Consolidated financial information as at 31 December 2017

Board of Directors of 14 February 2018

Unofficial translation of the French-language "*Informations financières consolidées au 31 décembre 2017*" of SoLocal Group, for information purposes only.

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The audit procedures have been carried out and the audit report concerning certification is to be released

SoLocal Group
Public limited company with a Board of Directors with capital of 58,244,480 euros
Registered office: 204 rond point du Pont de Sèvres – 92100 Boulogne-Billancourt
Commercial and Companies Register Nanterre 552 028 425

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1. Annual continued activity report as of 31 December 2017

1.1 Overview

SoLocal Group generated revenue of 755.8 million euros in 2017 (for the scope of continued activities excluding the entities transferred in 2017), its Internet and Print & Voice activities represent 84% and 16%. The Internet activity is driven by the two main digital activities, which are Search Local and Digital Marketing.

Internet

In 2017, SoLocal Group recorded 635.8 million euros Internet revenues, representing 84 % of Group revenues.

- Firstly, we offer digital services and solutions to companies to increase their visibility and expand their contacts at the local level: In 2017, this Local Search activity posted revenues of 461.3 million euros thanks to a sustainable and highly qualitative audience generated through our own brands (PagesJaunes, Mappy, Ooreka) and our privileged partners (Google, Bing (Microsoft), Yahoo!, Apple and Facebook).
- Secondly, we create and make available to internet users the best local and personalised content on professionals: In 2017, this Digital Marketing activity represented revenues of 174.5 million euros. These highly differentiating technologies have been created over the last five years and have generated rapid growth (+18.1 % in 2017 compared to 2016). They include the sites & content, local programmatic and transactional services.

Print & Voice

The Print & Voice activities generated 120.0 million euros in 2017. This segment includes the Group's activities pertaining to the publishing, distribution and sales of advertising space in the PagesJaunes and PagesBlanches print directories (PagesJaunes, PagesBlanches), as well as other activities of the Group called "Voice", including telephone directory and reverse directory services.

1.2 Commentary on the 2017 full-year results

During the 2017 financial year, the Group disposed of two non-strategic activities ("disposed activities"):

- site avendrealouer.fr, real estate classifieds business;
- Chronoresto, online meal orders;

The accounts published by the Group as at 31 December 2017 are made up as follows.

EBITDA as at 31 December 2017 is -2.7 million euros compared to -2.1 million euros as at 31 December 2016.

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

Consolidated income statement for continued activities for years ending 31 December 2017 and as at 31 December 2016

(Amounts in thousands of euros)		As at 31 december 2017					As at 31 december 2016 (*)				
	Notes	Consolidated	Divested activities	Continued activities	Continued activities		Consolidated	Divested activities	Continued activities	Continued activities	
					Recurring	Non recurring				Recurring	Non recurring
Revenues		764,941	9,092	755,849	755,849	-	812,277	10,973	801,304	801,304	-
Net external expenses		(201,479)	(6,154)	(195,325)	(192,377)	(2,948)	(215,822)	(7,407)	(208,415)	(207,436)	(979)
Staff expenses		(383,492)	(5,628)	(377,864)	(367,489)	(10,375)	(372,580)	(5,709)	(366,871)	(362,859)	(4,012)
EBITDA		**179,970**	**(2,690)**	**182,660**	**195,983**	**(13,323)**	**223,875**	**(2,143)**	**226,018**	**231,009**	**(4,991)**
Depreciation and amortization		(53,487)	10,720	(64,207)	(64,207)	-	(59,231)	(2,586)	(56,645)	(56,645)	-
Operating income		**126,483**	**8,030**	**118,453**	**131,777**	**(13,323)**	**164,644**	**(4,729)**	**169,373**	**174,364**	**(4,991)**
Net gain from debt restructuring at 13 March 2017		265.8	0.0	265.8	-	265,785	-	-	-	-	-
Financial income		393	-	393	393	-	1,425	-	1,425	1,425	-
Financial expenses		(28,569)	-	(28,569)	(28,569)	-	(75,247)	-	(75,247)	(75,247)	-
Gain (loss) on foreign exchange		-	-	-	-	-	(25)	-	(25)	(25)	-
Financial income	10.4	**237,609**	**-**	**237,609**	**(28,176)**	**265,785**	**(73,847)**	**-**	**(73,847)**	**(73,847)**	**-**
Income before tax		**364,092**	**8,030**	**356,062**	**103,601**	**252,462**	**90,796**	**(4,729)**	**95,525**	**100,516**	**(4,991)**
Corporate income tax	9	(28,570)	(1,468)	(27,102)	(44,094)	16,992	(41,840)	(79)	(41,761)	(43,480)	1,719
Income for the period		**335,522**	**6,562**	**328,960**	**59,507**	**269,453**	**48,956**	**(4,808)**	**53,764**	**57,037**	**(3,272)**

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2 and Turn over table (cf note 6.2)

Non-recurring items of continued activities primarily concern exceptional personnel expenses for securing the continuity of the business, severance costs for people not being replaced and items related to new corporate governance, and especially in 2017 items related to financial restructuring.

Details on the revenues and recurring EBITDA (cf. definitions page 19) of continued activities, as at 31 December 2017 and 31 December 2016

in million euros	As at 31 December 2017	As at 31 December 2016	Change 2017/2016
Internet	635.8	637.8	-0.3%
Print & Voice	120.0	163.5	-26.6%
Revenues	**755.8**	**801.3**	**-5.7%**
Internet revenues as % of total revenues	*84.1%*	*79.6%*	
Internet	170.4	187.6	-9.2%
Print & Voice	25.6	43.4	-41.0%
Recurring EBITDA [1]	**196.0**	**231.0**	**-15.2%**
As % of revenues			
Internet	*26.8%*	*29.4%*	
Print & Voice	*21.3%*	*26.5%*	

1.2.1 Analysis of revenues

<u>Revenues</u>

In 2017, revenues stood at 755.8 million euros, down -5.7% compared to 2016:

- Internet revenues of €636