 options to Jean-Pierre Remy.

All of these options are subject, in accordance with the AFEP/MEDEF Corporate Governance Code, to the performance obligation that Jean-Pierre Remy achieve his annual targets for 2009, 2010 and 2011. Since the Remuneration Committee granted Jean-Pierre Remy respectively 150%, 130% and 50% of the variable portion of his remuneration for 2009, 2010 and 2011 based on the achievement of his performance targets, the average being 110%, 140,000 options were granted under this plan.

Mr Remy will be required to reinvest in Solocal Group shares 33% of the net capital gain obtained from the sale of the shares acquired by exercising these options. He must keep these shares registered in his own name until he has completed his term as Chief Executive Officer.

#### 2010 PLAN

In 2010, the Company set up two share subscription option plans: on 27 July 2010 involving 1,336,000 options with an exercise price of 8.586 euros (before adjustment subsequent to the capital increase of 6 June 2014) and on 16 December 2010 involving 166,000 options with an exercise price of 7.095 euros (before adjustment subsequent to the capital increase of 6 June 2014).

As with the first plan, these plans all have terms of 10 years and are fully vested after three years.

Concerning the plan of 27 July 2010, the Board of Directors adopted the proposal of the Remuneration and Appointments Committee to grant 140,000 options to Jean-Pierre Remy.

All of these options are subject, in accordance with the AFEP/MEDEF Corporate Governance Code, to the performance obligation that Jean-Pierre Remy achieves his annual targets for 2010, 2011 and 2012. Since the Remuneration Committee granted Jean-Pierre Remy respectively 130%, 50% and 65% of the variable portion of his remuneration for 2010, 2011 and 2012 based on the achievement of his performance targets, the average being 81.67%, 114,333 options were granted under this plan.

Mr Remy will be required to reinvest in Solocal Group shares 33% of the net capital gain obtained from the sale of the shares acquired by exercising these options. He must keep these shares registered in his own name until he has completed his term as Chief Executive Officer.

Given the capital increase that was completed on 6 June 2014 (see chapter 6 of this document) and in accordance with the laws, regulations and rules that govern each of these plans, the Board of Directors decided, at its meeting of 19 June 2014, to adjust the terms of the share subscription plans with respect to the option exercise price and the number of shares that may be subscribed by exercising options (information on these adjustments is provided in the table on page 112 and in note 25 to the consolidated financial statements).

## SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED DURING THE YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY THE SHARE ISSUER AND BY ANY GROUP COMPANY

| Name of executive corporate officer | Plan No. and date | Type of option (purchase or subscription) | Valuation of options according to the method used for the consolidated financial statements | Number of options granted during the year | Exercise price | Exercise period |
|---|---|---|---|---|---|---|
| Robert de Metz | — | — | — | — | — | — |
| Jean-Pierre Remy | — | — | — | — | — | — |
| Christophe Pingard | — | — | — | — | — | — |
| **TOTAL** | **—** | **—** | **—** | **—** | **—** | **—** |

## SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE YEAR BY EACH EXECUTIVE CORPORATE OFFICER

| Name of executive corporate officer | Plan No. and date | Number of options exercised during the year | Exercise price |
|---|---|---|---|
| Robert de Metz | — | — | — |
| Jean-Pierre Remy | — | — | — |
| Christophe Pingard | — | — | — |
| **TOTAL** | **—** | **—** | **—** |

In accordance with Article L. 225-184 of the French Commercial Code, information on the granting and exercise of Company stock options in 2014 is provided below:

## SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED TO AND EXERCISED BY THE TEN EMPLOYEES WHO ARE NOT CORPORATE OFFICERS

| Share subscription or purchase options granted to and exercised by the ten employees who are not corporate officers in 2014 | Total number of options granted / shares subscribed or purchased | Average weighted price |
|---|---|---|
| Options granted during the year by the issuer and by the companies included in the stock option plan, to the ten employees of the issuer or of the said companies who received the most options (general information) | N/A | — |
| Options held in the issuer and in the aforementioned companies that were exercised during the year by the ten employees of the issuer or of the said companies who exercised the most options (general information) | N/A | — |

## History of share subscription or purchase options grants

### OPTION TO SUBSCRIBE FOR OR PURSCHASE SHARES INFORMATION

| Shareholder meeting | 12 April 2005 | 12 April 2005 | 11 June 2009 | 11 June 2009 | 11 June 2009 | 11 June 2009 | 11 June 2009 |
|---|---|---|---|---|---|---|---|
| Date of Board of Directors meeting and name of plan | 28 June 2005 | 20 Dec. 2007 | 23 July 2009 | 29 Oct. 2009 | 17 Dec. 2009 | 27 July 2010 | 16 Dec. 2010 |
| Total number of shares that can be subscribed or purchased at 31 December 2013 after adjustment (1) | 5,008,547 | 4,453,611 | 1,457,999 | 34,425 | 151,875 | 1,803,262 | 301,725 |
| *of which the number available for subscription by corporate officers* | | | | | | | |
| Jean-Pierre Remy | — | — | 283,500 | — | — | 283,500 | — |
| Christophe Pingard | — | — | — | — | — | — | — |
| Thierry Bourguignon | — | — | — | — | — | — | — |
| Start date for option exercise / share vesting | 28 June 2008 | 20 Dec. 2010 | 23 July 2012 | 29 Oct. 2012 | 17 Dec. 2012 | 27 July 2013 | 16 Dec. 2013 |

| Expiry date | 28 June 2015 | 20 Dec. 2017 | 23 July 2019 | 29 Oct. 2019 | 17 Dec. 2019 | 27 July 2020 | 16 Dec. 2020 |
|---|---|---|---|---|---|---|---|
| Subscription or purchase price before adjustment *(in euros)* | 11.72 | 14.46 | 6.71 | 8.843 | 7.821 | 8.586 | 7.095 |
| Adjusted subscription or purchase price *(in euros)* | 5.787 | 7.14 | 3.313 | 4.366 | 3.862 | 4.24 | 3.50 |
| Terms of exercise (if plan comprises multiple tranches) | — | — | — | — | — | — | — |
| Number of shares subscribed (2) | 377,670 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total number of cancelled or lapsed share subscription or purchase options | 1,139,842 | 728,316 | 425,000 | 70,000 | 0 | 281,500 | 17,000 |
| Total number of cancelled or lapsed share subscription or purchase options after adjustment | 192,431 | 124,526 | 48,600 | - | - | 89,100 | 129,600 |
| Number of share subscription or purchase options remaining at year end after adjustment | 4,816,116 | 4,329,085 | 1,409,399 | 34,425 | 151,875 | 1,714,162 | 172,125 |

(1) *Given the capital increase that was completed on 6 June 2014 (see chapter 6 of this document) and in accordance with the laws, regulations and rules that govern each of these plans, the Board of Directors decided, at its meeting of 19 June 2014, to adjust the terms of the share subscription plans with respect to the option exercise price and the number of shares that may be subscribed by exercising options.*

(2) *In accordance with the rules that govern the share subscription option plan of 28 June 2005, 251,669 options were exercised early when control of the Company changed on 11 October 2006 and 126,001 options were exercised early by employees of Kompass France and Kompass Belgique when these two subsidiaries were sold in 2007.*

No other Board member holds share subscription or purchase options granted by Solocal Group.

The exercise of all 12,627,186 share subscription options awarded and the full allotment of the 50,928,460 free shares would result in the creation of a total of 63,555,646 new shares. The total number of shares composing the share capital would thus increase from 1,161,727,170 to 1,225,282,816, for a maximum potential dilution of 5.19%. At 31 December 2014, there remained 12,865,358 shares approved for free allotment by Solocal Group shareholders. Including these shares but excluding 12,627,186 share subscription options that are out of the money, the maximum potential dilution would be 5.21%.

These calculations do not include the 1,520,186 treasury shares that could be used for these plans nor any shares that could be acquired until the beneficiaries are entitled to these shares.

## Granting of performance-based shares

### THE 2006 AND 2008 PLANS

The Extraordinary General Shareholders' Meeting of 19 April 2006 authorised the Board of Directors to introduce a performance share plan pursuant to Articles L. 225-197-1 to L. 225-197-5 of the French Commercial Code, for the benefit of certain Group senior executives and employees as incentive toward the Company's development. This authorisation was granted for a period of 38 months with the total allotment of free shares being limited to 0.5% of the Company's capital as of the date of the aforementioned shareholders' meeting, *i.e.* to 1,393,948 shares.

The Board of Directors set forth the terms of the first share allotment plan on 30 May 2006. This plan resulted in an initial allotment of 602,361 shares to 591 Group employees on 30 May 2006. Since the performance targets were not met, the beneficiaries were not entitled to receive these free shares.

A second free share plan, approved on 20 November 2006, resulted in the allotment of 778,638 shares to 611 Group employees. Given that the performance targets were not met in one of the two relevant years, only 50% of these shares were vested as of 20 November 2008.

A third plan, approved on 14 February 2008, resulted in the allotment of 12,940 shares to 15 Group employees. Since the performance targets were not met, the beneficiaries were not entitled to receive these free shares.

### THE 2011, 2012 AND 2013 PLANS

Solocal Group shareholders, at the Combined Shareholders' Meeting of 7 June 2011, authorised the Board of Directors to implement a performance share allotment plan pursuant to Articles L. 225-197-1 to L. 225-197-6 of the French Commercial Code, for the benefit of certain senior executives and employees of Solocal Group and affiliated companies.

This plan resulted in an initial allotment of 1,226,000 shares to 41 Group employees on 26 October 2011. A second share allotment plan approved on 16 December 2011 resulted in the allotment of 84,000 shares to three Group employees. Since only some of the performance targets of these two plans were met, approximately 45% of these shares were vested. A third share allotment plan was adopted on 11 December 2012 and resulted in the allotment of 2,624,000 shares to 47 beneficiaries, and a fourth was adopted on 11 December 2013 and resulted in the allotment of 280,000 shares to 10 beneficiaries.

At its meeting of 19 June 2014, the Board of Directors decided to adjust the allotment of the performance shares allotted under the plans approved on 11 December 2012 and 11 December 2013 to account for the effect of the capital increase with maintenance of pre-emptive subscription rights (information on these adjustments is provided in note 25 to the consolidated financial statements). Since only some of the performance targets of these two plans were met, approximately 70.7% of these shares were vested.

### THE 2014 PLAN

Solocal Group shareholders, at an Extraordinary Meeting on 29 April 2014, authorised the Board of Directors to implement a performance share plan pursuant to Articles L. 225-197-1 and subsequent of the French Commercial Code, for the benefit of certain senior executives and employees of Solocal Group and affiliated companies.

On 19 June 2014, this plan resulted in the allotment of 45,221,000 shares to 112 beneficiaries. A second share allotment plan was approved on 9 February 2015 and resulted in the granting of 2,305,000 shares to 12 Group employees.

## PERFORMANCE SHARES ALLOTTED TO EACH CORPORATE OFFICER

| Performance shares allotted at the General Shareholders' Meeting during the year to each corporate officer by the issuer or a Group company (listed) | Plan No. and date | Number of shares allotted during the year | Valuation of shares using the consol. accounts method *(in euros)* | Vesting date | End of lock-up period | Performance target |
|---|---|---|---|---|---|---|
| Jean-Pierre Remy | 26 Oct. 2011 | 140,000 | 1.98 | 31 March 2014 | 1 April 2016 | GOM |
| Christophe Pingard | 11 Dec. 2012 | 60,000 | 1.63 | 31 March 2014 | 1 April 2016 | GOM |
| Jean-Pierre Remy | 11 Dec. 2012 | 846,000 (1) | 1.75 | 31 March 2015 | 1 April 2017 | Revenues and GOM |
| Christophe Pingard | 11 Dec. 2012 | 423,000 (1) | 1.75 | 31 March 2015 | 1 April 2017 | Revenues and GOM |
| Jean-Pierre Remy | 19 June 2014 | 1st allotment: 4,200,000 (2) | 0.76 | 1/3 19 June 2016<br>1/3 19 June 2017<br>1/3 19 June 2018 | 19 June 2018<br>19 June 2019<br>19 June 2018 | Organic annual revenue growth |
| | | 2nd allotment: 4,500,000 (3) | 0.76 | 19 June 2018 | 19 June 2018 | |
| Christophe Pingard | 19 June 2014 | 1st allotment: 2,100,000 (2) | 0.76 | 1/3 19 June 2016<br>1/3 19 June 2017<br>1/3 19 June 2018 | 19 June 2018<br>19 June 2019<br>19 June 2018 | Organic annual revenue growth |
| | | 2nd allotment: 1,750,000 (3) | 0.76 | 19 June 2018 | 19 June 2018 | |

(1) *The allotment plan of 11 December 2012 was adjusted to account for the effect of the capital increase with maintenance of pre-emptive subscription rights.*

(2) *Performance shares are allotted over the three years from 2014 to 2016 provided that revenue growth exceeds 0%. One third of shares will become vested in 2016, 2017 and 2018.*

(3) *Performance shares are allotted provided that revenue growth exceeds 3% (CAGR). The shares will be vested in four years, in 2018.*

| Performance shares that can be sold by each corporate officer | Plan date | Number of shares released from lock-up during the year | Vesting terms |
|---|---|---|---|
| Jean-Pierre Remy | — | — | — |
| Christophe Pingard | — | — | — |
| **TOTAL** | | | |

Jean-Pierre Remy and Christophe Pingard must hold in registered form 33% of the performance shares allotted in 2011, 25% of the performance shares awarded in 2012 (while accounting for changes in taxation between the two years) and 25% of the performance shares granted in 2014 until the end of their terms of office.

| | June 2014 Solocal Group plan |
|---|---|
| Number of performance shares allotted to the 10 employees who are not corporate officers and who were allotted the most shares | |
| | **14,744,000** |

# 17.2 Voluntary and mandatory profit-sharing agreements

## Participation

The Group signed a mandatory profit-sharing agreement on 26 June 2006 with five trade unions (CFE/CGC, CFDT, FO, CGT and the independent PagesJaunes union). This agreement covers the Group's French companies in which the Company's interest exceeds 50%. Horyzon Media joined the Group plan with effect from 1 January 2008, Sotravo, with effect from 1 January 2010, Clic Rdv and Fine Media with effect from 1 January 2011, and Chronoresto with effect from 1 January 2013. The Group's special mandatory profit-sharing reserve is the total of the special profit-sharing reserves of each participating subsidiary, which are calculated using a specific formula.

The special mandatory profit-sharing reserve is allocated to the beneficiaries as follows: 30% in proportion to length of service and 70% in proportion to gross annual salary. Individual allocations may either be invested in the Group Savings Plan and locked in for five years, or received directly and immediately.

The table below shows the mandatory profit-sharing distributed or to be distributed for the most recent year:

| Group agreement *(in millions of euros)* | Mandatory profit-sharing to be distributed to Group employees |
|---|---|
| 2014 | 8 (estimate) |
| 2013 | 10.8 (excluding an additional 1.5 million euros) |
| 2012 | 12.3 |
| 2011 | 13.1 |

## Voluntary profit-sharing

The Group has set up several voluntary incentive schemes.

The following French subsidiaries (excluding Horyzon Media, Sotravo, Aval, Clic RDV and Fine Media and Chronoresto) have implemented the following Voluntary Profit-Sharing Agreements:

- On 26 June 2012, PJMS signed a new Voluntary Profit-sharing Agreement for 2013, 2014 and 2015.
- On 23 June 2010, PagesJaunes signed a new Voluntary Profit-sharing Agreement for 2010, 2011 and 2012. In June 2013, the new agreement proposed for 2013, 2014 and 2015 was not signed by the unions.
- On 22 April 2011, Mappy signed a new Voluntary Profit-sharing Agreement for 2011, 2012 and 2013.
- On 27 June 2011, Solocal Group also signed a new Voluntary Profit-sharing Agreement for 2011, 2012 and 2013.
- On 18 June 2012, PagesJaunes Outre-Mer signed a new Voluntary Profit-sharing Agreement for 2012, 2013 and 2014.

| *(in thousands of euros)* | 2013 voluntary profit-sharing paid in 2014 | 2012 voluntary profit-sharing paid in 2013 | 2011 voluntary profit-sharing paid in 2012 | 2010 voluntary profit-sharing paid in 2011 | 2009 voluntary profit-sharing paid in 2010 | 2008 voluntary profit-sharing paid in 2009 |
|---|---|---|---|---|---|---|
| Voluntary profit-sharing paid in the Group | 98 | 4,968 | 2,780 | 8,594 | 6,627 [1] | 9,918 |

*(1) On 15 June 2009, given the economic context, an amendment to the 2007-2009 PagesJaunes SA Voluntary Profit-sharing Agreement was agreed that modified the revenue criterion used to calculate the funds available for voluntary profit-sharing for 2009. Senior Management also agreed to make an additional incentive payment.*

## Company savings plan

On 12 February 2007, Management and trade unions signed an agreement to set up a Group savings plan.

An amendment to the Group savings plan was agreed on 21 December 2012, after the change in the mutual funds proposed in the Group Savings Plan (PEG).

The Board of Directors of the Company decided on last 9 February to launch a capital increase reserved to employees and former emplyees of the Group. The subscription price has been set to 0.56 euro per share, corresponding to 80% of the average price of the twenty trading days prior to the subscription had been opened from 9 to 29 March. 1,045 employees or former employees subscribed to the capital increase (over a total of 4,697 beneficiaries, i.e. a subscription rate of 22.25%). Total subscriptions amounted to approximately 1.5 million euros.

This operation has subsequently given way to 4,569,773 new share subscriptions and the capital raised to 233,259,388.60 euros, divided into 1,166,296,943 shares with a par value of 0.20 euros each.

## Supplementary retirement scheme

On 22 November 2007, Management and trade unions signed an agreement to implement a supplementary retirement scheme. This agreement provided for:

- a PERCO Collective Retirement Savings Plan that tops up employee contributions with an employer contribution. For 2008 and subsequent years, the maximum annual employer contribution is 502 euros gross for an employee contribution of 1,500 euros. To launch the PERCO plan in 2007 and enable as many employees as possible to participate, the maximum employer contribution was 701 euros for an employee contribution of 1,500 euros. An amendment was also signed on 21 December 2012 following the modification of the mutual funds available under the PERCO plan;
- a defined-contribution supplementary retirement plan, pursuant to Article 83 of the French tax code, for Group subsidiary managerial staff ("cadres") with effect as of 1 January 2008. Membership in this plan is compulsory and requires a contribution of 5.50% of the employee's tranche B and C remuneration (*i.e.* above the maximum tranche A remuneration limit of 3,129 euros month in 2014). Employees pay 40% of this contribution (2.20%) and the Company pays the remaining 60% (3.30%). An amendment was signed on 29 October 2013 to allow the participating employees to make additional and voluntary contributions into the supplementary retirement plan, pursuant to Article 163w of the French tax code.

Contents

# 18 MAIN SHAREHOLDERS



## 18.1 Shareholdings

The table below shows the change in Solocal Group shareholders over the past three years:

| | 31/12/2014 | | | | 31/12/2013 | | | | 31/12/2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | % of share capital | Voting rights | % of voting rights | Number of shares | % of share capital | Voting rights | % of voting rights | Number of shares | % of share capital | Voting rights | % of voting rights |
| Amber Capital | 76,636,383 | 6.6% | 76,636,383 | 6.6% | - | - | - | - | - | - | - | - |
| Paulson | 68,000,000 | 5.9% | 68,000,000 | 5.9% | 2,256,308 | 0.8% | 2,256,308 | 0.7% | - | - | - | - |
| Edmond de Rothschild AM | 58,399,288 | 5.0% | 58,399,288 | 5.0% | 14,368,891 | 5.1% | 14,368,891 | 4.6% | 14,224,291 | 5.1% | 14,224,291 | 5.1% |
| Médiannuaire (1) | - | - | - | - | - | - | - | - | 153,640,187 | 54.7% | 153,640,187 | 55.3% |
| Médiannuaire Holding | 4,450,786 | 0.4% | 4,450,786 | 0.4% | 51,960,627 | 18.5% | 89,021,254 | 28.3% | | | | |
| Groupe PagesJaunes employees (2) | 2,510,672 | 0.2% | 2,510,672 | 0.2% | 1,225,937 | 0.4% | 1,225,937 | 0.4% | 1,441,026 | 0.5% | 1,441,026 | 0.5% |
| Free float | 949,564,833 | 81.7% | 950,206,281 | 81.9% | 207,240,242 | 73.8% | 207,854,080 | 66.0% | 108,365,539 | 38.6% | 108,365,539 | 39.0% |
| Treasury shares (3) | 2,165,208 | 0.2% | 0 | 0.0% | 3,932,749 | 1.4% | 0 | 0.0% | 3,313,711 | 1.2% | 0 | 0.0% |
| **TOTAL (4)** | **1,161,727,170** | **100.0%** | **1,160,203,410** | **100.0%** | **280,984,754** | **100.0%** | **314,726,470** | **100.0%** | **280,984,754** | **100.0%** | **277,671,043** | **100.0%** |

*Number of shares on the settlement date, respectively 31 December 2014, 31 December 2013 and 31 December 2012.*

*(1) Médiannuaire was wound up without liquidation on 11 January 2013 to the benefit of Médiannuaire Holding.*

*(2) Under the Solocal Group savings plan (PEG).*

*(3) 1,313,711 treasury shares are held under a liquidity agreement as of 2 December 2012.*

*(4) The capital increase completed on 6 June 2014 resulted in the creation of 880,742,416 new shares.*

Médiannuaire Holding (MDH), which since 27 March 2013 is controlled by Promontoria Holding 55 B.V., had since held 51,960,633 Solocal Group shares representing 18.49% of the Company's capital after the transfer of 101,679,554 Solocal Group shares in partial repayment of its debt. After a share issue on 13 May 2014, Promontoria Holding 55 B.V. reported that it held directly and indirectly *via* Médiannuaire Holding 95,480,316 Solocal Group's shares representing 8.22% of the Company's share capital. Promontoria Holding 55 B.V. informed the Company in the form of a declaration received 25 August 2014, having crossed the 5% threshold to the downside, in terms of voting rights, directly of indirectly *via* MDH on 13 August 2013–and holding, as of 22 August 2014, 29,483,213 Solocal Group's shares, representing 51,012,741 voting rights, *i.e.* 2.54% capital and 4.31% of the Company's voting rights via MDH. Lastly, Promontoria Holding 55 B.V. informed Solocal Group that it had fallen below the lower statutory disclosure threshold of 1% share capital and 1% voting rights on 6 November 2014, directly and indirectly *via* MDH which it controls.

Information on the execution of the share buyback programme during the year is provided in section 20.3 (the Board of Directors Report to the General Shareholders' Meeting).

### Shareholding disclosure thresholds

The following shareholding disclosure thresholds were crossed and reported to the Company:

- On 14 April 2014, Praxient Capital LLP reported that it held 5,316,726 shares in the Company.
- On 17 April 2014, Henderson Global Investors Limited reported that it held 5,430,817 shares in the Company, representing 1.93% of its share capital.
- On 19 May 2014, GAM International Management Ltd. reported that it held 0.58% of the Company's share capital as of 14 May 2014.

- On 27 May 2014, Aleph Holding Limited II S.àr.l. reported that it had acquired pre-emptive subscription rights that entitle it to subscribe for a number of shares that will enable it, once the capital increase is completed, to exceed the statutory shareholder threshold of 2.0% of the Company's share capital.
- On 2 June 2014, Goldman Sachs Luxembourg reported that it had disposed of all of its shares in the Company.
- On 11 July 2014, Amundi, Société Générale Gestion, Étoile Gestion, CPR Asset Management and BFT Gestion informed the Company that they had formed a common voting policy and together held 12,651,477 shares in the Company, representing 1.08% of its share capital and 1.06% of voting rights.
- On 17 July 2014, Norges Bank reported that it held 57,382,117 shares in the Company, representing 4.94% of its share capital and 4.85% of the voting rights as of 15 July 2014.
- On 21 November 2014, AQR reported that it held 11,257,256 shares in the Company, representing 0.97% of its share capital as of 20 November 2014.
- On 19 December 2014, Sycomore Asset Management reported that it held 25,095,195 shares in the Company, representing 2.16% of its share capital and 2.16% of the voting rights as of 16 December 2014.
- On 29 January 2015, UBS Investment Bank, Wealth Management and Corporate Centre reported that it held 9,446,246 shares in the Company representing 0.81% of the share capital and 0.81% of the voting rights as of 27 January 2015.
- On 11 February 2015, Natixis Asset Management reported that it held 12,669,688 shares in the Company, representing 1.091% of its share capital as of 9 February 2015.
- On 17 February 2015, DNCA Finance reported that it held 58,700,000 shares in the Company, representing 5.05% of its share capital and voting rights as of 12 February 2015.
- On 2 April 2015, Credit Suisse Group AG reported that it held 13,095,752 shares in the Company, representing 1.13% of its share capital.
- On 8 April 2015, Groupama Asset Management reported that it held 5,472,522 shares in the Company, representing 0.47% of the voting rights.

# 18.2 Voting rights

All registered shares in the Company that are fully paid up and have been registered in the name of the same shareholder for at least two years carry a double voting right (see section 21.1).

# 18.3 Persons exercising or able to exercise control over the Company

Until 27 March 2013, the Company was controlled by Médiannuaire Holding. After that date, Médiannuaire Holding's shareholding fell below several statutory thresholds (on 18 November 2014, Promontoria Holding 55 B.V informed the Company that on 6 November 2014 it had fallen below the statutory threshold of 1% capital and voting rights, directly and indirectly *via* Médiannuaire Holding which it controls) and since then, no individual or legal entity, directly or indirectly, jointly or in concert, exercises control over the Company, to the best of the Company's knowledge.

# 18.4 Shareholder agreements

In a letter received on 4 April 2013, which was supplemented most notably by a letter received on 5 April 2013, the French financial markets authority *(Autorité des marchés financiers)* was informed of the signing, on 27 March 2013, of a shareholder agreement between the Luxembourg limited liability company Sèvres III, and certain entities managed or held by Goldman Sachs Capital Partners and/or Goldman Sachs Mezzanine Partners and Promontoria Holding 55 B.V., vis-à-vis Médiannuaire Holding SAS and Solocal Group, the former declaring that they are not acting in concert in respect of Médiannuaire Holding SAS and Solocal Group.

This shareholder agreement is part of the restructuring of Médiannuaire Holding's shareholding structure and debt, which was completed on 27 March 2013 pursuant to the restructuring agreement between Médiannuaire Holding and its lenders, and stipulates the following clauses concerning the governance of Médiannuaire Holding and Solocal Group and the liquidity of their securities:

**Term of the agreement:** the agreement will terminate ten years after 27 March 2013, unless Médiannuaire Holding is dissolved or otherwise wound up in any way prior to this date. As Médiannuaire Holding is undergoing liquidation, the shareholder agreement will terminate once this liquidation is completed, in compliance with the clause that specifies the duration of the liquidation.

**Governance clause:** the parties have agreed to approve, no later than the date that the restructuring is completed (which occurred on 27 March 2013), the appointment of three directors nominated by Promontoria Holding 55 B.V. to replace certain directors proposed by KKR and Goldman Sachs. These three directors are Lee Millstein, Steven Mayer and Médiannuaire Holding, which is represented by John Ryan. When the capital increase was completed, the Company's Board of Directors was modified to reflect the new shareholding structure and Lee Millstein, Steven Mayer and Médiannuaire Holding thus resigned from the Board respectively at the Board meetings of 29 July 2014, 19 June 2014 and 5 November 2014.

**Voting rights limitation clause:** the parties have agreed that Médiannuaire Holding shall not hold more than 28% of Solocal Group's voting rights and to convert all of the Solocal Group shares held by Médiannuaire Holding to bearer form before any change in Médiannuaire Holding's control prior to 27 March 2014, thus eliminating any double voting rights, these shares may carry.

**No takeover bid clause:** the parties have agreed to take no action that would require Médiannuaire Holding to launch a compulsory takeover bid for Solocal Group (this measure not applying to Promontoria Holding 55 B.V. if it has first allowed KKR or Goldman Sachs to sell its shares in Médiannuaire Holding).

**Lock-up clause:** the parties have agreed that half of the Solocal Group shares held by Médiannuaire Holding at 27 March 2013 may not be sold or otherwise disposed of for a period of twelve months as of that date, and that the other half of these shares cannot be sold or otherwise disposed of for a period of eighteen months as of that date. During these lock-up periods, Médiannuaire Holding may not sell or otherwise dispose of Solocal Group shares except in the following cases: (i) when this is necessary or permitted under the aforementioned restructuring protocol; or (ii) if a third party makes a bid for Solocal Group in compliance with French stock market regulations. These obligations ended respectively on 27 March 2014 and 27 September 2014.

**Voting obligations at shareholder meetings:** the parties have agreed to adopt a neutral voting policy with respect to their Solocal Group voting rights for a period of twelve months starting on 27 March 2013 in respect of any resolution presented at the Solocal Group General Shareholders' Meeting that concerns an immediate or future increase in Solocal Group's share capital by issuing shares or other securities that give access to Solocal Group's share capital (by voting "No" for one-third of the shares held and "Yes" for the remaining two-thirds), except in the event of a capital increase that is either (i) reserved for third parties or (ii) justified by Solocal Group's severe financial distress. This obligation expired on 27 March 2014.

**Obligations concerning the acquisition of Solocal Group shares:** the parties have agreed, in the event of a capital increase other than in response to severe financial distress as mentioned above, to pay for any newly issued Solocal Group shares exclusively in cash or cash equivalent and to purchase the full proportion of shares to which they are legally entitled, with the stipulation that if the 75% subscription threshold necessary to go ahead with the capital increase is not reached and that the capital increase is at least 67% subscribed, the parties will then be able to subscribe for the additional shares necessary to reach this 75% threshold.

The parties have agreed not to acquire Solocal Group shares (or any related derivative instrument) anywhere other than on the Euronext Paris exchange for a period of twelve months as of 27 March 2013, with the understanding that this obligation will not be necessary if said acquisition is followed by a public tender offer for 100% of Solocal Group's share capital. This obligation expired on 27 March 2014.

**Tag-along right and disposal priority right:** the parties have agreed that each Médiannuaire Holding shareholder may ask Médiannuaire Holding to sell the Solocal Group shares, it holds, transparently for the shareholder, with the proceeds from this sale being paid solely to the Médiannuaire Holding shareholder that requested the sale, through a share capital reduction or by any other means. If one of the Médiannuaire Holding shareholders exercises this right, the other shareholders shall have tag-along rights in proportion to the share of Solocal Group shares they hold transparently in Médiannuaire Holding. In addition, Goldman Sachs has a priority right to dispose of its share of Solocal Group shares.

**Obligations concerning the proceeds from a sale of Solocal Group shares at Médiannuaire Holding's initiative.** In the event that Médiannuaire Holding decides to sell Solocal Group shares:

- at a price paid in cash that is less than 70% of the reference Solocal Group share price, the Historical Shareholders will be entitled to either (i) receive their share of Solocal Group shares through a capital reduction, or (ii) purchase their share of Solocal Group shares at the price at which Médiannuaire Holding is planning to sell them;
- in exchange for non-liquid assets or liquid assets, the valuation of which prices the Solocal Group shares at less than 70% of the reference Solocal Group share price, Médiannuaire Holding's Historical Shareholders will be entitled to receive their share of the Solocal Group shares to be sold.

# 18.5 Pledged assets

Under the bank lending agreement, the Company pledged a securities account that includes all of its shares in PagesJaunes as collateral for all sums owed to the lending banks for the financing provided (including principal, interest, commissions, fees and costs).

The Company also agreed to pledge to the lending banks a securities account consisting of the securities of any subsidiary that becomes a "material subsidiary", pursuant to the terms of the lending agreement, as collateral for all sums owed (including principal, interest, commissions, fees and costs).

## PLEDGES OF THE ISSUER'S INTANGIBLE AND TANGIBLE ASSETS AND LONG-TERM INVESTMENTS

| Type of pledge/mortgage *(in thousands of euros)* | Start date | Expiry date | Amount of assets pledged (a) | Total balance sheet item (b) | % pledged (a/b) |
|---|---|---|---|---|---|
| On non-current intangible assets | — | — | — | — | — |
| On non-current tangible assets | — | — | — | — | — |
| On long-term investments | 24 Oct. 2006 | — | 4,005,038 (267,002,531 PagesJaunes shares) | 4,058,137 | 99.9% |
| **TOTAL** | **—** | **—** | **4,005,038** | **4,058,137** | **99.9%** |

# 19 RELATED-PARTY TRANSACTIONS

The Company has identified the following agreements in 2014 that may fall within the scope of application of Article L. 225-38 of the French Commercial Code:

- a fifth-rank pledge on the securities account in which Solocal Group's PagesJaunes shares are held, as security for the execution of an amendment to the "Facility Agreement" of 24 October 2006. This pledge had been approved by the Board of Directors at its meeting of 4 June 2014;
- for the purpose of refinancing some of Solocal Group's bank debt in April 2011, the terms of the financing documents for tranche C1 of this debt, the terms of the High Yield bonds issue and the signing of the Purchase Agreement, all of which the Board of Directors had approved at its meeting of 28 April 2011;
- a contract that included **A/** an obligation on the part of Médiannuaire Holding SA (i) to exercise, as a shareholder in the Company, its pre-emptive subscription rights to purchase at least 25 million euros worth of shares during any capital increase that the Board of Directors may decide if so authorised by the Extraordinary General Shareholders' Meeting of 29 April 2014, (ii) to vote at this Extraordinary Shareholders' Meeting in favour of resolutions to increase capital and to vote at the next Annual General Shareholders' Meeting in favour of the ratification of any new directors who may be co-opted, (iii) to resign from its office on the Company's Board of Directors and (iv) to preserve its double voting rights until the aforementioned General Shareholders' Meeting, and **B/** an obligation on the part of Cerberus Capital Management L.P. (i) to ensure that Médiannuaire Holding SA exercises its pre-emptive subscription rights to purchase at least 25 million euros worth of shares during any capital increase that the Board of Directors may decide if so authorised by the Extraordinary General Shareholders' Meeting of 29 April 2014 and (ii) to vote at the next Annual General Shareholders' Meeting in favour of the ratification of any new directors who may be co-opted. This agreement had been approved by the Board of Directors at its meeting of 12 February 2014;
- an amendment to the 150 million euro loan agreement signed with PagesJaunes. The Board of Directors had approved this agreement at its meeting of 10 February 2012. At its meeting of 12 February 2014 the Board had authorised the signing of an amendment to extend the term of this loan agreement for one year, *i.e.* until 13 February 2015;
- the terms and conditions of the appointment of Mr Jean-Pierre Remy as Chief Executive Officer (described in section 15.1 of the Reference document), which the Board of Directors had approved at its meeting of 17 May 2009;
- the terms and conditions of the appointment of Mr Christophe Pingard as Deputy Chief Executive Officer (described in section 15.1 of the Reference document), which the Board of Directors had approved at its meeting of 26 October 2011.
- when preparing QDQ Media's annual accounts its Statutory Auditors requested a letter of support for QDQ Media. This letter of support had been approved by the Board of Directors at its meeting of 12 February 2014;
- when preparing Sotravo's annual accounts its Statutory Auditors requested a letter of support for Sotravo. This letter of support had been approved by the Board of Directors at its meeting of 19 June 2014;
- when preparing Mappy's annual accounts its Statutory Auditors requested a letter of support for Mappy. This letter of support had been approved by the Board of Directors at its meeting of 19 June 2014.

## Statutory Auditor's report on regulated agreements and commitments

**For the Annual General Shareholders' Meeting for the year ended 31 December 2014**

To the shareholders,

In our capacity as your Company's auditors, we present below our report on regulated agreements and commitments.

We are required to report to shareholders, based on the information provided, about the main terms and conditions of the agreements and commitments that have been disclosed to us or which were brought to light as a result of our assignment, without commenting on their relevance or substance and without determining whether other such agreements or commitments exist. Under Article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We are also required to report to you the information set out in Article R. 225-31 of the Commercial Code regarding operations carried out during the year under agreements and commitments approved by shareholders in previous years.

We have performed those duties deemed necessary by us in accordance with the professional guidelines of France's national auditing body, the CNCC, as applicable to this engagement. These measures consisted of verifying the consistency of the information given to us with the contents of the source documents.

### AUTHORISED AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Pursuant to Article L. 225-40 of the French Commercial Code, we were informed of the following agreements and commitments that were authorised by your Board of Directors.

#### Agreements with subsidiaries

##### 1. WITH PAGESJAUNES SA, A WHOLLY-OWNED SUBSIDIARY

**Interlocking director: Mr Jean-Pierre Remy**

**Nature and purpose**

A fifth rank agreement to pledge the shares your Company holds in PagesJaunes SA was authorised by the Board of Directors on 4 June 2014.

**Terms**

This fifth rank agreement involved pledging the securities account in which your Company held its PagesJaunes SA shares and was granted in consideration for an amendment to the Facility Agreement of 24 October 2006 on behalf of Mr Jean-Pierre Remy, Mr Christophe Pingard and your Company.

##### 2. WITH SOTRAVO, A WHOLLY-OWNED SUBSIDIARY

**Interlocking director: Mr Jean-Pierre Remy**

**Nature and purpose**

Sotravo's Statutory Auditors requested a letter of support for Sotravo when drawing up its accounts for the year ended 31 December 2013. With this letter, your Company undertakes to provide financial support to Sotravo and justify that it is a going concern for a period of 12 months. This letter of support was approved by the Board of Directors at its meeting of 19 June 2014.

##### 3. WITH MAPPY, A WHOLLY-OWNED SUBSIDIARY

**Interlocking director: Mr Jean-Pierre Remy**

**Nature and purpose**

Mappy's Statutory Auditors requested a letter of support for Mappy when drawing up its accounts for the year ended 31 December 2013. With this letter, your Company undertakes to provide financial support to Mappy and justify that it is a going concern for a period of twelve months. This letter of support was approved by the Board of Directors at its meeting of 19 June 2014.

#### Agreements with shareholders

##### 4. WITH MÉDIANNUAIRE HOLDING SA

**Nature and purpose**

The Board of Directors approved an agreement on commitments on 12 February 2014. This agreement includes:

- an obligation on the part of Médiannuaire Holding SA (i) to exercise, as a shareholder in your Company, its pre-emptive subscription rights to purchase at least 25 million euros worth of shares during any capital increase that the Board of Directors may decide if so authorised by the Extraordinary General Shareholders' Meeting of 29 April 2014, (ii) to vote at this Extraordinary Shareholders' meeting in favour of resolutions to increase capital and to vote at the next annual General Shareholders' Meeting in favour of the ratification of any new directors who may be co-opted, (iii) to resign from its office on your Company's Board of Directors and (iv) to preserve its double voting rights until the aforementioned General Shareholders' Meeting;
- an obligation on the part of Cerberus Capital Management L.P. (i) to ensure that Médiannuaire Holding SA exercises its pre-emptive subscription rights to purchase at least 25 million euros worth of shares during any capital increase that the Board of Directors may decide if so authorised by the Extraordinary General Shareholders' Meeting of 29 April 2014 and (ii) to vote at the next Annual General Shareholders' Meeting in favour of the ratification of any new directors who may be co-opted.

## AGREEMENTS AND COMMITMENTS ALREADY APPROVED AT A GENERAL SHAREHOLDERS' MEETING

**Agreements and commitments approved in previous years and which were still in effect in 2014**

In accordance with Article R. 225-30 of the French Commercial Code, we were informed that the following agreements and commitments, which were approved by shareholders in prior years, were still in effect in 2014.

### 1. AGREEMENTS WITH SENIOR EXECUTIVES

#### With Mr Christophe Pingard, your Company's deputy Chief Executive Officer

**Nature and purpose**

At its meeting of 26 October 2011, the Board of Directors set forth the terms and conditions of Mr Pingard's appointment as deputy Chief Executive Officer.

**Terms and conditions**

The remuneration and other terms and conditions of Mr Pingard's office were proposed by the Remunerations Committee on 20 October 2011.

Mr Pingard will be entitled to your Company's supplementary pension scheme, to the mutual life and healthcare insurance plan under the same terms that apply to the Company's management staff, or to a similar plan, and to civil liability insurance.

Mr Pingard may receive severance pay if he is forced to leave the Company as a result of a change in its control or strategy, or of a change in the execution of its strategy. This severance pay would be equal to twelve months of remuneration at the average monthly rate of the total gross remuneration over the last twelve months of his term of office. If he leaves before the end of the first year after being hired, this severance pay will be equal to six months of remuneration at the average monthly rate of the total gross remuneration he will have received.

A non-competition obligation will come into effect if Mr Pingard ceases to be deputy Chief Executive Officer for any reason and in any way whatsoever. This obligation would not exceed twenty-four months and would cover all of France.

The compensation to be paid in consideration for observing this non-competition obligation for twenty-four months would be twelve months of remuneration at the average monthly rate of the total gross remuneration over the last twelve months of his term of office. One-fourth of this compensation would be paid to Mr Pingard at the end of each six-month period.

When Mr Pingard's employment is terminated, the Company may waive the non-competition obligation, in which case it will not have to pay the corresponding compensation.

### 2. OTHER AGREEMENTS WITH SHAREHOLDERS

#### With Médiannuaire

**Nature and purpose**

To refinance some of your Company's bank debt, on 28 April 2011, the Board of Directors approved two agreements that set forth the terms and conditions of the financing documents for tranche C1, the terms of the High Yield bonds issue and the signing of the Purchase Agreement.

**Terms and conditions**

In order to finance or refinance the new tranche, the main terms of the Issuer's High Yield Bonds issue and the signing of the Purchase Agreement were specified, *i.e.* the decision to issue the High Yield Bonds, their price and other terms of issuance, and the related commitments. On 20 May 2011, your Company completed the issuance of a 350 million euro bond *via* PagesJaunes Finance & Co. SCA, with a premium of 2.3 million euros, for a net amount of 347.7 million euros. This issue bears interest at a fixed annual rate of 8.875% and matures on 1 June 2018.

Your Company bore financial expenses of 31,132,500 euros in 2014.

## AGREEMENTS AND COMMITMENTS APPROVED DURING THE YEAR

We have also been informed of the signing in 2014 of the following agreements and commitments, which had first been approved at the General Shareholders' Meeting of 19 June 2014 on the basis of the special auditors' report of 21 February 2014 and 16 May 2014:

### 1. AGREEMENTS WITH SENIOR EXECUTIVES

#### With Jean-Pierre Remy, your Company's Chief Executive Officer

**Nature and purpose**

At their meetings of 17 May 2009 and 10 March 2014, the Board of Directors approved the terms and conditions of Mr Remy's appointment as Chief Executive Officer. These terms and conditions involved severance payment allowed to Mr Jean-Pierre Remy and/or compensation in consideration of a non-competition clause to which Mr Remy agrees.

**Terms and conditions**

The remuneration and other terms and conditions of Mr Remy's appointment were proposed by the Remunerations Committee on 17 May 2009.

Mr Remy will be entitled to your Company's current supplementary pension scheme, to "mutual" life and health insurance plans under the same terms that apply to the Company's management staff, or to a similar plan, and to civil liability insurance.

Mr Remy may receive severance pay if he is forced to leave the Company as a result of a change in its control or strategy, or of a change in the execution of its strategy. The amount of this severance pay would be equivalent to his annual gross remuneration (both fixed and variable with targets achieved), provided that Mr Remy has achieved at least 80% of his objectives over the last three years. The severance payment would not be made until the Board of Directors has verified that Mr Remy's performance obligation, as amended, has been achieved.

A non-competition obligation will come into effect if Mr Remy ceases to be the Company's Chief Executive Officer. The terms of the compensation provided in consideration of this obligation are identical to those that were approved at the General Shareholders' Meeting of 10 June 2010. This obligation would not exceed twenty-four months and would cover all of France.

The combined total of the severance payment and the non-competition compensation may not exceed two years of fixed and variable remuneration.

Your Company will have the option to release Mr Remy from this non-competition clause by informing him of its decision to do so no later than fifteen calendar days after the Board of Directors' meeting where the termination of Mr Remy term of office as Chief Executive Officer is acknowledged or decided.

## 2. AGREEMENTS WITH SUBSIDIARIES

### With PagesJaunes

**Interlocking director: Mr Jean-Pierre Remy**

*Nature and purpose*

A loan agreement was signed between your Company and PagesJaunes SA. The execution of this agreement had previously been authorised by the Board of Directors at its meeting of 14 February 2012. The loan was initially to be repaid on 13 February 2014. At its meeting of 12 February 2014, the Board of Directors authorised the extension of the term of the agreement for one year, *i.e.* until 13 February 2015, with automatic renewal for additional one-year periods, unless one of the parties notifies the other party of its intention not to renew the contract.

*Terms and conditions*

The loan is for 150 million euros. The loan agreement bears annual interest at the EURIBOR 3-month rate plus 175 basis points. Interest expense for 2014 totalled 3,028,525 euros.

### With QDQ, your Company's subsidiary

**Interlocking director: Mr Jean-Pierre Remy**

QDQ Media's Statutory Auditors requested a letter of support for QDQ Media when drawing up its accounts for the year ended 31 December 2013. With this letter, your Company undertakes to provide financial support to QDQ Média and justify that it is a going concern for a period of twelve months. This letter of support was approved by the Board of Directors at its meeting of 12 February 2014.

Paris-La Défense and Neuilly-sur-Seine, 16 February 2015

The Statutory Auditors

| Ernst & Young Audit | Deloitte & Associés |
|---|---|
| Denis Thibon | Ariane Bucaille |

# 20 FINANCIAL INFORMATION ON HOLDINGS, ISSUER'S FINANCIAL POSITION AND RESULTS

# 20.1 Consolidated financial statements

## Consolidated income statement

| | | As at 31 December | |
|---|---|---|---|
| *(amounts in thousands of euros, except data relating to shares)* | **Notes** | **2014** | **2013** |
| Revenues | | 936,193 | 998,867 |
| Net external expenses | | (228,262) | (222,066) |
| Personnel expenses: – Salaries and charges | 6 | (385,686) | (352,539) |
| GROSS OPERATING MARGIN | | 322,245 | 424,262 |
| ■ Legal employee profit-sharing | 6 | (10,280) | (15,417) |
| ■ Share-based payment | 6 | (8,560) | (1,523) |
| Depreciation and amortisation | 12 & 13 | (48,411) | (40,747) |
| Other income and expenses | 7 | (38,495) | (37,350) |
| OPERATING INCOME | | 216,499 | 329,225 |
| Financial income | | 1,580 | 2,899 |
| Financial expenses | | (99,704) | (135,193) |
| NET FINANCIAL INCOME | 8 | (98,124) | (132,294) |
| Share of profit or loss of an associate | | (6) | (202) |
| Corporate income tax | 9 | (58,947) | (81,902) |
| **INCOME FOR THE PERIOD** | | **59,422** | **114,827** |
| Income for the period attributable to: | | | |
| ■ Shareholders of Solocal Group | | 59,413 | 114,772 |
| ■ Non-controlling interests | | 9 | 55 |
| Net earnings per share *(in euros)* | | | |
| **Net earnings per share of the consolidated group based on a weighted average number of shares** | | | |
| ■ basic | 10 | 0.10 | 0.41 |
| ■ diluted | | 0.10 | 0.40 |
| **Net earnings per share of the consolidated group** based on a year end number of existing shares (as at 31 December) | | | |
| ■ basic | | 0.05 | 0.41 |
| ■ diluted | | 0.05 | 0.40 |

## Statement of comprehensive income

| *(amounts in thousands of euros)* | Notes | As at 31 December 2014 | 2013 |
|---|---|---|---|
| INCOME FOR THE PERIOD REPORT | | 59,422 | 114,827 |
| Net (loss)/gain on cash flow hedges | | | |
| ■ Gross | | 9,291 | 32,719 |
| ■ Deferred tax | | (3,530) | (12,495) |
| ■ **Net of tax** | **16** | **5,761** | **20,224** |
| ABO reserves: | | | |
| ■ Gross | | (2,666) | 5,358 |
| ■ Deferred tax | | 919 | (1,845) |
| ■ **Net of tax** | | **(1,747)** | **3,513** |
| Exchange differences on translation of foreign operations | | 11 | 1 |
| OTHER COMPREHENSIVE INCOME | | 4,025 | 23,738 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | | **63,447** | **138,564** |
| Total comprehensive income for the period attributable to: | | | |
| ■ Shareholders of Solocal Group | | 63,438 | 138,509 |
| ■ Non-controlling interests | | 9 | 55 |

## Statement of financial position

| *(amounts in thousands of euros)* | Notes | As at 31 December 2014 | 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| Net goodwill | 11 | 82,467 | 78,697 |
| Other net intangible fixed assets | 12 | 107,265 | 80,773 |
| Net tangible fixed assets | 13 | 25,269 | 23,569 |
| Investment in an associate | 5 | 2,272 | 6,024 |
| Available-for-sale assets | 14 | 340 | 515 |
| Other non-current financial assets | 15 | 4,616 | 4,944 |
| Net deferred tax assets | 9 | 7,407 | 20,257 |
| TOTAL NON-CURRENT ASSETS | | 229,636 | 214,779 |
| Net inventories | 17 | 1,253 | 915 |
| Net trade accounts receivable | 18 | 441,786 | 405,843 |
| Acquisition costs of contracts | 19 | 46,669 | 63,250 |
| Other current assets | 20 | 29,032 | 24,727 |
| Current tax receivable | 9 | 18,983 | 777 |
| Prepaid expenses | | 9,431 | 5,905 |
| Other current financial assets | | 13,187 | 8,264 |
| Cash and cash equivalents | 26 | 46,354 | 75,569 |
| TOTAL CURRENT ASSETS | | 606,695 | 585,250 |
| **TOTAL ASSETS** | | **836,331** | **800,029** |
| **LIABILITIES** | | | |
| Share capital | | 232,345 | 56,197 |
| Issue premium | | 362,899 | 98,676 |
| Reserves | | (1,994,514) | (2,100,026) |
| Income for the period attribuable to shareholders of Solocal Group | | 59,413 | 114,772 |
| Other comprehensive income | | (22,377) | (26,391) |
| Own shares | | (7,151) | (10,004) |
| **Equity attributable to equity holders of the Solocal Group** | **22** | **(1,369,385)** | **(1,866,777)** |
| Non-controlling interests | | 69 | 60 |
| TOTAL EQUITY | | (1,369,316) | (1,866,717) |
| Non-current financial liabilities and derivatives | 16 & 26 | 1,139,637 | 1,516,223 |
| Employee benefits – non-current | 24 | 90,439 | 85,051 |
| Provisions – non-current | 24 | 16,910 | 16,259 |
| Other non-current liabilities | | 30 | - |
| TOTAL NON-CURRENT LIABILITIES | | 1,247,016 | 1,617,533 |
| Bank overdrafts and other short-term borrowings | 26 | 37,461 | 132,652 |
| Accrued interest | 26 | 5,060 | 6,269 |
| Provisions – current | 24 | 22,864 | 11,698 |
| Trade accounts payable | 23 | 98,923 | 84,484 |
| Employee benefits – current | 24 | 117,615 | 119,207 |
| Other current liabilities | 24 | 101,278 | 94,608 |
| Corporation tax | 9 | 51 | 2,840 |
| Deferred income | 27 | 575,379 | 597,455 |
| TOTAL CURRENT LIABILITIES | | 958,631 | 1,049,213 |
| **TOTAL LIABILITIES** | | **836,331** | **800,029** |

## Statement of changes in consolidated equity

| *(amounts in thousands of euros)* | Number of shares in circulation | Share capital | Issue premium | Own shares | Income and reserves | Cash flow hedges & actuarial differences | Translation reserve | Group equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| BALANCE AS AT 31 DECEMBER 2012 | 277,656,043 | 56,197 | 98,676 | (10,010) | (2,101,169) | (50,461) | - | (2,006,767) | 5 | (2,006,762) |
| Total comprehensive income for the period, net of tax | | | | | 114,772 | | | 114,772 | 55 | 114,827 |
| Other comprehensive income, net of tax | | | | | - | 23,737 | 1 | 23,738 | | 23,738 |
| **Comprehensive income for the period, net of tax** | | | | | **114,772** | **23,737** | **1** | **138,509** | **55** | **138,564** |
| Share-based payment | | | | | 1,475 | | | 1,475 | - | 1,475 |
| Shares of the consolidating company net of tax effect | (653,784) | | | 6 | | | | 6 | | 6 |
| Reclassification of reserves (actuarial differences) | | | | | (333) | 333 | | - | | - |
| BALANCE AS AT 31 DECEMBER 2013 | 277,002,259 | 56,197 | 98,676 | (10,004) | (1,985,255) | (26,391) | 1 | (1,866,777) | 60 | (1,866,717) |
| Total comprehensive income for the period, net of tax | | | | | 59,413 | | | 59,413 | 9 | 59,422 |
| Other comprehensive income, net of tax | | | | | - | 4,014 | 11 | 4,025 | | 4,025 |
| **Comprehensive income for the period, net of tax** | | | | | **59,413** | **4,014** | **11** | **63,438** | **9** | **63,447** |
| Capital increase, net of costs after tax | 880,742,416 | 176,148 | 264,223 | | (12,205) | | | 428,166 | | 428,166 |
| Share-based payment | | | | | 2,935 | | | 2,935 | - | 2,935 |
| Shares of the consolidating company net of tax effect | 1,725,308 | | | 2,853 | | | | 2,853 | | 2,853 |
| **BALANCE AS AT 31 DECEMBER 2014** | **1,159,469,983** | **232,345** | **362,899** | **(7,151)** | **(1,935,113)** | **(22,377)** | **12** | **(1,369,385)** | **69** | **(1,369,316)** |

## Cash flow statement

| *(amounts in thousands of euros)* | Notes | As at 31 December 2014 | 2013 |
|---|---|---|---|
| **Income for the period attributable to shareholders of Solocal Group** | | **59,413** | **114,772** |
| Depreciation and amortisation of fixed assets | 11 & 13 | 52,198 | 49,158 |
| Change in provisions | 21 | 15,924 | 27,274 |
| Share-based payment | | 4,351 | 1,475 |
| Capital gains or losses on asset disposals | | 487 | 752 |
| Interest income and expenses | 8 | 83,654 | 99,884 |
| Hedging instruments | 8 | 14,470 | 32,410 |
| Unrealised exchange difference | | - | - |
| Tax charge for the period | 9 | 58,947 | 81,902 |
| Share of profit or loss of an associate | | 6 | 202 |
| Non-controlling interests | | 9 | 55 |
| Decrease (increase) in inventories | | (338) | 1,452 |
| Decrease (increase) in trade accounts receivable | | (38,812) | 21,856 |
| Decrease (increase) in other receivables | | 8,114 | 3,716 |
| Increase (decrease) in trade accounts payable | | 13,086 | 8,867 |
| Increase (decrease) in other payables | | (17,722) | (38,340) |
| **Net change in working capital** | | **(35,671)** | **(2,448)** |
| Dividends and interest received | | 874 | 2,603 |
| Interest paid and rate effect of net derivatives | | (87,021) | (130,960) |
| Corporation tax paid | | (60,581) | (85,719) |
| NET CASH FROM OPERATIONS | | 107,060 | 191,359 |
| Acquisition of tangible and intangible fixed assets | 12 & 13 | (69,541) | (55,316) |
| Acquisitions/disposals of investment securities and subsidiaries, net of cash acquired/sold and other changes in assets | | (14,121) | (4,624) |
| NET CASH USED IN INVESTING ACTIVITIES | | (83,662) | (59,940) |
| Increase (decrease) in borrowings | 26 | (475,902) | (149,421) |
| Capital increase net of costs | 22 | 422,639 | - |
| Other cash from financing activities o/w own shares | | 362 | (791) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | | (52,901) | (150,212) |
| Impact of changes in exchange rates on cash | | 2 | (0) |
| NET INCREASE (DECREASE) IN CASH POSITION | | (29,501) | (18,793) |
| Net cash and cash equivalents at beginning of period | | 73,079 | 91,872 |
| NET CASH AND CASH EQUIVALENTS AT END OF PERIOD | 26 | 43,578 | 73,079 |

There are no significant non-monetary flows.

## 1. INFORMATION ON THE GROUP

For over sixty years, the Solocal Group has provided a diversified range of products and services for consumers and businesses, with its provision of local information through online and printed directories publishing constituting its core business, as well as the publication of editorial content to assist users in making searches and choices. The Group's main activities are described in note 4.

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

Solocal Group is a public limited company listed on Euronext Paris (PAJ).

This information was approved by the Board of Directors of Solocal Group on 9 February 2015.

## 2. CONTEXT OF PUBLICATION AND BASIS FOR PREPARATION OF THE 2014 FINANCIAL INFORMATION

Pursuant to European regulation 1606/2002 of 19 July 2002 on the application of international accounting standards, the Group has prepared the consolidated financial statements for the year ending 31 December 2014 in accordance with the IFRS standards adopted in the European Union and applicable as of that date.

The summary statements relate to the financial statements prepared in accordance with the IFRS standards as at 31 December 2014 and as at 31 December 2013. The 2012 financial statements, included in the Reference document filed with the AMF on 15 April 2014 under the number D.14-0366, are included for reference purposes.

The accounting policies used are consistent with those used in the preparation of the annual consolidated financial statements for the year ending 31 December 2013, with the exception of new standards, amendments and interpretations which are mandatory with effect from 1 January 2014, but which have no significant impact:

- revised IAS 27: Separate Financial Statements;
- revised IAS 28: Investments in associates and joint-ventures;
- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint arrangements;
- IFRS 12: Disclosures of Interests in other entities;
- amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities;
- amendments to IFRS 10, 11, 12: Transition guidance;
- amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities;
- amendments to IAS 36: Recoverable Amount Disclosures for Non Financial Assets;
- amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting;
- IFRIC 21: Levies;
- improvements to IFRSs – 2011-2013 Cycle.

None of these new standards and interpretations has had a significant effect on the consolidated financial statements as at 31 December 2014.

Furthermore, these principles do not differ from the IFRS standards as published by the IASB insofar as there would be no significant impact from the implementation of the amendments and interpretations which are mandatory for financial years commencing from 1 January 2014, as set out in the reference framework published by the IASB, but which are not yet mandatory in the reference framework endorsed by the European Union.

Moreover, the Group did not opt for early application of the standards and interpretations adopted by the European Union and which are mandatory application is after 1 January 2015:

- improvements to IFRSs – 2011-2013 Cycle (applicable on 1 January 2015).

Finally, the Group is not applying the following instruments, which were not adopted by the European Union as at 31 December 2014:

- IFRS 14: Regulatory Deferral Accounts (applicable on 1 January 2016);
- IFRS 15: Revenue from Contracts with Customers (applicable on 1 January 2017);
- IFRS 9 : Financial Instruments (applicable on 1 January 2018);
- IFRS 9: Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (application date unfixed);
- IAS 19: Defined Benefit Plans: Employee Contributions (applicable on 1 January 2015);
- improvements to IFRSs – 2010-2012 Cycle (applicable on 1 January 2015);
- IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (applicable on 1 January 2016);
- IAS 16 et IAS 38: Clarification of Acceptable Methods od Depreciation and Amortisation (applicable on 1 January 2016);
- IAS 27: Equity Method in Separate Financial Statements (applicable on 1 January 2016);
- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint-Venture (applicable on 1 January 2016);
- improvements to IFRSs – 2012-2014 Cycle (applicable on 1 January 2016);
- IAS 1: Disclosure Initiative (applicable on 1 January 2016);
- IFRS 10, IFRS12 and IAS 28: Investment Entities: Applying the Consolidation Exception (applicable on 1 January 2016).

Nonetheless, the Group is currently reviewing the practical consequences of these new instruments and the effects of their implementation on its future financial statements. At this stage of the review, the impacts on its consolidated financial statements are not significant.

All of the standards and interpretations adopted by the European Union as at 31 December 2014 are available on the website of the European Commission at the following address:
http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

In order to prepare the financial statements, the Management of the Group is required to make estimates and assumptions which have an effect on the amounts presented as assets and liabilities, the contingent liabilities at the date of preparation of the financial statements and the amounts presented as income and expenses for the financial year. The Management continuously evaluates these estimates and assessments on the basis of its past experience, as well as various other factors deemed reasonable, which combine to form the basis of its assessment of the book value of the assets and liabilities. This includes in particular goodwill, acquisition costs of contracts, share-based payments, restructuring costs and the valuation of pension liabilities. The actual results could differ appreciably from these estimates, if the actual outcome differs. Finally, where a specific transaction is not covered by any standards or interpretations, the Management of the Group applies judgement to define and apply accounting methods which will provide relevant and reliable disclosures, ensuring that the financial statements:

- present a true and fair view of the financial position, the financial performance and the cash flow of the Group;
- reflect the economic substance of transactions;

- are neutral;
- are prudent;
- and are complete in all material respects.

## SEASONAL VARIATIONS

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

# 3. ACCOUNTING POLICIES AND CHANGES OF ESTIMATES

This note describes the accounting policies applied for the financial year ending 31 December 2014, in accordance with the provisions of international accounting standards as adopted by the European Union as at 31 December 2014.

Unless stated otherwise, these methods have been applied permanently for all financial years presented.

## 3.1 ACCOUNTING POSITIONS ADOPTED BY THE GROUP PURSUANT TO PARAGRAPHS 10 TO 12 OF IAS 8

The accounting positions presented below are not subject to any particular provisions in the international accounting standards adopted by the European Union or their interpretation.

### Statutory training rights (DIF)

The Group has maintained in IFRS the treatment adopted in French GAAP with regard to statutory training rights (Notice 2004-F of 13 October 2004 of the emergency CNC committee on accounting for statutory training rights (DIF)), namely:

- the expenses committed to statutory training rights constitute a charge for the period and do not give rise to any provisions;
- the cumulative number of hours' training entitlement at the year-end and the unused portion of the vested entitlement are stated in the notes to the financial statements.

Starting on 1 January 2015, the provisions of the DIF (Statutory training rights) will be replaced with the Personal Training Account.

## 3.2 CONSOLIDATION

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 (generally corresponding to an ownership interest of 10% to 50%) are consolidated using the equity method.

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 a separate line in the balance sheet. Profits or losses of discontinued operations are reported on a separate line of the income statement. IFRS 5 defines a discontinued operation as a component of an entity comprising cash flows that can be clearly distinguished from the rest of the entity, that has either been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations.

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

## 3.3 TRANSACTIONS IN FOREIGN CURRENCIES

The principles covering the measurement and recognition of transactions in foreign currencies are set out in IAS 21 "Effects of Changes in Foreign Exchange Rates". In accordance with this standard, transactions in foreign currencies are converted by the subsidiary into its operating currency at the exchange rate of the transaction date. Monetary assets and liabilities are re-measured at each balance sheet date. The differences arising from re-measurement are recorded in the income statement:

- in operating income for commercial transactions;
- in financial income or expenses for financial transactions.

## 3.4 PRESENTATION OF THE FINANCIAL STATEMENTS

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

Operating income corresponds to net income before:

- financial income;
- financial expenses;
- current and deferred income taxes;
- profits and losses of discontinued operations and operations held for sale.

Gross Operating Margin (GOM) corresponds to operating income before:

- employee profit-sharing;
- share-based payment, including any associated social charges;
- depreciation and amortisation expense;
- other operating expenses and income including:
  - impairment of goodwill and fixed assets,
  - changes in fair value in price supplements granted in the framework of securities acquisitions,
  - results of asset disposals,
  - restructuring costs,
  - acquisition costs of shares,
  - impairment of goodwill in respect of equity-method associates,
  - other products and charges non-recurring.

## 3.5 REVENUES

Revenues from the activities of the Group are recognised and presented as follows, in accordance with IAS 18 "Revenue":

- Revenues from the sale of advertising space in printed directories are recognised at the time of publication of each printed directory. Consequently, sales of advertising space billed in respect of future directories are stated in the balance sheet under the heading of "Deferred Income".

- Income from the sale of advertising space in online directories (digital revenue) and on telephone enquiry services is apportioned over the display period, which is generally 12 months. The same applies to the websites.
- Revenues from traffic relating to the telephone enquiry services (118 008 in France) are recognised at their gross value when the service is rendered.
- Revenues from publicity campaigns are recognised for the period in which the campaigns are run. When Group entities act exclusively as agents, the revenue consists only of the commission.
- The variable costs of the sales force relating to the marketing of advertising products in the printed directories and on digital media constitute direct and incremental costs in the obtaining of customer orders. These are capitalised on the balance sheet in the "Acquisition costs of contracts" item and are recognised as expense over the life of the customer orders, *i.e.* according to the publication of the advertisements and the recognition of the revenue.

Furthermore, in accordance with SIC 31 "Revenue – Barter Transactions Involving Advertising Services", the revenue from ordinary activities does not include any benefits resulting from exchanges of goods or services for similar benefits, even when the latter are rendered over different periods.

## 3.6 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.

## 3.7 EARNINGS PER SHARE

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

## 3.8 GOODWILL

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

In accordance with IFRS 3 "Business Combinations", goodwill is not 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). The level at which the Group measures the current value of goodwill generally corresponds to the level of each of the consolidated companies.

In accordance with its strategy and lines of development, the Group has decided, from 2011, to modify its internal and external reporting in order to assess the performance of each operating segment and allocate resources accordingly.

The segments have been determined in compliance with IFRS 8 "Operating Segments", and are as follows: Internet, Printed Directories and Other Businesses. As at 31 December 2014, goodwill is fully allocated to internet sector.

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

- cash flow projections are based on the five-year business plan;
- cash flow projections beyond the five-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.

Goodwill impairment losses are recorded in the income statement.

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

## 3.9 OTHER INTANGIBLE ASSETS

Other intangible assets, consisting 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.

### Trademarks

Trademarks having an indefinite useful life are not amortised, but are tested for impairment (see note 3.11).

### Licences and patents

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

### Research and development costs

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

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

Research and development costs not fulfilling the above criteria are expensed in the year in which they are incurred. Significant capitalised development costs are amortised on a straight-line basis over their useful life, generally not exceeding three years.

### Software

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

## 3.10 TANGIBLE FIXED ASSETS

### Gross value

The gross value of tangible fixed assets corresponds to their purchase or production cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

It also includes the estimate of the costs of dismantling and removing the item and restoring the site on which it is located, such obligation being incurred by the Group either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories.

### Finance leases

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

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

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

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

Finance leases are not significant for the disclosed periods.

### Depreciation

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

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

## 3.11 IMPAIRMENT OF FIXED ASSETS

Under IAS 36 "Impairment of Assets", the value in use of tangible and intangible fixed assets must be tested for impairment when there is an indication that they may be impaired. Indicators are reviewed at each closing date.

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. When an asset or group of assets is found to be impaired, the recognised impairment loss is equal to the difference between its net book value and the recoverable amount.

The recoverable amount of an asset is generally determined by reference to its value in use, corresponding 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.

## 3.12 FINANCIAL ASSETS AND LIABILITIES

Financial assets include available-for-sale assets, held-to-maturity assets, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings, other financing and bank overdrafts and operating debts.

Financial assets and liabilities are measured and recognised in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

### 3.12.1 – Measurement and recognition of financial assets

#### ASSETS HELD TO MATURITY

Held-to-maturity investments comprise exclusively securities with fixed or determinable income and fixed maturities, other than loans and receivables, which the Group has the intention and ability to hold to maturity. They are recognised initially at fair value and are subsequently measured at amortised cost by the effective interest method.

The Group assesses whether there is any objective evidence that held-to-maturity assets are impaired. A financial asset is written down if its book value exceeds the recoverable amount estimated at the time of the impairment tests. The impairment loss is recognised in the income statement.

#### AVAILABLE-FOR-SALE ASSETS

Available-for-sale assets consist mainly of shares in non-consolidated companies and marketable securities that do not fulfil the criteria for classification in any of the other categories of financial assets. They are measured at fair value and gains and losses arising from re-measurement at fair value are recognised in equity.

Fair value corresponds to market price for listed securities and estimated value in use for unlisted securities, determined according to the most appropriate financial criteria in each case.

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

#### LOANS AND RECEIVABLES

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

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

#### ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT

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

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

#### CASH AND CASH EQUIVALENTS

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

### 3.12.2 – Measurement and recognition of financial liabilities

#### FINANCIAL LIABILITIES

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

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

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

### 3.12.3 – Measurement and recognition of derivative instruments

Derivative instruments are measured at fair value in the balance sheet. Except as explained below, gains and losses arising from re-measurement at fair value of derivative instruments are systematically recognised in the income statement.

#### HEDGING INSTRUMENTS

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", derivative instruments may be designated as fair value hedges or cash flow hedges:

- a fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an identified portion of the asset or liability, that is attributable to a particular risk, notably rate and currency risks, and which would affect profit or loss;
- a cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a forecast transaction (such as a future purchase or sale) and could affect profit or loss.

Hedge accounting applies if:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- at the inception of the hedge and in subsequent periods, the company may expect the hedge to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk and if the actual results of the hedge are within a range of 80-125%.

The effects of applying hedge accounting are as follows:

- for fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognised in the balance sheet at fair value. The gain or loss from re-measuring the hedged item at fair value is recognised in profit or loss and is offset by the effective portion of the loss or gain from re-measuring the hedging instrument at fair value;
- for future cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity – because the change in the fair value of the hedged portion of the underlying item is not recognised in the balance sheet – and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. Amounts recognised directly in equity are subsequently recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

## 3.13 INVENTORIES

Inventories are stated at the lower of cost and probable net realisable value. Cost corresponds to purchase or production cost determined by the weighted average cost method.

## 3.14 DEFERRED TAXES

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

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

A deferred tax liability is recognised for all taxable temporary differences between the book value of shares and their tax base associated with investments in subsidiaries, equity-method associates and interests in joint-ventures, except where:

- the Group is able to control the timing of the reversal of the temporary difference (distribution of dividends for example); and
- 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.

## 3.15 PROVISIONS

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.

The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving 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 – are disclosed in the notes to the financial statements.

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

Provisions are discounted when the discounting adjustment is material.

## 3.16 PENSION AND SIMILAR BENEFIT OBLIGATIONS

### 3.16.1 – Post-employment benefits

#### 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.

#### 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.

### 3.16.2 – Other long-term benefits

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.

### 3.16.3 – Termination benefits

Any termination benefits are also determined on an actuarial basis and covered by provisions.

For all commitments where termination of employment contracts would trigger payment of compensation, the impact of changes in assumptions is recognised in profit or loss for the period during which the revision takes place.

## 3.17 SHARE-BASED PAYMENTS

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

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

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

### 3.18 OWN SHARES

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

## 4. SEGMENT INFORMATION

Through its subsidiaries, Solocal Group conducts three complementary businesses: the provision of content and services, media and advertising representation. Its offering comprises a diversified range of products and services associated with this activity for the general public and businesses.

The Group creates services and makes them available which give access to a mine of useful and reliable information. Constantly adapted to today's consumption modes, they accompany citizens everywhere and everyday and make their life easier: locating and contacting a business, finding friends on the net, obtaining an itinerary, visiting merchant shops, finding good deals...

Always in line with the uses, Solocal Group develops its services across all the mobile platforms (in particular *via* applications for iPhone, iPad and Android), as such meeting the growing needs for information availability and proximity.

The Group's business model is based on that of the media: *i.e.* offering quality content which generates an audience and then monetising this audience, either as a whole or in segments, through advertisers. The Group's brands benefit from the strong notoriety and from the trust of users. The credibility of services, built year after year, is the base for the power of the audiences. Since the beginning of 2014, the Group has reorganised itself around five vertical "markets" (Retail, B2B, Home, Services, Health & Public) + one business unit that includes major accounts, which should allow it to improve the customer experience, and to best meet their expectations, in particular with the development and the marketing of adapted products and services.

The Group's activities are organised in three product segments:

- **Internet**:

  These are the activities carried out through the Internet. The main products are the creation and marketing of content and advertising space, listing, targeted advertising and the provision of advertising space for local and national advertisers (often referred to as display), as well as a complete range of products and services for the provision and distribution of information with local content. The Group's Internet activity is mainly carried out in France, but also in Spain (QDQ Media). This segment comprises the activity of "pagesjaunes.fr" and "pagespro.com", the creation and marketing of content and advertising space of the "search" and "display" type, particularly through Horyzon Media's Internet advertising representation, as well as through online small ads from "annoncesjaunes.fr" and "avendrealouer.fr".

  Display, clicks, site creation and hosting, video, listing on pagesjaunes.fr, affiliated partners and search engines – "SEO" (natural listing) or "SEM" (paid listing)... Solocal Group markets a very wide range of advertising formats and services on fixed and mobile Internet which allows any business, from an SME to a major networked brand, to build an ad hoc communication plan.

  This segment includes routes, geolocation and reservation services of Mappy, but also couponing with 123deal or smartprivé, and digital promotion.

  Online quotation requests and contact establishment with players of the construction industry from Sotravo, online appointment making using the technology developed by ClicRDV, the themed content site ComprendreChoisir.com published by Fine Media, the online ordering of meals on Chronoresto.fr from locally-listed restaurants (in 2013) and the Direct Marketing (e-mailing type) products and services are also included this segment. The online people and profile search service with 123people was shut down in March 2014.

- **Printed Directories:**

  This is the Group's historical activity, involving the publication, distribution and sale of advertising space in printed directories (PagesJaunes, *l'Annuaire*).

- **Other businesses:**

  This comprises the specific businesses of Solocal Group: directory enquiry services by telephone and SMS (118 008), and the QuiDonc reverse directory. This segment also includes some activities of PJMS (formerly PagesJaunes Marketing Services): telemarketing, data mining, database generation, prospect processing and traditional direct marketing activities (data entry and postage).

### 4.1 BY BUSINESS SECTOR

The table below presents a breakdown of the main aggregates by business sector for the periods ending 31 December 2014 and 2013:

| | As at 31 December | |
|---|---|---|
| *(amounts in thousands of euros)* | **2014** | **2013** |
| REVENUES | 936,193 | 998,867 |
| ■ Internet | 632,534 | 632,514 |
| ■ Printed directories | 285,178 | 344,681 |
| ■ Other businesses | 18,481 | 21,672 |
| GROSS OPERATING MARGIN | 322,245 | 424,262 |
| ■ Internet | 207,331 | 267,376 |
| ■ Printed directories | 110,099 | 150,908 |
| ■ Other businesses | 4,815 | 5,978 |

### 4.2 BY GEOGRAPHIC REGION

| | As at 31 December | |
|---|---|---|
| *(amounts in thousands of euros)* | **2014** | **2013** |
| REVENUES | 936,193 | 998,867 |
| ■ France | 912,109 | 974,501 |
| ■ Others | 24,084 | 24,366 |
| ASSETS | 836,331 | 800,029 |
| ■ France | 727,971 | 666,366 |
| ■ Others | 15,200 | 17,313 |
| ■ Unallocated | 93,160 | 116,350 |

## 5. CHANGES IN THE SCOPE OF CONSOLIDATION

The main transactions during the 2014 and 2013 financial years were as follows:

### 2014

On 5 March 2014, Mappy acquired 100% of the shares and voting rights of Retail Explorer, of which the core business is to propose an assessment of the prices and promotions on thousands of products present in the catalogues and in the stores in the French mass distribution market.

On 20 May 2014, an additional acquisition of 51% of the capital of LeadFormance, the leader in sales outlet location on the Internet. The Group is thus enhancing its digital communication offering for major advertisers.

### 2013

On 30 April 2013, Sotravo acquired 100% of the shares and voting rights of Wozaik, a major provider of online quotations in France in the household jobs sector. On 30 June 2013, these two entities merged, retroactively effective from 1 January 2013.

On 31 December 2013, PagesJaunes and A Vendre A Louer merged, retroactively effective from 1 January 2013.

These internal restructuring operations have no significant impact on the consolidated financial statements.

## 6. PERSONNEL COSTS

| *(in thousands of euros, except staff count)* | As at 31 December 2014 | 2013 |
|---|---|---|
| Average staff count (full-time equivalent) | 4,535 | 4,473 |
| **Salaries and charges** | **(385,686)** | **(352,539)** |
| of which: | | |
| ■ Wages and salaries | (259,798) | (240,032) |
| ■ Social charges | (114,856) | (103,389) |
| ■ Tax credit employment (CICE) | 3,392 | 2,320 |
| ■ Taxes on salaries and other items | (14,425) | (11,438) |
| **Share-based payment** [(1)] | **(8,560)** | **(1,523)** |
| of which: | | |
| ■ Stock options and free shares | (4,351) | (1,475) |
| ■ Social charges on grants of stock options and free shares | (4,209) | (48) |
| **Employee profit-sharing** [(2)] | **(10,280)** | **(15,417)** |
| **TOTAL PERSONNEL EXPENSES** | **(404,526)** | **(369,479)** |

*(1) See note 25.*
*(2) Including corporate contribution.*

## 7. OTHER OPERATING EXPENSES AND INCOME

This item includes in particular the result from disposals of non-financial assets, impairment on goodwill and on fixed assets, changes in fair value in price supplements granted in the framework of securities acquisitions and acquisition costs of shares, as well as restructuring costs.

Impairment on goodwill and on fixed assets amount to 3.8 million euros in 2014 (see notes 11 and 12) compared to 8.4 million euros in 2013.

The restructuring costs amounted to 23.5 million euros in 2014, compared to 28.1 million euros in 2013.

In the framework of the grouping together of the Parisian entities onto one site scheduled for 2016, a provision for refurbishing costs of premises and any future double rents was booked as at 31 December 2014 for an amount of 10.4 million euros. This provision does not affect the Group's cash flow in 2014.

## 8. NET FINANCIAL INCOME

The financial result is made up as follows:

| *(amounts in thousands of euros)* | As at 31 December 2014 | 2013 |
|---|---|---|
| Interest and similar items on financial assets | 376 | 228 |
| Result of financial asset disposals | 246 | 918 |
| Change in fair value of hedging instruments | 958 | 1,669 |
| Dividends received | - | 84 |
| FINANCIAL INCOME | 1,580 | 2,899 |
| Interest on financial liabilities | (70,711) | (87,515) |
| Income/(expenses) on hedging instruments | (14,470) | (32,410) |
| Amortisation of loan issue expenses | (13,076) | (12,214) |
| Change in fair value of financial assets and liabilities | 476 | - |
| Other financial expenses & fees | (602) | (584) |
| Accretion cost [(1)] | (1,321) | (2,470) |
| FINANCIAL EXPENSES | (99,704) | (135,193) |
| **NET FINANCIAL INCOME** | **(98,124)** | **(132,294)** |

*(1) The accretion cost corresponds to the increase, during the financial year, of the current value of pension commitments (see note 24) and the liability in respect of hedging instruments (see note 16).*

## 9. CORPORATION TAX

### 9.1 GROUP TAX ANALYSIS

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:

| | As at 31 December | |
|---|---|---|
| *(amounts in thousands of euros)* | **2014** | **2013** |
| Pretax net income from continuing businesses | 118,369 | 196,729 |
| Share of profit or loss of an associate | (6) | (202) |
| **Pretax net income from continuing businesses and before Share of profit or loss of an associate** | **118,375** | **196,931** |
| Statutory tax rate | 34.43% | 34.43% |
| THEORETICAL TAX | (40,760) | (67,810) |
| Loss-making companies not integrated for tax purposes | (1,988) | (2,186) |
| Loan depreciation QDQ Media | 498 | - |
| Share-based payment | (1,498) | (508) |
| Foreign subsidiaries | 82 | 50 |
| Recognition of previously unrecognised tax losses | (1,242) | (1,242) |
| Non-deductible amortisation | (287) | - |
| Corporate value added contribution (after tax) | (7,206) | (8,152) |
| Ceiling of interest expense deductibility | (7,295) | (6,333) |
| Adjustment corporation tax of prior years | 4,497 | 10,608 |
| Additional tax 10.7% | (4,069) | (6,886) |
| Other non-taxable/non-deductible items | 321 | 557 |
| EFFECTIVE TAX | (58,947) | (81,902) |
| *of which current tax* | *(40,154)* | *(90,681)* |
| *of which deferred tax* | *(18,793)* | *8,779* |
| **EFFECTIVE TAX RATE** | **49.8%** | **41.6%** |

### 9.2 TAXES IN THE BALANCE SHEET

The net balance sheet position is detailed as follows:

| | As at 31 December | |
|---|---|---|
| *(amounts in thousands of euros)* | **2014** | **2013** |
| Retirement benefits | 27,663 | 26,373 |
| Legal employee profit-sharing | 3,048 | 4,697 |
| Non-deductible provisions | 2,048 | 8,526 |
| Hedging instruments | 1,836 | 5,730 |
| Other differences | 1,838 | 1,043 |
| SUBTOTAL DEFERRED TAX ASSETS | 36,433 | 46,369 |
| Corporate value added contribution | (13) | (40) |
| Loan issue costs | (9,643) | (9,859) |
| 123people brand | - | - |
| Depreciations accounted for tax purposes | (19,370) | (16,213) |
| SUBTOTAL DEFERRED TAX LIABILITIES | (29,026) | (26,112) |
| **TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)** | **7,407** | **20,257** |
| *Deferred tax assets* | *7,407* | *20,257* |

No deferred tax asset relating to loss carryforwards of QDQ Media was recognised in the balance sheet, as this sub-group recorded a net loss in 2014. The amount of deferred tax not recognised is estimated at 65.2 million euros as at 31 December 2014.

The deferred tax assets in the balance sheet decreased from 20.3 million euros as at 31 December 2013 to 7.4 million euros as at 31 December 2014.

In the balance sheet as at 31 December 2014, corporation tax represents a receivable of 19.0 million euros and a liability of 0.1 million euros. As at 31 December 2013, corporation tax represented a receivable of 0.8 million euros and a liability of 2.8 million euros.

The tax disbursed during the 2014 financial year was 60.6 million euros, including a repayment of 4.3 million euros concerning on the one hand, the approval received on a deductible provision from Aval which had merged in 2013 with PagesJaunes SA for an amount of 3.1 million euros and on the other hand, default interest on the deactivation of commercial costs for an amount of 1.2 million euros, compared to 85.7 million euros in 2013.

| *(amounts in thousands of euros)* | As at 31 December 2014 | 2013 |
|---|---|---|
| OPENING BALANCE | 20,257 | 25,021 |
| Changes recognized in equity | 5,943 | (13,543) |
| Changes recognized in income | (18,793) | 8,779 |
| Effects of changes in the scope of consolidation | - | - |
| Other variations | - | - |
| **CLOSING BALANCE** | **7,407** | **20,257** |

## 10. EARNINGS PER SHARE

In 2014, net income amounted to 59.4 million euros. Following the capital increase of 20 April 2014 (see note 22), the average number of ordinary shares in circulation was 567.4 million, after deduction of own shares. The net earnings per share for the consolidated group therefore amounted to 0.10 euro taking into account the potentially dilutive effect of the average of 26.2 million stock options and free shares in existence in 2014 (see note 25).

In 2013, net income amounted to 114.8 million euros. The average number of ordinary shares in circulation was 277.6 million, after deduction of own shares. The net earnings per share for the consolidated group therefore amounted to 0.41 euro, or 0.40 euro taking into account the potentially dilutive effect of the average of 10.7 million stock options and free shares in existence in 2013 (see note 25).

## 11. GOODWILL IN RESPECT OF CONSOLIDATED COMPANIES

Breakdown of the net value of goodwill by business sector:

| | As at 31 December 2014 | | | As at 31 December 2013 | | | Change |
|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Gross | Accumulated impairments | Net | Gross | Accumulated impairments | Net | Net |
| Internet | 164,555 | (82,088) | 82,467 | 157,179 | (78,482) | 78,697 | 3,770 |

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

| *(in thousands of euros)* | 2014 | 2013 |
|---|---|---|
| BALANCE AT START OF YEAR | 78,697 | 82,278 |
| Acquisitions/disposals | 12,976 | 1,547 |
| Impairments | (3,606) | (5,200) |
| Reclassifications and others [(1)] | (5,600) | 72 |
| **BALANCE AT END OF YEAR** | **82,467** | **78,697** |

*(1) In 2014, reclassification of the goodwill as intangible fixed assets for 5.6 million euros (see note 12).*

Goodwill values were examined on the closure of the consolidated financial statements according to the method described in note 3.8 – Accounting policies, on the basis of business plans, a perpetual growth rate of between 1.0% and 2.5% and an after-tax discount rate of between 8.5% and 13.0% depending on the cash-generating units. These rates are based on published sector studies.

The assumptions made in determining the recoverable values are similar for all cash-generating units. They may be based on market data, the penetration rates of the various media or the products on the market, revenues (number of advertisers, average revenue per advertiser) or levels of gross operating margin. 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.

The amounts of goodwill concerning each of the CGUs are individually low, the unit value does not exceed 15 million euros.

In 2014, an impairment of goodwill was recognised for an amount of 3.6 million euros.

In 2013, an impairment of goodwill was recognised for an amount of 5.2 million euros. This impairment is primarily related to the change in a referencing algorithm of a search engine which caused an abrupt decline in the traffic of a CGU leading to a drop in its revenues and in its margin.

In terms of sensitivity, a 1% increase in the discount rate across all of the CGUs would result in a decrease in the recoverable amount of 31 million euros and 3 million euros in depreciation. Inversely, a 1% decrease in the discount rate would lead to an increase in the recoverable amount of 42 million euros.

An increase in the perpetuity growth rate of 0.5% would result in an increase in the recoverable amount of 15 million euros. Inversely, a 0.5% decrease in the perpetuity growth rate would result in a decrease in the recoverable amount of 13 million euros and 1 million euros in depreciation.

A 1% increase in the margin for the last year in the business plans would lead to an increase in the recoverable amount of 14 million euros. Inversely, a 1% decrease in the margin rate of the last year of the business plans would result in a decrease in the recoverable amount of 14 million euros without resulting in depreciation.

## 12. OTHER INTANGIBLE FIXED ASSETS

| | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Gross value | Total depreciation and losses of value | Net value | Gross value | Total depreciation and losses of value | Net value |
| Software and support applications | 270,398 | (166,116) | 104,282 | 211,514 | (134,258) | 77,255 |
| Other intangible fixed assets | 11,180 | (8,196) | 2,983 | 6,607 | (3,090) | 3,517 |
| 123people brand | - | - | - | 4,526 | (4,526) | - |
| **TOTAL** | **281,577** | **(174,312)** | **107,265** | **222,647** | **(141,874)** | **80,773** |

No other significant impairment was recorded as at 31 December 2014 and 2013.

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

| *(in thousands of euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| OPENING BALANCE | 80,773 | 69,387 |
| Acquisitions | 4,672 | 4,110 |
| Internally generated assets (1) | 54,698 | 44,802 |
| Effect of changes in the scope of consolidation | 766 | - |
| Exchange differences | 29 | (11) |
| Reclassifications (2) | 5,600 | - |
| Disposals and accelerated amortisation | (362) | (182) |
| Depreciation charge | (38,911) | (37,333) |
| **CLOSING BALANCE** | **107,265** | **80,773** |

*(1) Concerns all capitalised development expenses.*

*(2) In 2014, reclassification of the goodwill as intangible fixed assets for 5.6 million euros (see note 11).*

The increase in investments made by the Group is linked to the launch of new products and services for customers and the enrichment of the functionalities of the Group's fixed and mobile Internet sites. Part of these investments were carried out by internal teams.

## 13. TANGIBLE FIXED ASSETS

| | 31 December 2014 | | | 31 December 2013 | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Gross value | Total depreciation | Net value | Gross value | Total depreciation | Net value |
| IT and terminals | 59,550 | (52,423) | 7,127 | 55,939 | (48,398) | 7,541 |
| Others | 55,376 | (37,235) | 18,141 | 47,698 | (31,670) | 16,028 |
| **TOTAL** | **114,926** | **(89,657)** | **25,269** | **103,637** | **(80,068)** | **23,569** |

No significant impairment was recorded as at 31 December 2014 and 2013.

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

| *(in thousands of euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| OPENING BALANCE | 23,569 | 25,480 |
| Acquisitions | 11,354 | 6,403 |
| Effect of changes in the scope of consolidation | 27 | - |
| Exchange differences | 12 | (3) |
| Reclassifications | - | 1 |
| Disposals and accelerated amortisation | (12) | (94) |
| Depreciation charge | (9,681) | (8,219) |
| **CLOSING BALANCE** | **25,269** | **23,569** |

## 14. OTHER AVAILABLE-FOR-SALE ASSETS

This section includes investment securities classified as available-for-sale assets as defined in standard IAS 39.

## 15. OTHER NON-CURRENT FINANCIAL ASSETS

The other financial assets essentially comprise the long-term portion of security deposits.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

Solocal Group uses derivative financial instruments to manage the interest rate risk associated with the variable rate bank debt. Solocal Group has implemented the procedures and documentation necessary to justify hedge accounting as defined in IAS 39.

These operations provide a cash flow hedge relating to the variable rate debt (see note 26). Prospective effectiveness tests performed by Solocal Group on the inception of these operations and retrospective tests carried out on 31 December 2014 and 2013 showed that these financial instruments offered a totally effective cash flow hedge in relation to this bank debt.

### ACCOUNTING AND ASSETS/LIABILITIES RELATING TO THESE DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of these derivative financial instruments is made up as follows:

| | As at 31 December | |
|---|---|---|
| *(in thousands of euros)* | 2014 | 2013 |
| Interest rate swaps – cash flow hedge | (8,601) | (17,892) |
| Collars – fair value hedge | (1,342) | (2,300) |
| **ASSETS/(LIABILITY)** | **(9,943)** | **(20,192)** |
| *Of which non-current* | *-* | *(20,192)* |
| *Of which current* | *(9,943)* | *-* |

The change in the fair value of derivative financial instruments (qualified as cash flow hedges) between 31 December 2013 and 31 December 2014, *i.e.* a decrease of 9.3 million euros for the interest rate swaps, was stated in transferable equity, after recognition of deferred tax of 3.5 million euros.

The change in the collar (qualified as fair value hedging) was recognised in financial expenses (see note 8), for an amount of 1.0 million euros. Deferred tax of 0.4 million euros was recorded in this respect.

No ineffectiveness was recorded with regard to cash flow hedges.

## 17. NET INVENTORIES

Inventories consist mainly of current service requirements for the production of advertisements (printed and online products) and websites.

Where necessary, these inventories have been written down when commercial prospects could entail a risk of a fall in value to below that stated in the balance sheet.

No significant discards were recorded during the 2014 and 2013 financial years.

## 18. TRADE DEBTORS

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

| *(in thousands of euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Gross trade debtors | 464,632 | 431,754 |
| Provisions for impairment (1) | (17,527) | (22,048) |
| NET RECEIVABLES BEFORE STATISTICAL IMPAIRMENT | 447,105 | 409,706 |
| Provisions for statistical impairment (1) | (5,319) | (3,863) |
| **NET TRADE DEBTORS** | **441,786** | **405,843** |

*(1) See note 21 – Changes in provisions for impairment of assets.*

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

| | | | Overdue and not impaired (1) | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Total (1) | Not due (1) | < 30 days | between 31 and 60 days | between 61 and 90 days | between 91 and 180 days | between 181 and 360 days | > 360 days |
| 2014 | 447,105 | 406,027 | 17,215 | 6,472 | 4,231 | 6,062 | 5,293 | 1,805 |
| 2013 | 409,706 | 375,557 | 14,704 | 7,643 | 3,586 | 4,543 | 2,579 | 1,094 |

*(1) Excluding statistical impairment provisions totalling 5,319 thousand euros as at 31 December 2014 and 3,863 thousand euros as at 31 December 2013.*

The Group's portfolio of trade debtors does not present a significant risk of concentration (about 697,000 advertisers, including 672,000 with PagesJaunes in France). In France, PagesJaunes' 20 largest advertisers represent 1.5% of these revenues (1.3% in 2013) and advertisers in the 10 largest business sections represent 14.6% of PagesJaunes revenues (16.2% in 2013). In France, provisions for bad debts remain at a very low level, with net provisions amounting to 0.62% of revenues in 2014 compared to 0.58% in 2013.

## 19. ACQUISITION COSTS OF CONTRACTS

Acquisition costs of contracts represent the variable costs of the sales force relating to the marketing of advertising products in the printed directories and on digital media. These direct and incremental costs in obtaining customer contracts are capitalised on the balance sheet in this item and are recognised as expense over the life of the customer orders, *i.e.* according to the publication of the advertisements and the recognition of the revenue.

## 20. OTHER CURRENT ASSETS

The other current assets are made up as follows:

| *(in thousands of euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| VAT receivable | 21,406 | 16,630 |
| Sundry accounts receivable | 18 | 1 |
| Trade payables – Advances and instalments | 3,680 | 3,509 |
| Other current assets | 3,928 | 4,587 |
| **TOTAL** | **29,032** | **24,727** |

## 21. CHANGES IN PROVISIONS FOR IMPAIRMENT OF ASSETS

| *(in thousands of euros)* | Balance at start of période | Allowances | Releases of unused provisions | Release of used provisions | Other movements | Balance at end of period |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| Trade debtors | 23,650 | 9,244 | (609) | (6,377) | 3 | 25,911 |
| Other assets | 88 | - | (88) | - | - | - |
| **2014** | | | | | | |
| Trade debtors | 25,911 | 9,109 | (139) | (12,109) | 74 | 22,846 |
| Other assets | - | - | - | - | - | - |

Application of a provision rate according to the age of the receivables based on the collection history.

## 22. SHARE-HOLDERS' EQUITY

### 22.1 SHARE CAPITAL

#### Capital increase

The Extraordinary General Meeting of 29 April 2014 approved two capital increases:

- a capital increase amounting to 361.6 million euros with preferential subscription rights ("DPS") for former shareholders, resulting in the creation of 723,242,416 new shares;
- a reserved capital increase of 78.8 million euros with suppression of the DPS benefiting four institutional investors (Paulson & Co. Inc., Credit Suisse, Praxient, Amber Capital) who had agreed to guarantee a portion of the capital increase with preferential subscription rights; this resulted in the creation of 157,500,000 new shares.

These two capital increases made it possible to raise a total gross amount of 440.4 million euros corresponding to the issue of 880,742,416 new shares.

The subscription price for the capital increase with preferential subscription rights and of the reserved capital increase were identical, namely 0.50 euro per share.

The settlement-delivery for the new shares and their listing for trading on the regulated Euronext Paris market took place on 6 June 2014.

The social capital of Solocal Group is now comprised of 1,161,727,170 shares each with a par value of 0.20 euro, which is a total amount of 232,345,434 euros (before deduction of treasury shares).

The funds raised were used to to make an early partial repayment at par value for the Company's bank debt for an amount of 400 million euros (see note 7), allowing the Company to accelerate its "Digital 2015" transformation programme and the growth in its Internet businesses.

This operation generated costs for an amount of 19.7 million euros (12.2 million euros after tax), these were recognised as equity, net of the tax effect.

These capital increases were dealt with in a prospectus for which the *Autorité des marchés financiers* ("AMF") granted visa (approval) no. 14-195 on 13 May 2014. It is comprised of the Reference document of Solocal Group, filed with the *Autorité des marchés financiers* on 15 April 2014 under number D.14-0366, a memorandum of operation, and the summary of the prospectus (included in the memorandum of operation).

### 22.2 OTHER RESERVES AND OTHER COMPREHENSIVE INCOME

The other consolidated reserves and other comprehensive income were negative in an amount of 2,015.5 million euros as at 31 December 2014 (2,126.3 million euros as at 31 December 2013) and were mainly composed of:

- the portion of distributions in excess of the income for the year, mainly relating to exceptional distributions made in November 2006 for an amount of 2,519.7 million euros;
- the loss of fair value of derivative financial instruments between their conclusion date and 31 December 2014 in a pre-tax amount of 8.6 million euros (17.9 million euros as at 31 December 2013) and a corresponding tax of 1.4 million euros (4.9 million euros as at 31 December 2013);
- the cross-entry for the share-based payment expense corresponding to the portion equity settled instruments in an amount of 66.9 million euros (62.6 million euros as at 31 December 2013), see note 25.

The recycling of reserves relative to the financial instruments, generated in the implementation of hedge accounting as defined in IAS 39, is forecast to be less than 1 year (see note 16, maturity of these instruments).

### 22.3 OWN SHARES

A liquidity contract was entered into in 2008 with an investment service provider. It is renewable annually. The funds allocated to this contract amounted to 8.0 million euros.

Under this contract, as at 31 December 2014, the Company held 737,001 of its own shares (1,982,495 as at 31 December 2013), stated as a deduction from equity.

Solocal Group also repurchased 2,000,000 of its own shares outside the liquidity contract in 2011 for a total of 6.0 million euros, stated as a deduction from equity. In April 2014, the final acquisition of 479,814 actions distributed in terms of the free shares plan of 2011 were taken from this stock. As at 31 December 2014, Solocal Group held 1,520,186 of its own shares directly.

As at 31 December 2014, Solocal Group consequently held 2,257,187 of its own shares.

### 22.4 DIVIDENDS

Solocal Group did not distribute any dividends in 2014 or in 2013.

## 23. TRADE CREDITORS

Amounts owed to suppliers bear no interest and are payable in principle between 30 and 60 days.

## 24. PERSONNEL BENEFITS, PROVISIONS AND OTHER LIABILITIES

These are made up as follows:

| *(in thousands of euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Post-employment benefits | 80,482 | 75,701 |
| Other long-term benefits | 9,957 | 9,350 |
| NON-CURRENT PERSONNEL BENEFITS [1] | 90,439 | 85,051 |
| Other Provision for risks | 13,903 | 5,854 |
| Provisions for social or fiscal disputes | 3,007 | 10,405 |
| NON-CURRENT PROVISIONS | 16,910 | 16,259 |

*(1) See details in the following note. Non-current personnel benefits concern the French companies.*

| *(in thousands of euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Personnel [1] | 64,442 | 71,433 |
| Social organisations | 53,173 | 47,774 |
| TOTAL CURRENT PERSONNEL BENEFITS | 117,615 | 119,207 |
| VAT payable | 92,004 | 83,275 |
| Sundry accounts payable | 8,006 | 8,674 |
| Other current liabilities | 1,268 | 2,659 |
| OTHER CURRENT LIABILITIES | 101,278 | 94,608 |

*(1) Comprising mainly employee profit-sharing and provisions for personnel expenses.*

Movements in provisions were as follows:

| *(in thousands of euros)* | Opening balance | Charge for the year | Reversal of the year (unused) | Reversal of the year (utilised) | Changes in the scope of consolidation, reclassifications and others | Closing balance |
|---|---|---|---|---|---|---|
| Provisions for social and fiscal litigations | 26,462 | 24,866 | (25) | (22,691) | - | 28,612 |
| Other Provision for risks | 1,495 | 10,411 | (363) | (382) | 1 | 11,162 |
| **TOTAL PROVISIONS** | **27,957** | **35,277** | **(388)** | **(23,073)** | **1** | **39,774** |

PagesJaunes is undergoing a tax audit concerning financial years 2010 to 2013 and, at this stage, has received a proposal for a reassessment concerning financial year 2010. The company considers most of the reassessments as unfounded and has booked a provision in order to cover the residual risks.

## PENSION COMMITMENTS AND OTHER PERSONNEL BENEFIT

| *(in thousands of euros)* | Post-employment benefits | Other long-term benefits | Total 31 December 2014 | Post-employment benefits | Other long-term benefits | Total 31 December 2013 |
|---|---|---|---|---|---|---|
| **Change in value of commitments** | | | | | | |
| **Total value of commitments at start of period** | **76,532** | **9,677** | **86,209** | **75,768** | **9,744** | **85,511** |
| Cost of services rendered | 5,012 | 661 | 5,674 | 4,891 | 681 | 5,573 |
| Discounting cost | 1,182 | 139 | 1,321 | 2,200 | 271 | 2,471 |
| Contributions paid by employees | - | - | - | - | - | - |
| Amendments to scheme | - | - | - | 3,171 | - | 3,171 |
| Reductions/liquidations | (4,153) | (495) | (4,648) | (3,476) | (316) | (3,791) |
| Actuarial (gains) or losses | 2,636 | 297 | 2,933 | (5,359) | (364) | (5,723) |
| Benefits paid | (727) | (323) | (1,050) | (663) | (339) | (1,002) |
| Acquisitions | - | - | - | - | - | - |
| Assignments/transfers of activity | - | - | - | - | - | - |
| Changes in scope | - | - | - | - | - | - |
| Others | - | - | - | - | - | - |
| TOTAL VALUE OF COMMITMENTS AT END OF PERIOD (A) | 80,482 | 9,957 | 90,439 | 76,532 | 9,677 | 86,209 |
| *Commitments at end of period relating to fully or partly financed schemes* | - | - | - | - | - | - |
| *Commitments at end of period relating to non-financed schemes* | *80,482* | *9,957* | *90,439* | *76,532* | *9,677* | *86,209* |
| **Change in cover assets** | | | | | | |
| **Fair value of cover assets at start of period** | **30** | **-** | **30** | **29** | **-** | **29** |
| Financial income from cover assets | - | - | - | 1 | - | 1 |
| Gains/losses on cover assets | - | - | - | - | - | - |
| Contributions paid by the employer | - | - | - | - | - | - |
| Contributions paid by the employees | - | - | - | - | - | - |
| Reductions/liquidations | - | - | - | - | - | - |
| Benefits paid by the fund | - | - | - | - | - | - |
| Change in scope | - | - | - | - | - | - |
| Others (translation differences) | (30) | - | (30) | - | - | - |
| FAIR VALUE OF COVER ASSETS AT END OF PERIOD (B) | - | - | - | 30 | - | 30 |
| **Financial cover** | | | | | | |
| Situation of the scheme (A) – (B) | 80,482 | 9,957 | 90,439 | 76,502 | 9,677 | 86,179 |
| Unrecognised actuarial gains or (losses) | - | - | - | - | - | - |
| Unrecognised cost of past services | - | - | - | - | - | - |
| Adjustment linked to upper limit of assets | - | - | - | - | - | - |
| PROVISION/(ASSETS) AT END OF PERIOD | 80,482 | 9,957 | 90,439 | 76,502 | 9,677 | 86,179 |
| *of which provision/(asset) short term* | - | - | - | *800* | *327* | *1,127* |
| *of which provision/(asset) long term* | *80,482* | *9,957* | *90,439* | *75,702* | *9,350* | *85,052* |
| **Pension charge** | | | | | | |
| Cost of services rendered | 5,012 | 661 | 5,674 | 4,891 | 681 | 5,573 |
| Discounting costs | 1,182 | 139 | 1,321 | 2,200 | 271 | 2,471 |
| Expected return on scheme assets | - | - | - | (1) | - | (1) |
| Amortisation of actuarial (gains) or losses | - | 297 | 297 | - | (364) | (364) |
| Amortisation of cost of past services | - | - | - | 3,171 | - | 3,171 |
| Effect of reductions/liquidations | (4,153) | (495) | (4,648) | (3,476) | (316) | (3,791) |
| Assignments/transfers of activity | - | - | - | - | - | - |
| Adjustment linked to upper limit of assets | - | - | - | - | - | - |
| TOTAL PENSION CHARGE | 2,042 | 602 | 2,644 | 6,785 | 273 | 7,058 |
| **Movements in the provision/(asset)** | | | | | | |
| **Provision/(assets) at start of period** | **76,502** | **9,677** | **86,179** | **75,739** | **9,744** | **85,482** |

| *(in thousands of euros)* | Post-employment benefits | Other long-term benefits | Total 31 December 2014 | Post-employment benefits | Other long-term benefits | Total 31 December 2013 |
|---|---|---|---|---|---|---|
| Pension charge | 2,042 | 602 | 2,644 | 6,785 | 273 | 7,058 |
| Pension charge from divested businesses | - | - | - | - | - | - |
| Contributions paid by the employer | (727) | (323) | (1,050) | (663) | (339) | (1,002) |
| Benefits paid directly by the employer | - | - | - | - | - | - |
| Change of scope | - | - | - | - | - | - |
| Actuarial gains or (losses) | 2,636 | - | 2,636 | (5,359) | - | (5,359) |
| Others | 30 | - | 30 | - | - | - |
| PROVISION/(ASSETS) AT END OF PERIOD | 80,482 | 9,957 | 90,439 | 76,502 | 9,677 | 86,179 |
| **Assumptions** | | | | | | |
| Discount rate *(%)* | 1.50% | 1.50% | 1.50% | 3.00% | 3.00% | 3.00% |
| Expected long-term inflation rate *(%)* | 2.0% | | 2.00% | 2.0% | | 2.0% |
| | dependent on employee category and age | | | dependent on employee category and age | | |
| Expected yield on scheme assets *(%)* | 1.50% | - | - | 3.00% | - | - |
| Probable residual activity period | 12.5 | 12.5 | 12.5 | 14.6 | 14.6 | 14.6 |
| **AMOUNT ENTERED AS A CHARGE IN RESPECT OF THE PERIOD** | **2,042** | **602** | **2,644** | **6,785** | **273** | **7,058** |

In 2014, the expense stated in respect of defined contribution pension plans amounted to 44.5 million euros.

The discount rate applied in valuing commitments as at 31 December 2014 is 1.5%, compared to 3% as at 31 December 2013.

The IAS 19 standard sets the discount rate at the rate of bonds issued by first-class companies 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).

On the valuation date, in the eurozone, the rate for first-class private bonds (AA) was about 1.5% according to Bloomberg.

The discount rate actually adopted in this valuation was thus in accordance with the IAS 19 standard.

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

- A 0.50% increase in the discount rate leads to a decrease in the commitment of about 6.8%, or around 5.5 million euros, while a decrease of 0.50% in the discount rate leads to an increase in the commitment of about 7.3%, *i.e.* around 6.0 million euros.

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

- An increase of 0.50% in the discount rate leads to a decrease in the commitment of 4.7% (less than 1 million euros), while a decrease of 0.50% in the discount rate leads to an increase in the commitment of 5% (less than 1 million euros).

For all post-employment benefits and other long-term benefits, an increase of 0.5% in the discount rate leads to a decrease in the expense for the year of 0.1 million euros, *i.e.* 0.2% of the income for the period, while a decrease of 0.50% in the discount rate leads to an increase in the expense for the year of 0.1 million euros *i.e.* 0.2% of the income for the period.

The discounted value of the obligation in respect of these commitments and the adjustments to the scheme linked to experience for the current year and or the four previous years are as follows:

| *(in thousands of euros)* | 2014 | 2013 | 2012 | 2011* | 2010 |
|---|---|---|---|---|---|
| Total value of commitments at end of period | 90,439 | 86,209 | 85,510 | 85,510 | 64,432 |
| Fair value of cover assets at end of period | - | (30) | (29) | (30) | (25) |
| **SITUATION OF THE SCHEME** | **90,439** | **86,179** | **85,481** | **85,480** | **64,406** |
| Actuarial (gains) or losses relating to experience – liability | (366) | (2,931) | (2,292) | (735) | (2,655) |
| Actuarial (gains) or losses relating to experience – cover asset | - | - | - | - | - |

* *Restated for the expensing of fixed costs of the sales force and for early adoption of IAS 19R.*

# 25. STOCK OPTIONS AND FREE SHARES

## 25.1 DESCRIPTION OF THE PLANS

### 25.1.1 – Stock options

Neither Solocal Group nor any of its subsidiaries granted any stock option plans in 2014 and 2013.

### 25.1.2 – Free shares

The Extraordinary General Meeting of 7 June 2011 authorised the Board of Directors to introduce a free share plan for the benefit of certain Group directors and employees, as defined in articles L. 225-197-1 to L. 225-197-5 of the Commercial Code, with the particular aim of involving them in the Company's development. This authorisation was granted for a period of 38 months and the total number of free shares granted in respect of this resolution must not exceed 1.5% of the capital of the Company on the date of this General Meeting, *i.e.* 4,214,771 shares.

The Board of Directors adopted the conditions for the first free share plan on 26 October 2011. This plan gave rise to an initial grant of 1,226,000 shares. A second free share plan was adopted on 16 December 2011 and gave rise to an additional grant of 84,000 shares. In light of the cancellations and the reaching of the performance obligations, 479,814 shares were acquired definitively as at 31 March 2014 concerning these two plans.

On 11 December 2012, the Board of Directors adopted the conditions for a third free share plan for 2,624,000 shares. These shares will be finally vested at the end of a vesting period ending on 31 December 2014, provided that the beneficiary is still an employee or director of the Group and performance conditions are fulfilled.

On 11 December 2013, the Board of Directors adopted the conditions for a fourth free share plan for 280,000 shares. These shares will be finally vested at the end of a vesting period ending on 31 December 2015, provided that the beneficiary is still an employee or director of the Group and performance conditions are fulfilled.

The Extraordinary General Meeting of 29 April 2014 authorised the Board of Directors to introduce a free share plan to existing or new shares for the benefit of certain Group directors and employees, as defined in articles L. 225-197-1 to L. 225-197-5 of the Commercial Code, with the particular aim of involving them in the Company's development. This authorisation was granted for a period of 38 months and the total number of shares granted in respect of this resolution must not exceed 5% of the capital of the Company after the settlement-delivery of the capital increases provided for at this same General Meeting (see note 22).

On 19 June 2014, the Board of Directors adopted the conditions for a free share plan for 45,221,000 shares. These shares will be finally vested at the end of vesting periods ending on 19 June 2016, 19 June 2017 and 19 June 2018, provided that the beneficiary is still an employee or director of the Group and performance conditions are fulfilled.

The grant date applied for the valuation of the expense is the date of the Board of Directors' Meeting granting the options, the time allowed for informing the grantees having been deemed reasonable.

## 25.2 MOVEMENTS IN STOCK OPTION AND FREE SHARE PLANS DURING THE YEAR

| | Closing balance as at 31 December 2013 | Conversion of the new volume (capital increase of 6 June 2014) | Granted | Exercised | Cancelled/ lapsed | Closing balance as at 31 December 2014 | Exercise price (adjusted) |
|---|---|---|---|---|---|---|---|
| **Subscription share plans** | **6,524,626** | **13,211,443** | **-** | **-** | **(584,257)** | **12,627,186** | |
| July 2010 | 890,500 | 1,803,262 | - | - | (89,100) | 1,714,162 | €4.240 |
| December 2010 | 149,000 | 301,725 | - | - | (129,600) | 172,125 | €3.503 |
| July 2009 | 720,000 | 1,457,999 | - | - | (48,600) | 1,409,399 | €3.313 |
| October 2009 | 17,000 | 34,425 | - | - | - | 34,425 | €4.366 |
| December 2009 | 75,000 | 151,875 | - | - | - | 151,875 | €3.862 |
| December 2007 | 2,199,584 | 4,453,611 | - | - | (124,526) | 4,329,085 | €7.140 |
| June 2005 | 2,473,542 | 5,008,547 | - | - | (192,431) | 4,816,116 | €5.787 |
| **Free share plans** | **3,812,000** | **7,543,500** | **45,221,000** | **(479,814)** | **(2,493,226)** | **50,928,460** | **Final vesting date** |
| June 2014 | - | - | 10,249,000 | - | (176,000) | 10,073,000 | 19/06/2016 |
| June 2014 | - | - | 10,249,000 | - | (176,000) | 10,073,000 | 19/06/2017 |
| June 2014 | - | - | 24,723,000 | - | (576,000) | 24,147,000 | 19/06/2018 |
| December 2013 | 280,000 | 789,600 | - | - | - | 789,600 | 31/12/2015 |
| December 2012 | 2,395,000 | 6,753,900 | - | - | (908,040) | 5,845,860 | 31/12/2014 |
| December 2011 | 84,000 | - | - | (35,448) | (48,552) | - | 31/12/2013 |
| October 2011 | 1,053,000 | - | - | (444,366) | (608,634) | - | 31/12/2013 |

As at 31 December 2014, the options of all of the stock option plan can be exercised.

### 25.3 DESCRIPTION OF THE VALUATION MODELS

The fair value of a granted share corresponds to the market price of the share on the grant date after adjustment for the expected loss of dividends during the vesting period ending on 31 December 2015.

| Grant date in 2014 | 19 June |
|---|---|
| Market price of underlying stock | €0.76 |
| Vesting period | From 2 to 3.5 years |
| Expected dividend rate | - |
| Fair value of one share | €0.76 |

The expense representing the cost of this free share plan, which takes account of an estimated annual departure rate of 15%, is amortised over the vesting period, between 2 and 3.5 years according to the tranche. It is adjusted in line with the probability that the performance conditions will be fulfilled or the departure rate during this period and is fixed permanently on the basis of the number of shares actually distributed at the end of this period.

### 25.4 EXPENSE RELATING TO STOCK OPTION PLANS AND FREE GRANTS OF SHARES

The impact of the stock option plans and free grants of shares on the 2014 income statement amounts to 8.6 million euros compared to 1.5 million euros in 2013. These amounts include the social charges relating to the employer's contribution based on the fair value of the options granted, *i.e.* 30% in 2014 and 2013.

These plans are expected to be equity settled.

## 26. CASH AND CASH EQUIVALENTS, NET FINANCIAL DEBT

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

| | As at 31 December | |
|---|---|---|
| *(in thousands of euros)* | **2014** | **2013** |
| Accrued interest not yet due | 179 | 45 |
| Cash equivalents | 34,349 | 54,940 |
| Cash | 11,826 | 20,584 |
| **Gross cash** | **46,354** | **75,569** |
| Bank overdrafts | (2,776) | (2,490) |
| **Net cash** | **43,578** | **73,079** |
| Bank loan | 813,816 | 1,297,476 |
| Bond loan | 350,000 | 350,000 |
| Revolving credit facility drawn | 20,000 | - |
| Loans issue expenses | (25,753) | (25,417) |
| Lease liability | 841 | 44 |
| Fair value of hedging instruments (see note 6) | 9,943 | 20,192 |
| Price supplements on acquisition of securities | 1,419 | 3,301 |
| Accrued interest not yet due | 5,060 | 6,269 |
| Other financial liabilities | 4,056 | 789 |
| GROSS FINANCIAL DEBT | 1,179,382 | 1,652,654 |
| *of which current* | *39,745* | *136,431* |
| *of which non-current* | *1,139,637* | *1,516,223* |
| **NET DEBT** | **1,135,804** | **1,579,575** |

### CASH AND CASH EQUIVALENTS

As at 31 December 2014, cash equivalents amounted to 34.3 million euros and is primarily comprised of UCITS and non-blocked, remunerated, fixed-deposit accounts.

These are managed and therefore valued on the basis of their fair value.

### BANK OVERDRAFT

The Group has authorised overdrafts totalling 14 million euros granted by a number of its banks.

## BANK LOAN (SYNDICATED CREDIT AGREEMENT)

The syndicated credit agreement was amended in June 2014 and contains the following financial covenants:

- the ratio of consolidated net debt to an aggregate close to the consolidated GOM (the **"Leverage Ratio"**) must be less than or equal to 4.50 from 31 December 2014 until 31 March 2015, 4.25 as at 30 June and 30 September 2015 and 4.00 at the end of each calendar quarter thereafter over the residual term of the agreement (GOM and consolidated net debt as defined in the agreement with the financial institutions);
- the ratio of an aggregate close to the consolidated GOM to the consolidated net interest expense must be greater than or equal to 3.0 at the end of each calendar quarter over the residual term of the agreement (GOM and consolidated net debt as defined in the agreement with the financial institutions);
- starting in 2015 and if the Leverage Ratio is higher than 3.50, a maximum amount of investments of 70 million euros during the following financial year.

As at 31 December 2014, these financial covenants were met and there are no grounds for reclassifying non-current debt as current debt. These ratios were respectively at 3.73 and 3.64.

The Company's syndicated credit agreement also includes compulsory early repayment clauses including in particular:

- a compulsory early repayment clause that applies in the event of a change of control of the Company resulting from the acquisition of the shares of the Company; and
- an early partial repayment clause for each calendar year for a percentage of the cash flows of the consolidated Group less the debt service, with this percentage varying according to the level of the Leverage Ratio (67% if the Ratio is higher than 3.00, 50% if it is between 2.50 and 3.00 and 25% if it is less than 2.50).

The Company's syndicated credit agreement also includes certain commitments (subject to certain exceptions) to apply or not to apply to the Company and/or to its subsidiaries, including the following commitments in particular:

- obligation to maintain certain authorisations;
- restrictions concerning the granting of sureties;
- restrictions concerning the carrying out of mergers, spin-offs or other restructuring;
- commitment to not change the general nature of the activities of the Company and of the Group with regards to their activity on the conclusion date of the syndicated credit agreement;
- restrictions concerning the financial debt that can be incurred by the Company's subsidiaries; and
- the Company is not allowed to engage in distributing dividends, purchasing its shares, amortising and reducing its capital and other cash distributions concerning its capital as long as the Leverage Ratio is higher than 3.00.

The Company's syndicated credit agreement finally includes the usual default clauses (in particular in cases of payment default, non-compliance with financial covenants of the Company's commitments (including the commitments mentioned hereinabove), cross-default and opening proceedings for the prevention of and handling of company difficulties) allowing lenders to accelerate the term of the loans that they have granted to the Company and to cancel their commitments with regards to the Company's syndicated credit agreement.

The bond loan amounting to 350 million euros mentioned hereinabove was issued by the entity PagesJaunes Finance & Co SCA (which is not an entity affiliated with the Company) and its income was used by the latter to finance the making available to the Company of a Tranche C1 with regards to the Company's syndicated credit agreement.

The compulsory early repayment clause of the Company's syndicated credit agreement in the event of a change in control does not apply to the Tranche C1. In the event of a change in the control of the Company, the Company will have to pay PagesJaunes Finance & Co SCA (who is the sole lender with regards to the Tranche C1) an amount with regards to the Tranche C1 such that it will allow PagesJaunes Finance & Co SCA to buy back bonds from bond holders who so desire with regards to the aforementioned bond loan.

Moreover, PagesJaunes Finance & Co SCA and the Company have signed a separate agreement that provides for certain commitments in particular (subject to certain exceptions) to apply or not to apply to the Company and/or to its subsidiaries, including in particular commitments concerning the same subjects as those provided for in the Company's aforementioned syndicated credit agreement and the following commitments:

- restrictions concerning the financial debt that can be incurred by the Company and it's subsidiaries; and
- prohibition to carry out certain payments in particular with regards to distributing dividends, acquisitions and granting loans.

The reference rate is Euribor or Libor plus a margin.

Following the approval on 9 May of the Accelerated Financial Safeguard Procedure plan proposed by the Group and following the carrying out a capital increase, the following conditions for the syndicated credit agreement came into effect on 6 June 2014:

- conversion of the tranche A3 into tranche A6 for 296.0 million euros and into tranche A7 for 602.1 million euros;
- conversion of the tranche A5 into tranche A6 for 104.0 million euros and into tranche A7 for 211.7 million euros;
- repayment of the tranche A6 totalling 400.0 million euros with the funds coming from the capital increase such as described in note 8;
- conditions for the new tranche A7 totalling 813.8 million euros: maturity March 2018 with a faculty to extend it to March 2020 (with the condition of refinancing the bond loan of 350 million euros before March 2018), repayable *in fine* less the partial repayments described hereinabove, margin of 400 bps if the Leverage Ratio is higher than 3.00 (325 bps if the Ratio is between 2.50 and 3.00 and, 250 bps if it is less than 2.50);
- new conditions for the RCF 3 revolving credit line: nominal of 60.0 million euros, depreciable by 4.124% every quarter starting on 15 July 2014, final maturity in March 2018 with a faculty to extend it to March 2020, same margin as the tranche A7.

As at 31 December 2014, bank debt can be broken down as follows:

- Tranche A7: nominal of 813.8 million euros, margin of 325 bps;
- RCF 3 revolving credit line: nominal of 60.0 million euros, utilised for 20.0 million euros.

This operation generated costs amouting 13.4 million euros and the extinguishment of a part of the bank loan. The latter led to a recognition of accelerated amortisation of part of the expenses associated with renegotiation this financing in 2011 and 2012, amounting to 3.8 million euros.

Pursuant to IAS 39, the refinancing of the remainder of the bank loan has not been qualified as an extinguishment of debt. Consequently, the un-amortised expenses were kept on the balance sheet.

## BOND BORROWINGS

Moreover, Solocal Group has, *via* PagesJaunes Finance & Co SCA, a 350 million euros bond loan. This loan has a fixed rate of 8.875% and is repayable on 1 June 2018.

### PRICE SUPPLEMENTS ON ACQUISITION OF SECURITIES

As part of the acquisitions completed in 2014, price supplements may be paid in 2015, 2016 and 2017 if certain operating performance conditions are fulfilled. As at 31 December 2014, these were estimated to be 1.4 million euros.

### OTHER FINANCIAL LIABILITIES

The other financial liabilities primarily comprise a debit current account with PagesJaunes Outre-mer, a wholly owned non-consolidated subsidiary of Solocal Group.

## 27. DEFERRED INCOME

Deferred income mainly comprises income from sales of advertisements invoiced for inclusion in directories yet to be published and online directories spread over a display period which is usually 12 months.

## 28. FINANCIAL INSTRUMENTS

### 28.1 FINANCIAL INSTRUMENTS IN THE BALANCE SHEET

| | | Breakdown according to IAS 39 | | | | | |
|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Carrying amount in balance sheet | Fair value recognised in profit or loss | Derivative instruments (Fair value recognised in equity) | Available-for-sale assets | Loans and receivables (amortised cost) | Financial liabilities (amortised cost) | Others |
| Available-for-sale assets | 340 | - | - | 340 | - | - | - |
| Other non-current financial assets | 4,616 | - | - | - | 4,616 | - | - |
| Net trade accounts receivable | 441,786 | - | - | - | 441,786 | - | - |
| Other current financial assets | 13,187 | 13,187 | - | - | - | - | - |
| Cash equivalents | 34,349 | 34,349 | - | - | - | - | - |
| Cash | 12,005 | 12,005 | - | - | - | - | - |
| **FINANCIAL ASSETS** | **506,283** | **59,541** | **-** | **340** | **446,402** | **-** | **-** |
| Non-current financial liabilities and derivatives | 1,139,637 | 1,060 | - | - | | 1,138,577 | - |
| Bank overdrafts and other short-term borrowings | 37,461 | 1,701 | 8,601 | - | | 27,159 | - |
| Accrued interest | 5,060 | - | - | - | | 5,060 | - |
| Trade accounts payable | 98,923 | - | - | - | | 98,923 | - |
| **FINANCIAL LIABILITIES** | **1,281,081** | **2,761** | **8,601** | **-** | | **1,269,719** | **-** |

Hedging derivatives stated at fair value in equity are detailed in note 16.

As at 31 December 2014, the market value of the bank and bond loans was 972.1 million euros, compared to a carrying value of 1,183.8 million euros:

| *(in thousands of euros)* | Carrying value | Quotes as at 31/12/2014 | Market value |
|---|---|---|---|
| Bank borrowing – facility A7 | 813,803 | 78.6% | 639,853 |
| Senior secured notes PagesJaunes Finance & Co SCA | 350,000 | 94.9% | 332,217 |
| Revolving credit line – RCF3 | 20,000 | - | 20,000 |
| LOANS | 1,183,803 | 83.8% | 992,069 |
| Other debts incl. debt costs | (18,067) | - | (18,067) |
| **NON-CURRENT FINANCIAL LIABILITIES AND DERIVATIVES** | **1,165,736** | **83.6%** | **974,002** |

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

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

The valuation of hedging derivatives corresponds to level 2.

In the 2014 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.

### 28.2 EFFECT OF FINANCIAL INSTRUMENTS ON INCOME

| | | Breakdown according to IAS 39 | | | | | |
|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Impact in profit and loss | Fair value recognised in profit or loss | Derivative instruments | Available-for-sale assets | Loans and receivables (amortised cost) | Financial liabilities (amortised cost) | Others |
| Interest income | 1,580 | 1,580 | - | - | - | - | - |
| Interest expenses | (98,383) | 476 | - | - | - | (98,859) | - |
| **NET GAINS/(NET LOSSES)** | **(96,803)** | **2,056** | **-** | **-** | **-** | **(98,859)** | **-** |
| Accretion cost | (1,321) | | | | | | |
| **NET FINANCIAL INCOME (SEE NOTE 8)** | **(98,124)** | | | | | | |

## 29. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT POLICY OBJECTIVES

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

The two main financial management objectives are as follows:

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

The Group also ensures that the commitments made in its banking and bond documentation are respected, including certain default and prepayment clauses. These clauses are linked, in particular, to compliance with operational and financial covenants such as the minimum level of coverage of the net consolidated interest charge by an aggregate close to the consolidated gross operating margin (GOM) and the maximum leverage, measured by the relationship between the consolidated net debt and an aggregate close to the consolidated GOM.

The Group has set a goal to reduce its financial leverage. As at 31 December 2014, this ratio was 3.73 times GOM (3.73 times as at 31 December 2013), which is lower than the maximum of 4.50 times specified in the bank documentation (3.75 times as at 31 December 2013).

In view of its financial structure, the Group is exposed to interest rate risk, liquidity risk and credit risk.

### 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 70.4% of its short and long term financing is at a variable rate. The Group manages this risk through recourse to derivative instruments, mainly interest rate swaps.

The main features of the Group's banking debt are stated in note 26 (Cash and Cash equivalents, net financial debt) and the features of the instruments used for hedging against interest rate fluctuations can be found in note 16 ("Derivative financial instruments – non-current assets").

| *(in millions of euros)* | As at 31 December 2014 | Less than 1 year | In 1 to 5 years | In more than 5 years |
|---|---|---|---|---|
| **Variable rate** | | | | |
| Bank loan | (813.8) | - | (813.8) | - |
| Revolving credit lines | (20.0) | (20.0) | - | - |
| Cash and cash equivalents, net of bank overdrafts | 43.6 | 43.6 | - | - |
| ASSETS/(LIABILITIES) AT VARIABLE RATE BEFORE HEDGING | (790.2) | 23.6 | (813.8) | - |
| Active hedgings (excl. forwards) | 800.0 | | | |
| ASSETS/(LIABILITIES) AT VARIABLE RATE AFTER HEDGING | 9.8 | | | |
| **Fixed rate** | | | | |
| Bond loan | (350.0) | - | (350.0) | - |
| ASSETS/(LIABILITIES) AT FIXED RATE BEFORE HEDGING | (350.0) | - | (350.0) | - |
| Active hedgings (excl. forwards) | (800.0) | | | |
| ASSETS/(LIABILITIES) AT FIXED RATE AFTER HEDGING | (1,150.0) | | | |
| Other items* | 4.4 | | | |
| **NET CASH (DEBT)** | **(1,135.8)** | | | |

* *Loan issuance expenses, fair value of hedging instruments, accrued interest not yet due, earn-out.*

Solocal Group estimates that an increase of 0.50% in short-term interest rates compared to the three-month Euribor rate at 31 December 2014, *i.e.* 0.082%, should not lead to a decrease in the consolidated annual income.

### Sensitivity analysis of an increase of 100 basis points of Euribor 3 months (before tax)

| | | | Net derivative financial instruments | | |
|---|---|---|---|---|---|
| *(in millions of euros)* | **Cash equivalents** | **Bank loan and overdrafts** | **Cash flow hedge** | **Fair value** | **Total** |
| Carrying amount in balance sheet | 46.2 | (840.7) | - | (9.9) | |
| Sensitivity in profit and loss | 0.2 | (4.2) | 4.0 | - | 0.0 |
| Sensitivity in equity | - | - | - | 1.6 | 1.6 |

## LIQUIDITY RISK

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

Based on the maturity dates of financial liabilities as at 31 December 2014, forecast disbursements for future periods, calculated on the basis of the forward rate curve at 31 December 2014, are as follows:

### Maturity table for financial liabilities – sensitivity to liquidity risk

| | Carrying amount in balance sheet | | 2015 | | 2016 | | 2017 | | 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | **Assets** | **Liabilities** | **Interest** | **Reimb.** | **Interest** | **Reimb.** | **Interest** | **Reimb.** | **Interest** | **Reimb.** |
| FINANCIAL LIABILITIES | | (1,197.1) | (69.2) | (27.2) | (58.5) | (0.6) | (59,4) | (0,4) | (19,1) | (1,163,8) |
| Bank loan A7 | - | (813.8) | (33.0) | - | (27.4) | - | (28,4) | - | (6,1) | (813,8) |
| Bond loan | - | (350.0) | (31.1) | - | (31.1) | - | (31,1) | - | (13,0) | (350,0) |
| Revolving credit line (RCF3) | - | (20.0) | - | (20.0) | - | - | - | - | - | - |
| Bank overdrafts | - | (2.8) | - | (2.8) | - | - | - | - | - | - |
| Accrued interest not yet due | - | (5.1) | (5.1) | - | - | - | - | - | - | - |
| Liability on committed purchase of minority interests | - | (1.4) | - | (0.4) | - | (0.6) | - | (0,4) | - | - |
| Other financial liabilities | - | (4.1) | - | (4.1) | - | | - | - | - | - |
| **Interest rate risk hedging** | | | | | | | | | | |
| Swaps | - | (9.9) | (10.9) | - | - | - | - | - | - | - |
| Forward rate (Euribor 3m) | | | 0.06% | | 0.12% | | 0,24% | | 0,44% | |

## CREDIT RISK

Solocal Group is generally exposed to credit risk essentially in its investments and interest rate hedging instruments. Solocal Group limits credit risk by selecting counterparties having a long-term rating higher than AA- (Standard & Poor's and/or Fitch IBCA) or Aa3 (Moody's). As at 31 December 2014, Solocal Group was exposed to an extent of 34.3 million euros in respect of its investment operations (see note 26 – Cash equivalents), while the market value of its derivative financial instruments was negative (see note 16).

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

## EQUITY RISK

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

## 30. INFORMATION ON RELATED PARTIES

### 30.1 REMUNERATION OF EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS MEMBERS

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

| *(in thousands of euros)* | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Short-term benefits (1) | 4,950 | 5,945 |
| *of which employer charges* | *1,254* | *1,585* |
| Post-employment benefits (2) | 71 | 60 |
| Other long term benefits (3) | 2 | 2 |
| End-of-contract benefits (4) | 664 | 711 |
| Equity benefits (5) | 2,941 | 456 |
| **TOTAL** | **8,628** | **7,173** |

*(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.*

In 2014, the charge in respect of defined-contribution pension plans amounted to 0.4 million euros (0.4 million euros in 2013).

### 30.2 TRANSACTIONS WITH RELATED PARTIES

The Board of Directors of Solocal Group, meeting on 17 May 2009, appointed Jean-Pierre Remy Chief Executive Officer of the company effective 25 May 2009. Since Jean-Pierre Remy does not benefit from an employment contract, the Board of Directors decided to implement severance pay in the event of forced departure from the company in connection with a change in control or strategy or implementation, the sum of which will be equal to his gross annual remuneration (fixed and variable in accordance with the targets met), subject to the performance obligation.

A non-competition obligation will be applied in the event of termination of Jean-Pierre Remy's mandate as Chief Executive Officer for any reason and in any form whatsoever. This competition prohibition shall be limited to a period of 24 months commencing on the day on which his duties actually come to an end, and shall cover 100% of French territory. The relevant compensation will be equal to 12 months of remuneration based on the total gross monthly average of remuneration over the 12 months of activity preceding the date of termination.

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

Christophe Pingard was appointed Deputy Chief Executive Officer by the Board of Directors on 26 October 2011. On this occasion, Solocal Group entered into the following commitments with regards to him.

Since Christophe Pingard does not benefit from an employment contract, the Board of Directors decided to provide severance pay in the event of his forced departure from the Company due to a change in the Company's control or strategy or its implementation (irrespective of the form of departure: dismissal, non-renewal or resignation), subject to fulfilment of the performance condition. The amount of this severance pay shall equal 12 months of remuneration calculated based on the average monthly total gross remuneration paid during the 12 months of activity preceding the date of cessation of duties.

A non-competition obligation will be applied in the event of termination of Christophe Pingard's term of office as Deputy Chief Executive Officer for any reason and in any form whatsoever. This competition prohibition shall be limited to a period of 24 months commencing on the day on which his duties actually come to an end, and shall cover 100% of French territory. The corresponding compensation shall amount, based on a non-competition period of 24 months, to 12 months' remuneration calculated on the basis of the monthly average of his total gross pay for the 12 months prior to the date on which the term of office was terminated. On termination of the term of office, the Company may renounce the benefit of the non-competition agreement (in which case it will not have to pay the corresponding compensation).

The bank and bond loans are indirectly guaranteed by a pledge of the securities of PagesJaunes SA held by Solocal Group.

## 31. CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET COMMITMENTS

Significant off-balance-sheet commitments are as follows:

| **Contractual obligations** *(in thousands of euros)* | 2014 | | | | 2013 |
|---|---|---|---|---|---|
| | | Payments due per period | | | |
| | Total | Less than 1 year | In 1 to 5 years | In more than 5 years | Total |
| OPERATING LEASES | 151,715 | 29,929 | 64,028 | 57,758 | 47,315 |
| Paper, printing, distribution [1] | 2,195 | 2,195 | - | - | 1,489 |
| Other services | 8,654 | 6,842 | 1,812 | - | 17,783 |
| COMMITMENTS FOR PURCHASES OF GOODS AND SERVICES | 10,849 | 9,037 | 1,812 | - | 19,272 |
| **TOTAL** | **162,564** | **38,966** | **65,840** | **57,758** | **66,587** |

*(1) See details in the table below.*

The "Other services" section includes all firm orders placed as at 31 December 2014 for goods and services deliverable from 2015.

### LEASES

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

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

The rental charge recorded in the income statement in respect of operating leases amounted to 18.3 million euros in 2014 (17.4 million euros in 2013).

In May 2014, Solocal Group subscribed to two commercial lease contracts for future completion signed with two separate investors, for premises located in the towers of a real estate complex currently being rehabilitated called Citylights, located in Boulogne-Billancourt.

The lease contracts for future completion were irrevocably signed on 26 May 2014 for a firm period of 10 years, as Solocal Group has renounced its 3-year termination faculty until the end of the firm period of the two lease contracts. The effective date of these two contracts is postponed to the date of completion of the rental premises scheduled to take place on 30 September 2015, plus a period when the premises will be available to Solocal Group free of charge for a maximum of six months. The scheduled date for the two lease contracts to take effect is then set to 1 April 2016, with the expiry date for each of the two lease contracts set to 31 March 2026.

These leased premises have a surface area of 32,600 m², for a total commitment for these two contracts of 115 million euros (excluding expenses and rent indexing).

Two autonomous bank guarantees at first demand for an amount each representing 12 months of rent incl. tax were, moreover, issued for the benefit of the landlords to guard the latter against any presentation failure of Solocal Group on the date the lease takes effect. These guarantees were granted for a period that expires on 31 October 2016 and have given rise to a collateral cash payment of 6 million euros in May 2014.

As at 31 December 2014, the Group's commitment under all leases amounted to 151.7 million euros, of which 29.9 million euros is payable in under one year.

### COMMITMENTS FOR PURCHASES OF GOODS AND SERVICES

#### Production of directories

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

Starting on 1 January 2014, PagesJaunes signed annual contracts with two paper suppliers specifying the rates payable for the supply by the printer of directory paper, with a volume commitment of 17,000 tonnes.

The printer will obtain his supply and his purchases of paper following these conditions.

Only firm orders placed as at 31 December 2014, both with paper suppliers and with printers and distributors, were reported as off-balance-sheet commitments at that date, for a total amount of 2.2 million euros, as detailed in the table below:

| **Contractual obligations** *(in thousands of euros)* | 2014 | | | | 2013 |
|---|---|---|---|---|---|
| | | Payments due per period | | | |
| | Total | Less than 1 year | In 1 to 5 years | In more than 5 years | Total |
| Paper | 1,079 | 1,079 | 0 | 0 | 991 |
| Printing | 359 | 359 | 0 | 0 | 491 |
| Distribution | 757 | 757 | 0 | 0 | - |
| Editorial content | 0 | 0 | 0 | 0 | 7 |
| **TOTAL** | **2,195** | **2,195** | **0** | **0** | **1,489** |

### STATUTORY TRAINING RIGHTS (DIF)

In respect of statutory training rights for employees working for the French companies in the Group under indefinite-term contracts, the volume of hours accumulated but not used totalled 418,459 hours as at 31 December 2014 (427,861 hours as at 31 December 2013). In 2014, 25,539 hours were used by employees (14,080 hours in 2013).

### OTHER COMMITMENTS GIVEN

The bank and bond loans are indirectly guaranteed by a pledge of the securities of PagesJaunes SA held by Solocal Group.

### OTHER COMMITMENTS RECEIVED

Solocal Group has a revolving credit facility of around 60.0 million euros to cover the Group's cash flow requirements (working capital, investments and refinancing) resulting from its operational activities. The drawing on this line amounted to 20.0 million euros as at 31 December 2014.

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

| | 2014 | | | | 2013 |
|---|---|---|---|---|---|
| | Payments due per period | | | | |
| **Contractual obligations** *(in thousands of euros)* | Total | Less than 1 year | In 1 to 5 years | In more than 5 years | Total |
| Operation leases – lessor | 165 | 165 | 0 | 0 | 230 |
| Other services | 3,872 | 2,268 | 1,604 | 0 | 599 |
| **TOTAL** | **4,037** | **2,433** | **1,604** | **0** | **829** |

### SPECIAL PURPOSE VEHICLES

In 2011, Solocal Group issued a bond loan amounting to 350 million euros through PagesJaunes Finance & Co SCA, an entity specifically dedicated to this transaction (see note 26). This entity is fully consolidated.

The Group did not create any deconsolidation structures during the reporting periods.

It has no contractual obligations towards special purpose vehicles.

## 32. DISPUTES AND LITIGATION

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

During the year 2013, PagesJaunes had to be reorganised again in order to guarantee its sustainability faced with a constantly changing and increasingly competitive market environment. A project on changes in the model and the organisation of PagesJaunes was presented for information and consultation to the staff representation bodies concerned in September 2013. After 10 meetings of negotiations with the trade unions conducted in parallel with the procedures of informing and consulting the CHSCT and the Works Council on the other hand, a majority agreement concerning the measures for the social support determining the content of the Job Safeguard Procedure was signed on 20 November 2013.

This plan called for the suppression of 22 jobs entirely compensated by the creation of jobs proposed to the employees concerned in the framework of internal reclassification. The objective is to maintain employment in the company or outside of the company (compensated by the financing of training). There are no direct redundancies and the overall project is a net creator of jobs (48 jobs).

This agreement received validation *via* a ruling of the DIRECCTE on 2 January 2014, confirmed by the *tribunal administratif* of Cergy-Pontoise in a ruling on 22 May 2014 following the private recourse of an employee of PagesJaunes which aimed to cancel the approval of PagesJaunes' PSE (Job Safeguard Procedure) by the Employment Inspectorate. Following the appeal filed by this employee, this decision was however cancelled by the *cour administrative d'appel* of Versailles in a judgement of 22 October, for lack of majority. The existence or the content of the plan was therefore not disputed. The decision of the *Cour*, as is, does not call into question the validity of the procedure followed or the reality of the economic reasons that justified the procedure implemented by PagesJaunes.

As such, this cancellation therefore has no impact on the validity of the redundancy procedure itself. Furthermore, in light of the readily apparent questionable legal motivation of this judgement, PagesJaunes took the case before the *Conseil d'État* as a last resort, in order to obtain the suspension of its effects in light of their extremely negative impact on the company, and this, while waiting for a decision based on the merits by the highest tribunal for this case.

As 311 employees refused the amendment to their employment contract linked to this reorganisation, 280 of them were made redundant. To date, four administrative proceedings are in progress (three proceedings before the *tribunal administratif* of Cergy-Pontoise for cancellation of the decisions for redundancy authorisations and one proceeding for hierarchical recourse before the Ministry of Labour). 29 legal proceedings were initiated before the industrial tribunals by employees (nine proceedings for claims for damages and 20 interim proceedings for provision requests) in regard to the consequences of the setting aside of the decision to validate the collective agreement relating to the job safeguarding plan by the *cour administrative d'appel* of Versailles, which permits them, according to the law, to claim compensation. On 5 February 2015, the employee claims court of Rennes rejected all of these 20 interim requests. The outcome of these individual disputes will only become final once the position of the *Conseil d'État* has been made clear.

In 2010, PagesJaunes was the subject of an inspection by the French social security agency Urssaf in respect of the 2007, 2008 and 2009 financial years. It was notified of an adjustment for an amount of 2.2 million euros; this risk was fully provisioned as at 31 December 2010. PagesJaunes is contesting the adjustment and has referred it to the Urssaf arbitration committee to defend its position. A ruling was handed down on 3 October 2012 in which said commission fully rejected the requests of PagesJaunes. PagesJaunes referred this to the Social Affairs court of Bobigny on 22 October 2012 in order to dispute this decision. At the hearing on 6 March 2014, the Tribunal ruled, *via* a contradictory ruling and in the first instance, on the regularity of the grievance procedure, maintained all of the reassessments and granted PagesJaunes the exemption on late feed for the amount of 0.3 million euros. PagesJaunes filed an appeal by disputing the decision of the Tribunal on certain reassessments. This dossier will be brought before the *Cour d'appel* of Paris at the hearing on 9 February 2017. The amount of the inspection by the French social security agency Urssaf was therefore written back for 0.8 million for abandoned reassessments, resulting in a balance of 1.4 million euros at the end of the 2014 financial period.

At the beginning of 2002, PagesJaunes implemented a commercial development plan, including, notably, the modification of the employment contracts of 930 sales representatives. The purpose of this modification was to adapt these contracts to a new competitive environment. About a hundred employees refused to sign the new contract offered and were made redundant during the second quarter of 2002. Almost all these employees commenced legal proceedings against PagesJaunes to contest the validity of the reason for the redundancies. The *Cour de cassation*, in two judgements handed down on 11 January 2006, approved the commercial development plan. The *Cour de cassation* ruled that economic redundancy following a reorganisation implemented to prevent future economic difficulties associated with technological developments was justified. In a further judgement on 14 February 2007, the *Cour de cassation* upheld the validity of the plan implemented by PagesJaunes.

With regards to cases before administrative courts, the *Conseil d'État*, as court of last resort, issued eight judgements unfavourable to PagesJaunes on 12 January 2011, setting aside rulings issued by the *Cour administrative d'appel* of Paris in 2009 and hence the Minister's authorisation of the redundancies. On 2 July 2012, the employee claims court of Dijon issued five judgements favourable to PagesJaunes concerning the quantum of the indemnifications owed to the employees. These rulings were appealed to the Court of Appeal of Dijon, and the proceedings are currently in progress. Proceedings are also underway with the Court of Appeal of Lyon following an unfavourable first-instance judgement.

Two proceedings are currently in progress respectively with the employee claims court of Boulogne and of Saint-Nazaire with a request for claims concerning the financial consequences of the redundancy authorisations.

The 7.3 million euros provision recognised at the end of 2002 in respect of this risk has been the subject of several writebacks since 2006 in view of the favourable progress of these cases and amounted to 0.8 million euros as at 31 December 2014.

Actions were brought against PagesJaunes by eleven advertising agencies at the *Tribunal de commerce* of Nanterre for abuse of a dominant position (particularly for withdrawing the 5% trade discount granted to advertisers using advertising agencies on the Internet and 118 008 platforms), discriminatory practices and unfair competition. In a judgement on 26 January 2011, the *Tribunal de commerce* of Nanterre declined jurisdiction in favour of the *Tribunal de commerce* of Paris. On 19 September 2014, the *Tribunal de commerce* of Paris informed the parties of their waiver of prosecution and reciprocal action, as such bringing these proceedings to an end.

These same agencies referred the same facts to the French Competition Authority as those brought before the *Tribunal de commerce* of Nanterre (see above) requesting the pronouncement of interim measures based on article L. 464-1 of the Commercial Code. In a ruling of 22 November 2012, the French Competition Authority accepted the commitments proposed by PagesJaunes, which closes this dispute.

In addition, in common with the other companies in the sector, the Company is frequently the subject of court proceedings brought in relation to errors in the publication of directories and other media. Generally the financial risk represented by each of these proceedings is relatively limited. However, an increase in their number may constitute a significant risk for the Company. As at 31 December 2014, there were eleven, representing total claims for damages of a little under 0.5 million euros. In these proceedings, PagesJaunes endeavours to negotiate out-of-court compensation, which significantly reduces the final total cost of these proceedings. However, no guarantee can be given that these proceedings will not have an adverse impact on the Group's financial position.

To the Company's knowledge, there is no other government, judicial or arbitration procedure, whether pending or threatened, that is liable to have, or having had in the last twelve months, a significant impact on the financial position or profitability of the Company and/or the Group.

## 33. AUDITORS' FEES

| | Deloitte & Associates | | | | Ernst & Young | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount | | In % of fees | | Amount | | In % of fees | |
| *(amounts in thousands of euros)* | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Audit** | | | | | | | | |
| Audit, statutory audit, certification and inspection of individual and consolidated accounts | 407 | 360 | 76% | 94% | 500 | 419 | 72% | 88% |
| ■ including Solocal Group | 133 | 130 | 25% | 34% | 133 | 130 | 19% | 27% |
| ■ including fully consolidated subsidiaries | 273 | 230 | 51% | 60% | 366 | 288 | 53% | 60% |
| Other procedures and services in relation to the mission of the Company Auditors | 129 | 24 | 24% | 6% | 191 | 60 | 28% | 12% |
| ■ including Solocal Group | 129 | 24 | 24% | 6% | 153 | 2 | 22% | 0% |
| ■ including fully consolidated subsidiaries | - | - | 0% | 0% | 38 | 58 | 6% | 12% |
| SUBTOTAL | 535 | 383 | 100% | 100% | 691 | 478 | 100% | 100% |
| **Other services provided by the networks to fully consolidated subsidiaries** | | | | | | | | |
| Legal, tax and social security -related | - | - | | | - | - | | |
| Others | - | - | | | - | - | | |
| SUBTOTAL | - | - | | | - | - | | |
| **TOTAL** | **535** | **383** | **100%** | **100%** | **691** | **478** | **100%** | **100%** |

## 34. SCOPE OF CONSOLIDATION

| | | As at 31 December 2014 | | As at 31 December 2013 | |
|---|---|---|---|---|---|
| **Entities** | **Country** | **Interest** | **Control** | **Interest** | **Control** |
| **Fully consolidated companies** | | | | | |
| Solocal Group (consolidating entity) | France | 100% | 100% | 100% | 100% |
| PagesJaunes | France | 100% | 100% | 100% | 100% |
| QDQ Media | Spain | 100% | 100% | 100% | 100% |
| Optimizaclick | Spain | 100% | 100% | 100% | 100% |
| Trazada | Spain | 100% | 100% | 100% | 100% |
| Euro Directory | Luxembourg | 100% | 100% | 100% | 100% |
| PJMS | France | 100% | 100% | 100% | 100% |
| Mappy | France | 100% | 100% | 100% | 100% |
| Retail Explorer (1) | France | 100% | 100% | - | - |
| Leadformance (2) | France | 100% | 100% | - | - |
| Net Vendeur (3) | France | 100% | 100% | - | - |
| Digital To Store (4) | United Kingdom | 100% | 100% | - | - |
| Horyzon Media | France | 100% | 100% | 100% | 100% |
| Horyzon Worldwide | Spain | 100% | 100% | 100% | 100% |
| Yelster Digital | Austria | 100% | 100% | 100% | 100% |
| Sotravo | France | 100% | 100% | 100% | 100% |
| ClicRDV | France | 100% | 100% | 100% | 100% |
| Fine Media | France | 100% | 100% | 100% | 100% |
| Chronoresto (CD&Co) | France | 100% | 100% | 100% | 100% |
| Orbit Interactive | Morocco | 100% | 100% | 100% | 100% |
| PagesJaunes Finance & Co | Luxembourg | 100% | 100% | 100% | 100% |
| **Companies consolidated by the equity method** | | | | | |
| Leadformance (2) | France | - | - | 49% | 49% |
| Editus | Luxembourg | 10% | 10% | 10% | 10% |

*(1) Acquired on 5 March 2014.*
*(2) Additional acquisition of 51% on 20 May 2014.*
*(3) Consolidation on 1 June 2014 (ex-Cristallerie2, not consolidated in 2013).*
*(4) Creation 2014.*

## 35. EVENTS SUBSEQUENT TO THE CLOSING DATE

None.

# 20.2 Annual Financial Statements at 31 December 2014

## Balance sheet

| *(in thousands of euros)* | Notes | Balance sheet at 31 December Gross | Deprec./Amort. and provisions | 2014 Net | 2013 Net | Change |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Intangible assets | 3.1 | 596 | (367) | 229 | 7 | 222 |
| Tangible fixed assets | 3.1 | 23 | (0) | 22 | 19 | 3 |
| Investments in associates & other non-current securities | 3.2 | 4,206,117 | (324,082) | 3,882,035 | 3,911,745 | (29,710) |
| Receivables on associates | 3.2 | 16,608 | (10,500) | 6,108 | 3,544 | 2,564 |
| Other long-term investments | | 11,156 | (482) | 10,674 | 6,288 | 4,386 |
| TOTAL FIXED ASSETS | | 4,234,499 | (335,431) | 3,899,068 | 3,921,602 | (22,534) |
| Advances and instalments | | 54 | | 54 | 68 | (14) |
| Trade debtors | 3.3 | 29 | | 29 | 49 | (20) |
| Tax and social security receivables | | 19,027 | | 19,027 | 915 | 18,112 |
| Receivables on subsidiaries (tax consolidation) | 3.10 | 33 | | 33 | 9,252 | (9,219) |
| Subsidiary current accounts | 3.4 | 45,990 | (10,556) | 35,434 | 21,132 | 14,302 |
| Other receivables | | 2,976 | | 2,976 | - | 2,976 |
| Marketable securities and treasury shares | 3.4 | 38,786 | (3,683) | 35,103 | 58,841 | (23,738) |
| Cash and cash equivalents | 3.4 | 8,188 | | 8,188 | 16,601 | (8,413) |
| Prepaid expenses | | 169 | | 169 | 164 | 5 |
| TOTAL CURRENT ASSETS | | 115,252 | (14,239) | 101,013 | 107,022 | (6,009) |
| TOTAL ASSETS | | 4,349,752 | (349,670) | 4,000,081 | 4,028,624 | (28,543) |
| **SHAREHOLDERS EQUITY AND LIABILITIES** | | | | | | |
| Share capital | | | | 232,345 | 56,197 | 176,148 |
| Share premium | | | | 347,174 | 82,951 | 264,223 |
| Legal reserve | | | | 5,620 | 5,620 | 0 |
| Other reserves | | | | 18,284 | 18,284 | - |
| Retained earnings | | | | 1,365,217 | 1,416,655 | (51,438) |
| Net income (loss) for the year | | | | (132,193) | (51,438) | (80,755) |
| Regulated provisions | | | | 1,059 | 786 | 274 |
| SHAREHOLDERS' EQUITY | 3.5 | | | 1,837,507 | 1,529,055 | 308,452 |
| Provisions for risks and contingencies | | | | 1,308 | 1,065 | 243 |
| PROVISION FOR RISKS AND CONTINGENCIES | 3.7 | | | 1,308 | 1,065 | 243 |
| **Debt** | **3.8** | | | **2,141,256** | **2,479,711** | **(338,456)** |
| Loans and borrowings from credit institutions | | | | 835,458 | 1,300,235 | (464,777) |
| Other loans and borrowings | | | | 936,220 | 933,306 | 2,914 |
| Subsidiary current accounts | | | | 369,578 | 246,017 | 123,561 |
| Short-term bank facilities | | | | 0 | 153 | (153) |
| **Accounts payable** | | | | **10,869** | **14,359** | **(3,489)** |
| Trade creditors and related accounts | | | | 5,210 | 4,924 | 286 |
| Tax and social security payables | 3.9 | | | 5,659 | 9,434 | (3,775) |
| **Other payables** | | | | **9,107** | **4,430** | **4,678** |
| Subsidiary debt (tax consolidation) | 3.10 | | | 7,681 | 1,179 | 6,502 |
| Other liabilities | | | | 1,426 | 3,251 | (1,825) |
| Deferred income | | | | 0 | 0 | - |
| TOTAL DEBT | | | | 2,161,232 | 2,498,499 | (337,267) |
| Unrealised foreign exchange gain | | | | 34 | 4 | 30 |
| TOTAL EQUITY AND LIABILITIES | | | | 4,000,081 | 4,028,624 | (28,543) |

## Income statement

| | | Income statement at 31 December | | |
|---|---|---|---|---|
| *(in thousands of euros)* | **Notes** | **2014** | **2013** | **Change** |
| Services revenues | 3.11 | 8,732 | 9,439 | (707) |
| Related income | 3.11 | 336 | 252 | 84 |
| Reversals of provisions and transfers of expenses | | 3 | 436 | (432) |
| Other income | | 0 | 219 | (219) |
| OPERATING INCOME | | 9,071 | 10,345 | (1,274) |
| Purchases and services | | 443 | 561 | (117) |
| Purchases of materials and not stored supplies | | 46 | 21 | 25 |
| Outside services | | 1,441 | 1,164 | 278 |
| Other outside services | | 36,112 | 8,561 | 27,551 |
| Income and other taxes | | 481 | 718 | (237) |
| Salaries | | 7,536 | 8,720 | (1,185) |
| Social security charges | | 5,791 | 4,216 | 1,574 |
| Other expenses | | 371 | 400 | (29) |
| Amortisation, depreciation & provisions on current assets | | 30 | 50 | (19) |
| Provisions for risks and contingencies | | 211 | 133 | 77 |
| OPERATING EXPENSES | | 52,462 | 24,544 | 27,918 |
| **OPERATING INCOME** | | **(43,391)** | **(14,199)** | **(29,192)** |
| Income from associates – dividends | | - | 225,836 | (225,836) |
| Financial income from marketable securities and receivables on fixed assets | | 2,007 | 1,971 | 36 |
| Other financial income | | - | - | - |
| Reversals of provisions | | 3,703 | 13,299 | (9,596) |
| Foreign exchange gains | | - | - | - |
| FINANCIAL INCOME | | 5,710 | 241,107 | (235,397) |
| Interest and related expenses | | 82,565 | 99,065 | (16,500) |
| Other financial expenses | | 18,267 | 33,825 | (15,558) |
| Provisions | | 49,520 | 199,947 | (150,427) |
| Foreign exchange losses | | 2 | 0 | 2 |
| FINANCIAL EXPENSES | | 150,353 | 332,837 | (182,484) |
| **NET FINANCIAL INCOME (LOSS)** | **3.12** | **(144,643)** | **(91,730)** | **(52,913)** |
| **INCOME FROM ORDINARY OPERATIONS** | | **(188,035)** | **(105,929)** | **(82,106)** |
| Extraordinary income on management transactions | | - | - | - |
| Extraordinary income on capital transactions | | 45 | 1,000 | (955) |
| Reversal of provisions and transfers of expenses | | 7 | 132 | (125) |
| EXTRAORDINARY INCOME | | 52 | 1,132 | (1,080) |
| Extraordinary expenses on operating transactions | | 7 | 0 | 7 |
| Extraordinary expenses on capital transactions | | 76 | 4,207 | (4,131) |
| Amortisation, depreciation and provisions | | 280 | 273 | 8 |
| EXTRAORDINARY EXPENSES | | 364 | 4,480 | (4,116) |
| **NET EXTRAORDINARY INCOME** | **3.13** | **(312)** | **(3,348)** | **3,036** |
| Employee profit-sharing | | - | - | - |
| Income tax | 3.10 | (56,153) | (57,839) | 1,686 |
| **NET INCOME (LOSS)** | | **(132,193)** | **(51,438)** | **(80,755)** |

## Appendix



## 1. BUSINESS ACTIVITIES

Solocal Group is a holding company whose subsidiaries provide local information, primarily in France, *via* online and printed directories and online content that helps the users of its websites find products and services and make purchasing decisions. Solocal Group's subsidiaries are engaged in three complementary business activities: providing content and services, media, and advertising. Solocal Group offers a diversified range of products and services for businesses and consumers.

The accounting information provided below covers the period from 1 January 2014 to 31 December 2014.

## 2. ACCOUNTING RULES AND METHODS

Solocal Group's annual financial statements were prepared in accordance with legal requirements and generally accepted accounting practices in France and with ANC regulation No. 2014-03 on the revision of the French general chart of accounts.

Accounting conventions observe the principle of conservatism and assume continuity of operations, permanence of the accounting methods between years and the accruals principle, in accordance with the general rules for preparing and presenting annual financial statements.

Solocal Group's annual financial statements were prepared in accordance with legal requirements and generally accepted accounting practices in France and with the CRC regulation of 29 April 1999 on the revision of the French General Chart of Accounts.

The main methods employed are described below.

All figures are in thousands of euros (k€).

### 2.1 INCOME AND EXPENSE RECOGNITION

Income and expenses are recognised in compliance with the French General Chart of Accounts.

### 2.2 TANGIBLE AND INTANGIBLE FIXED ASSETS

Intangible fixed assets include software, which is amortised on a prorated basis over three years.

Tangible fixed assets consist of office equipment and furniture as well as construction work in progress.

### 2.3 INVESTMENTS IN ASSOCIATES AND OTHER NON-CURRENT SECURITIES

Equity interests in associates are recorded at their historical acquisition cost, which includes any costs directly related to the acquisition.

Impairment is recognised if the historical cost of these securities is greater than their value in use, as determined by Solocal Group's management on the basis of various criteria, such as market value, the outlook for growth and profitability, shareholders' equity and each equity interest's specific characteristics.

The value in use is determined by discounting expected cash flows adjusted to account for net debt. Cash flows are determined using the following method:

- the cash flows used are those projected in business plans that cover a sufficiently long period, which is usually five years;
- beyond this period, cash flows are extrapolated using a perpetual growth rate that reflects the forecast long-term growth rate of the market for each specific business activity;
- cash flows are discounted at rates that are deemed appropriate given the nature of the business activity and the country.

### 2.4 TRADE DEBTORS

The impairments recorded on trade receivables depend on the assessed risk of non-collection. Impairment may be based on an individual or a statistical assessment of non-collection risk.

### 2.5 CASH AND CASH EQUIVALENTS, MARKETABLE SECURITIES AND TREASURY SHARES

Cash and cash equivalents at 31 December 2014 consisted of immediately available cash assets and short-term investments with a maturity of no more than three months when acquired. Any provisions on treasury shares are based on their average price during the last month of the year.

### 2.6 PROVISIONS FOR RISKS AND CONTINGENCIES

French law requires a payment to employees upon retirement that is proportional to their length of service and final salary. The actuarial gains and losses on post-employment benefits are determined using the corridor method, which spreads gains and losses that exceed 10% of the greater of the value of the commitment/obligation or the value of hedging assets over the remaining service lives of plan participants.

The method used to calculate this provision is based on an actuarial assessment and includes the following parameters:

- the "mortality tables by generation of men" (TGH 05) for men, and the "mortality tables by generation of women" (TGF 05) for women;
- employee turnover rates, which vary with length of service, age and socio-professional category;
- the selected retirement age used, which is 64 for managers and 62 for office staff, technicians and supervisors;
- salary increase tables, which vary with age and socio-professional category;
- the discount rate, which is 1.50% for the 2014 expense;
- the probable average remaining length of service, which was 15.80 years at 31 December 2014.

The other provisions for the risks to which Solocal Group is exposed are based on the best possible estimates.

### 2.7 NET FINANCIAL INCOME

The net financial income or loss is mainly determined by:

- the interest expense on debt;
- the interest paid on debtor and creditor current accounts with Group subsidiaries;
- gains and losses on treasury shares held under the liquidity contract;
- income and expenses associated with short-term investments, including those held under the liquidity contract;
- allocations to and reversal of impairment on securities and receivables.

### 2.8 CORPORATE INCOME TAX

Under the tax consolidation agreement between Solocal Group and its subsidiaries within the tax consolidation group, Solocal Group, as the head of the tax group, recognises any consolidated tax gain as income for the year.

At 31 December 2014, the tax group included eleven companies, including Solocal Group, the head of the tax group.

## 3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND INCOME STATEMENT

### 3.1 TANGIBLE AND INTANGIBLE FIXED ASSETS

| Gross | 31 December 2013 | Purchases | Decrease | 31 December 2014 |
|---|---|---|---|---|
| Software | 343 | 81 | - | 424 |
| Office hardware and equipment | 19 | 3 | - | 23 |
| Assets in progress | - | 171 | - | 171 |
| **TOTAL GROSS** | **363** | **256** | **-** | **618** |

| Depreciation | 31 December 2013 | Depreciation expense | Reversals | 31 December 2014 |
|---|---|---|---|---|
| Software | 337 | 30 | - | 367 |
| Office hardware and equipment | - | 0 | - | 0 |
| **TOTAL DEPRECIATION** | **337** | **30** | **-** | **367** |

## 3.2 INVESTMENTS IN ASSOCIATES AND RELATED RECEIVABLES

The table below shows the change in investments in associates and related receivables:

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2014 | | | | 2013 |
| *(in thousands of euros)* | % interest | Gross value | Provision | Net book value | Net book value |
| **Associates (equity interests)** | | | | | |
| PagesJaunes | 100% | 4,005,038 | (181,500) | 3,823,538 | 3,848,538 |
| QDQ Media | 100% | 91,719 | (91,719) | - | - |
| Mappy | 100% | 18,048 | (14,000) | 4,048 | 9,848 |
| PJMS | 100% | 7,275 | - | 7,275 | 7,275 |
| Euro Directory | 100% | 13,251 | (9,600) | 3,651 | 3,651 |
| Horyzon Media | 100% | 12,379 | (4,500) | 7,879 | 12,379 |
| Yelster digital | 100% | 14,997 | (14,100) | 897 | 1,897 |
| Sotravo | 100% | 8,578 | (8,578) | - | - |
| PagesJaunes Outre-Mer | 100% | 76 | - | 76 | 76 |
| NetVendeur | 100% | 200 | - | 200 | 38 |
| Cristallerie 3 | 100% | - | - | - | 38 |
| Cristallerie 4 | 100% | - | - | - | 38 |
| Fine Média | 100% | 12,240 | - | 12,240 | 12,240 |
| ClicRDV | 100% | 6,485 | - | 6,485 | 4,885 |
| Digital To Store | 100% | 188 | - | 188 | - |
| Leadformance | 100% | 9,801 | - | 9,801 | 5,052 |
| Orbit Interactive | 100% | 76 | - | 76 | 27 |
| Chronoresto (CD & Co) | 100% | 5,287 | - | 5,287 | 5,287 |
| TOTAL | | 4,205,639 | (323,997) | 3,881,642 | 3,911,270 |
| **Other long-term investments** | | | | | |
| Idenum | 5% | 75 | - | 75 | 75 |
| Relaxnews | 3.5% | 403 | (85) | 318 | 400 |
| TOTAL | | 478 | (85) | 393 | 475 |
| **INVESTMENTS IN ASSOCIATES AND OTHER LONG-TERM INVESTMENTS** | | **4,206,117** | **(324,082)** | **3,882,035** | **3,911,745** |
| **Receivables on associates** | | | | | |
| QDQ Media (equity loan) | | 10,500 | (10,500) | - | - |
| QDQ accrued interest not due | | 209 | - | 209 | 39 |
| Mappy | | 3,500 | - | 3,500 | 3,500 |
| Mappy accrued interest not due | | 4 | - | 4 | 4 |
| Leadformance | | 2,383 | - | 2,383 | |
| Leadformance accrued interest not due | | 13 | - | 13 | |
| **TOTAL** | | **16,608** | **(10,500)** | **6,108** | **3,544** |

During the year:

- On 20 May 2014, Solocal Group increased its stake in Leadformance, the leader in sales outlet location on the Internet, from 49% to 100%.
- The Group recapitalised its subsidiary ClicRDV by converting 1.6 million euros in its capital account into share capital.
- An additional bonus payment estimated at 0.7 million euros may be paid in 2015 if certain operational performance targets are achieved. These targets are an integral part of the acquisition prices and have been recognised as payables.
- In 2014, a number of impairments on securities were recognised, on the basis of the annual impairment tests.
- In 2014, an additional impairment charge of 1.0 million euros was recognised on Yelster Digital shares, bringing the total impairment to 14.1 million euros. This impairment is mainly attributable to a change in a search engine optimisation algorithm that caused Yelster Digital's traffic to drop sharply and its revenues and profit margins to decline. This drop in traffic began in 2012, accelerated in 2013 and required the dismissal of 123 people.
- An additional impairment of 25 million euros was recognised on PagesJaunes' shares in 2014, bringing the total provision to 181.5 million euros. It was made in response to the continued slowdown in the printed directory business, which was only partially offset by the growth in Internet business, against a background of a weakening French advertising market and a more competitive environment. This last factor led Management to accelerate and strengthen its investment in the Group's digital transformation *via* the Digital 2015 programme, particularly in the areas of sales and technology.
- Mappy, Horyzon Media and Relaxnews Sotravo securities were also impaired by 5.8 million, 4.5 million and 0.08 million euros respectively.

## 3.3 TRADE DEBTORS, IMPAIRMENT OF RECEIVABLES AND OTHER RECEIVABLES

| | Year ended 31 December | |
|---|---|---|
| *(in thousands of euros)* | **2014** | **2013** |
| Gross Trade debtors | 29 | 49 |
| Impairment | - | - |
| **NET TRADE DEBTORS** | **29** | **49** |

The above receivables include the services that Solocal Group invoices to its subsidiaries.

All trade debtors and other receivables are less than one year.

### 3.4 CASH AND CASH EQUIVALENTS, MARKETABLE SECURITIES, CURRENT ACCOUNTS AND DEBT

| | Year ended 31 December | |
|---|---|---|
| *(in thousands of euros)* | **2014** | **2013** |
| **Net current account assets** | **35,434** | **21,132** |
| *including interest accrued not due* | *1* | *5* |
| Treasury shares | 4,973 | 8,185 |
| Treasury shares – provision | (3,683) | (3,703) |
| Other marketable securities | 33,813 | 54,360 |
| Cash and cash equivalents | 8,188 | 16,601 |
| **CASH AND CASH EQUIVALENTS, MARKETABLE SECURITIES AND CURRENT ACCOUNTS** | **78,725** | **96,574** |
| Loans and borrowings from credit institutions | 813,803 | 1,297,378 |
| Drawn revolving credit facilities (RCF) | 20,000 | - |
| Accrued interest not due | 1,655 | 2,857 |
| LOANS AND BORROWINGS FROM CREDIT INSTITUTIONS | 835,458 | 1,300,235 |
| Loans and borrowings from Solocal Group companies | 580,000 | 580,000 |
| Accrued interest not due | 650 | 712 |
| PagesJaunes Finance&Co SCA loan | 350,000 | 350,000 |
| Interest accrued on PagesJaunes Finance&Co SCA loan | 2,594 | 2,594 |
| Liability on assigned CICE tax credit receivable | 2,976 | - |
| TOTAL LOANS AND BORROWINGS | 936,220 | 933,306 |
| Current account liabilities | 369,578 | 246,017 |
| *including interest accrued not due* | *-* | *141* |
| Other debt – bank overdrafts | - | 153 |
| **GROSS DEBT** | **2,141,256** | **2,479,711** |
| *Short-term (≤ 1 year)* | *977,452* | *958,399* |
| *Long-term (> 1 year)* | *1,163,803* | *1,521,313* |
| **NET CASH (DEBT)** | **(2,062,530)** | **(2,383,137)** |

#### Marketable securities

At 31 December 2014, marketable securities totalled 33.8 million euros and consisted mainly of shares in mutual funds.

#### Loans and borrowings from credit institutions

The syndicated credit facility agreement (a bank loan) was amended in June 2014 and now includes the following financial covenants:

- the "Leverage Ratio" which is consolidated net debt over an aggregate that is approximately the consolidated GOM, must not exceed 4.50 from 31 December 2014 until 31 March 2015, 4.25 from 30 June 2015 to 30 September 2015 and 4.00 on the last day of each calendar quarter over the remaining term of the agreement (GOM and consolidated net debt are defined in the agreement with the financial institutions);
- the ratio of an aggregate that is approximately the consolidated GOM over the net consolidated interest expense must be at least 3.00 on the last day of each calendar quarter over the remaining term of the facility (GOM and consolidated net debt are defined in the agreement with the financial institutions);
- as of 2015, and if the Leverage Ratio exceeds 3.50, investments will be capped at 70 million euros the following year.

At 31 December 2014, these financial covenants were observed and no non-current debt needs to be reclassified as current debt. The aforementioned ratios were 3.73 and 3.64 respectively.

The Company's syndicated credit agreement also includes the following acceleration clauses:

- compulsory early repayment if the acquisition of the Company's shares results in a change of control;
- partial early repayment each calendar year, of a percentage of the Group's consolidated cash flow minus the cost of debt service, this percentage depending on the Leverage Ratio (67% if it exceeds 3.00, 50% if between 2.50 and 3.00 and 25% if less than 2.50).

The reference interest rate is Euribor or Libor plus a margin.

After the approval on 9 May 2014 of the SFA scheme of arrangement procedure proposed by the Group and subsequent to the capital increase, the following terms of the syndicated credit agreement came into effect on 6 June 2014:

- conversion of 296.0 million euros and of 602.1 million euros of the A3 tranche respectively into the A6 and A7 tranches;
- conversion of 104.0 million euros and of 211.7 million euros of the A5 tranche respectively into the A6 and A7 tranches;
- repayment of the A6 tranche with the funds obtained from the capital increase, as described in note 3.5;
- the new A7 tranche totals 813.8 million euros and matures in March 2018 with an option to extend until March 2020 (provided that the 350 million euros bond is refinanced before March 2018) and is to be repaid in whole upon maturity less the partial

repayments described above, with a interest rate margin of 400 bps if the Leverage Ratio is greater than 3.00 (325 bps if between 2.50 and 3.00, and 250 bps if less than 2.50);

- new terms for the RCF 3 revolving credit facility: 60.0 million euros nominal value, 4.124% of which is to be repaid each quarter as of 15 July 2014 and maturing in March 2018, with an option to extend until March 2020 and bearing the same interest rate margin as the A7 tranche.

At 31 December 2014, bank debt consisted of

- the A7 Tranche: 813.8 million euros nominal amount, at a 400 bps interest rate margin and maturing in March 2018;
- RCF 3 revolving credit facility: 20.0 million euros nominal amount, at a 360 bps margin.

This financing generated expenses of 13.4 million euros (o/w 12.3 million euros in 2014) and extinguished some of the bank debt.

### Loans and borrowings

Solocal Group has issued a 350 million euros bond to PagesJaunes Finance & Co SCA that bears interest at a fixed rate of 8.895% and is redeemable on 1 June 2018.

Solocal Group has also received two loans from its subsidiary PagesJaunes, one for 430 million euros and one for 150 million euros, for a total of 580 million euros. The two loans were renewed in 2014 for renewable periods of one year, with the 150 million euros loan maturing on 13 February 2015 and the 430 million euros loan maturing on 18 December 2015.

They bear interest at the 3-month Euribor rate plus a margin.

In 2014, Solocal Group used its CICE tax credit to obtain a 3.0 million bank loan. The cash received increased debt by a corresponding amount. The claim on the government was reclassified as a claim on the bank.

### Current accounts

Current accounts with subsidiaries are subject to a cash-management agreement with each subsidiary. They bear interest at the EONIA rate plus or minus a margin, depending on whether the account has a debit or credit balance.

Subsidiary QDQ Media's current account was written off.

An impairment charge of 7.6 million euros was recorded on subsidiary Sotravo's current account.

All net current account receivables (35.4 million euros) are due in less than one year.

## 3.5 SHARE CAPITAL AND CHANGES IN SHAREHOLDERS' EQUITY

### Share capital

Solocal Group's share capital was 232,345,434 euros at 31 December 2013 and consisted of 1,161,727,170 shares with a par value of 0.20 euro.

| Date | Type | Number of shares | Unit value | Capital *(in thousands of euros)* |
|---|---|---|---|---|
| 31 December 2013 | Share capital at year end | 280,984,754 | 0.2 | 56,197 |
| 31 December 2014 | Share capital at year end | 1,161,727,170 | 0.2 | 232,345,434 |

### Capital increase

The Extraordinary General Shareholders meeting of 29 April 2014 approved the following two capital increases:

- a 361.6 million euros capital increase with maintenance of the pre-emptive subscription rights ("PSR") of shareholders, resulting in the creation of 723,242,416 new shares;
- a 78.8 million euros capital increase with cancellation of the PSR for the benefit of four institutional investors (Paulson & Co. Inc., Credit Suisse, Praxient and Amber Capital), who had made a commitment to maintain PSR for part of the capital increase, which resulted in the creation of 157,500,000 new shares.

These two capital increases raised a total gross amount of 440.4 million euros and resulted in the issuance of 880,742,416 new shares.

The capital increases with and without PSR were made at a share subscription price of 0.50 euro.

The new shares were settled, delivered and admitted for trading on Euronext Paris on 6 June 2014.

Solocal Group's share capital now consists of 1,161,727,170 shares with a par value of 0.20 euro each, which represents a total amount of 232,345,434 euros (including treasury shares).

The purpose of the capital increases was to enable the early repayment of 400 million euros of nominal bank debt (see note 3.4), thus making it possible for the Company to accelerate its "Digital 2015" transformation programme and develop its Internet business activities.

These capital increases generated 19.7 million euros in operating expenses, of which 17.7 million euros in 2014 and 1.9 million euros in 2013.

The capital increases were presented to investors in a prospectus that was approved by the French financial markets authority (the AMF) on 13 May 2014 (approval No. 14-195). The prospectus consists of the Solocal Group Reference document, which was registered with the AMF on 15 April 2014 under No. D.14-0366, a securities transaction notice and a short-form prospectus, included in the securities transaction notice.

### Change in shareholders' equity

The table below breaks down the increase in Solocal Group's shareholders' equity in 2014:

| *(in thousands of euros)* | Number of shares | Share capital | Share premium | Legal reserve | Other reserves | Retained earnings | Annual income | Regulated provisions | Shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| AT 31 DECEMBER 2013 | 280,984,754 | 56,197 | 82,951 | 5,620 | 18,284 | 1,416,655 | (51,438) | 786 | 1,529,055 |
| Capital increase | 880,742,416 | 176,148 | 264,223 | | | | | | 440,371 |
| Appropriation of 2013 earnings | - | - | - | - | - | (51,438) | 51,438 | - | - |
| 2014 net income | - | - | - | - | - | - | (132,193) | - | (132,193) |
| 2014 regulated provisions | - | - | - | - | - | - | - | 274 | 274 |
| **AT 31 DECEMBER 2014** | **1,161,727,170** | **232,345** | **347,174** | **5,620** | **18,284** | **1,365,217** | **(132,193)** | **1,059** | **1,837,507** |

## 3.6 STOCK OPTIONS AND FREELY ALLOTTED SHARES

### Stock options

Solocal Group granted no stock option plan in 2014 or 2013.

### Free share allotment

The Board of Directors was authorised by the Extraordinary General Shareholders' Meeting of 7 June 2011 to implement a free share allotment plan pursuant to Articles L. 225-197-1 to L. 225-197-5 of the French Commercial Code, for the benefit of certain Group senior executives and employees as incentive to further the Company's development. This authorisation was granted for a period of 38 months and the total number of free shares allotted must not exceed 1.5% of the Company's capital at the date of this Shareholders' Meeting, *i.e.* 4,214,771 shares.

The Board of Directors set forth the terms of the first free share allotment plan on 26 October 2011, which resulted in an initial allotment of 1,226,000 shares. A second free share allotment plan was set up on 16 December 2011 and resulted in the allotment of an additional 84,000 shares. The cancellation of some shares due to the failure to achieve performance targets resulted in a permanent allotment of 479,814 shares under both plans at 31 March 2014.

On 11 December 2012, the Board of Directors set forth the terms of a third free share allotment plan involving 2,624,000 shares. Beneficiaries will be fully entitled to these shares at the end of the vesting period on 31 December 2014, provided that they are still a senior executive or employee of the Group and that performance targets are achieved.

On 11 December 2013, the Board of Directors set forth the terms of a fourth free share allotment plan involving 280,000 shares. Beneficiaries will be fully entitled to these shares at the end of the vesting period on 31 December 2015, provided that they are still a senior executive or employee of the Group and that performance targets are achieved.

The Extraordinary General Shareholders' Meeting of 29 April 2014 authorised the Board of Directors to set up a free share allotment plan (involving either existing shares or shares to be issued), pursuant to Articles L. 225-197-1 and subsequent of the French Commercial Code, to certain Group senior executives and employees as incentive to further the Company's development. This authorisation was granted for a period of 38 months. The number of free shares thus allotted cannot exceed 5% of the Company's capital after the settlement and delivery of the share issues approved at this Shareholders' Meeting.

On 19 June 2014, the Board of Directors set forth the terms for a free share allotment plan involving 45,221,000 shares. Beneficiaries will be fully entitled to these shares upon completion of vesting periods ending on 19 June 2016, 19 June 2017 and 19 June 2018, provided that they are still a senior executive or employee of the Group and that performance targets are achieved.

The allotment date used to determine the corresponding expense is the date of the Board meeting at which the options were approved, the time allowed to inform the beneficiaries having been considered to be reasonable.

**Change in stock option and free share allotment plans in 2014**

| | Balance at 31 December 2013 | New volume conversion (after share issue of 6 June 2014) | Granted | Exercised | Cancelled or lapsed | Balance at 31 December 2014 | Exercise price (adjusted) |
|---|---|---|---|---|---|---|---|
| **Stock option plans** | **6,524,626** | **13,211,443** | **-** | **-** | **(584,257)** | **12,627,186** | |
| July 2010 | 890,500 | 1,803,262 | - | - | (89,100) | 1,714,162 | €4,240 |
| December 2010 | 149,000 | 301,725 | - | - | (129,600) | 172,125 | €3,503 |
| July 2009 | 720,000 | 1,457,999 | - | - | (48,600) | 1,409,399 | €3,313 |
| October 2009 | 17,000 | 34,425 | - | - | - | 34,425 | €4,366 |
| December 2009 | 75,000 | 151,875 | - | - | - | 151,875 | €3,862 |
| December 2007 | 2,199,584 | 4,453,611 | - | - | (124,526) | 4,329,085 | €7,140 |
| June 2005 | 2,473,542 | 5,008,547 | - | - | (192,431) | 4,816,116 | €5,787 |
| **Free share allotment plans** | **3,812,000** | **7,543,500** | **45,221,000** | **(479,814)** | **(2,493,226)** | **50,928,460** | **Vesting date** |
| June 2014 | - | - | 10,249,000 | - | (176,000) | 10,073,000 | 19/06/2016 |
| June 2014 | - | - | 10,249,000 | - | (176,000) | 10,073,000 | 19/06/2017 |
| June 2014 | - | - | 24,723,000 | - | (576,000) | 24,147,000 | 19/06/2018 |
| December 2013 | 280,000 | 789,600 | - | - | - | 789,600 | 31/12/2015 |
| December 2012 | 2,395,000 | 6,753,900 | - | - | (908,040) | 5,845,860 | 31/12/2014 |
| December 2011 | 84,000 | - | - | (35,448) | (48,552) | - | 31/12/2013 |
| October 2011 | 1,053,000 | - | - | (444,366) | (608,634) | - | 31/12/2013 |

At 31 December 2014, options under all share subscription plans could be exercised.

## 3.7 PROVISIONS FOR RISKS AND CONTINGENCIES

| *(in thousands of euros)* | Post-employment benefits | Other long-term benefits | Total 31 December 2014 | Total 31 December 2013 |
|---|---|---|---|---|
| **Change in value of commitments** | | | | |
| **Total value of commitments at start of year** | **1,173** | **56** | **1,229** | **1,689** |
| Service cost | 176 | 11 | 187 | 133 |
| Discounting cost | 31 | 1 | 32 | 48 |
| Employee contributions | - | - | - | - |
| Plan amendments | - | - | - | - |
| Curtailments and settlements | - | - | - | (528) |
| Actuarial (gains) or losses | 93 | 15 | 108 | (109) |
| Benefit payments | - | - | - | (4) |
| Acquisitions | - | - | - | - |
| Divestitures/Transfers of activity | - | - | - | - |
| Change in scope: | - | - | - | - |
| Other (currency translation adjustments) | - | - | - | - |
| TOTAL VALUE OF COMMITMENTS AT YEAR END (A) | 1,473 | 83 | 1,556 | 1,229 |
| Commitments on fully or partly funded plans at year end | - | - | - | - |
| Commitments on unfunded plans at year end | 1,473 | 83 | 1,556 | 1,229 |
| **Change in hedging assets** | | | | |
| **Fair value of hedging assets at start of year** | | | | |
| Financial income from hedging assets | - | - | - | - |
| Gains/losses on hedging assets | - | - | - | - |
| Employer contributions | - | - | - | - |
| Employee contributions | - | - | - | - |
| Curtailments and settlements | - | - | - | - |
| Benefit payments | - | - | - | - |
| Change in scope | - | - | - | - |
| Other (currency translation adjustments) | - | - | - | - |
| FAIR VALUE OF HEDGING ASSETS AT YEAR END (B) | - | - | - | - |
| **Funding** | | | | |
| Plan situation = (A) – (B) | 1,473 | 83 | 1,556 | 1,229 |
| Unrecognised actuarial gains (losses) | (248) | - | (248) | (163) |
| Unrecognised past service cost | - | - | - | - |
| Adjustment required by asset ceiling | - | - | - | - |
| PROVISIONS/(ASSETS) AT YEAR END | 1,226 | 83 | 1,308 | 1,065 |
| **Pension expense** | | | | |
| Service cost | 176 | 11 | 187 | 133 |
| Discounting cost | 31 | 1 | 32 | 48 |
| Expected return on plan assets | - | - | - | - |
| Amortisation of actuarial (gains) or losses | 9 | 15 | 24 | (25) |
| Amortisation of past service cost | - | - | - | - |
| Curtailment and liquidation effects | - | - | - | (406) |
| Divestitures/Transfers of activity | - | - | - | - |
| Adjustment required by asset ceiling | - | - | - | - |
| TOTAL PENSION EXPENSE | 216 | 27 | 243 | (250) |
| **Change in provision (Asset)** | | | | |
| **Provision/(asset) at start of year** | **1,010** | **56** | **1,065** | **1,320** |
| Pension expense | 216 | 27 | 243 | 181 |
| Employer contributions | - | - | - | - |
| Benefits paid directly by the employer | - | - | - | (436) |
| Change in scope: | - | - | - | - |
| Other (goodwill) | - | - | - | - |
| PROVISIONS/(ASSET) AT YEAR END | 1,226 | 83 | 1,308 | 1,065 |
| **AMOUNT BOOKED IN P&L** | **216** | **27** | **243** | **(254)** |

| *(in thousands of euros)* | 31 December 2013 | Allocation for the year | Reversal for the year (provision used) | 31 December 2014 |
|---|---|---|---|---|
| Pension commitments and equivalent | 1,065 | 243 | - | 1,308 |
| **TOTAL PROVISIONS FOR RISKS AND CONTINGENCIES** | **1,065** | **243** | **-** | **1,308** |

The net impact of the expenses incurred on operating and financial income are shown below:

| *(in thousands of euros)* | Allocation for the year | Reversal for the year |
|---|---|---|
| Operating income | 211 | - |
| Net financial income | 32 | - |

The provisions for pension and similar commitments include vested rights to lump-sum retirement payments and seniority bonuses.

## 3.8 DEBT MATURITY SCHEDULE

| | Year ended 31 December 2014 | | |
|---|---|---|---|
| *(in thousands of euros)* | Gross | ≤ to 1 year | > 1 year |
| Loans and borrowings from financial institutions | 835,458 | 21,655 | 813,803 |
| Payable on assigned CICE tax credit receivable | 2,976 | 2,976 | |
| Loans and borrowings from Group companies | 580,650 | 580,650 | - |
| PagesJaunes Finance&Co SCA loan | 352,594 | 2,594 | 350,000 |
| TOTAL LOANS AND BORROWINGS | 1,771,678 | 607,875 | 1,163,803 |
| **Current accounts** | **369,578** | **369,578** | **-** |
| Bank facilities | - | - | - |
| Trade creditors and related accounts | 5,210 | 5,210 | 0 |
| Tax and social security payables | 5,659 | 5,659 | - |
| Subsidiary debt (tax consolidation) | 7,681 | 7,681 | 0 |
| Other payables | 1,426 | 1,426 | - |
| **TOTAL** | **2,161,232** | **997,429** | **1,163,803** |

## 3.9 ACCRUED INCOME AND EXPENSES

| **Accrued income** | Year ended 31 December | |
|---|---|---|
| *(in thousands of euros)* | 2014 | 2013 |
| Trade debtors – Unbilled revenue | - | - |
| Tax and social security receivables – Corporate income tax | 18,287 | - |
| Tax and social security receivables – VAT | 413 | 384 |
| Other receivables – Accrued financial income | 1 | 5 |
| **TOTAL** | **18,702** | **389** |

| **Accrued expenses** | Year ended 31 December | |
|---|---|---|
| *(in thousands of euros)* | 2014 | 2013 |
| Debt – Interest accrued not due | 4,899 | 6,304 |
| Trade creditors and related accounts | 2,533 | 2,322 |
| Tax & social security payables – VAT, taxes, salaries & S.S. contributions | 3,905 | 5,788 |
| Tax & social security payables – Corporate income tax | - | 3,061 |
| Other payables | 726 | 733 |
| **TOTAL** | **12,063** | **18,209** |

## 3.10 CORPORATE INCOME TAX

### Tax consolidation

On 3 December 2004, Solocal Group opted to comply with the rules that apply to tax groups pursuant to Articles 223A and subsequent of the French tax code, for a renewable period of five years as of 1 January 2005. In doing so, Solocal Group made itself solely liable for the corporate income tax on all of the earnings of the tax consolidation group formed by itself and the companies in which it directly or indirectly holds at least 95% of the share capital and which agreed to join this group.

The tax consolidated subsidiaries at 31 December 2014 are PagesJaunes, PJMS, NetVendeur (formerly Cristallerie 2), Mappy, PagesJaunes Outre-Mer, Horyzon Media, Sotravo, ClicRDV, Fine Media and Chronoresto.

A tax consolidation gain of 55.6 million euros was recognised in 2014.

The net corporate tax receivable for 2014, after the application of tax credits, is 18.3 million euros.

### Tax consolidation current accounts

| | Year ended 31 December | |
|---|---|---|
| *(in thousands of euros)* | **2014** | **2013** |
| Tax consolidation current account assets | 33 | 9,252 |
| Government – corporate income tax receivable | 18,287 | - |
| Tax consolidation current account liabilities | (7,681) | (1,179) |
| Government – corporate income tax payable | - | 3,061 |
| **NET BALANCE** | **10,639** | **11,134** |

Tax consolidation current accounts with subsidiaries show a net receivable of 10.6 million euros at 31 December 2014. This balance consists of the share of 2014 corporate tax owed by each subsidiary under the tax consolidation agreements.

### Underlying and deferred tax position

| **Reduction in future tax liability**<br>*(in thousands of euros)* | **Gross value** |
|---|---|
| Provision for retirement payments | 1,226 |
| C3S tax | 15 |
| Unrealised gain on mutual fund | (35) |
| Special depreciation allowances | (993) |
| **TOTAL** | **213** |

The expenses recognised in 2014 and in preceding years, but which were added back to taxable income, totalled 2.3 million euros at 31 December 2014 and represented a 0.8 million euros decrease in the future tax liability, at the corporate income tax rate in effect at that date.

In 2014, Solocal Group used its CICE tax credit to obtain a 3.0 million bank loan. The cash received increased debt by a corresponding amount. The claim on the government was reclassified as a claim on the bank.

## 3.11 BREAKDOWN OF REVENUES

Revenues totalled 9.1 million euros in 2014, *versus* 9.7 million in 2013, and consisted of:

| | Year ended 31 December | |
|---|---|---|
| *(in thousands of euros)* | **2014** | **2013** |
| Assistance to subsidiaries | 7,336 | 8,255 |
| Reinvoicing of personnel expenses | 1,396 | 1,184 |
| Other | 336 | 252 |
| **REVENUES** | **9,068** | **9,691** |

### 3.12 FINANCIAL INCOME

The net financial loss in 2014 is mainly attributable to 82.6 million euros in interest paid on loans and other borrowings, and 14.5 million euros in financial expenses on derivative instruments. It also includes 49.5 million euros of impairment on financial assets, of which long-term investments accounted for 36.4 million euros.

| | Year ended 31 December | |
|---|---|---|
| *(in thousands of euros)* | **2014** | **2013** |
| Dividends | - | 225,836 |
| Financial income on derivative instruments | - | - |
| Other financial income | 2,007 | 1,971 |
| Reversals of provisions | 3,703 | 13,299 |
| Foreign exchange gain | - | - |
| FINANCIAL INCOME | 5,710 | 241,107 |
| Interests on loans and other borrowings | 82,564 | 99,064 |
| Financial expenses on derivative instruments | 14,470 | 32,410 |
| Other financial expenses | 3,797 | 1,415 |
| Accretion cost on pension commitments | 32 | 48 |
| Financial provisions | 49,488 | 199,899 |
| Bad debt write-off | - | - |
| Foreign exchange losses | 2 | 0 |
| FINANCIAL EXPENSES | 150,353 | 332,837 |
| **NET FINANCIAL INCOME (LOSS)** | **(144,643)** | **(91,730)** |

### 3.13 EXTRAORDINARY INCOME

| | Year ended 31 December | |
|---|---|---|
| *(in thousands of euros)* | **2014** | **2013** |
| Income from disposals | 45 | 1,000 |
| Reversal of provisions and impairment | 7 | 115 |
| Other income | - | 17 |
| EXTRAORDINARY INCOME | 52 | 1,132 |
| Net book value of assets sold | 76 | 4,207 |
| Special depreciation allowances | 280 | 273 |
| Other expenses | 7 | 0 |
| EXTRAORDINARY EXPENSES | 364 | 4,480 |
| **NET EXTRAORDINARY INCOME (LOSS)** | **(312)** | **(3,348)** |

## 4. OTHER

### 4.1 OFF-BALANCE SHEET COMMITMENTS

**Statutory employee training entitlement**

All employees who had been with the Group for at least one year at 31 December 2014 are entitled to 20 hours of training under the "DIF" statutory employee training entitlement. They may add these hours to their Personal Training Account, which will come into effect on 1 January 2015. Employees earned a total of 2,901 hours of training under the DIF entitlement in 2014. At 31 December 2014, employees had used 275 of these hours.

**Securities pledged**

Under the bank lending agreement described in note 3.4, the Company pledged a securities account that includes all of its shares in PagesJaunes as collateral for all sums owed (including principal, interest, commissions, fees and costs) to the lending banks for the financing provided.

The Company also agreed to pledge to the lending banks a securities account consisting of the securities of any subsidiary that becomes a "material subsidiary", pursuant to the terms of the lending agreement, as collateral for all sums owed (including principal, interest, commissions, fees and costs).

### Interest rate derivative instruments

Solocal Group signed swap and collar contracts with several financial institutions for a total nominal amount of 800 million euros for November 2013 and September 2015.

These contracts hedge the interest rate risk incurred on the variable-rate loan agreed in 2006 (see note 3.4). They are recognised for on a prorated basis.

In 2014, Solocal Group booked a financial expense of 14.4 million euros on these contracts, *vs.* 32.4 million euros in 2013.

### Bank commitments

Solocal Group has a 60 million euros revolving credit facility. At 31 December 2014, 20 million euros had been drawn on this facility, which is described in section 3.4.

The presentation of the off-balance sheet commitments does not exclude the possibility that a significant off-balance sheet item was omitted under applicable accounting standards.

### Leases

In May 2014, Solocal Group signed two agreements with two investors to lease commercial premises in high-rise buildings of the Citylights property development, which is under renovation at Boulogne-Billancourt.

The two final lease agreements were signed on 26 May 2014 for a term of 10 years, as Solocal Group waived its option allowing it to terminate both agreements every three years. The two agreements will not come into effect until the renovation of the leased premises is scheduled to be completed, on 30 September 2015, with Solocal Group being able to use the premises free of rent for up to six months. The two lease agreements are therefore scheduled to come into effect on 1 April 2016 and to expire on 31 March 2026.

The leased premises cover a total surface area of 32,600 sqm. The total combined financial commitment under both leases is 115 million euros, excluding service charges and rent indexation.

Two independent first-demand guarantees, each of which is equivalent to 12 months of rent including taxes, have been provided to the lessors to protect them from the risk that Solocal Group fails to honour its commitment when the leases come into effect. These guarantees shall remain valid until 31 October 2016 and required the payment of 6 million euros in cash collateral in May 2014.

## 4.2 DIRECTORS' FEES AND COMPENSATION OF CORPORATE OFFICERS

Directors' fees totalled 371,000 euros for 2014 and 390,000 euros for 2013.

Gross compensation paid to corporate officers totalled 1,522,000 euros in 2014 and 1,421,000 euros in 2013.

## 4.3 WORKFORCE

| | Year ended 31 December | |
|---|---|---|
| **Average full-time equivalents** | **2014** | **2013** |
| Executive/management | 39.6 | 40.8 |
| Other employees | 3.5 | 3.8 |
| **TOTAL** | **43.1** | **44.6** |

## 4.4 AFFILIATED COMPANIES

At 31 December 2014, Solocal Group's share capital totalled 232.3 million euros and consisted of 1,161,727,170 ordinary shares with a par value of 0.20 euro each. Share capital is fully paid up.

At 31 December 2014, no shareholder owned more than 10% of the share capital.

At 31 December 2013, 18.49% of Solocal Group's capital was held by Médiannuaire Holding, which holds 28.29% of the voting rights.

**Solocal Group companies**

YEAR ENDED 31 DECEMBER 2014

| *(in thousands of euros)* Affiliated company | Income | | Expenses | | Receivables (1) | | Payables (1) | |
|---|---|---|---|---|---|---|---|---|
| | Operating | Financial (2) | Operating | Financial | Operating | Financial | Operating | Financial |
| PagesJaunes | 5,889 | - | 783 | 11,810 | 12 | - | 1,262 | 949,166 |
| QDQ Media | 37 | 209 | - | - | - | 1,703 | - | - |
| PJMS | 552 | 10 | 16 | - | - | 4,264 | 8 | - |
| Mappy | 840 | 145 | - | - | - | 12,759 | - | - |
| Yelster digital GmbH | 32 | 5 | 340 | - | - | 5,012 | - | - |
| Horyzon Media | 331 | 6 | - | - | - | 7,645 | - | - |
| Horyzon Media Worldwide | - | 1 | - | - | - | 340 | - | - |
| PagesJaunes Outre-Mer | 109 | - | - | 1 | - | - | - | 1,050 |
| Leadformance | 305 | 96 | - | - | - | 1,083 | - | - |
| NetVendeur | 6 | - | - | - | - | - | - | 12 |
| Euro Directory | 16 | - | 2 | - | - | - | - | - |
| Sotravo | 51 | 12 | - | - | - | 10,587 | - | - |
| ClicRDV | 251 | 1 | - | - | - | 307 | - | - |
| Digital to Store LTD | - | - | - | - | - | 182 | - | - |
| Fine Media | 275 | - | - | - | - | 396 | - | - |
| Orbit Interactive | 14 | 1 | - | - | - | 518 | - | - |
| Chronoresto | 31 | 1 | - | - | - | 1,694 | - | - |
| **TOTAL** | **8,739** | **487** | **1,141** | **11,811** | **12** | **46,490** | **1,270** | **950,228** |

(1) *Excluding tax consolidation current accounts (see note 3.9).*
(2) *Excluding dividends (see note 3.11).*

FINANCIAL YEAR ENDED 31 DECEMBER 2013

| *(in thousands of euros)* Affiliated company | Income | | Expenses | | Receivables (1) | | Payables (1) | |
|---|---|---|---|---|---|---|---|---|
| | Operating | Financial (2) | Operating | Financial | Operating | Financial | Operating | Financial |
| PagesJaunes | 7,275 | 6 | 1,146 | 11,600 | 11 | 4,507 | 906 | 829,875 |
| QDQ Media | 51 | 48 | - | 14 | - | 88 | - | - |
| PagesJaunes Marketing Services | 493 | 7 | 7 | - | - | 5,026 | 15 | - |
| Mappy | 660 | 137 | - | - | 22 | 5,012 | - | - |
| Yelster digital GmbH | 54 | 399 | - | - | - | 2,487 | - | - |
| Horyzon Media | 502 | 3 | - | - | - | 2,915 | - | - |
| Horyzon Media Worldwide | 1 | - | - | | - | 340 | - | - |
| PagesJaunes Outre-Mer | 52 | - | - | - | - | - | - | 871 |
| Euro Directory | 16 | - | 83 | - | - | - | - | - |
| Sotravo | 62 | 5 | - | - | - | 5,602 | - | - |
| ClicRDV | 194 | - | - | - | 6 | 459 | - | - |
| Fine Media | 206 | - | - | - | 6 | - | - | 467 |
| Orbit Interactive | - | - | - | - | - | 302 | - | - |
| Chronoresto | 19 | - | - | - | - | 84 | - | - |
| **TOTAL** | **9,585** | **605** | **1,236** | **11,614** | **45** | **26,822** | **921** | **831,213** |

(1) *Excluding tax consolidation current accounts (see note 3.9).*
(2) *Excluding dividends (see note 3.11).*

## 4.5 POST-BALANCE SHEET DATE EVENTS

As of the date of this report, no significant event after the balance sheet date of 31 December 2014 was observed.

## 4.6 CONSOLIDATION

Solocal Group draws up its own consolidated accounts.

## 4.7 TABLE OF SUBSIDIARIES AND ASSOCIATES

| Subsidiaries and associates *(in thousands of euros)* | Share capital | Shareholders' equity excluding share capital and before appropriation of net income | % of share capital held | Book value of securities held | | Loans & advances granted by the company and still outstanding (excl. current accounts) | Guarantees or endorsements given by the company | Most recent annual revenues | Most recent annual net income | Dividends received by company during the year | Observations |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Gross | Net | | | | | | |
| **Detailed information on subsidiaries and associates** | | | | | | | | | | | |
| **1. Subsidiaries: company holds > 50% interest** | | | | | | | | | | | |
| NetVendeur (*e.g.* - Cristallerie 2 SA) 7, avenue de la Cristallerie 92317 Sèvres Cedex SIREN No.: 493 023 485 | 200 | (17) | 100% | 200 | 200 | - | - | 0 | (196) | - | |
| Euro Directory SA 2, avenue Charles-de-Gaulle L-1653 Luxembourg Luxembourg T.R.: No. B48461 | 169 | 233 | 100% | 13,251 | 3 651 | - | - | 100 | 367 | - | |
| Horyzon Media SA 9, rue Maurice-Mallet 92130 Issy-les-Moulineaux SIREN No.: 452 172 786 | 48 | 716 | 100% | 12,379 | 7,879 | - | - | 18,715 | (4,838) | - | |
| Mappy SA 9, rue Maurcie-Mallet 92130 Issy-les-Moulineaux SIREN No.: 402 466 643 | 212 | 2,525 | 100% | 18,048 | 4,048 | 3,500 | - | 13,605 | (6,870) | - | |
| PagesJaunes SA 7, avenue de la Cristallerie 92317 Sèvres Cedex SIREN No.: 444 212 955 | 4,005,038 | (157,294) | 100% | 4,005,038 | 3,823,538 | - | - | 870,518 | (24,012) | - | |
| PJMS SA 25, quai Gallieni 92150 Suresnes SIREN No.: 422 041 426 | 7,275 | 7,621 | 100% | 7,275 | 7,275 | - | - | 19,144 | (2,272) | - | |
| PagesJaunes Outre-Mer SA 7, avenue de la Cristallerie 92317 Sèvres Cedex SIREN No.: 420 423 477 | 75 | 9 | 100% | 76 | 76 | - | - | 5,190 | (10) | - | 2013 figures |
| QDQ Media SAU Calle de la Haya 4 28044 Madrid – Spain Madrid T.R. No.: A81745002 | 5,500 | | 100% | 91,719 | 0 | 10,500 | - | 19,013 | (1,554) | - | |
| Sotravo SAS 2, bd Vauban 78180 Montigny-le-Bretonneux SIREN No.: 494 738 636 | 230 | 119 | 100% | 8,578 | 0 | | - | 3,585 | (4,950) | - | |
| Yelster digital GmbH Linke Wienzeile 8, Top 9 1060 Vienna – Austria Vienna T.R. No.: FN 298562 m | 44 | (2,258) | 100% | 14,997 | 897 | - | - | 2,701 | (1,216) | - | |
| Fine Media SAS 108, rue des Dames 75017 Paris SIREN No.: 494 447 550 | 47 | 2,851 | 100% | 12,240 | 12,240 | - | - | 5,229 | (611) | - | Preliminary unaudited data |
| ClicRDV SASU 9, rue Maurice-Mallet 92130 Issy-les-Moulineaux SIREN No.: 492 374 442 | 50 | 1,697 | 100% | 6,485 | 6,485 | - | - | 3,049 | (1,615) | - | Preliminary unaudited data |
| Orbit Interactive Nearchore Park – 1100 boulevard El Qods 11000 Casablanca Sidi Maarouf – Morocco Casablanca T.R. No. 268969 | 77 | (46) | 100% | 76 | 76 | - | - | 2,318 | 539 | - | |

| Subsidiaries and associates *(in thousands of euros)* | Share capital | Shareholders' equity excluding share capital and before appropriation of net income | % of share capital held | Book value of securities held Gross | Net | Loans & advances granted by the company and still outstanding (excl. current accounts) | Guarantees or endorsements given by the company | Most recent annual revenues | Most recent annual net income | Dividends received by company during the year | Observations |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Chronoresto SASU (CD&Co)<br>23, boulevard Jean-Jaurès<br>93400 Saint-Ouen<br>SIREN No.: 503 573 487 | 40 | 263 | 100% | 5,287 | 5,287 | - | - | 2,300 | (1,922) | - | Preliminary unaudited data |
| Leadformance SARL<br>7, avenue des Ducs de Savoie<br>73000 Chambéry<br>SIREN No.: 440 743 763 | 1,722 | (3,634) | 100% | 9,801 | 9,801 | - | - | 1,839 | (2,070) | - | Preliminary unaudited data |
| Digital To Store Ltd<br>64 Great Eastern Street<br>London<br>England | 192 | 0 | 100% | 188 | 188 | | | 18 | (321) | - | Preliminary unaudited data |
| **2. Associates (from 10 to 50% interest)** | | | | | | | | | | | |

# 20.3 Board of Directors report to the Solocal Group Combined General Shareholders' Meeting of 11 June 2015

**Annual Financial Statements for the year ended 31 December 2014**

Ladies and Gentlemen,

We have called you to this Combined General Shareholders' Meeting, pursuant to French law and our Company's articles of association, to report on the Company's business activity in 2014 and to submit the Company annual and consolidated accounts for your approval.

We also ask you to vote on the following agenda items:

- the appropriation of annual earnings;
- the ratification of the co-opting and reappointment of Directors;
- certain changes to the articles of association.

You were all sent Notices of Meeting as required and all of the documents required under current regulations were made available to you within the legal time limit.

## I. Year's highlights

### ACQUISITION

On 20 May 2014, Solocal Group increased its stake in Leadformance, the leader in sales outlet location on the Internet, from 49% to 100%. This enhances the Group's digital communication offering for major advertisers.

### CAPITAL INCREASE

The Extraordinary General Shareholders' Meeting of 29 April 2014 approved the following two capital increases:

- a 361.6 million euro capital increase with maintenance of shareholder pre-emptive subscription rights ("PSR"), resulting in the creation of 723,242,416 new shares;
- a 78.8 million euro capital increase with cancellation of the PSR for the benefit of four institutional investors (Paulson & Co. Inc., Crédit Suisse, Praxient and Amber Capital), who made a commitment to maintain PSR for part of the capital increase, which resulted in the creation of 157,500,000 new shares.

These two capital increases raised a total gross amount of 440.4 million euros and resulted in the issuance of 880,742,416 new shares.

The capital increases with and without PSR were made at a share subscription price of 0.50 euro.

The new shares were settled and delivered and admitted for trading on Euronext Paris on 6 June 2014.

Solocal Group's share capital now consists of 1,161,727,170 shares with a par value of 0.20 euro each, which represents a total amount of 232,345,434 euros (including treasury shares).

The purpose of the capital increases was to enable the early repayment of 400 million euros of nominal bank debt (see below), thus making it possible for the Group to accelerate its "Digital 2015" transformation programme and develop its Internet business activities.

This transaction entailed 19.7 million euros in expenses (12.2 million euros after taxes).

These capital increases were presented to investors in a prospectus that was approved by the French financial markets authority (the AMF) on 13 May 2014 (approval No. 14-195). The prospectus consists of the Solocal Group Reference document *(Document de référence)*, which was registered with the AMF on 15 April 2014 under No. D.14-0366, a securities transaction notice and a short-form prospectus that was included in the securities transaction notice.

### REFINANCING

After the approval on 9 May 2014 of the SFA scheme of arrangement procedure proposed by the Group and subsequent to the capital increase, the following terms of the syndicated credit agreement came into effect on 6 June 2014:

- conversion of 296.0 million and 602.1 million euros of the A3 tranche respectively into the A6 and A7 tranches;
- conversion of 104.0 million and 211.7 million euros of the A5 tranche respectively into the A6 and A7 tranches;
- repayment of the A6 tranche with the proceeds of the capital increase, as described in Note 8;
- the new A7 tranche totals 813.8 million euros and matures in March 2018 with an option to extend until March 2020 (provided that the 350 million euro bond is refinanced before March 2018) and is to be repaid in whole upon maturity less the partial repayments described above, with a interest rate margin of 400 bps if the Leverage Ratio is greater than 3.00 (325 bps if between 2.50 and 3.00, and 250 bps if less than 2.50);
- new terms for the RCF 3 revolving credit facility: 60.0 million euro nominal value, 4.124% of which is to be repaid each quarter as of 15 July 2014 and maturing in March 2018, with an option to extend until March 2020 and bearing the same interest rate margin as the A7 tranche.

At 31 December 2014, bank debt consisted of:

- Tranche A7: 813.8 million euros nominal amount, at a 325 bps interest rate margin;
- RCF 3 revolving credit facility: 60.0 million euro nominal value, of which 20.0 million euros have been drawn.

This refinancing generated expenses of 13.4 million euros and extinguished some of the bank debt.

Solocal Group has made a total of 41.8 million euros in contractual payments under the loan agreement and has paid 41.7 million euros under the excess cash flow clause.

## II. Solocal Group business activity, key financial figures and presentation of annual financial statements

Solocal Group is a holding company whose subsidiaries provide local information, primarily in France, *via* online and printed telephone directories and online content that helps the users of its websites find products and services and make purchasing decisions. Solocal Group's subsidiaries are engaged in three complementary business activities: providing content and services, media, and advertising. Solocal Group offers a diversified range of products and services for businesses and consumers.

### OPERATING INCOME

The Solocal Group company posted annual revenues of 9.1 million euros in 2014, compared with 9.7 million euros in 2013. These revenues were mainly generated from services provided directly to customers and from reinvoicing personnel expenses to subsidiaries.

### OPERATING EXPENSES

Personnel expenses totalled 13.3 million euros for an average workforce of 43 in 2014, compared with 12.9 million euros and an average workforce of 45 in 2013. These expenses include the employer's contribution to the granting of performance shares in 2014.

Other operating expenses increased from 11.6 million euros in 2013 to 39.1 million euros in 2014. These expenses consist mainly of the cost of refinancing debt and increasing capital, which totalled 30.1 million euros in 2014 and 3.0 million euros in 2013. When these expenses are excluded operating expenses were stable.

Solocal Group S.A. posted an operating loss of 43.4 million euros in 2014, compared with an operating loss of 14.2 million euros in 2013.

### NET FINANCIAL INCOME

Gross financial income was 5.7 million euros in 2014, compared with 241.1 million euros in 2013. This income consisted mainly of:

- income on current account receivables and cash investments, which totalled 2.0 million euros in 2014, compared with 2.0 million euros in 2013;
- the reversal of a provision for risk (liquidity contract) for 3.7 million euros in 2014, compared with 13.3 million euros in 2013.

It should be noted that, 225.8 million euros in dividends were received from subsidiaries in 2013.

Financial expenses totalled 150.3 million euros in 2014, compared with 332.8 million euros in 2013. These expenses consisted mainly of:

- interest expense on bank loans and on loans and current account payables owed to subsidiaries, which totalled 82.6 million euros in 2014, compared with 99.1 million euros in 2013;
- interest expense on hedging instruments: 18.3 million euros in 2014, compared with 33.8 million euros in 2013;
- impairment of current accounts with QDQ Media and Sotravo, of shares in PagesJaunes, Horyzon Media, Yelster, Relaxnews and Mappy and of treasuring shares: 49.5 million euros in 2014, compared with 199.9 million euros in 2013.

The average interest rate on debt fell 63 basis points, from 6.83% in 2013 to 6.20% in 2014, due to the favourable effect of hedging instruments and to the decrease in the interest margin on the bank loan to 3.25% during part of 2014. The share issue in June 2014 also made it possible to repay 400 million euros of bank debt.

The net financial loss was 144.6 million euros in 2014, compared with 91.7 million euros in 2013.

### SPECIAL INCOME

There was a net special loss of 0.3 million euros in 2014 (compared with 3.3 million euros in 2013) that consisted mainly of special depreciation allowances.

### CORPORATE INCOME TAX

On 3 December 2004, Solocal Group opted to comply with the rules that apply to tax groups pursuant to Articles 223-A *et seq.* of the French Tax Code, for a renewable period of five years. In doing so, Solocal Group made itself solely liable for the corporate income tax on all of the earnings of the tax consolidation group formed by itself and the companies in which it directly or indirectly holds at least 95% of the share capital and which agreed to join this group.

The tax consolidated subsidiaries at 31 December 2014 are PagesJaunes, PJMS, NetVendeur (formerly Cristallerie 2), Mappy, PagesJaunes Outre-Mer, Horyzon Media, Sotravo, ClicRDV, Fine Media and Chronoresto.

With the gain from the tax consolidation, Solocal Group recognised net tax income of 55.6 million euros in 2014, compared with 57.8 million euros in 2013.

### NET INCOME

Solocal Group posted a net loss of 132.2 million euros in 2014, compared with a loss of 51.4 million euros in 2013.

We ask you to approve Solocal Group's annual company and consolidated accounts for the fiscal year ended 31 December 2014.

## III. Proposed earnings appropriation

We propose to:

- recognise a net loss for the year of 132,193,013.11 euros;
- recognise that given the retained earnings of 1,365,217,426.51 euros, 1,233,024,413.40 euros of earnings were distributable for the year;
- appropriate all of these distributable earnings to "retained earnings".

Over the past three years the following dividends were distributed:

| Year | Number of shares *(in thousands)* | Dividend per share | Proportion of dividend that qualifies for tax credit (1) |
|---|---|---|---|
| 2011 | 280,984 | 0 | Not applicable |
| 2012 | 280,984 | 0 | Not applicable |
| 2013 | 280,984 | 0 | Not applicable |

*(1) 40% pursuant to paragraph 2° of section 3 of Article 158 of the French General Tax Code.*

Appended to this report there is, pursuant to Article R. 225-102 of the French Commercial Code, a table of our Company's earnings over the past five fiscal years.

We ask you to approve Solocal Group's annual company and consolidated accounts for the fiscal year ended 31 December 2014.

## IV. Share capital structure

The following table shows Solocal Group's shareholders and the number of shares held at 31 December 2014:

| | 31/12/2014 | | | | 31/12/2013 | | | | 31/12/2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | % of share capital | Voting rights | % of voting rights | Number of shares | % of share capital | Voting rights | % of voting rights | Number of shares | % of share capital | Voting rights | % of voting rights |
| Amber Capital | 76,636,383 | 6.6% | 76,636,383 | 6.6% | - | - | - | - | - | - | - | - |
| Paulson | 68,000,000 | 5.9% | 68,000,000 | 5.9% | 2,256,308 | 0.8% | 2,256,308 | 0.7% | - | - | - | - |
| Edmond de Rothschild AM | 58,399,288 | 5.0% | 58,399,288 | 5.0% | 14,368,891 | 5.1% | 14,368,891 | 4.6% | 14,224,291 | 5.1% | 14,224,291 | 5.1% |
| Médiannuaire (1) | - | - | - | - | - | - | - | - | 153,640,187 | 54.7% | 153,640,187 | 55.3% |
| Médiannuaire Holding | 4,450,786 | 0.4% | 4,450,786 | 0.4% | 51,960,627 | 18.5% | 89,021,254 | 28.3% | | | | |
| Groupe PagesJaunes employees (2) | 2,510,672 | 0.2% | 2,510,672 | 0.2% | 1,225,937 | 0.4% | 1,225,937 | 0.4% | 1,441,026 | 0.5% | 1,441,026 | 0.5% |
| Free float | 949,564,833 | 81.7% | 950,206,281 | 81.9% | 207,240,242 | 73.8% | 207,854,080 | 66.0% | 108,365,539 | 38.6% | 108,365,539 | 39.0% |
| Treasury shares (3) | 2,165,208 | 0.2% | 0 | 0.0% | 3,932,749 | 1.4% | 0 | 0.0% | 3,313,711 | 1.2% | 0 | 0.0% |
| **TOTAL (4)** | **1,161,727,170** | **100.0%** | **1,160,203,410** | **100.0%** | **280,984,754** | **100.0%** | **314,726,470** | **100.0%** | **280,984,754** | **100.0%** | **277,671,043** | **100.0%** |

*Number of shares on the settlement date, respectively 31 December 2014, 31 December 2013 and 31 December 2012.*

*(1) Médiannuaire was wound up without liquidation on 11 January 2013 to the benefit of Médiannuaire Holding.*

*(2) Under the Solocal Group savings plan (PEG).*

*(3) 1,313,711 treasury shares are held under a liquidity agreement as of 2 December 2012.*

*(4) The capital increase completed on 6 June 2014 resulted in the creation of 880,742,416 new shares.*

## AUTHORISED AND UNISSUED SHARE CAPITAL

The Extraordinary and Combined General Meetings of the Company's shareholders held respectively on 29 April 2014 and 19 June 2014 authorised the Board of Directors to undertake the following transactions:

| Securities concerned | Term of the authorisation and expiration | Maximum amount of debt securities | Maximum par value of the capital increase |
|---|---|---|---|
| Issuance with pre-emptive subscription right (share capital increase including all marketable securities) | 26 months 19 August 2016 | Debt securities: 150 million euros | 40 million euros |
| Issuance through public offerings without pre-emptive subscription rights (capital increase including all marketable securities) | 26 months 19 August 2016 | Debt securities: 150 million euros | 20 million euros |
| Issuance through an offer pursuant to Section II of Article L. 411-2 of the French Monetary and Financial Code without pre-emptive subscription rights (capital increase including all marketable securities) | 26 months 19 August 2016 | Debt securities: 150 million euros | 20 million euros |
| Issuance of common shares and marketable securities with right to acquire common shares in the event of a public exchange offer initiated by the Company | 26 months 19 August 2016 | Debt securities: 150 million euros | 20 million euros |
| Issuance of common shares and marketable securities with right to acquire common shares as compensation for in-kind contributions to the Company | 26 months 19 August 2016 | Debt securities: 300 million euros | 10% of capital at the date that the authorisation was granted |
| Capital increase by incorporation of reserves, profits or premiums | 26 months 19 August 2016 | – | 40 million euros |
| Capital increase for the benefit of members of Company and/or employee savings plans | 26 months 19 August 2016 | – | 2% of share capital |
| Authorisation to award free shares in the Company | 38 months 19 June 2017 | | 5% of share capital |

As of the date of this report, with the exception of the authorisation to grant performance shares, Solocal Group's Board of Directors has used none of the above authorisations.

# V. Related-party transactions and commitments subject to Article L. 225-38 of the French Commercial Code

The following agreements and/or commitments are subject to Article L. 225-38 of the French Commercial Code and were entered into in 2014, or in a previous year and were still in effect in 2014:

- a fifth-rank pledge on the securities account in which Solocal Group's PagesJaunes shares are held, as security for the execution of an amendment to the "Facility Agreement" of 24 October 2006. This pledge had been approved by the Board of Directors at its meeting of 4 June 2014;
- For the purpose of refinancing some of Solocal Group's bank debt in April 2011, the terms of the financing documents for tranche C1 of this debt, the terms of the High Yield bonds issue and the signing of the Purchase Agreement, all of which the Board of Directors had approved at its meeting of 28 April 2011;
- a contract that included A/ an obligation on the part of Médiannuaire Holding SA (i) to exercise, as a shareholder in the Company, its pre-emptive subscription rights to purchase at least 25 million euros worth of shares during any capital increase that the Board of Directors may decide if so authorised by the Extraordinary General Shareholders' Meeting of 29 April 2014, (ii) to vote at this Extraordinary General Shareholders' Meeting in favour of resolutions to increase capital and to vote at the next Annual General Shareholders' Meeting in favour of the ratification of any new Directors who may be co-opted, (iii) to resign from its office on the company's Board of Directors and (iv) to preserve its double voting rights until the aforementioned General Shareholders' Meeting, and B/ an obligation on the part of Cerberus Capital Management L.P. (i) to ensure that Médiannuaire Holding SA exercises its pre-emptive subscription rights to purchase at least 25 million euros worth of shares during any capital increase that the Board of Directors may decide if so authorised by the Extraordinary General Shareholders' Meeting of 29 April 2014 and (ii) to vote at the next Annual General Shareholders' Meeting in favour of the ratification of any new Directors who may be co-opted. The Board of Directors had approved this agreement at its meeting of 12 February 2014;
- an amendment to the 150 million euro loan agreement signed with PagesJaunes. The Board of Directors had approved this agreement at its meeting of 10 February 2012. At its meeting of 12 February 2014 the Board had authorised the signing of an amendment to extend the term of this loan agreement for one year, *i.e.* until 13 February 2015;
- the terms and conditions of the appointment of Mr Jean-Pierre Remy as Chief Executive Officer (described in section 15.1 of the Reference document), which the Board of Directors had approved at its meeting of 17 May 2009;
- the terms and conditions of the compensation, severance payment and non-competition obligation of the appointment of Mr Christophe Pingard as Deputy Chief Executive Officer (described in section 15.1 of the Reference document), which the Board of Directors had approved at its meeting of 26 October 2011;
- when preparing QDQ Media's annual accounts its statutory auditors requested a letter of support for QDQ Media. This letter of support had been approved by the Board of Directors at its meeting of 12 February 2014;
- when preparing Sotravo's annual accounts its statutory auditors requested a letter of support for Sotravo. This letter of support had been approved by the Board of Directors at its meeting of 19 June 2014;
- when preparing Mappy's annual accounts its statutory auditors requested a letter of support for Mappy. This letter of support had been approved by the Board of Directors at its meeting of 19 June 2014.

## VI. Corporate officers and Directors

The following table presents the duties and terms of office of Solocal Group's corporate officers and Directors as of the date of this report:

| Name | Nationality | Duty(ies) | Date appointed | Date term of office expires | Other material offices and duties held in other companies over the past five years |
|---|---|---|---|---|---|
| **Thierry Bourguignon**<br>PagesJaunes<br>7, avenue de la Cristallerie<br>92310 Sèvres<br>France | French | Director representing personnel<br>Member of the Remuneration and Appointments Committee | 20 July 2011 | 20 July 2015 | None<br>**Offices no longer held:**<br>None |
| **François de Carbonnel**<br>Solocal Group<br>7, avenue de la Cristallerie<br>92310 Sèvres<br>France | French | Director<br>Chairman of the Remuneration and Appointments Committee | 27 May 2004 | AGM to be held in 2018 | Chairman of Asian Wealth Fund (Singapore)<br>Director of Amgen Inc. (a USA public company)<br>Director of GFI SA – Groupe Foncier d'Île-de-France (France)<br>Director of Mazars (France)<br>Director of FdeC Services Ltd (UK)<br>**Offices no longer held:**<br>Lead Director of Solocal Group (a French public company)<br>Director and Chairman of the Audit Committee of Thomson (France)<br>Director of Nixxis SA (Luxembourg)<br>Chairman of the Board of Directors of Thomson (France)<br>Director of Quilvest SA (Luxembourg)<br>Director of Ecofin Hedge Fund Limited (Ireland)<br>Director of Ecofin Special Situations Funds Limited (Ireland) |
| **Nathalie Balla**<br>La Redoute<br>57, rue Blanchemaille<br>59100 Roubaix<br>France | French | Director<br>Member of the Audit Committee | 29 July 2014 | AGM to be held in 2018 | Permanent representative of NewR, Chairwoman of La Redoute SAS (France)<br>CEO of Relais Colis SAS (France)<br>Director of La Redoute Sverige (Sweden)<br>Director of Redcats UK Ltd (UK)<br>Director of Redcats Brands Ltd (UK)<br>Director of Redcats Finance Ltd (UK)<br>Director of Holdsworth Collections Ltd (UK)<br>Liquidator of La Redoute Mag SAS (France)<br>Director of La Redoute Catalogue Benelux SA (Belgium)<br>Director of Redcats Switzerland SA (Switzerland)<br>Chairwoman of La Redoute Catalogue Benelux SA (Belgium)<br>Permanent representative of La Redoute, Chairwoman of Les Aubaines Mag SAS (France)<br>Director of FEVAD (France)<br>**Offices no longer held:**<br>Chairwoman of Ref Brésil SA (France)<br>Liquidator of Ellos France SAS (France)<br>Permanent representative of La Redoute Mag, Director of Ref Bresil SA (France)<br>Director and vice-president of PICOM (France)<br>Chairwoman of La Redoute Mag SAS (France)<br>Chairwoman of Ellos France SAS (France) |

| Name | Nationality | Duty(ies) | Date appointed | Date term of office expires | Other material offices and duties held in other companies over the past five years |
|---|---|---|---|---|---|
| **Sandrine Dufour**<br>PROXIMUS (Belgacom)<br>Boulevard du Roi Albert II, 27<br>1030 Brussels<br>Belgium | French | Director<br>Member of the Audit Committee | 23 April 2013 | AGM to be held in 2018 | None<br>**Offices no longer held:**<br>Executive Director of Finance and Strategy of Groupe SFR (France)<br>Chairwoman and CEO of CID SA (France)<br>Chairwoman and CEO of SNBL SA (France)<br>Permanent Representative of SFR, Director of SFD SA (France)<br>Director of SHD SA (France)<br>Permanent Representative of SFR, Director of Service Client SA (France)<br>Permanent Representative of SFR, Director of SFR Collectivités SA (France)<br>Director of Société Financière de Communication et du Multimedia SA (France)<br>Permanent Representative of SFR, Director of Ltb-R SA (France)<br>Member of the Supervisory Committees of Foncière Rimbaud 1 SAS, Foncière Rimbaud 2 SAS, Foncière Rimbaud 3 SAS, Foncière Rimbaud 4 SAS (France)<br>Member of the Strategic and Financial Committee of La Poste Telecom SAS (France)<br>Member of the Supervisory Committee of Numergy SAS (France)<br>Chairman of the Board of LDCom Italy (Italy)<br>Chairman of the Board of LDCom Switzerland (Switzerland)<br>Member of the Audit Committee of Maroc Telecom (Morocco)<br>Director of CEREP (France)<br>CEO and Director of Watchever Group (formerly Vivendi Mobile Entertainment) (France)<br>Director of Groupe Telindus France<br>Director of SIG 75 (France) |
| **Robert de Metz**<br>Dexia Group<br>Bastion Tower<br>Place du Champ de Mars, 5<br>B-1050 Brussels<br>Belgium | French | Director<br>Chairman of the Board of Directors | 5 Nov. 2014 | AGM to be held in 2015 | Chairman of the Board and independent Director of Dexia SA (Belgian public company)<br>Chairman of the Board and Director of Dexia Crédit Local (Belgium)<br>Executive Director of La Fayette Investment Management Ltd (UK)<br>Executive Director of La Fayette Management Ltd (UK)<br>Director and Chairman of the Audit Committee of Media Participations (Franco-Belgian)<br>Deputy Chairman of Bee 2 Bees SA (Belgium)<br>Member of the Executive Committee of the *Fondation pour les Monuments Historiques* (France)<br>**Offices no longer held:**<br>Member of the Supervisory Board of Canal Plus France SA (France)<br>Non-executive Director and member of the Audit Committee of Belfius Banque (Dexia Banque Belgium) (Belgium). |
| **Cécile Moulard**<br>SIXIÈME CONTINENT<br>5, rue de la Baume<br>75008 Paris<br>France | French | Director<br>Member of the Remuneration and Appointments Committee | 26 March 2013 | AGM to be held in 2015 | Director of MilleMercis (French public company)<br>Director of Truffle Capital, an Internet incubator holding company (France)<br>Director of AXA France (IARD-Vie) (France)<br>**Offices no longer held:**<br>Director of Foncière INEA (France) |

| Name | Nationality | Duty(ies) | Date appointed | Date term of office expires | Other material offices and duties held in other companies over the past five years |
|---|---|---|---|---|---|
| **Jean-Pierre Remy**<br>Solocal Group<br>7, avenue de la Cristallerie<br>92310 Sèvres<br>France | French | Director<br>Chief Executive Officer | 17 May 2009 | AGM to be held in 2018 | Chairman of the Board and Director of PagesJaunes (France)*<br>Director of PJMS (France)*<br>Director of Mappy (France)*<br>Chairman of the Board and Director of QDQ Media (Spain)*<br>**Offices no longer held:**<br>Chairman of the Board of Solocal Group (French public company)<br>CEO of PagesJaunes (France)<br>Chairman of the Board of Directors and Director of Médiannuaire Holding (France) |
| **Rémy Sautter**<br>RTL<br>22, rue Bayard<br>75008 Paris<br>France | French | Director<br>Chairman of the Audit Committee | 27 May 2004 | AGM to be held in 2018 | Chairman and CEO of Bayard d'Antin (France)<br>Chairman of the Supervisory Board of Ediradio/RTL (France)<br>Member of the Supervisory Board of M6 (France)<br>Director of Partner Re (USA)<br>Chairman and Director of Technicolor (France)<br>**Offices no longer held:**<br>Director of M6 Publicité (France)<br>Director of Wanadoo (France)<br>Chairman of Sicav Multimedia et Technologies (UK)<br>Director of Taylor Nelson Sofres (UK public company)<br>Director of Thomson (France) |
| **Jean-Marc Tassetto**<br>Coorpacademy – EPFL Innovation Park<br>Bâtiment I<br>1015 – Lausanne<br>Switzerland | French | Director<br>Member of the Remuneration and Appointments Committee | 5 Nov. 2014 | AGM to be held in 2015 | Independent consultant to the Board of Directors of Fullsix (France)<br>Director of Paper.li (Switzerland)<br>**Offices no longer held:**<br>None |

* *A Solocal Group subsidiary.*

It is proposed that the Shareholders at the General Meeting ratify the co-opting of Mrs Nathalie Balla and Mssrs Robert de Metz and Jean-Marc Tassetto and renew the appointments of Mrs Cécile Moulard and Mssrs Robert de Metz and Jean-Marc Tassetto to the Board of Directors, for a term of four years.

## VII. Compensation and benefits granted to Solocal Group corporate officers by Solocal Group

### TO EXECUTIVE CORPORATE OFFICERS

#### SUMMARY TABLE OF EACH EXECUTIVE CORPORATE OFFICER'S COMPENSATION

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Owed amount | Paid amount | Owed amount | Paid amount |
| **Robert de Metz, Chairman of the Board of Directors [1]** | | | | |
| Fixed compensation | – | – | – | – |
| Variable compensation | – | – | – | – |
| Exceptional compensation | – | – | – | – |
| Directors' fees | 5,133 [2] | 0 | – | – |
| Benefits in kind | – | – | – | – |
| **TOTAL** | **5,133** | **0** | **–** | **–** |
| **Jean-Pierre Remy, Chief Executive Officer** | | | | |
| Fixed compensation | 520,000 | 520,000 | 520,000 | 520,000 |
| Variable compensation | 494,000 | 390,000 | 390,000 | 325,000 |
| Exceptional compensation | – | – | – | – |
| Directors' fees | 33,531 | 42006 | 30,597 | 30,597 |
| Benefits in kind [3] | 20,089 | 20,089 | 20,541 | 20,541 |
| **TOTAL** | **1,067,620** | **972,095** | **961,138** | **896,138** |
| **Christophe Pingard, Deputy Chief Executive Officer** | | | | |
| Fixed compensation | 370,000 | 370,000 | 370,000 | 370,000 |
| Variable compensation | 166,500 | 185,000 | 185,000 | 120,250 |
| Exceptional compensation | – | – | – | – |
| Directors' fees | – | – | – | – |
| Benefits in kind [3] | 18,375 | 18,375 | 18,363 | 18,363 |
| **TOTAL** | **554,875** | **573,375** | **575,363** | **508,613** |

*(1) Since 5 November 2014.*

*(2) This amount does not include the fees recevied by a company whose main shareholder is Robert de Metz for consulting services, he provided between September 2013 and May 2014 as part of the financial restructuring of the Company. The total of the fees paid to the company whose main shareholder is Robert de Metz for these services amounted to 433,000 euros excluding taxes.*

*(3) Provision of a Company car and payment of unemployment insurance contributions.*

In 2014, the Chief Executive Officer was eligible for a variable share of 100% of the annual fixed compensation, subject to the achievement of 0% to 200% of a qualitative target and of a quantitative target, calculated as follows:

- 50% of the variable compensation in proportion to 0 to 200% of the qualitative target;
- 50% of the variable compensation in proportion to 0 to 200% of the quantitative target: the gross operating margin.

The variable component of the Deputy Chief Executive Officer's compensation is 50% of the fixed annual compensation, subject to the achievement of quantitative and qualitative targets, weighted 60% and 40% respectively and in proportion to 0% to 100% of these targets.

### TO NON-EXECUTIVE DIRECTORS

At the Combined General Shareholders' Meeting of 7 June 2011 the amount of Directors' fees allotted to members of the Board of Directors was set at 390,000 euros for that year and subsequent years, until decided otherwise at a General Shareholders' Meeting.

Under the rules for allocating Directors' fees decided by the Board of Directors and in effect in 2014, Directors are entitled to the following fees for their participation on the Board of Directors:

- 4,000 euros per Board meeting;
- 4,000 euros per Committee meeting;
- a lump-sum payment of 10,000 euros for the Lead Director or the Chairman of the Audit Committee;
- a lump-sum payment of 5,000 euros for the Chairman of the Remuneration and Appointments Committee.

Given the number of Board of Director and Committee meetings held in 2014, the Board of Directors decided to reduce the fees that each Director would have received under the aforementioned allocation rules in equal proportions so as not to exceed the maximum overall allotment of 390,000 euros.

A total of 312,367 euros in Directors' fees was paid to Board members for their services in 2014.

Shareholders at the General Meeting of the 11 June 2015 will be asked to allocate an annual 490,000 euros in Directors' fees for Board members from this year on and until otherwise decided at a General Shareholders' Meeting. This increase in Directors' fees is more appropriate for the number of annual Board and Committee meetings, would facilitate the appointment of a new Director if necessary, and would make it possible to allocate 90,000 euros to the creation of the office of Chairman of the Board, which would be distinct from the office of Chief Executive Officer, who until now has also acted as the Board's Chairman.

## DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE OFFICERS

| Non-executive Directors | Amount paid in 2014 * | Amount paid in 2013 * |
|---|---|---|
| **Nathalie Balla** (1) | | |
| Directors' fees | 0 | – |
| Other compensation | – | – |
| **Thierry Bourguignon** | | |
| Directors' fees | 20,681 | 27,633 |
| Other compensation | 128,369 | 120,945 |
| **François de Carbonnel** | | |
| Directors' fees | 58,644 | 52,654 |
| Other compensation | – | – |
| **Élie Cohen** (2) | | |
| Directors' fees | 23,266 | 44,556 |
| Other compensation | – | – |
| **Sandrine Dufour** | | |
| Directors' fees | 23,266 | 21,704 |
| Other compensation | – | – |
| **Steven Mayer** (3) | | |
| Directors' fees | 7,755 | 2,964 |
| Other compensation | – | – |
| **Médiannuaire Holding** (4) | | |
| Directors' fees | 36,135 | 30,022 |
| Other compensation | – | – |
| **Lee Millstein** (5) | | |
| Directors' fees | 20,681 | 27,059 |
| Other compensation | – | – |
| **Cécile Moulard** | | |
| Directors' fees | 51,552 | 41,592 |
| Other compensation | – | – |
| **Rémy Sautter** | | |
| Directors' fees | 29,082 | 48,871 |
| Other compensation | – | – |
| **Marc Simoncini** (6) | | |
| Directors' fees | 10,340 | 10,996 |
| Other compensation | – | – |
| **Jean-Marc Tassetto** (7) | | |
| Directors' fees | 7,699 | – |
| Other compensation | – | – |
| **TOTAL** | **417,470** | **428,996** |

* *The amounts indicated for 2013 and 2014 do not take into account the 30% withholding tax for foreign tax residents and the 21% withholding tax for French tax residents.*

(1) *Nathalie Balla was co-opted at the Board of Directors meeting of 29 July 2014.*

(2) *Élie Cohen resigned during the Board of Directors meeting of 19 June 2014.*

(3) *Steven Mayer resigned during the Board of Directors meeting of 19 June 2014 and did not wish to receive all the Directors' fees owed to him in 2013, being paid 2,964 euros out of a total of 21,704 euros owed.*

(4) *At its meeting of 5 November 2014 the Board of Directors noted the resignation of Médiannuaire Holding.*

(5) *Lee Millstein resigned during the Board of Directors meeting of 29 July 2014.*

(6) *Marc Simoncini resigned during the Board of Directors meeting of 5 November 2014.*

(7) *Jean-Marc Tassetto was co-opted at the Board of Directors of 5 November 2014.*

### COMPENSATION REQUIRING SHAREHOLDER APPROVAL

In accordance with the Afep/Medef corporate governance code, as revised in June 2013, which serve as the Company's governance guidelines pursuant to Article L. 225-37 of the French Commercial Code, in the 12th, 13th and 14th resolutions to be proposed to the General Meeting of 11 June 2015 shareholders will be asked to approve the compensation in respect of fiscal 2014 owed to or to be attributed to Mssrs Robert de Metz, Jean-Pierre Remy and Christophe Pingard.

The components of the remuneration owed or granted in financial year 2014 to Messrs Robert de Metz, Jean-Pierre Remy and Christophe Pingard are presented in section 15.3 of this Reference document.

## VIII. Compensation and benefits received by Solocal Group corporate officers during the year from companies controlled by Solocal Group

*(in euros)*

| Solocal Group corporate officers | Fixed compensation paid in 2014 | Variable compensation and bonuses paid in 2014 | Profit sharing, incentive payments and matching contributions paid in 2014 | Benefits in kind granted in 2014 | Directors' fees owed for 2014 |
|---|---|---|---|---|---|
| Thierry Bourguignon | 57,560 | 65,904 | 4,906 | - | 41,212 |

## IX. Compensation and benefits received in 2014 by Solocal Group corporate officers from the company that controls Solocal Group

None.

## X. Commitments that arise or may arise upon assuming or leaving office or thereafter

### CONCERNING M. JEAN-PIERRE-REMY

There were no new commitments made to Mr Remy in 2014.

Commitments made to Mr Remy in 2009 were approved at the General Shareholders' Meetings of 10 June 2010 and 19 June 2014.

### CONCERNING M. CHRISTOPHE PINGARD

There were no new commitments made to Mr Pingard in 2014.

Commitments made to Mr Pingard in 2011 were approved at the General Shareholders' Meetings of 6 June 2012 and 19 June 2014.

## XI. Solocal Group stock options

### SOLOCAL GROUP SHARE SUBSCRIPTION PLANS

**2005 plan**

The Company set up a share subscription option plan on 28 June 2005 involving 3,796,800 options with an exercise price of 11.72 euros and a term of 10 years. These options are fully vested after three years.

**2007 plan**

The Company implemented a share subscription option plan on 20 December 2007 involving 2,927,900 options with an exercise price of 14.46 euros and the same characteristics as the 2005 plan, *i.e.* a term of ten years and full vesting of options after three years.

**2009 plan**

In 2009, the Company set up three share subscription option plans, on 23 July 2009 for 1,145,000 options at an exercise price of 6.71 euros, on 29 October 2009 for 87,000 options at an exercise price of 8.843 euros, and on 17 December 2009 for 75,000 options at an exercise price of 7.821 euros. These plans have the same characteristics as the 2005 plan, *i.e.* a term of ten years and full vesting of options after three years.

Concerning the plan of 23 July 2009, the Board of Directors adopted the proposal of the Remuneration and Appointments Committee to grant 140,000 options to Jean-Pierre Remy.

All of these options are subject to the following performance obligations, in accordance with the Afep/Medef Corporate Governance Code.

Mr Remy will be required to reinvest 33% of the net capital gain obtained from the sale of the shares acquired by exercising his options in Solocal Group shares. He must keep these shares registered in his own name until he has completed his term as Chief Executive Officer.

### 2010 plan

In 2010, the Company set up two share subscription plans: one on 27 July 2010 for 1,336,000 options at an exercise price of 8.586 euros and another on 16 December 2010 for 166,000 options at an exercise price of 7.095 euros. As with the 2005 plan, these plans have terms of 10 years and are fully vested after three years.

Concerning the plan of 27 July 2010, the Board of Directors adopted the proposal of the Remuneration and Appointments Committee to grant 140,000 options to Jean-Pierre Remy.

All of these options are subject, in accordance with the Afep/Medef Corporate Governance Code, to the performance obligation that Jean-Pierre Remy achieve his annual targets for 2010, 2011 and 2012, with the understanding that:

- if the average percentage of achievement of these targets is 100% or above all of these options will be granted;
- if the average percentage of achievement of these targets is less than 100% this percentage will be applied to these options to determine the number granted.

Mr Remy will be required to reinvest 33% of the net capital gain obtained from the sale of the shares acquired by exercising these options in Solocal Group shares. He must keep these shares registered in his own name until he has completed his term as Chief Executive Officer.

Given the capital increase that was completed on 6 June 2014 and in accordance with the laws, regulations and rules that govern each of these plans, the Board of Directors decided, at its meeting of 19 June 2014, to adjust the terms of the share option subscription plans with respect to the option exercise price and the number of shares that may be subscribed by exercising an option.

## OPTIONS TO SUBSCRIBE FOR NEW SHARES OR TO PURCHASE EXISTING SHARES GRANTED DURING THE YEAR TO EACH CORPORATE OFFICER BY THE SHARE ISSUER OR BY ANY GROUP COMPANY

| Name of corporate officer | Plan No. and date | Type of stock option (subscription or purchase) | Options valuation using the consolidated accounts method | Number of options granted during the year | Exercise price | Exercise period |
|---|---|---|---|---|---|---|
| Robert de Metz | - | - | - | - | - | - |
| Jean-Pierre Remy | - | - | - | - | - | - |
| Christophe Pingard | - | - | - | - | - | - |
| **TOTAL** | - | - | - | - | - | - |

## SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE YEAR BY EACH EXECUTIVE CORPORATE OFFICER

| Name of the executive corporate officer | Plan No. and date | Number of options exercised during the year | Exercise price |
|---|---|---|---|
| Robert de Metz | - | - | - |
| Jean-Pierre Remy | - | - | - |
| Christophe Pingard | - | - | - |
| **TOTAL** | - | - | - |

## SOLOCAL GROUP PERFORMANCE SHARE INCENTIVE PLAN

### The 2006 and 2008 plans

The Extraordinary Shareholders' Meeting of 19 April 2006 authorised the Board of Directors, for a period of 38 months, to set up, on behalf of certain Solocal Group senior executives and employees, a performance share incentive plan, to enable them to profit from the Company's development. The maximum number of shares that may be granted under this authorisation shall not exceed 0.5% of the Company's capital, or 1,393,948 shares. The Board of Directors set forth the terms of these plans at its meetings of 30 May 2006, 20 November 2006 and 14 February 2008.

### The 2011, 2012 and 2013 plans

The Extraordinary Shareholders' Meeting of 7 June 2011 authorised the Board of Directors, for a period of 38 months, to set up, on behalf of certain Solocal Group senior executives and employees, a performance share incentive plan, to enable them to profit from the Company's development. The maximum number of shares that may be granted under this authorisation shall not exceed 1.5% of the Company's capital, or 1,393,948 shares. The Board of Directors set forth the terms of these plans at its meetings of 26 October 2011, 16 December 2012, 11 December 2012 and 11 December 2013.

At its meeting of 19 June 2014, the Board of Directors decided to adjust the allotment of the performance shares granted under the plans approved on 11 December 2012 and 11 December 2013 to account for the effect of the capital increase with maintenance of pre-emptive subscription rights.

### Plan 2014

Solocal Group shareholders, at an Extraordinary Meeting on 29 April 2014, authorised the Board of Directors to set up, on behalf of certain officers and employees of Solocal Group and affiliated companies, a performance share incentive plan pursuant to Articles L. 225-197-1 *et seq.* of the French Commercial Code. On 19 June 2014, this plan resulted in the allotment of 30,747,000 shares to 112 beneficiaries and 14,474,000 additional shares to 26 of them.

### PERFORMANCE SHARES ALLOTTED TO EACH CORPORATE OFFICER

| Performance shares allotted during the year to each corporate officer by the issuer or a Group company | Plan No. and date | Number of shares allotted during the year | Valuation of shares using the consol. accounts method | Vesting date | End of lock-up period | Performance target |
|---|---|---|---|---|---|---|
| Jean-Pierre Remy | 26 Oct. 2011 | 140,000 | 1.98 euro | 31 March 2014 | 1 April 2016 | Consolidated GOM |
| Christophe Pingard | 11 Dec. 2012 | 60,000 | 1.63 euro | 31 March 2014 | 1 April 2016 | Consolidated GOM |
| Jean-Pierre Remy | 11 Dec. 2012 | 846,000 (1) | 1.75 euro | 31 March 2015 | 1 April 2017 | Annual revenues and GOM |
| Christophe Pingard | 11 Dec. 2012 | 423,000 (1) | 1.75 euro | 31 March 2015 | 1 April 2017 | Annual revenues and GOM |
| Jean-Pierre Remy | 19 June 2014 | 4,200,000 (1st granting) (2) | 0.76 euro | 1/3 19 June 2016<br>1/3 19 June 2017<br>1/3 19 June 2019 | 19 June 2018<br>19 June 2019<br>19 June 2018 | Organic annual revenue growth |
| | | 4,500,000 (2nd granting) (3) | 0.76 euro | 19 June 2018 | 19 June 2018 | |
| Christophe Pingard | 19 June 2014 | 2,100,000 (1st granting) (2) | 0.76 euro | 1/3 19 June 2016<br>1/3 19 June 2017<br>1/3 19 June 2018 | 19 June 2018<br>19 June 2019<br>19 June 2018 | Organic annual revenue growth |
| | | 1,750,000 (2nd granting) (3) | 0.76 euro | 19 June 2018 | 19 June 2018 | |

*(1) The allotment plan of 11 December 2012 was adjusted to account for the effect of the capital increase with maintenance of pre-emptive subscription rights.*

*(2) Performance shares are granted over the three years from 2014 to 2016 provided that annual revenue growth exceeds 0%. One third of shares will vest in 2016, 2017 and 2018.*

*(3) Performance shares are granted if annual revenue growth exceeds 3% (CAGR). The shares will vest in four years, in 2018.*

## XII. Corporate officer transactions involving Solocal Group shares

None.

## XIII. Solocal Group's trading in its own shares during the year and the new share buy-back programme

### SHARES BOUGHT AND SOLD UNDER THE SHARE BUY-BACK PROGRAMME APPROVED AT THE COMBINED GENERAL SHAREHOLDERS' MEETING OF 19 JUNE 2014

On 19 June 2014, when the Combined General Shareholders' Meeting that approved the 2014 Share Buy-back Programme was held, the Company held 2,837,187 of its own shares.

The share transactions under the 2014 Share Buy-back programme are shown in the table below:

| Table of treasury share transactions at 31 December 2014 | |
|---|---|
| Number of shares making up Solocal Group's share capital at 19 June 2014: | 1,162,348,364 |
| **Treasury shares held directly or indirectly at 19 June 2014 at market open** | **2,837,544** |
| Number of shares purchased between 19 June 2014 and 31 December 2014 | 40,260,417 |
| **Gross weighted average price of the shares purchased** *(in euros)* | **0.55** |
| Number of shares sold between 19 June 2014 and 31 December 2014 | 40,840,774 |
| **Gross weighted average price of the shares sold** *(in euros)* | **0.55** |
| Number of shares cancelled over the past 24 months | 0 |
| **Treasury shares held directly or indirectly on 31 December 2014** | **2,257,187** |
| Carrying value of share portfolio (valued at the purchase price) at 31 December 2014 *(in euros)* | 1,307,022 |
| **Market value of the share portfolio at 31 December 2014** *(in euros)* | **1,313,683** |

*At 31 December 2014, the Company's 2,257,187 shares were allocated as follows:*

*(i) 737,001 shares were allocated to achieving the liquidity target.*

*(ii) 1,520,186 shares were allocated to setting up and honouring obligations under stock option plans or share allocations to employees of the Company or affiliates.*

### NEW COMPANY SHARE BUY-BACK PROGRAMME (SUBMITTED TO THE APPROVAL OF THE COMBINED GENERAL SHAREHOLDERS' MEETING OF 11 JUNE 2015)

We propose renewing, for a period of 18 months, the authorisation to implement a programme to buy-back the Company' shares and thereby authorise, pursuant to Articles L. 225-209 *et seq.* of the French Commercial Code, the Company to purchase its own shares up to a maximum of 10% of the Company' share capital as of the date of the Shareholders' Meeting.

- The maximum purchase price is not expected to exceed two (2) euros a share. In the event of share capital transactions, such as incorporating reserves, granting free shares and/or stock splits or reverse splits, this price would be adjusted accordingly.
- The objectives of the share buy-back programme are to:
  - obtain the shares necessary to set up and honour all obligations under stock option plans or other share allocations to employees of the Company or its affiliates and in particular to employees of the PagesJaunes group, for the purpose of mandatory profit-sharing or within the framework of a share purchase plan, stock option plan or free share allotment plan (including any sale of shares pursuant to Article L. 3332-24 of the French Labour Code) for the benefit or some or all corporate officers and employees, or for the purpose of hedging risk on these transactions;
  - reduce the Company's capital pursuant to Resolution 16 brought before this Shareholders' Meeting;
  - ensure the liquidity of Solocal Group's shares under a liquidity contract that complies with the professional ethics charter of the *Autorité des Marchés Financiers*, the French financial markets authority;
  - obtain shares that may be used to exchange for the shares of a potential acquisition target;
  - obtain shares to honour obligations arising from the conversion of convertible bonds and the exercise of other securities with equity-conversion rights, and to hedge the risk that Solocal Group may bear in relation to its obligations in respect of these securities.

## XIV. Significant factors in the event of a public bid

None.

## XV. Material post balance sheet events

None.

## XVI. Human resources report

Solocal Group employed 42 people at the end of 2014 (compared with 46 and 48 at the ends of 2013 and 2012 respectively. This is a sufficient number of staff for the holding company of a public group.

All information concerning Solocal Group's human resources may be found in chapter 17 of the Solocal Group 2014 Reference document and in the sections concerning the Company's corporate social responsibility appended to this report.

## XVII. Research and development

At the forefront of its industry, Solocal Group's expert staff and numerous partnerships enable it to conduct cutting-edge research and development. These teams bring together the best specialists in their respective fields with the aim of promoting innovation and excellence.

## XVIII. Environmental impact of the Company's activities and sustainable development commitments

This information may be found in the sections concerning the Company's corporate social responsibility appended to this report.

## XIX. Preventing discrimination and promoting diversity

This information may be found in the sections concerning the Company's corporate social responsibility appended to this report.

## XX. Main risks and uncertainties

### FOREIGN EXCHANGE RISK

See notes 29 and 32 of the notes to the consolidated accounts.

### LIQUIDITY RISK

See notes 29 and 32 of the notes to the consolidated accounts.

### INTEREST RATE RISK

See notes 29 and 32 of the notes to the consolidated accounts.

### CREDIT COUNTERPARTY RISK

See notes 29 and 32 of the notes to the consolidated accounts.

### EQUITY RISK

See notes 29 and 32 of the notes to the consolidated accounts.

## XXI. Non tax-deductible expenditures

Pursuant to Article 223 *quater* of the French General Tax Code, we inform you that the expenditures and expenses subject to paragraph 4 of Article 39 of said code totalled 67,454 euros in 2014 and that the corresponding tax was 25,632 euros.

## XXII. Supplier payment times

All of the trade payables on the balance sheet at 31 December 2014, which total 2.5 million euros (excluding accrued expenses) are payable within 60 days.

## XXIII. Business development outlook

This section provides information on the Group's objectives. Readers should note that these forward-looking statements depend on circumstances and events we expect to happen. These statements are not historical facts and must not be interpreted as assurance that the events and information stated will occur and that objectives will be achieved. The nature of these objectives is such that they may not be achieved and the projections on which they are based may prove to be erroneous. Readers should take into consideration the risk factors described in chapter 4 (Risk factors) of the Company's Reference document.

Solocal Group has decided to now use EBITDA to measure its financial performance, in line with market practices. In 2014, EBITDA is 267.1 million euros (down 29.2% compared with 2013) and the EBITDA margin is 28.5%.

The expected outlook for 2015 is:

- Internet revenue growth between +5% and +10%;
- Group revenues stable;
- Consolidated EBITDA margin between 29% and 30%;
- Consolidated net result increase by at least 30%.

Furthermore, the Group would like to:

- Proceed with partial purchases of its high yield debt during 2015; and
- Achieve a reserve split of its shares, subject to the shareholders' vote at next Combined General Shareholders' Meeting.

## XXIV. Business activity of main subsidiaries

Through its subsidiaries Solocal Group is engaged in three complementary business activities – online content and services, media, and advertising – and offers a diversified range of products and services for businesses and consumers.

The services we create and provide give people access to a wealth of useful and reliable information. Constantly adapted to new consumer trends, these services make people's lives easier, anytime and anywhere, by enabling them, for example, to find and contact a merchant or tradesman, find a friend on the Internet, find out how to get somewhere, visit a shop, find a good deal, etc.

Always in tune with consumer needs and habits, we develop our services on all mobile platforms (with applications for iPhones, iPads and Android) to meet the growing need for information that is immediately available and locally relevant.

Solocal Group's business model is similar to that of most media and involves proposing high-quality content that attracts an audience and then monetising this audience, or audience segments, to business customers. Our brands are household names that have earned the trust of consumers. The credibility of our services, which has strengthened year after year, provides the foundation that is essential to building a large audience. In early 2014, we reorganised our operations into five vertical markets (Commerce, B2B, Home, Services, Health and Public) and a business unit that focuses specifically on our largest customers. This will enable us to improve our customers' experience and develop and sell the products and services they need.

Our activities are divided into three main segments:

- Internet:

  Internet operations, which mainly involve the creation and marketing of advertising content and space, SEM, targeted advertising and the provision of advertising space for local and national advertisers (AKA "display" business), and a complete range of products and services for providing and disseminating content and information for local audiences. Our Internet activity is mainly in France, and also in Spain (QDQ Media). This segment comprises the online directory activity of "pagesjaunes.fr" and "pagespro.com", the creation and marketing of content and search and display advertising space, particularly through Horyzon Media's Internet advertising representation, and online ads on "annoncesjaunes.fr" and "avendrealouer.fr".

  Display ads, clicks, website creation and hosting, video, listing on pagesjaunes.fr, affiliated partners and search engine marketing (SEM) services that include paid listings and search engine optimisation (SEO) are part of the extensive range of advertising services and online services on fixed-line and mobile platforms that Solocal Group offers and which enable all businesses, from sole proprietorships to large national chain stores, to build a customised communication plan.

  This segment includes Mappy's online trip planning, geolocation and booking services, coupon offers from 123deal and smartprivé, digital promotion and a range of products and services that includes online quotes for construction work with Sotravo, online appointment scheduling with ClicRDV technology, Fine Media's themed content site ComprendreChoisir.com, online meal ordering from local restaurants on Chronoresto.fr (created in 2013) and direct marketing e-mail campaigns. 123people, an online people search service, was shutdown in March 2014.

- Printed directories:

  The printing, distribution and selling of advertising space in printed directories (PagesJaunes and *l'Annuaire*) is Solocal Group's historic business.

- Other activities:

  This segment includes activities that are specific to Solocal Group – telephone and SMS enquiry services (118 008) and QuiDonc, a reverse phone lookup service – and some of the business activities of PJMS (formerly PagesJaunes Marketing Services), which include telemarketing, data mining, creation of marketing databases, lead processing and traditional direct marketing activities (data entry and franking).

The following section presents the annual revenues and gross operating margin of each of Solocal Group's three business segments: Internet, Printed directories and Other Activities.

| **Solocal Group** *(in millions of euros)* | **As at 31 December** | | |
|---|---|---|---|
| | **2014** | **2013** | **Change 2014/2013** |
| Internet | 632.5 | 632.5 | 0.0% |
| Printed directories | 285.2 | 344.7 | -17.3% |
| Other businesses | 18.5 | 21.7 | -14.7% |
| **Revenues** | **936.2** | **998.9** | **-6.3%** |
| *Internet revenues as % of total revenues* | *67.6%* | *63.3%* | |
| Internet | 207.3 | 267.4 | -22.5% |
| Printed directories | 110.1 | 150.9 | -27.0% |
| Other businesses | 4.8 | 6.0 | -20.0% |
| **Gross operating margin** | **322.2** | **424.3** | **-24.1%** |
| *as % of revenues* | *34.4%* | *42.5%* | |

For the first time, the number of visits to all Group websites exceeded two billion in 2014, reaching 2,044.2 million. This represents an annual increase of 12.1% compared with 2013 at comparable scope. The number of visits on mobile devices grew by 35%. Mobile now accounts for 34% of Solocal Group's online audience. Traffic to business customers on pagesJaunes.fr surged 22% in 2014, with 1,132.3 million visits.

In 2014, the profound transformation of the sales organisation and the deployment of new contracts for sales staff resulted in the departure of some 300 people, *i.e.* about 20% of sales staff, and the recruitment of about 450 new sales people. Because of this and a still sluggish business environment, Solocal Group's published consolidated revenues fell by 6.3% in 2014, to 936.2 million euros. Internet sales accounted for 68% of the Group's revenues in 2014, compared with 63% in 2013. Printed directory revenues fell by 17.3% in 2014 compared with 2013 while Internet revenues was stable and was up by 2.0% in the fourth quarter of 2014 compared to the same period in 2013. The deployment of the new sales organisation into vertical markets was completed in late September 2014.

The Group's normalised gross operating margin of 350.3 million euros in 2014 is down by 17.4% compared to 2013, while the published gross operating margin fell by 24.1% in 2014, to 322.2 million euros. This was mainly the result of a 62.7 million euro drop in Printed Directories and Other Activities revenues and the investment in the reorganisation of the sales department. The 28% reduction in printed directory production costs partially offset the impact of the increased investment in marketing, sales and technology necessary to support the digital transformation. The normalised gross operating margin rate decreased from 42.5% to 37.4% in 2014 compared with 2013. The published gross operating margin rate in 2014 was 34.4%.

Internet segment revenues were stable in 2014, at 632.5 million euros. Although Internet sales grew by 2.0% in the fourth quarter, it was held back in the previous quarters by the sales reorganisation, the slower growth of Search business and the weak performance of Display in a depressed advertising market.

Gross operating margin for the Internet segment was 207.3 million euros in 2014 (226.9 million euros when normalised), which is 22.5% lower than in 2013 (and 15.1% lower when normalised). The Internet gross operating margin was adversely affected by the reorganisation of the sales department, investment in the digital transformation and advertising campaigns to promote website products and the A Vendre A Louer brand. The gross operating margin rate also fell in 2014, from 42.3% in 2013 to 32.8%. The normalised rate fell from 42.3% in 2013 to 35.9% in 2014.

Printed directories revenues fell by 17.3% in 2014, to 285.2 million euros. This business therefore continues to wind down at a moderate pace. The Pages Blanches were discontinued in the department of Nord in the third quarter of 2014.

The gross operating margin of the Printed directories segment was 110.1 million euros in 2014 (118.5 million euros when normalised), which is 27.0% lower than in 2013 (and 21.5% lower when normalised). The gross operating margin rate fell 5.2 points, to 38.6% in 2014 (and only 2.2 points, to 41.5% when normalised). The relatively modest decline of the margin rate reflects the ongoing effort to reduce the costs of making, printing and distributing printed directories, which fell 28% over the year.

Other Activities revenues declined by 14.7% in 2014, to 18.5 million euros. This is mainly attributable to the sharp drop in revenues from telephone directory enquiry services, which includes revenues from advertisers and from callers who use this service.

The gross operating margin of the Other Activities segment was 4.8 million euros in 2014, which is 20.0% less than in 2013. The gross operating margin rate fell from 27.6% in 2013 to 25.9% in 2014. The decrease in the margin rate is attributable to the decrease in revenues. Since advertising to promote telephone enquiry services (118 008) was stopped in 2012, the main way of improving the margin rate is to control production costs and pursue initiatives to reduce call processing costs.

## XXV. Special resolutions

The Shareholders' Meeting is asked to renew the authorisation that has been granted to the Board of Directors to reduce the Company's share capital, pursuant to the limits and terms established by this Shareholders' Meeting, by cancelling shares in the Company acquired under the Company's share buy-back programmes (16th resolution).

This Shareholders' Meeting is also asked to decide on several amendments to your Company's articles of association, mainly for the purpose of:

- bringing the articles of association into compliance with new legal and regulatory requirements (17th resolution); and
- modifying the powers granted to the Board of Directors (18th resolution).

This Shareholders' Meeting is also asked to decide whether or not to allow the Board of Directors to use, during a takeover bid, the authorisations, it has been granted (19th resolution).

Lastly, this Shareholders' Meeting is asked to decide whether or not to authorise a reverse-split of the Company's shares, which involves granting one (1) new ordinary share with a par value of 4 euros in exchange for 20 existing ordinary shares with a par value of 0.20 euro (20th resolution).

### AUTHORISATION GRANTED TO THE BOARD OF DIRECTORS TO REDUCE SHARE CAPITAL BY CANCELLING SHARES (16TH RESOLUTION)

Subsequent to the fifth resolution (the share buy-back programme) submitted for your approval and pursuant to Article L. 225-209 of the French Commercial Code, with this 16th resolution, we propose that you authorise the Board of Directors, for a period of 18 months, to cancel all or some of the shares in the Company it may acquire under the share buy-back programme approved under the 5th resolution (or under any share buy-back programme implemented prior or subsequent to this) and reduce the share capital in proportion to the cancelled shares. Under French law, the shares cancelled over a 24-month period may not exceed 10% of the Company's share capital. The Board of Directors may decide that any surplus paid for the shares above their par value will be charged against the Share Premium account or against any available reserves, including the legal reserve, which may not be reduced more than 10% of the share capital reduction.

The Shareholders' Meeting would also grant the Board of Directors all powers necessary to effect the share capital reduction resulting from the share cancellation, to make the modifications to the aforementioned accounts, and to amend Article 6 of the articles of association accordingly, and would allow the Board of Directors to delegate these powers as allowed by law.

### AMENDMENT OF ARTICLES 23, 26 AND 27 OF THE ARTICLES OF ASSOCIATION (17TH RESOLUTION)

You are asked to approve the modifications necessary to bring the articles of association into compliance with the provisions of Order No. 2014-863 of 31 July 2014 and of Decree No. 2014-1466 of 8 December 2014.

Order No. 2014-863 of 31 July 2014 modified the rules that apply to so-called "regulated" (related-party) agreements and stipulated that these rules would no longer apply to agreements between two companies if one of them directly or indirectly holds all of the other Company's share capital, if necessary excluding the minimum number of shares necessary to meet the requirements of Article 1382 of the French Civil Code or of Articles L. 225-1 and L. 225-37 of the French Commercial Code. Article 23 of the Company's articles of association must be amended to reflect this change.

Decree No. 2014-1466 of 8 December 2014 modified the deadline for determining the shareholders entitled to participate in a General Meeting of Shareholders and Bondholders.

Accordingly, as of 1 January 2015, this deadline is midnight, Paris time, on the second business day before the General Meeting (and not the third business day as was previously the case).

The Company's articles of association must be amended to reflect this change.

The first two paragraphs of Article 26 (on Shareholders' Meetings) of the articles of association would be amended as shown below with no other change to Article 26:

*"The shareholders entitled to participate in a General Shareholders' Meeting are those whose shares are fully paid up and whose right to participate is substantiated by the book entry of their shares, either in their own name or, if the shareholder is not domiciled in France, in the name of the shareholder's registered intermediary, by midnight, Paris time on the second business day before the date of the Meeting.*

*The book entry of the shares within the time specified in the above paragraph must be made either in the Company's registered shareholder accounts, or in the bearer shareholder accounts maintained by the shareholder's authorised intermediary."*

The sixth paragraph of Article 27 (on voting rights) of the articles of association would be modified as shown below with no other change to the rest of Article 27:

*"The proxy, or the vote cast prior to the Meeting by this electronic means, and the acknowledgment of this vote, will be considered to be irrevocable and fully enforceable. However, if the shares are sold or otherwise disposed of before midnight Paris time on the second business day prior to the Meeting, the Company will invalidate or amend accordingly the proxy or the vote cast before the Meeting using the electronic means provided by the Board of Directors."*

## AMENDMENT OF ARTICLE 17 OF THE ARTICLES OF CORPORATION (18TH RESOLUTION)

The Order of 31 July 2014 amended various rules regarding the authority to issue securities that may entitle the holders of these securities to subsequently acquire equity or debt securities.

Before this Order, only a Special General Meeting of Shareholders could approve the issuing of debt securities other than bonds. Since this Order, this authority may be specified either in the articles of association or in the securities issuance contract, provided that the issuance of the securities will not dilute the holdings of shareholders, either immediately or at some future date.

Shareholders are asked to authorise the Board of Directors to issue these securities, as it may currently issue bonds, and to delegate this authority to the Chief Executive Officer at its discretion.

You are therefore asked to approve the modification of Article 17 of the Company's articles of association, which concerns the Board of Directors' authority to issue debt securities. This involves adding the following paragraph at the end of Article 17:

*"The Board of Directors is authorised to decide or to authorise the issuance of bonds and any other debt securities. The Board of Directors may delegate to one or more of its members, to the Chief Executive Officer or, with the latter's agreement, to one or more Deputy Chief Executive Officers, the powers necessary to issue, for a period of one year, such bonds or other debt securities and to set forth the terms of such issuance. The person or persons to whom such authorisation is granted shall report to the Board of Directors pursuant to its instructions."*

## USE OF AUTHORISATIONS DURING A TAKEOVER BID (19TH RESOLUTION)

Before the so-called "Florange" Act No. 2014-384 of 29 March 2014, the Board of Directors was not allowed, during a takeover bid, to take actions that affect the Company's shares and other securities that had been previously authorised by a General Meeting of Shareholders.

This is no longer the case, unless taking such actions is expressly prohibited in the articles of association or by a General Meeting of Shareholders.

You are asked to decide whether or not, when a third-party has registered a takeover bid for the Company's securities and until the end of the takeover bid period, the Board of Directors will be able (unless otherwise authorised by a General Shareholders' Meeting during the takeover bid) to take the actions authorised by the Combined General Shareholders' Meeting of 19 June 2014 under resolutions 15 to 22.

## REVERSE SPLIT OF THE COMPANY'S SHARES BY GRANTING ONE (1) NEW ORDINARY SHARE WITH A PAR VALUE OF 4 EUROS IN EXCHANGE FOR 20 EXISTING ORDINARY SHARES WITH A PAR VALUE OF 0.20 EURO, AND GRANTING OF THE NECESSARY POWERS TO THE BOARD OF DIRECTORS, WHICH IT MAY DELEGATE (20TH RESOLUTION)

The General Shareholders' Meeting is asked to authorise the Board of Directors to effect a reverse split of the Company's share capital, which involves exchanging 20 ordinary shares having a par value of 0.20 euro each for one (1) new ordinary share having a par value of 4 euros.

To facilitate this and make it possible to apply the above exchange ratio to a round number of shares, one of the Company's shareholders may refuse to exchange one or more shares.

You are therefore asked to:

- grant your Board of Directors the following powers, which it may delegate, to:
  - set the date for beginning the reverse split procedure,
  - issue all relevant notices and undertake all formalities required by law,
  - determine and set forth the exact number of shares to be grouped together and the exact number of shares resulting from the reverse split, before launching the reverse split procedure;
- accordingly, you are also asked to grant the Board of Directors the powers it will need, and which it may delegate: to make the corresponding amendments to the articles of association; determine and if necessary make any adjustments (including through cash payments) to stock option rights, free share allotment rights and to the rights of all securities that may entitle their holder to acquire shares in the Company; proceed with any public disclosure obligations, and in general do everything that may be useful or necessary to effect the reverse split of the Company's shares in compliance with the aforementioned conditions and the applicable regulations.

All new shares will immediately be entitled to a double voting right, provided that they are maintained in registered form and that each of the existing shares for which they were exchanged was entitled to a double voting right at the date of the exchange.

Otherwise, and if the existing shares to be exchanged were registered at different dates, the date used to determine when the new shares will be entitled to a double voting right will be the most recent date that the shares were registered.

This authorisation will expire on the date of the General Shareholders' Meeting called to approve the accounts for the year ending 31 December 2015.

Your Board of Directors asks you to consider and adopt the aforementioned resolutions.

Sèvres, 9 February 2015

The Board of Directors

## Financial performance over the past five years (pursuant to Articles 133-135-148 of the Decree of 23 March 1967)

| **Units for figures** *(other than share capital, all amounts are in thousands of euros)* | **2010** | **2011** | **2012** | **2013** | **2014** |
|---|---|---|---|---|---|
| **1. Share capital and outstanding shares at year-end** | | | | | |
| a) Share capital | 56,196,951 | 56,196,951 | 56,196,951 | 56,196,951 | 232,345,434 |
| b) Number of outstanding ordinary shares | 280,984,754 | 280,984,754 | 280,984,754 | 280,984,754 | 1,161,727,170 |
| **2. Key financial figures** | | | | | |
| a) Annual revenues, net of tax | 7,683 | 10,563 | 10,233 | 10,345 | 9,071 |
| b) Earnings before tax, profit-sharing, depreciation, amortisation and provisions | 211,497 | 125,881 | 125,723 | 77,276 | (142,015) |
| c) Corporate income tax | (45,382) | (63,300) | (55,410) | (57,839) | (56,153) |
| d) Employee profit-sharing | - | - | - | - | - |
| e) Earnings after tax, depreciation, amortisation and provisions | 253,244 | 187,724 | 166,731 | (51,438) | (132,193) |
| f) Earnings distributed the following year* | 162,697 | - | - | - | - |
| **3. Key financial figures per share** *(in euro)* | | | | | |
| a) Earnings after tax & profit-sharing but before deprec., amortis. & provisions | 0.91 | 0.67 | 0.64 | 0.48 | -0.07 |
| b) Earnings after tax, profit-sharing, depreciation, amortisation and provisions | 0.90 | 0.67 | 0.59 | -0.18 | -0.11 |
| c) Dividend per share paid the following year* | 0.58 | 0.00 | 0.00 | 0.00 | 0.00 |
| **4. Personnel** | | | | | |
| a) Average number of salaried employees during the year | 32 | 38 | 38 | 45 | 43 |
| b) Total payroll | 5,299 | 8,645 | 7,342 | 8,721 | 7,536 |
| c) Benefit payments | 2,082 | 3,465 | 4,163 | 4,216 | 5,791 |

* *Or proposed at the Annual General Meeting for the past year (includes treasury shares).*

# 20.4 Verification of historical financial accounts

## Statutory auditors' report on the Annual Financial Statements

**(For the year ended 31 December 2014)**

To the shareholders,

Pursuant to the task with which you have entrusted us at your General Shareholders' Meeting, we present our report on the following for the year ended 31 December 2014:

- our auditing of Solocal Group's Annual Financial Statements, as appended hereto;
- the justification of our assessments;
- the specific verifications and information required by law.

The approval of the Annual Financial Statements is the responsibility of the Board of Directors. It is our responsibility, on the basis of our audit, to express an opinion on these financial statements.

### I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with French auditing standards. These standards require that we plan and perform our audit so as to enable reasonable assurance about whether or not the annual financial statements are free of material misstatement. An audit consists of verifying, on a test basis or using other selection methods, the elements that support the amounts and information provided in the annual financial statements. It also consists of evaluating the accounting policies observed, the significant estimates used, and the overall presentation of financial statements. We believe that the information we collected is sufficient and appropriate to serve as a basis for our opinion.

We certify that the annual financial statements are, under French accounting principles and rules, correct and true and fairly present the results of the previous year's transactions and the company's financial position and assets at the end of that year.

### II. JUSTIFICATION OF ASSESSMENTS

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code on the justification of our assessments, we call your attention to the following:

Your company's management makes estimates and assumptions that affect the amounts presented in its financial statements and the accompanying notes. Results may differ significantly from these estimates since actual business conditions may differ from expectations. In our auditing of the annual financial statements, we estimated that the company's equity interests (see Note 3.2 to the Annual Financial Statements) involved the most significant estimates and required a justification of our assessments.

In accordance with the professional standards that govern the assessment of accounting estimates, we assessed, among other things, the data and assumptions used as the basis for the estimates of the value of the equity interests (and most notably the projected cash flows estimated by your company's operational departments), reviewed your company's calculations and the sensitivity of the main values in use, compared the accounting estimates of previous years with actual figures and reviewed management's procedure for approving these estimates.

These assessments were made within the framework of our overall audit of the Annual Financial Statements and therefore served as a basis for our opinion, as expressed in the first part of this report.

### III. SPECIFIC VERIFICATIONS AND INFORMATION

In accordance with professional standards in France, we also carried out the specific verifications required by law.

We have no matters to report regarding the fair presentation and consistency of the Annual Financial Statements with the information provided in the management report from the Board of Directors and in the documents provided to shareholders on the financial position and the annual financial statements.

Concerning the information provided pursuant to Article L. 225-102-1 of the French Commercial Code relating to remuneration and benefits received by the corporate officers and any other commitments made to them, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information your company has obtained from companies that control your company or are controlled by it. On the basis of this work, we certify the accuracy and fair presentation of this information.

In accordance with French law, we have ensured that the required information on the acquisition of controlling interests and other equity investments and on the identity of the holders of share capital and voting rights have been provided in the management report.

Paris-La Défense and Neuilly-sur-Seine, 16 February 2015

The statutory auditors

| Ernst & Young Audit | Deloitte & Associés |
|---|---|
| Denis Thibon | Ariane Bucaille |

## Statutory auditors' report on the consolidated financial statements

**(For the year ended 31 December 2014)**

To the shareholders,

Pursuant to the task with which you have entrusted us at your General Shareholders' Meeting, we present our report on the following for the year ended 31 December 2014:

- our audit of Solocal Group's consolidated financial statements as appended hereto;
- the justification of our assessments;
- the specific verification required by law.

The approval of the consolidated financial statements is the Board of Directors' responsibility. It is our responsibility, on the basis of our audit, to express an opinion on these financial statements.

### I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with French auditing standards. These standards require that we plan and perform our audit so as to enable reasonable assurance about whether or not the consolidated financial statements are free of material misstatement. An audit consists of verifying, on a test basis or using other selection methods, the elements that support the amounts and information provided in the consolidated financial statements. It also consists of evaluating the accounting policies observed, the significant estimates used, and the overall presentation of financial statements. We believe that the information we collected is sufficient and appropriate to serve as a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and net income of the consolidated companies and entities, in accordance with IFRS standards as adopted in the European Union.

### II. JUSTIFICATION OF ASSESSMENTS

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code on the justification of our assessments, we call your attention to the following:

As specified in Note 2 to the consolidated financial statements, your company's management makes estimates and assumptions that affect the amounts presented in its financial statements and the accompanying notes. Note 2 also indicates that results may differ significantly from these estimates, since actual business conditions may differ from expectations. In our auditing of the consolidated financial statements for 2014, we estimated that the accounts that involved the most significant estimates and required a justification of our assessments were: goodwill, provisions for risks and contingencies on your company's reorganisation, acquisition costs of contracts, and employee benefits.

In accordance with the professional standards that govern the assessment of accounting estimates, we focused mainly on the following:

- With respect to goodwill: the data and assumptions on which the estimates are founded and in particular the projected cash flows estimated by your company's operational departments. We reviewed your company's calculations and the sensitivity of the main values in use and assessed the principles and methods used to determine fair values. We compared the accounting estimates of previous years with actual figures and reviewed management's procedure for approving these estimates.
- With respect to the provision for risks and contingencies in relation to your company's "employment protection plan", the information and assumptions on which you based your estimates, and in particular the length of service of the employees affected by the plan and the average "unitary cost".
- With respect to the decision of the *Cour Administrative d'Appel de Versailles* (the Versailles administrative appeals court) on the employment protection plan, the legal arguments used to justify the absence of a provision for the industrial tribunal proceedings undertaken by 29 employees and the administrative procedures undertaken by 4 employees.
- With respect to the acquisition costs of contracts: the nature of the costs capitalised and whether their capitalisation is justified, the reliability of the underlying information systems and the data and assumptions on which the estimates are based.
- With respect to personnel benefits: the method used to determine provisions. Our work consisted in examining the data used, assessing actuarial assumptions, reviewing calculations and verifying that Note 3.16 and Note 24 to the consolidated financial statements provide appropriate information.

These assessments were made within the framework of our overall audit of the consolidated financial statements and therefore served as a basis for our opinion, as expressed in the first part of this report.

### III. SPECIFIC VERIFICATION

In accordance with professional standards in France, we also carried out the specific verification required by law on the information concerning the group provided in the management report.

We have no matters to report regarding the fair presentation of this information or its consistency with the consolidated financial statements.

Paris-La Défense and Neuilly-sur-Seine, 16 February 2015

The statutory auditors

| | |
|---|---|
| Ernst & Young Audit | Deloitte & Associés |
| Denis Thibon | Ariane Bucaille |

# 20.5 Dividend distribution policy

## Dividend for 2010

The General Shareholders' Meeting of 7 June 2011 approved the payment of a dividend of 0.58 euro per share.

## Dividend for 2011

The General Shareholders' Meeting of 6 June 2012 decided not to pay a dividend for 2011.

## Dividend for 2012

The General Shareholders' Meeting of 5 June 2013 decided not to pay a dividend for 2012.

## Dividend for 2013

The General Shareholders' Meeting of 19 June 2014 decided not to pay a dividend for 2013.

## Dividend for 2014

At its meeting of 9 February 2015, Solocal Group's Board of Directors decided to propose a resolution not to pay a dividend for 2014 at the Annual General Shareholders' Meeting to be held in 2015.

# 20.6 Litigation and arbitration proceedings

In the normal course of its business activities, the Company may be involved in a certain number of legal, arbitration and administrative proceedings.

Provisions are only constituted for expenses contingent on such proceedings when such expenses are considered to be likely and their amount can be either quantified or estimated within a reasonable range. If this is the case, the amount provisioned represents the lowest estimate in the range. The amount of the provisions is based on a case-by-case assessment of the risk level, and does not depend primarily on the progress of the proceedings. However, it should be noted that events during proceedings may result in a reassessment of this risk.

With the exception of the proceedings described in note 32 ("Disputes") to the consolidated financial statements, neither the Company nor any of its subsidiaries are parties in any court or arbitration proceedings (and the Company is aware of no such proceedings that may be envisaged by any government authority or third party), which the Company's Management estimates that the probable outcome could reasonably have a material negative impact on its earnings, business or consolidated financial position.

There are no other government, court or arbitration proceedings, including any proceedings of which the Company is aware, pending or threatened, that could have or has had a significant effect on the financial position or the profitability of the Company and/or of the Group during the last twelve months.

# 20.7 Significant change in financial or business position

The significant events occurring between the balance sheet date and 9 February 2015, when the financial statements were approved by the Board of Directors, are described in note 35 to the consolidated financial statements.

# 20.8 Auditors' fees

A table of auditor fees is provided in chapter 20.1 (Historical financial information) of note 33 to the consolidated financial statements.

# 21 ADDITIONAL INFORMATION



## 21.1 Share capital

### Rights and obligations attached to shares (Article 10 of the Articles of Association)

Each share entitles the holder to a share in the profits, ownership of Company assets and in the liquidation dividend, in a proportion equal to the share of capital it represents. In addition, each share entitles its holder to vote and be represented at General Shareholders' Meetings, in accordance with the law and the Articles of Association. Ownership of shares automatically implies full adherence to the Company's Articles of Association and to decisions taken at the General Shareholders' Meeting.

Shareholders are liable for losses only in the amount of their contribution to capital.

The heirs, creditors, assignees or representatives of a shareholder may not request that the Company's assets, securities or shares be placed under seal, divided or put up for public auction, nor may they interfere in the Company's management. In order to exercise their rights, they must refer to corporate inventories and decisions taken at General Shareholders' Meetings.

Where exercising a particular right requires multiple shares to be owned, shareholders who do not own the required number of shares are responsible to form a group and, where appropriate, purchasing or selling shares as necessary.

The provisions of the Articles of Association stipulating the existence of a double voting right, as adopted by the General Shareholders' Meeting of 7 June 2011, became effective on 1 May 2013. A double voting right is attributed to all fully paid-up registered shares of the Company that have been registered in the name of the same holder for at least two years.

In the event that the capital is increased by incorporation of reserves, profits or issue premiums, this double voting right will apply, as soon as they are issued, to new shares granted to a shareholder on the basis of existing shares for which he already holds this right. Any share converted to a bearer share or for which ownership is transferred will lose the double voting right, subject to exceptions provided for by law. These provisions entered into effect on 1 May 2013.

### 21.1.1 Share capital

On the filing date of this Reference document, share capital totalled 233,259,388.6 euros divided into 1,166,296,943 fully paid-up shares with a par value of 0.20 euro, all of the same class.

It is proposed that, at the General Shareholders' Meeting of 11 June 2015, the shareholders authorise the Board of Directors to proceed with the consolidation of shares comprising the Company's share capital, so that 30 ordinary shares, with a par value of 0.20 euro each may be exchanged against one (1) new share with a par value of 6 euros.

The new shares will immediately benefit from double voting rights (subject to being held in registered form), if at the date of consolidation, each of the old shares, from which they were created, also benefited from double voting rights. In the case of consolidation of old shares, that were in registered form to which different dates applied, the date selected for the application of double voting rights to the new shares would be the latest registration date for the existing shares.

### AUTHORISED CAPITAL NOT ISSUED

The Extraordinary and Combined General Shareholders' Meetings of 29 April 2014 and 19 June 2014 delegated to the Board of Directors the following authorities, under the conditions set out in the table below:

| Securities concerned | Duration of the authorisation and expiration | Maximum amount of debt securities | Maximum nominal amount of capital increase |
|---|---|---|---|
| Issue with pre-emptive subscription right (share capital increase including all marketable securities) | 26 months 19 August 2016 | Debt securities: €150 million | €40 million |
| Issue through public offerings without pre-emptive subscription rights (capital increase including all marketable securities) | 26 months 19 August 2016 | Debt securities: €150 million | €20 million |
| Issue through offerings made within the scope of article L. 411-2 of the French Monetary and Financial Code without pre-emptive subscription rights (capital increase including all marketable securities) | 26 months 19 August 2016 | Debt securities: €150 million | €20 million |
| Issue of common shares and marketable securities giving rights to common shares in the event of a public exchange offer initiated by the Company | 26 months 19 August 2016 | Debt securities: €150 million | €20 million |
| Issue of common shares and marketable securities giving rights to common shares as remuneration for in-kind contributions made to the Company | 26 months 19 August 2016 | Debt securities: €300 million | 10% of the capital at the date when the delegation takes effect |
| Capital increase by incorporation of reserves, profits or premiums | 26 months 19 August 2016 | — | €40 million |
| Authorisation to award free shares of the Company | 38 months 29 June 2017 | — | 5% of the share capital |
| Capital increase for the benefit of members of Company and/or employee savings plan(s) | 26 months 19 August 2016 | — | 2% of the share capital |

With the exception of the authorisation to award performance shares (see point 17.2 of this Reference document), the Board of Directors of Solocal Group has not, on the date of this Reference document, implemented these authorisations.

### OTHER SECURITIES GIVING RIGHTS TO CAPITAL

At the registration date of this Reference document, there were no other securities giving rights to the Company's capital.

## 21.1.2 Non-equity shares

At the registration date of this Reference document, there were no non-equity shares.

## 21.1.3 Acquisition by the Company of its own shares

In accordance with articles 225-209 ff. of the French Commercial Code, the Combined General Shareholders' Meeting of 19 June 2014 authorised the Board of Directors to acquire Company shares, up to a maximum of 10% of the existing share capital at the date when the delegation takes effect, under the following conditions:

- the maximum purchase price may not exceed 6 euros per share. In the event of capital transactions, including incorporation of reserves, allotment of free shares and/or stock splits or reverse splits, this price will be adjusted accordingly;
- this authorisation is valid for an 18-month period; any acquisitions made by the Company under this authorisation may not, under any circumstances, lead to owning, directly or indirectly, more than 10% of the shares composing the share capital;
- shares may be acquired or transferred at any time, except during public offering periods, in compliance with legal or regulatory requirements, by any method, in particular, on the market, on multi-lateral trading facilities or over-the-counter, including block purchases or sales, and by the use of derivative financial instruments traded in regulated markets, multi-lateral trading facilities, or over-the-counter services.

At the Combined General Shareholders' Meeting on 11 June 2015, the shareholders will be asked to give their opinion on this share buyback programme.

### SHARE SUBSCRIPTION AND PURCHASE OPTION PLANS

The Combined General Shareholders' Meeting of 12 April 2005 authorised the Board of Directors, in accordance with articles L. 225-177 ff. of the French Commercial Code, to grant share subscription and purchase options, on one or more occasions, for Company shares. The total number of options that could be granted under this authorisation was not able to give rights to acquire a number of new or existing shares of common stock that would represent, on the allotment date, more than 2% of the Company's share capital as at the date of this Meeting.

Under the terms of this authorisation, at its meeting on 28 June 2005 the Board of Directors decided to implement a Solocal Group share subscription option plan, for the whole Group except QDQ Media, together with a specific Solocal Group share subscription option plan for QDQ Media, giving the right to subscribe to 3,830,400 new shares (*i.e.* approximately 1.35% of the capital at the date of the Combined General Shareholders' Meeting of 12 April 2005). The subscription price was set at 19.30 euros per share, corresponding to the average price recorded over the 20 trading sessions preceding 28 June 2005.

At its meeting on 20 December 2007, the Board of Directors decided to implement a share subscription option plan for Solocal Group shares for the whole Group, giving the right to subscribe to 2,927,900 new shares. The subscription price was set at 14.46 euros per share, corresponding to the average price recorded over the 20 trading sessions preceding 20 December 2007.

The Combined General Shareholders' Meeting of 11 June 2009 renewed this authorisation, in accordance with Articles L. 225-177 ff. of the French Commercial Code, to grant, on one or more occasions, options to subscribe to, or purchase, Company shares. The total number of options that may be granted under the 27th resolution of this Meeting may not give the right to subscribe to or purchase a number of common shares that would represent, at the allotment date, more than 1% of the Company's share capital as at the date of this Meeting.

The beneficiaries must be staff members or corporate officers (as defined in Article L. 225-185 of the French Commercial Code) of the Company or of affiliated companies or groups as defined in Article L. 225-180 of the French Commercial Code. The Board of Directors may grant options to some or all of these persons.

This authorisation is granted for a 38-month period.

Each option shall entitle the holder to subscribe to or acquire one new or existing ordinary share, as applicable.

The shares that may be obtained by exercising options to purchase shares granted under the 27th resolution of the Combined General Shareholders' Meeting of 11 June 2009 must be acquired by the Company, either under the terms of Article L. 225-208 of the French Commercial Code or, if applicable, under the share buyback programme covered by the 5th resolution approved by the said Meeting pursuant to Article L. 225-209 of the French Commercial Code or any share buyback programme subsequently applicable.

The Board of Directors shall set the exercise price for options granted under this resolution according to the following terms:

- the exercise price of options to subscribe or purchase common shares may not be less than the average recorded prices of the Solocal Group share on the Eurolist market of Euronext over the 20 trading sessions preceding the date on which the options are granted, and no options may be granted less than 20 trading sessions after coupons giving rights to dividends or capital increases have been detached from the shares;
- in addition, the exercise price of options to purchase shares may not be less than 80% of the average purchase price of the common shares held by the Company under the terms of Article L. 225-208 of the French Commercial Code or, if applicable, under the share buyback programme authorised by the 5th resolution approved by the Combined General Shareholders' Meeting of 11 June 2009 pursuant to Article L. 225-209 of the French Commercial Code or any share buyback programme subsequently applicable.

Any options awarded must be exercised within 10 years of the date of allotment by the Board of Directors.

Under this authorisation, the Board of Directors granted the following allotments:

- at its meeting on 23 July 2009, the Board of Directors decided to implement a share subscription option plan for subscription to Solocal Group shares for the whole Group, giving the right to subscribe to 1,145,000 new shares. The subscription price was set at 6.71 euros per share, corresponding to the average price recorded over the 20 trading sessions preceding 23 July 2009;
- at its meeting on 29 October 2009, the Board of Directors decided to implement a share subscription option plan for subscription to Solocal Group shares for the whole Group, giving the right to subscribe to 87,000 new shares. The subscription price was set at 8.843 euros per share, corresponding to the average of the prices recorded in the 20 trading sessions preceding 29 October 2009;
- at its meeting on 17 December 2009, the Board of Directors decided to implement a plan for subscription to Solocal Group shares for the entire Group, giving the right to subscribe to 75,000 new shares. The subscription price was set at 7.821 euros per share, corresponding to the average price recorded over the 20 trading sessions preceding 17 December 2009;
- at its meeting on 27 July 2010, the Board of Directors decided to implement a share subscription option plan for subscription to Solocal Group shares for the whole Group, giving the right to subscribe to 1,336,000 new shares. The subscription price was set at 8.586 euros per share, corresponding to the average price recorded over the 20 trading sessions preceding 27 July 2010;
- at its meeting on 16 December 2010, the Board of Directors decided to implement a plan for subscription to Solocal Group shares for the entire Group, giving the right to subscribe to 166,000 new shares. The subscription price was set at 7.095 euros per share, corresponding to the average price recorded over the 20 trading sessions preceding 16 December 2010.

Given the increase in capital that was completed on 6 June 2014 (see chapter 6 of this document), and in accordance with the law and regulations applying to each plan, the Board of Directors decided, at its meeting of 19 June 2014, to adjust the conditions of the existing share subscription options, with regard to both the option exercise price and the number of shares that can be obtained by exercising the options.

### ALLOTMENT OF PERFORMANCE SHARES

The General Shareholders' Meeting of 19 April 2006 authorised the Company's Board of Directors to allot, on one or more occasions, under conditions it will determine, existing or new common performance shares.

Under the terms of this authorisation, the Board of Directors decided at its meetings on 30 May 2006, 20 November 2006 and 14 February 2008 to implement three performance share plans:

- under the plan of 30 May 2006, 602,361 shares were initially granted to 591 Group employees;
- under the plan of 20 November 2006, 778,638 shares were initially granted to 611 Group employees;
- a third plan was drawn up on 14 February 2008 giving rise to a grant of 12,940 shares to 15 Group employees.

The General Shareholders' Meeting of 7 June 2011 renewed this authorisation. Accordingly, the Board of Directors, at its meetings on 26 October, 16 December 2011, 11 December 2012 and 11 December 2013 decided to implement four performance share plans:

- under the plan of 26 October 2011, 1,226,000 shares were initially granted to 41 Group employees;
- under the plan of 16 December 2011, 84,000 shares were initially granted to 3 Group employees;
- under the plan of 11 December 2012, 2,624,000 shares were initially granted to 47 Group employees;
- under the plan of 11 December 2013, 280,000 shares were initially granted to 10 Group employees.

For performance shares granted under the plans of 11 December 2012 and 11 December 2013, the Board of Directors decided, at its meeting on 19 June 2014, to apply an adjustment reflecting the impact of the capital increase in cash with pre-emptive subscription rights.

The Extraordinary General Shareholders' Meeting of 29 April 2014, authorised the Board of Directors to introduce a performance share plan for the benefit of certain executives and employees of Solocal Group and affiliated companies, as defined in Articles L. 225-197-1 ff. of the French Commercial Code. This plan was put in place on:

- 19 June 2014, for the allocation of 45,221,000 shares to 112 beneficiaries;
- 9 February 2015 for the allocation of 2,305,000 shares to 12 beneficiaries.

## CONVERTIBLE SECURITIES, EXCHANGEABLE SECURITIES OR EQUITY WARRANTS

At the registration date of this *Reference document*, there were no convertible or exchangeable securities or equity warrants.

## INFORMATION ON THE CONDITIONS GOVERNING ANY ACQUISITION RIGHTS AND/OR ANY OBLIGATIONS ATTACHED TO CAPITAL SUBSCRIBED BUT NOT PAID UP

Information relating to authorisations to issue shares given to the Board of Directors by the General Shareholders' Meeting is set out in section 21.1.1.

## INFORMATION ON THE CAPITAL OF ANY OF THE GROUP'S MEMBERS SUBJECT TO AN OPTION OR A CONDITIONAL OR UNCONDITIONAL AGREEMENT

At the registration date of this Reference document, no member of the Group had any option or agreement of this type.

### 21.1.4 History of share capital and voting rights

Information on the distribution of the Company's share capital is provided in chapter 18 – Main Shareholders of this document.

## STATEMENT OF CHANGE IN SHARE CAPITAL

| Date | Operation | Number of shares issued | Nominal amount of capital increase *(in euros)* | Premium per share *(in euros)* | Total amount of premium *(in euros)* | Successive capital amounts *(in euros)* | Number of shares | Par value *(in euros)* |
|---|---|---|---|---|---|---|---|---|
| Combined General Shareholders' Meeting of 27 May 2004 | Stock split | 274,050,000 | – | – | – | 54,810,000 | 274,050,000 | 0.20 |
| Initial Public Offering July 2004 | Capital increase reserved for employees of France Télécom Group | 4,739,610 | 947,922 | 11.10 | 52,609,671 | 55,757,922 | 278,789,610 | 0.20 |
| 15 January 2007 | Recognition of capital increase resulting from share subscription options exercised in 2006 | 1,477,170 | 295,434 | 17.60 | 25,990,960.40 | 56,053,356 | 280,266,780 | 0.20 |
| 15 January 2008 | Recognition of capital increase resulting from share subscription options exercised in 2007 | 377,670 | 75,534 | 11.52 | 4,350,758.40 | 56,128,890 | 280,644,450 | 0.20 |
| 25 February 2009 | Recognition of capital increase resulting from performance shares allotted in 2008 | 340,304 | 68,060.80 | – | – | 56,196,950.80 | 280,984,754 | 0.20 |
| 6 June 2014 | Capital increase with preferential subscription rights and increase in reserved capital | 880,742,416 | 440,371,208 | 0.50 | 264,222,724 | 232,345,434 | 1,161,727,170 | 0.20 |
| 29 April 2015 | Capital increase reserved for employees of Solocal Group | 4,569,773 | 913,954.6 | 0.36 | 921,266.37 | 233,259,388.6 | 1,166,296,943 | 0.20 |

## COMMENTS ON MATERIAL CHANGES IN THE BREAKDOWN OF THE COMPANY'S SHARE CAPITAL DURING THE LAST THREE YEARS

None.

## PLEDGES

See chapter 18.5 of this document.

### MARKET FOR COMPANY SHARES

| Month | Low *(in euros)* | High *(in euros)* | Last price *(in euros)* | Volume traded | Capital *(in euros)* |
|---|---|---|---|---|---|
| January 2014 | 0.547 | 0.798 | 0.663 | 355,015,209 | 249,251,369 |
| February 2014 | 0.618 | 0.768 | 0.738 | 175,007,079 | 119,871,260 |
| March 2014 | 0.728 | 0.984 | 0.934 | 202,159,788 | 189,870,521 |
| April 2014 | 0.768 | 0.949 | 0.828 | 66,221,205 | 56,212,070 |
| May 2014 | 0.710 | 0.874 | 0.860 | 215,537,898 | 168,690,874 |
| June 2014 | 0.700 | 0.880 | 0.720 | 240,496,794 | 186,399,716 |
| July 2014 | 0.580 | 0.720 | 0.610 | 230,676,433 | 145,166,595 |
| August 2014 | 0.520 | 0.600 | 0.600 | 106,719,583 | 60,067,624 |
| September 2014 | 0.550 | 0.610 | 0.560 | 126,484,654 | 72,884,096 |
| October 2014 | 0.450 | 0.570 | 0.490 | 161,561,067 | 79,852,858 |
| November 2014 | 0.432 | 0.590 | 0.583 | 238,186,740 | 120,185,771 |
| December 2014 | 0.548 | 0.608 | 0.582 | 191,371,379 | 109,075,876 |
| January 2015 | 0.595 | 0.760 | 0.747 | 271,222,602 | 183,669,990 |
| February 2015 | 0.636 | 0.769 | 0.668 | 206,559,043 | 143,307,945 |
| March 2015 | 0.591 | 0.662 | 0.618 | 151,458,567 | 93,974,424 |

*Source: Thomson Reuters.*

# 21.2 Articles of incorporation and association

## 21.2.1 Corporate purpose

In accordance with Article 3 of the Articles of Association, the Company's corporate purpose, in France and abroad, is to:

- acquire and hold shares, interests or other securities in French or foreign legal entities, to define the policies to be implemented by subsidiary companies and to provide any and all services to companies in which it holds shares;
- acquire by any means, without exception or reservation, to hold by any means and in any capacity, to manage and, if appropriate, to transfer by any means, without exception or reservation, all or part of any majority or minority interests that may be directly or indirectly related to the Company's corporate purpose and to any similar or ancillary purpose.

In addition, the Company's purpose, in France and abroad, directly or indirectly, is to:

- publish, on its own behalf or on behalf of third parties, all directories using any current or future publication processes and means, to provide information services by any current or future processes and means and to carry on the business of advertising in all its forms, by any method and for any purpose;
- advise, research, design, produce, update and maintain all services related to any type of information distribution system on an open or closed network, whether connected *via* computer or telephone, wire-based, satellite, cable or other methods, as well as any other activity related to such services, and especially to Internet or Intranet sites;
- collect, acquire, enhance, manage, process, market, or host data and files of any kind;
- perform all activities directly or indirectly related to such services or that are a prerequisite or accessory to or a condition or extension of such services, or which are likely to encourage or develop them;
- and, in general, to undertake any industrial, commercial, financial, civil, real or personal property operations that may be directly or indirectly related to any of the aforementioned purposes or to any similar or related corporate purposes.

### PROVISIONS IN THE ARTICLES OF INCORPORATION, ARTICLES OF ASSOCIATION AND THE INTERNAL REGULATIONS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

The Company is administered by a Board of Directors composed of three to 18 members (subject to legal exceptions in the event of a merger). There are currently nine Directors on the Board.

Directors are elected by the shareholders at Ordinary General Shareholders' Meetings. Each Director must hold at least one Company share. Pursuant to the Company's Articles of Association, each director is elected for a four-year term. There is no limit to the number of times a director may be re- elected.

The Board of Directors includes a director who represents the Company's employees as well as the employees of its direct or indirect subsidiaries (as defined in Article L. 225-27 of the French Commercial Code) whose registered office is located on French territory.

This director is elected in two rounds by majority vote. All staff members who meet the conditions set by law are eligible to vote and stand for election. Each candidacy must include, in addition to the candidate's name, the name of a substitute who may replace him or her in the event of absence for any reason.

The director representing the employees is elected for a four-year term. The first director representing the employees shall assume his or her position on the Board at the first meeting of the Board of Directors, held after publication of the complete results of the first elections. The next director representing the employees shall assume his or her position on expiry of the term of the outgoing director representing the employees.

If a director representing the employees ceases to be a member of staff, his or her responsibilities as a director are terminated.

The Board of Directors elects a Chairman from among its members. The Chairman is elected for his or her entire term as a director, and may be re- elected.

The Board of Directors meets on a notice from the Chairman. Meetings may be called by any method, including verbally in an emergency, and as often as the Chairman deems necessary. They may be held at the registered office or any other location indicated in the notice of meeting.

When the Board of Directors has not met for more than two months, at least one-third of the Board members may ask the Chairman at any time to call a Board meeting based on a specific agenda. The Chief Executive Officer may also ask the Chairman at any time to call a meeting of the Board of Directors based on a given agenda.

The Board of Directors' deliberations are valid only if at least half of its members are present.

Decisions are taken by a majority vote of the members who are present or represented. In the event of a tied vote, the Chairman of the meeting shall cast the deciding vote.

Subject to legal and regulatory provisions, meetings of the Board of Directors may be held by means of videoconference or any other means of telecommunication. Any director participating in a Board meeting by means of videoconference or other means of telecommunication is deemed to be in attendance for the purposes of quorum and majority. The Board of Directors sets out the overall strategic direction for the Company's business activities and ensures it is implemented. Subject to any powers expressly granted to Shareholders' Meetings and within the limits of the corporate purpose, the Board deals with all matters relating to the proper functioning of the Company and governs the Company's business through its deliberations.

The Board of Directors may carry out any controls and checks it deems appropriate.

The Chairman or the Company's Chief Executive Officer is required to provide each director with all documents and information they need to fulfil their duties.

The Company's Articles of Association also provide that the Ordinary General Shareholders' Meeting can appoint one or more non-voting Board members censors. These non-voting Board members may be shareholders or outside persons, and are chosen on the basis of their public profile or experience.

## INTERNAL REGULATIONS

Internal regulations for the Board of Directors were defined at the Board of Directors' meeting of 23 September 2004. These internal regulations specify the guiding principles for the operation of the Board and the rights and duties of the directors.

The main provisions of the Board's internal regulations are summarised below.

## PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

### Strategic direction

Pursuant to Article 17 of the Articles of Association, the Board of Directors determines the overall strategic orientation of the Company's activities and ensures, it is implemented.

This means that the Board makes all decisions related to the Company's major strategic, economic, social, financial and technological objectives and ensures that these decisions are implemented.

The medium-term objectives for the Group's activities are defined, each year, in a strategic plan, which is prepared and presented by the Chief Executive Officer to the Board of Directors for approval. This draft includes, projected trends for the Group's key operational and financial indicators in particular. The Chief Executive Officer presents a draft annual budget based on these objectives.

The Chief Executive Officer is responsible for implementing the objectives set out in the strategic plan.

The Chief Executive Officer informs the Board of Directors of any problems or, more generally, any matter which may affect the achievement of any of the objectives of the strategic plan.

### Committees of the Board of Directors

In order to prepare its work, the Board of Directors has created an Audit Committee and a Remuneration and Appointments Committee.

The operating conditions and areas of authority of each Committee are stipulated in the Charters of these Committees, which are approved by the Board of Directors.

## DUTIES AND RESPONSIBILITIES OF THE DIRECTORS

### Directors' duty of confidentiality

Directors are bound by an absolute obligation of confidentiality with regard to the content of discussions and deliberations by the Board and its Committees and any information presented to them.

### Director's duty of independence

In carrying out the mandate entrusted to them, directors must make all decisions independently of any interest other than that of the Company.

Each director is required to inform the Chairman of any situation affecting him that could create a conflict of interest with the Company or any Group Company. Where appropriate, the Chairman may seek the opinion of the Remuneration and Appointments Committee.

At the end of this process, it is the responsibility of the director in question to act accordingly, under the terms of the applicable legislation.

### Duties of directors with regard to securities of the Company

Each Director must hold at least one Company share.

Any Company shares held by directors at the time they join the Board must be registered in their own names, as well as any shares they acquire during their term of office.

Directors are forbidden to:

- execute any transaction on the securities of the traded companies of the Group as long as they hold privileged information;
- make short sales on these securities directly or indirectly.

The first prohibition applies in particular during the period of preparation and presentation of the Group's annual and semi-annual results and quarterly information.

It also applies during special periods when projects or transactions that warrant such a prohibition are being prepared.

The Ethics Charter, which specifies the rules relating to inside information, applies to the directors.

### Director's duty of care

In accepting the office entrusted to them, directors agree to fully assume all their responsibilities and, in particular, to:

- devote whatever time is required to study matters dealt with by the Board and, if applicable, any Committees of which they are members;
- request all additional information, they consider useful;
- ensure that these Regulations are applied;
- freely form their opinion before any decision, considering only the Company's interest;
- actively participate in all Board meetings, unless they are unable to do so;
- formulate all proposals to improve the working conditions of the Board and its Committees.

The Board constantly seeks to improve the information communicated to shareholders. Each director must play a part in achieving this goal, particularly through his or her contribution to the work of the Board's Committees.

Directors agree to tender their resignation to the Board when they believe, in good faith, that they are no longer able to fully assume their responsibilities.

## ETHICS CHARTER

At its meeting on 23 September 2004, the Board of Directors adopted a Professional Ethics charter (available on the PagesJaunes Groupe website at http://www.solocalgroup.com).

This Charter sets out the Group's values and presents its principles for dealing with customers, shareholders, employees, suppliers, and competitors, and with respect to the environment and the countries in which it operates.

In addition, it stipulates a number of principles of personal conduct that each Group employee, director and executive must respect, and which encourage honest and ethical conduct on their part, as well as accurate, complete and timely communication of published information.

The Professional Ethics charter refers to the principles and rules applicable to stock market ethics and the requirement to comply with them scrupulously. It imposes certain preventive measures including, closed periods when "permanent insiders", such as members of the Board of Directors and other executives, are not permitted to trade in the Company's shares.

The Professional Ethics charter applies to each member of the Board of Directors and to all of the Group's executives and employees.

## CHAIRMAN OF THE BOARD OF DIRECTORS AND MANAGEMENT

The Chairman of the Board of Directors is an individual elected by the Board from among its members. Furthermore, the Board of Directors may decide whether to separate or combine the positions of Chairman of the Board and Chief Executive Officer. If the decision is taken to separate these roles, the Board of Directors appoints the Chief Executive Officer.

At its meeting of 5 November 2014, the Board of Directors decided to separate the positions of Chairman of the Board and Chief Executive Officer (these positions had been combined into a single post at a Board meeting on 11 December 2012).

The Chief Executive Officer, subject to the power expressly granted to Shareholders' Meetings and the Board of Directors, and within the limits of the corporate purpose, is vested with the widest powers to act, in all circumstances, in the name of the Company, with the following stipulations:

**(i)** the Chief Executive Officer must present a draft strategic plan to the Board of Directors each year defining the Group's medium-term business objectives including projected trends for the Group's key operational and financial indicators, in addition to a draft annual budget;

**(ii)** the following decisions are subject to prior approval by the Board of Directors:

- approval of the annual budget as well as any other significant change to said budget,
- approval of the annual and three-year business plans,
- the acquisition or disposal of any business by Solocal Group or one of its subsidiaries, not included in the annual budget, for a total amount, including all liabilities and other off-balance sheet commitments, in excess of 10 million euros per year,
- any investments or divestments not included in the annual budget for fixed assets for an amount, including all liabilities and other off-balance sheet commitments, in excess of 10 million euros,
- amendments to the employment contract, hiring/appointment/dismissal/removal of the Chief Financial Officer of Solocal Group; any amendment to the employment contract, hiring/appointment or dismissal/removal of any other Group executive, whose gross annual compensation exceeds 200,000 euros shall not require prior authorisation by the Board of Directors, but shall require the prior agreement of the Remuneration and Appointments Committee,
- any increase in the total indebtedness of Solocal Group or its subsidiaries in a total amount greater than the amount authorised under the financing or loan contracts previously authorised by the Board of Directors of Solocal Group,
- the execution of any agreement in order to create a joint-venture with a third party, not included in the annual budget and generating a commitment for Solocal Group or one of its subsidiaries for a total amount greater than 10 million euros over the duration of the joint-venture,
- any decision to begin proceedings to list marketable securities of Solocal Group or any of its subsidiaries on a regulated market and any subsequent transactions for the purpose of additional listings of marketable securities of Solocal Group, or any of its subsidiaries whose shares are already traded on a regulated market,
- any decision to delist or buy back shares (except share purchases under liquidity agreements previously authorised by the Board of Directors),
- the acquisition or subscription, by Solocal Group or any of its subsidiaries, of shares, interests or any capital instrument or securities providing rights to the capital of any company (x) for a value including all liabilities and other off-balance sheet commitments assumed greater than 10 million euros where the liability of Solocal Group or its subsidiaries is limited and the transaction is not included in the annual budget, and (y) irrespective of the amount invested, where Solocal Group or any of its subsidiaries is acting as an unlimited liability partner in such a company,
- any diversification of the business of Solocal Group or one of its subsidiaries bearing no relation to the activities previously carried out, or any diversification related to activities previously carried out but not included in the annual budget, implying a commitment to a sum in excess of 10 million euros.

- any transfer or cessation of one of the main businesses of Solocal Group or one of its subsidiaries not included in the annual budget or the three-year business plan,
- any implementation of an incentives plan (as defined by French labour law or any other similar legal provision in other countries, with the exception of incentives and mandatory profit-sharing) within Solocal Group or its subsidiaries, or any measure leading employees to acquire directly or indirectly shares of stock in Solocal Group or its subsidiaries,
- any authorisation or instruction given to a subsidiary of Solocal Group to study or undertake any of the operations referred to in this annex,
- the execution of any agreement not included in the annual budget that would imply payments or supply of goods or services by Solocal Group or its subsidiaries for an annual amount greater than a total of 10 million euros,
- any decision relating to plans for the merger or demerger of any Solocal Group subsidiary, to a spin-off of assets of a business of one of the subsidiaries of Solocal Group, or to the lease-management of the business of one of Solocal Group's subsidiaries, where this is not provided for in the annual budget or three-year business plan, and excluding internal reorganisation with no material impact on the position of Solocal Group,
- any transfer or sale in order to provide collateral, any decision to grant a security interest or pledge by Solocal Group or one of its subsidiaries, in order to meet debts or honour guarantees given to third parties not included in the annual budget for a total amount greater than 10 million euros per year,
- all loans made by Solocal Group or one of its subsidiaries, the total amounts of which are greater than 5 million euros and which have not been provided for, in the annual budget.

### DEPUTY CHIEF EXECUTIVE OFFICER

On the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more individuals charged with assisting the Chairman, with the title of Deputy Chief Executive Officer. The maximum number of Deputy Chief Executive Officers is five. In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and duration of powers given to Deputy Chief Executive Officers.

### RIGHTS, PRIVILEGES AND RESTRICTIONS ATTACHED TO EACH CLASS OF EXISTING SHARES

Fully paid-up shares may be in registered or bearer form, at the shareholder's discretion. They must be registered until they are fully paid up. They are registered in the Company's records or with an authorised intermediary under the terms and conditions set out in law.

In order to be able to identify bearer shares, under current legal and regulatory conditions and subject to applicable legal or regulatory penalties, the Company may, among other things, request any organisation or intermediary, including the central custodian of financial instruments, for information required by law or regulations enabling the identification of holders of Company shares giving immediate or future voting rights at shareholders' meetings and, in particular, the number of shares held by each of them and, if applicable, any restrictions that may apply to those shares.

Any intermediary registered on behalf of an owner who is not resident within France is required, under the terms set out in Article L. 228-1 of the French Commercial Code, to reveal the identity of the owners of such shares within 10 days, on request by the Company or its legal representative at any time.

Where the Company has reasons to believe that holders of registered or bearer shares who are known to the Company are holding those shares on behalf of third- party shareholders, it is entitled to request those holders to reveal the identities of the owners of said shares under the terms set out above.

Where a person to whom a request is made in accordance with the above provisions does not provide the requested information within legal and regulatory time limits, or provides incomplete or incorrect information relative either to his capacity or to the identity of the shares' owners, the shares or securities providing immediate or future entitlement to share capital for which that person is the registered account holder shall have no voting rights at any shareholders' meetings until such time as all matters relating to identity are settled, and payment of any corresponding dividends shall be deferred until that date.

In addition, if a person registered as a holder of shares knowingly disregards the above provisions, the Court in whose jurisdiction the Company's registered office is located may, at the request of the Company or one or more shareholders, holding at least 5% of the capital, order the full or partial withdrawal, for a total period not exceeding five years, of any voting rights attached to the shares in question and, possibly for the same period, the right to any corresponding dividends.

Where any legal entity owns shares in the Company and has a holding of more than one-fortieth of the capital or voting rights, the Company may ask that entity to disclose the identities of any persons who directly or indirectly hold more than one-third of the entity's share capital or voting rights exercised at the entity's General Shareholders' Meetings.

### ACTIONS REQUIRED TO MODIFY SHAREHOLDERS' RIGHTS

At the registration date of this Reference document, the Articles of Association contain no provisions stricter than those set out in the law relating to changes to shareholders' rights.

## 21.2.2 General Shareholders' Meetings (Article 11 and Articles 26 to 32 of the Articles of Association)

### ACCESS, PARTICIPATION AND VOTING AT GENERAL SHAREHOLDERS' MEETINGS

General Shareholders' Meetings are made up of all shareholders whose shares have been fully paid up and registered in their name as justifying the right to participate in General Shareholders' Meetings, or if the shareholder is not domiciled in France, in the name of the representative acting on the shareholder's behalf, on the third working day prior to the General Shareholders' meeting at 12:00 midnight (Paris time).

At the General Shareholders' Meeting on 11 June 2015, shareholders will be asked to consider the alignment of the Articles of Association with the requirements of Decree No. 2014-1466 of 8 December 2014, which in particular has resulted in a change to the date of establishment of the list of shareholders entitled to participate in general meetings of shareholders and bondholders. As a result, from 1 January 2015, this date is set as the second working day prior to the General Shareholders' Meeting at 12:00 midnight (Paris time); prior to this it had been the third day.

In order to attend, vote remotely, or be represented at General Shareholders' Meetings, owners of bearer shares or shares registered in an account not held by the Company must file a certificate prepared by the intermediary holding their account, indicating that the shares will not be transferable before the date of the General Shareholders' Meeting, at the place indicated in the notice of meeting, no later than 3 p.m. (Paris time) on the day prior to the General Shareholders' Meeting.

In order to attend, vote remotely or be represented at General Shareholders' Meetings, owners of shares registered in an account held by the Company must have their shares registered in their account held by the Company by no later than 3 p.m. (Paris time) on the day prior to the General Shareholders' Meeting.

Access to the General Shareholders' Meeting is open to its members with proof of their status and identity. If it deems this useful, the Board of Directors may ensure that shareholders are sent personal admission cards with names and demand that these cards be shown at the General Shareholders' Meeting.

Owners of Company shares, who are not residents of France, may be registered in the accounts and represented at General Shareholders' Meetings by any intermediary who is registered on their behalf and holds a general securities management mandate, provided that such intermediaries have previously declared themselves as intermediaries holding shares on behalf of third parties at the time the account is opened with the Company or account-holding financial intermediary, in accordance with legal and regulatory provisions.

The Company is entitled to request any intermediary who is registered on behalf of shareholders not residing in France and who holds a general mandate to provide a list of the shareholders it represents whose rights would be exercised at the General Shareholders' Meeting.

Each member of a General Shareholders' Meeting has as many votes as the number of shares he or she owns or represents, provided that his or her voting rights have not been withdrawn.

Any shareholder may, subject to legal and regulatory conditions, vote remotely or issue powers to any person of his or her choice in order to be represented and vote at a General Shareholders' Meeting.

Remote voting is carried out under the terms and conditions stipulated by legal and regulatory provisions. The Company must receive voting forms no later than 3 p.m. (Paris time) on the day before the General Shareholders' Meeting.

Powers, remote voting forms and certificates of non-transferability of shares may be submitted in electronic form duly signed under the terms set out in applicable legal and regulatory provisions.

Shares are indivisible with regard to the Company. Joint owners of shares must arrange for one of them to act as their representative with the Company, who shall be considered to be the sole owner and representative. In the event of failure to agree, the sole representative may be appointed by the Court at the request of the first joint owner to so request. Unless the Company is properly notified of any agreement to the contrary, beneficial owners have the right to vote at Ordinary General Shareholders' Meetings and bare owners have the right to vote at Extraordinary General Shareholders' Meetings.

General Shareholders' Meetings may be held by videoconference or by any other means of telecommunication, including the Internet, which enables shareholders to be identified under the conditions set out in applicable legal and regulatory texts.

If the Board of Directors so decides at the time of convening the Meeting, forms may be completed and signed electronically directly on a site set up by the Company. This site must use a process including a username and password, in accordance with the terms set out in the first sentence of paragraph two of Article 1316-4 of the French Civil Code, or any other process which meets the conditions set out in the first sentence of paragraph two of Article 1316-4 of the French Civil Code.

Powers or votes cast in this way prior to the Meeting by such electronic means, and any receipts which are provided for them, shall be considered to be fully enforceable, irrevocable written records, subject to the points set out below. By derogation, in the case of a sale of shares occurring prior to midnight (Paris time) on the third working day preceding the Meeting ("second working day" if Resolution 17, on the change to the date of establishment of the list of shareholders entitled to participate in general meetings of shareholders and bondholders, is passed - see above), the Company shall invalidate or alter accordingly, as the case may be, the proxy expressed or the vote cast prior to the Meeting, using the electronic method set up by the Board of Directors.

Owners of Company shares who are not resident on the French territory may be registered in the accounts and represented at the Meeting by any intermediary who is registered on their behalf and holds a general securities management mandate, provided such intermediaries have previously declared themselves as intermediaries holding shares on behalf of others at the time when shares are registered in the accounts with the Company or account-holding financial intermediary, in accordance with legal and regulatory provisions.

The Company is entitled to ask any intermediary who is registered on behalf of shareholders not residing in France and who holds a general mandate to provide a list of the shareholders they represent and whose rights would be exercised at the Meeting.

### Ordinary General Shareholders' Meetings

Ordinary General Shareholders' Meetings are called to make all decisions that do not amend the Articles of Association. They are held at least once a year within six months of the end of the financial year, to approve the financial statements for the previous financial year, unless this period is extended by Court order.

Ordinary General Shareholders' Meetings cannot validly deliberate, on the first notice of meeting, unless shareholders present, represented or voting remotely, hold at least one-fifth of shares with voting rights. Upon a second notice of meeting, no quorum is required. Decisions are made by majority vote of the shareholders who are present, represented or have voted remotely.

For the purposes of calculating quorum and majority, shareholders are deemed to be present if they take part in an Ordinary General Shareholders' Meeting by videoconference or any other means of telecommunication enabling them to be identified, the nature and terms of use of which are defined by applicable laws and regulations.

### Extraordinary General Shareholders' Meetings

Only Extraordinary General Shareholders' Meetings are authorised to amend any provisions in the Articles of Association. However, they may not increase shareholders' commitments except through transactions resulting from a properly executed share consolidation.

Subject to legal stipulations applicable to share capital increases by the incorporation of reserves, profits or issue premiums, Extraordinary General Shareholders' Meetings cannot validly deliberate unless shareholders present, represented or voting remotely, hold on the first notice of meeting at least one-quarter, or on the second notice of meeting one-fifth of the shares with voting rights. If the latter quorum cannot be reached, the second meeting may be reconvened up to two months after the original date, at which point a one-fifth quorum is again required.

Subject to the same conditions, decisions are made by a two-thirds majority vote of shareholders who are present, represented or have voted remotely.

For the purposes of calculating quorum and majority, shareholders are deemed to be present if they take part in an Extraordinary General Shareholders' Meeting by videoconference or any other means of telecommunication enabling them to be identified, the nature and terms of use of which are defined by applicable laws and regulations.

**FORM AND DEADLINES FOR NOTICES OF MEETING (ARTICLE 28 OF THE ARTICLES OF ASSOCIATION)**

The Board of Directors calls General Shareholders' Meetings under the conditions provided for by law.

Otherwise, General Shareholders' Meetings may also be called by the auditors or by any person authorised for this purpose.

A notice informing shareholders of the next General Shareholders' Meeting is published at least 35 days prior to the Meeting in the French bulletin of mandatory legal announcements (BALO).

Except where provided for legally, notices are issued at least fifteen clear days before the scheduled date of a General Shareholders' Meeting. This period is reduced to ten clear days for General Shareholders' Meetings held after a second notice of meeting and for reconvened General Shareholders' Meetings.

The notices of meetings are issued by a notice in a newspaper publishing legal announcements in the *département* where the registered office is located, and in the French bulletin of mandatory legal announcements (BALO). Moreover, shareholders who have held registered shares for at least one month prior to the notice of meeting are summoned to the General Shareholders' Meeting by ordinary letter. They may ask to be notified by registered post, provided they pay the registered postage fee to the Company.

The Meetings shall take place at the date, time and place stated in the notice of meeting.

Notices of meeting must include the agenda for the meeting.

**OFFICERS OF GENERAL SHAREHOLDERS' MEETINGS (ARTICLE 30 OF THE ARTICLES OF ASSOCIATION)**

General Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by a director appointed by the Board for this purpose. Failing this, the General Shareholders' Meeting elects its own Chairman.

The two members of the General Shareholders' Meeting with the highest number of votes, who accept this role, shall serve as tellers.

The officers of a General Shareholders' Meeting appoint a secretary, who is not required to be a shareholder.

**AGENDA**

The Agenda of General Shareholders' Meeting is prepared by the author of the notice of meeting.

One or more shareholders representing the percentage of capital required by applicable regulatory provisions and acting in accordance with legal conditions and time limits may request that proposed resolutions be added to the agenda.

Requests for proposed resolutions to be added to the agenda must be sent by registered letter with recorded delivery as of publication of the notice of meeting in the French bulletin of mandatory legal announcements (BALO), and up to 25 days prior to the Meeting (however, if the notice is published more than 45 days prior to the Meeting, proposed must be sent within 20 days of publication of the notice). The authors must provide proof that they possess or represent the required proportion of share capital, prior to transmission of the request, by registering the shareholders on the Company registers.

Only matters on the agenda may be discussed at General Shareholders' Meetings. However, the meeting may at any time dismiss and replace one or more members of the Supervisory Board and, under certain conditions, dismiss one or more members of the Management Board.

The agenda may not be amended where a second notice of meeting has been issued, or in the event of a meeting being reconvened.

**CONDITIONS FOR EXERCISING VOTING RIGHTS**

At all General Shareholders' Meetings, each shareholder has as many votes as the number of shares he or she owns or represents, with no limitations other than those which may arise from legal provisions or the Articles of Association, subject to a Court order in certain cases. The provisions of the Articles of Association stipulating the existence of a double voting right, as adopted by the General Shareholders' Meeting of 7 June 2011, became effective on 1 May 2013. A double voting right is attributed to all fully paid-up registered shares of the Company that have been registered in the name of the same holder for at least two years.

## 21.2.3 Sale and transfer of shares (Article 9 of the Articles of Association)

Shares are freely negotiable, subject to applicable legal and regulatory provisions. They are registered in an account and transferred under the terms and conditions set out in the applicable legal and regulatory provisions.

## 21.2.4 Declaration of thresholds (Article 9 of the Articles of Association)

In addition to the legal requirement to inform the Company when certain percentages of capital or voting have been exceeded or are not met, anyone acting alone or in concert who comes to hold or ceases to hold directly or indirectly a fraction of the capital, voting rights or securities giving future rights to the Company's share capital that is equal to or greater than 1% or a multiple of this fraction, will be required, no later than before the close of trading on the fourth trading day after the day this threshold was exceeded or not met, to notify the Company, by registered letter with acknowledgement of receipt, of the total number of shares, voting rights or securities giving equity rights which it holds directly or indirectly, alone or in concert.

This notification must be renewed under the aforementioned conditions every time a new threshold of 1% is reached or crossed, upwards or downwards, for any reason, including above the threshold of 5%.

In the event of non-compliance with the aforementioned requirements, and if one or more shareholders holding at least 1% of the share capital so requests from the General Shareholders' Meeting, the shareholders in question shall, without prejudice to potential suspensions of voting rights decided by a court, under the conditions and limits specified by law, be deprived of the voting rights for the shares exceeding the thresholds subject to declaration.

## 21.2.5 Change in capital clause

At the registration date of this Reference document, the Articles of Association contain no provisions stricter than those set out in the law relating to changes in capital.

# 22 SIGNIFICANT CONTRACTS

The Company signed a bank financing agreement described in chapter 10 of this document.

As of this date, the Company has not signed any major contracts, other than those signed in the normal course of its business, that create a major obligation or commitment for the whole Group.

# 23 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND ANY DECLARATION OF INTEREST

N/A.

# 24 DOCUMENTS MADE AVAILABLE TO THE PUBLIC

The Articles of Association, minutes of General Shareholders' Meetings, Statutory Auditors' Reports and other corporate documents may be consulted at the Company's registered office. Moreover, all regulatory information provided for under Article 221-1 of the General Regulations of the AMF (the French financial markets authority), certain information on the Group's organisation and business activities, and an up-to-date version of its Articles of Association are available on the Group's website at www.solocalgroup.com.

# 25 INFORMATION ON HOLDINGS

The Company holds no equity interest in companies other than those indicated in section 7.2 "List of main subsidiaries and equity interests" that could have a material impact on the assessment of its assets, financial position or earnings.

# A. APPENDIX

## Glossary

**Advertising representative:** an individual or legal entity responsible for selling advertising space in content produced by a third party, and whose rights and obligations are defined by an advertising representation contract.

**Audiences (visits indicator measured internally):**

- Syndication: indirect audiences on PagesJaunes contents, excluding PagesJaunes digital media (such as Bing, Yahoo!, Comprendre Choisir...).
- SEO & affiliates: audiences on PagesJaunes digital media from affiliate partners (MSN, Nosibay, Free & Alice, Planet, L'internaute) and SEO (Search Engine Optimisation).
- PagesJaunes: audiences resulting from the expressed willingness of a user to access the PagesJaunes digital media (direct access and brand research on a search engine).

**Average cost of total debt:**

- Weighted average of bank debt cost and coupon on the high yield notes, annualised when the period is less than 12 months.

**Company:** Solocal Group.

**Consolidated Group:** Consolidated Group means the group of companies formed by the Company and all of its subsidiaries.

**Directory:** a directory is a compilation of lists of professionals and/or individuals, the subscribers of a fixed-line or mobile operator, for publication alphabetically or by professional category on printed or electronic media.

**EBITDA (Earnings before interests, taxes, depreciation and amortisation):**

- EBITDA is annual revenues after the deduction of net external charges, salaries and social security charges (including employee profit-sharing and share-based payments) and restructuring and integration costs.

**Gross operating margin (GOM):**

- Annual revenue minus external purchases, net operating expenses, salaries and social security charges. The salaries and social security charges included in the gross operating margin do not include employee profit-sharing and share-based payments.

**Group consolidated revenues:** the Group's revenues that include the revenues of the Company and of all its subsidiaries.

**Group:** Group means the group of companies formed by the Company and all of its subsidiaries.

**Internet revenues:**

- The sum of income from Internet operations, the main products being the creation and marketing of content and advertising space, listing, targeted advertising and the provision of advertising space for local and national advertisers, as well as a complete range of products and services for providing and pushing content and information for local audiences.

**Intranet:** a local network that uses the same protocols and technologies as the Internet, but which privately connects computers, *i.e.* without being open to all Internet users.

Examples: corporate Intranet, community Intranet, etc.

**Net external expenses:**

- Include external purchases: mainly printed publishing costs (cost of paper, printing and distribution of printed directories), database costs, information system development and operating expenses, communication and marketing expenses, and overhead.
- Also include other net operating expenses: mainly taxes, some provisions for contingencies and provisions for bad debt.
- Do no include extraordinary expenses, such as the provisions for moving to a single site planned in 2016.

**Net financial debt:**

- Total gross financial debt plus or minus the fair value of derivative asset and liability hedging instruments and minus cash and cash equivalents.

**Normalised gross operating margin (GOM):**

- GOM adjusted for the accounting impact of the new sales contracts.

**PagesJaunes or PagesJaunes SA:** the company PagesJaunes SA.

**Printed directories & other businesses revenues:**

- The sum of income from "Printed directories" business on one hand, which involves the printing, distribution and sale of advertising space in the Group's printed PagesJaunes and PagesBlanches directories, and on the other hand the traditional direct marketing activities (logistics, postage and mailing), telephone and SMS information services (118 008) and the QuiDonc reverse directory.

**Publisher:** the individual or legal entity that assumes responsibility for the content it publishes.

**Ratio of GOM to net financial expenses:**

- Such as defined in the agreement concluded with the creditors, in other words the ratio between an aggregate close to consolidated GOM and an aggregate of consolidated net financial expenses (excluding change in fair value of hedging instruments recognised in P&L and loan issuing expenses amortisation).

**Ratio of Net Debt to GOM:**

- Such as defined in the agreement concluded with the creditors, *i.e.* the ratio between an aggregate of consolidated net debt (excluding fair value of hedging instruments and loan issuing expenses) and an aggregate close to consolidated GOM.

**Reach (an audience indicator created and published by Nielsen Médiamétrie):**

- **Number of unique website visitors:** the number of fixed, mobile phone and tablet Internet users who have visited a website during a given month.
- **Reach:** the traffic of a website or group of websites during a given month, expressed in terms of unique visitors. It may be expressed in terms of volume (the number of unique visitors) or as a percentage of unique visitors within a reference population of Internet users during the month. The Solocal Group's Reach indicator applies only to the group's services and excludes all external syndicated partner media.

**Salaries and charges:**

- Include personnel expenses for all Solocal group personnel categories, but exclude legal employee profit-sharing, share-based payments and restructuring costs (*i.e.* the "PSE" Employment Protection Plan).

**Website reach rate:** number of Internet users who visited the website in question at least once over a given period, out of the total number of active Internet users during that period.

# Concordance table

The 2014 annual financial report, prepared in accordance with Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulations of the Autorité des marchés financiers, comprises the following sections of the Reference document identified in the table below. Included in this table is the concordance table with the sections of Appendix I of Regulation (EC) No. 809/2004 of the European Commission:

| Information | Section of the Reference document |
|---|---|
| Group Consolidated Financial Statements | 20.1 |
| Statutory Auditors' report on the Consolidated Financial Statements | 20.4 |
| Group's Management Report | 9 |
| Company Annual Financial Statements | 20.2 |
| Statutory Auditors' report on the Annual Financial Statements | 20.4 |
| Board of Directors report to the Solocal Group Combined General Shareholders' Meeting of 11 June 2015 | 20.3 |
| Attestation of the persons responsible for this document | 1.2 |
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| 6.2 Presentation of business | 6.1-6.2 |
| 6.3 Exceptional events | 6.3 |
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# Draft resolutions to be submitted to the Combined General Shareholders' Meeting of 11 June 2015

## Ordinary matters

### FIRST RESOLUTION
***(Approval of the annual financial statements for the financial year ended 31 December 2014)***

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after having reviewed the Board of Directors' management report and the Statutory Auditors' report, approves the annual financial statements for the financial year ended 31 December 2014, comprising the balance sheet, the income statement and the notes to the financial statements, as submitted to it, as well as the transactions reported in said financial statements and summarised in said reports. It confirms that the loss for that financial year, as reported in said financial statements, is 132,193,013.11 euros.

The General Shareholders' Meeting approves the total amount of costs and expenses within the scope of Article 39-4 of the French Tax Code in the amount of 67,454 euros for the financial year ended 31 December 2014, and the amount of the tax thereon, *i.e.* 25,632 euros.

### SECOND RESOLUTION
***(Approval of the consolidated financial statements for the financial year ended 31 December 2014)***

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after having reviewed the Board of Directors' management report and the Statutory Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the financial year ended 31 December 2014, comprising the consolidated balance sheet and the income statement, as well as the notes to the consolidated financial statements, as submitted to it, as well as the transactions reported in said financial statements and summarised in said reports.

### THIRD RESOLUTION
***(Appropriation of net income for the financial year ended 31 December 2014, as reported in the annual financial statements)***

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after having reviewed the Board of Directors' report:

- acknowledges that the loss for the financial year is 132,193,013.11 euros;
- acknowledges that, in light of positive retained earnings of 1,365,217,426.51 euros, the distributable profit for the financial year is 1,233,024,413.40 euros; and
- resolves to appropriate the entire amount of distributable profits to the "retained earnings" account.

The following dividends were distributed for the past three financial years:

| Financial year | Number of shares | Dividend per share | Portion of the dividend eligible for the tax credit [1] |
|---|---|---|---|
| 2011 | 280,984 | 0 | Not applicable |
| 2012 | 280,984 | 0 | Not applicable |
| 2013 | 280,984 | 0 | Not applicable |

*(1) 40% tax credit provided for in Articles 158-2 and 158-3 of the French Tax Code.*

### FOURTH RESOLUTION
***(Approval of agreements within the scope of Article 225-38 of the French Commercial Code)***

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after having reviewed the Statutory Auditors' special report on the agreements within the scope of, in Article L. 225-38 of the French Commercial Code, acknowledges the conclusions of that report and approves the agreements concluded during the financial year ended 31 December 2014, as described in that report.

### FIFTH RESOLUTION
***(Authorisation to be granted to the Board of Directors to purchase or transfer Solocal Group shares)***

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after having reviewed the Board of Directors' report:

- cancels, effective immediately, the unused portion of the authority to purchase shares of the Company that was granted by the combined general shareholders meeting of 19 June 2014 pursuant to its fifth resolution;

- authorises the Board of Directors, in accordance with Article L. 225-209 *et seq.* of the French Commercial Code, to purchase shares in the Company, under the conditions set out below, and up to the limit of 10% of the amount of the share capital existing on the date this delegation of authority is used:
  - the maximum purchase price shall not exceed 2 euros per share. However, in the event of capital transactions, in particular, the capitalisation of reserves and the allotment of free shares, and/or stock splits or reverse stock splits, this price shall be adjusted accordingly,
  - the maximum amount of funds allocated to the repurchase programme shall be 232,345,434 euros;
  - this authorisation shall be valid for a period of 18 months,
  - the purchases made by the Company pursuant to this authorisation shall not, under any circumstance or at any time, cause the Company to directly or indirectly hold more than 10% of the shares comprising the share capital on the relevant date,
  - these shares may be purchased or transferred by any means, on the market or via multilateral trading facilities or over the counter, including by purchasing or transferring blocks of shares, or using derivative financial instruments traded on a regulated market, multilateral trading facilities or over the counter,
  - shares may be purchased or transferred at any time, except during the period of a tender offer for the Company's shares, in compliance with the statutes and regulations.

Such share purchases may be made with a view to any allocation permitted by law. The purposes of this share repurchase programme shall be:

- to undertake and comply with obligations associated with stock option programmes or other allotments of shares to employees of the Company or its affiliates and, in particular, to allot shares to the employees of Solocal Group in connection with (i) the Company's profit-sharing scheme and (ii) any share purchase plan, stock option plan or free allotment of shares (including any transfer of shares covered by Article L. 3332-24 of the French Labour Code for the benefit of all or some of the Company's employees and corporate officers, and to carry out any hedging operations relating to these transactions;
- to reduce the Company's capital in accordance with the sixteenth resolution submitted to this General Shareholders' Meeting, provided it is adopted;
- to guarantee the liquidity of Solocal Group's shares through a liquidity contract concluded with an investment services provider, in accordance with the code of ethics approved by the French Financial Markets Authority (AMF);
- to retain the shares and deliver them subsequently pursuant to an exchange or as payment in connection with possible external growth transactions;
- to undertake and comply with obligations relating to debt securities convertible into equity securities and, in particular, to deliver shares upon the exercise of rights attached to securities that confer an immediate or future right to shares by any means, and to carry out any transactions necessary to hedge the obligations of Solocal Group with respect to such securities.

The General Shareholders' Meeting grants full powers to the Board of Directors, with the right to sub-delegate its authority, to decide to implement and to implement this authorisation, if necessary to specify the terms and determine the procedures thereof, to place all stock market orders, to enter into all agreements, to draft all documents, in particular information documents, to allocate and, if necessary, reallocate the shares purchased in accordance with the various purposes sought to be achieved, to carry out all formalities and file all declarations with all organisations and, in general, to take all necessary actions.

## SIXTH RESOLUTION
### *(Ratification of the co-optation of Ms Nathalie Balla as Director)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, ratifies the decision to co-opt Ms Nathalie Balla as Director, which was adopted at the Board of Directors' meeting of 29 July 2014, for the remaining period of her predecessor's term of office, *i.e.* until the General Shareholders' Meeting that will be convened in 2018 to vote on the financial statements for the financial year ending 31 December 2017.

## SEVENTH RESOLUTION
### *(Ratification of the co-optation of Mr Robert de Metz as Director)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, ratifies the decision to co-opt Mr Robert de Metz as Director, which was adopted at the Board of Directors' meeting of 5 November 2014, for the remaining period of his predecessor's term of office, *i.e.* until the conclusion of this General Shareholders' Meeting.

## EIGHTH RESOLUTION
### *(Renewal of the term of office as Director of Mr Robert de Metz)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, takes note that the term of office as Director of Mr Robert de Metz will expire at the conclusion of this meeting and resolves, pursuant to the proposal of the Board of Directors and in accordance with the requirements prescribed by Article 14 of the articles of association, to renew his term of office as Director for a period of four years that will expire at the conclusion of the General Shareholders' Meeting that will vote on the financial statements for the financial year ending 31 December 2018.

## NINTH RESOLUTION
### *(Ratification of the co-optation of Mr Jean-Marc Tassetto as Director)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, ratifies the decision to co-opt Mr Jean-Marc Tassetto as Director, which was adopted at the Board of Directors' meeting of 5 November 2014, for the remaining period of his predecessor's term of office, *i.e.* until the conclusion of this General Shareholders' Meeting.

## TENTH RESOLUTION
### *(Renewal of the term of office as Director of Mr Jean-Marc Tassetto)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, takes note that the term of office as Director of Mr Jean-Marc Tassetto will expire at the conclusion of this meeting and resolves, pursuant to the proposal of the Board of Directors and in accordance with the requirements prescribed by Article 14 of the articles of association, to renew his term of office as Director for a period of four years that will expire at the conclusion of the General Shareholders' Meeting that will vote on the financial statements for the financial year ending 31 December 2018.

## ELEVENTH RESOLUTION
### *(Renewal of the term of office as Director of Ms Cécile Moulard)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, takes note that the term of office as Director of Ms Cécile Moulard will expire at the conclusion of this meeting and resolves, pursuant to the proposal of the Board of Directors and in accordance with the requirements prescribed by Article 14 of the articles of association, to renew her term of office as Director for a period of four years that will expire at the conclusion of the General Shareholders' Meeting that will vote on the financial statements for the financial year ending 31 December 2018.

### TWELFTH RESOLUTION
### *(Non-binding vote on the components of the remuneration owed or granted to Mr Jean-Pierre Remy for the financial year ended 31 December 2014)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, and consulted pursuant to the recommendation of section 24.3 of the AFEP-MEDEF Code of June 2013, which is the Company's code of reference in application of Article L. 225-37 of the French Commercial Code, votes favourably on the components of the remuneration owed or granted to Mr Jean-Pierre Remy, in his capacity as Chairman and Chief Executive Officer, and then Chief Executive Officer, for the financial year ended 31 December 2014, as presented in the Board of Directors' report to this meeting and in the 2014 Reference document on pages 95 and 96.

### THIRTEENTH RESOLUTION
### *(Non-binding vote on the components of the remuneration owed or granted to Mr Christophe Pingard, Chief Operating Officer, for the financial year ended 31 December 2014)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, and consulted pursuant to the recommendation of section 24.3 of the AFEP-MEDEF Code of June 2013, which is the Company's code of reference in application of Article L. 225-37 of the French Commercial Code, votes favourably on the components of the remuneration owed or granted to Mr Christophe Pingard, in his capacity as Chief Operating Officer, for the financial year ended 31 December 2014, as presented in the Board of Directors' report to this meeting and in the 2014 Reference document on pages 97 and 98.

### FOURTEENTH RESOLUTION
### *(Non-binding vote on the components of the remuneration owed or granted to Mr Robert de Metz, Chairman of the Board of Directors, for the financial year ended 31 December 2014)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, and consulted pursuant to the recommendation of section 24.3 of the AFEP-MEDEF Code of June 2013, which is the Company's code of reference in application of Article L. 225-37 of the French Commercial Code, votes favourably on the components of the remuneration owed or granted to Mr Robert de Metz, Chairman of the Board of Directors, for the financial year ended 31 December 2014, as presented in the Board of Directors' report to this meeting and in the 2014 Reference document *(Document de référence)* on page 94.

### FIFTEENTH RESOLUTION
### *(Establishing the annual amount of Directors' fees granted to the members of the Board of Directors)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after having reviewed the Board of Directors' report, resolves to establish the total annual amount of Directors' fees to be granted to the members of the Board of Directors at 490,000 euros for financial year 2015 and subsequent financial years, until a new resolution is adopted.

## Extraordinary matters

### SIXTEENTH RESOLUTION
### *(Authorisation granted to the Board of Directors to reduce share capital by cancelling shares)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for extraordinary general meetings, after having reviewed the Board of Directors' report and the Statutory Auditors' special report, and voting in accordance with Article L. 225-209 of the French Commercial Code:

- cancels, effective immediately, the unused portion of the authority previously delegated by the combined General Shareholders' Meeting held on 19 June 2014 pursuant to its twenty-fourth resolution;
- delegates to the Board of Directors all powers to cancel, on one or more occasions, all or some of the shares in the Company purchased in connection with the share purchase programmes authorised by the fifth resolution submitted to this meeting or pursuant to share purchase programmes authorised before or after the date of this meeting, up to a maximum of 10% of the Company's share capital in any 24-month period;
- resolves that the amount of the purchase price of the shares that exceeds their par value shall be allocated to the "Issue Premiums" account or any other available reserve fund, including the statutory reserve fund, up to a maximum of 10% of the capital decrease carried out;
- delegates all powers to the Board of Directors, with the right to sub-delegate its authority in accordance with legal requirements, to carry out the capital decrease resulting from the cancellation of the shares and to make the aforementioned allocation, as well as to amend Article 6 of the articles of association accordingly;
- sets the duration of this authorisation at 18 months from the date of this meeting.

### SEVENTEENTH RESOLUTION
### *(Bringing the articles of association into compliance with new regulations)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for extraordinary general meetings, after having reviewed the Board of Directors' report, and in order to bring the articles of association into compliance with the new statutory and regulatory provisions adopted by Order No. 2014-863 of 31 July 2014 and Decree No. 2014-1466 of 8 December 2014, resolves to amend:

- the last but one paragraph of Article 23 as follows, with no changes made to the remainder of Article 23:

  *"The foregoing provisions shall not apply to agreements concerning day-to-day operations that are concluded on arm's length terms or to agreements concluded between two companies, one of which directly or indirectly holds all of the capital of the other, excluding, if applicable, the minimum number of shares necessary to meet the requirements of Article 1382 of the French Civil Code* (Code civil) *or Articles L. 225-1 and L. 226-1 of the French Commercial Code."*
- the first two paragraphs of Article 26 as follows, with no changes made to the remainder of Article 26:

  *"General shareholders' meetings are comprised of all shareholders, provided the payments due on their shares have been made, who can prove the right to take part in general meetings by the registration of the shares in the name of the shareholder or, if the shareholder is not domiciled in France, of the intermediary registered on his behalf, no later than the second business day before the meeting at 00.00 (Paris time).*

*The registration of the shares before the deadline specified in the preceding paragraph shall be made either on the registered share accounts maintained by the Company or the bearer share accounts maintained by an authorised intermediary."*

- the sixth paragraph of Article 27 as follows, with no changes made to the remainder of Article 27:

  *"A proxy granted or vote cast using such electronic means before the meeting, as well as the acknowledgment of receipt thereof, shall be considered, subject to the exception below, as irrevocable documents binding on all parties. As an exception to the foregoing, in the event of share transfers that occur prior to the second business day before the meeting at midnight, the Company shall invalidate or modify accordingly, as applicable, the proxy granted or vote cast before the meeting using the electronic means set up by the Board of Directors."*

### EIGHTEENTH RESOLUTION
### *(Amendment to Article 17 of the articles of association concerning the powers of the Board of Directors)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for extraordinary general meetings, after having reviewed the Board of Directors' report, resolves, in application of new Article L. 228-36-A of the French Commercial Code, to supplement Article 17 of the Company's articles of association with regard to the Board of Directors' powers to issue securities conferring the right to debt securities and, consequently, to add a new paragraph to the end of said Article 17 that reads as follows:

*"The Board of Directors is empowered to decide or authorise the issue of bonds and all other securities that confer the right to debt securities. The Board of Directors may delegate to one or more of its members, to the Chief Executive Officer or, with his agreement, to one or more deputy chief executive officers, the powers necessary to complete, within a period of one year, the issue of such bonds or securities and to stipulate the procedures therefore. The persons appointed shall report to the Board of Directors in accordance with the requirements it prescribes."*

### NINETEENTH RESOLUTION
### *(Non-use of financial authorisations during tender offer periods)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for extraordinary general meetings, after having reviewed the Board of Directors' report, resolves that the Board of Directors shall not without the prior authorisation of the General Shareholders' Meeting use the delegations of financial authority granted by the Combined General Shareholders' Meeting of 19 June 2014 pursuant to its fifteenth to twenty-second resolutions, from the time a third party files a tender offer for the Company's shares until the end of the offer period.

### TWENTIETH RESOLUTION
### *(Reverse stock split of the Company's shares by granting one (1) new ordinary share with a par value of 6 euros in exchange for 30 ordinary shares held with a par value of 0.20 euro — Delegation of authority to the Board of Directors with the right to sub-delegate)*

The General Shareholders' Meeting, voting in accordance with the quorum and majority requirements for extraordinary general meetings, after having reviewed the Board of Directors' report, and after having noted that as of 9 February 2015 the Company had share capital of 232,345,434 euros, divided into 1,161,727,170 shares with a par value of 0.20 euro each:

- resolves to carry out a reverse stock split of the shares comprising the Company's share capital, pursuant to which 30 ordinary shares with a par value of 0.20 euro each will be exchanged for one (1) new share with a par value of 6 euros;
- grants full powers to the Board of Directors, with the right to sub-delegate its authority, to:
  - set the starting date for the reverse stock split operations,
  - publish all notices and carry out all formalities required by law,
  - determine and approve the exact number of shares to be consolidated and the exact number of shares resulting from the reverse stock split before the start of the reverse stock split operations;
- acknowledges the fact that a shareholder of the Company has waived its right to the reverse stock split for a certain number of shares in order to enable the exchange ratio set out in the first indent of this resolution to be applied to a round number of shares;
- in consequence of the foregoing, resolves that the Board of Directors shall have full powers, with the right to sub-delegate its authority, to amend the articles of association accordingly, to determine and, if necessary to adjust (including by making cash adjustments) the rights of the beneficiaries of share subscription or purchase options and allotments of free shares, and the holders of all securities that confer the right to the Company's capital, to carry out all required publication formalities and, more broadly, to do all that may be of use and necessary to carry out the reverse stock split of the Company's shares in accordance with the conditions above and in compliance with applicable laws and regulations.

The new shares shall immediately carry double voting rights, provided they continue to be held as registered shares, if on the date of the reverse stock split of the former shares from which they are derived, each of such former shares carried double voting rights.

In the event of a reverse stock split of former shares that were registered as registered shares on different dates, the time period for determining whether the new shares carry double voting rights shall be deemed to begin on the most recent date on which the former shares were registered as registered shares.

This delegation of authority is granted for a period that will expire on the date of the general meeting convened to vote on the financial statements for the financial year ending 31 December 2015.

## Ordinary and extraordinary matters

### TWENTY-FIRST RESOLUTION
### *(Powers for formalities)*

The General Meeting grants full powers to the bearer of an original, copy or extract of the minutes of this Meeting to carry out all legal and administrative formalities and comply with all filing and publication requirements prescribed by the laws in force.

# The Statutory Auditors' report on the capital reduction

## 11 June 2015 General meeting – Resolution No. 16

To the shareholders,

In our capacity as Statutory auditors of your Company and pursuant to the mission provided by Article L. 225-209 of the Commercial Code in the case of a capital reduction by cancellation of purchased shares, we have prepared this report to inform you of our assessment regarding the causes and the conditions of the considered capital reduction.

Your Board of Directors proposes that you delegate to it, for a period of 18 months from the date of this General Meeting, all abilities to cancel, within the limit of 10% of its capital, by 24-month period, the purchased shares under the implementation of a purchase authorisation by your Company of its own shares under the provisions of the mentioned Article.

We have performed the procedures that we considered necessary in accordance with the professional standards of the French National Institute of Auditors *(Compagnie Nationale des Commissaires aux Comptes)* relating to this engagement. These procedures consisted in verifying that the reasons and conditions of the considered capital reduction, which is not misleading at best the shareholders' equality, are regular.

We have no comment on the causes and the conditions of the considered capital reduction.

Paris-La Défense and Neuilly-sur-Seine, 23 April 2015

The Statutory Auditors

| Ernst & Young Audit | Deloitte & Associés |
|---|---|
| Denis THIBON | Ariane BUCAILLE |

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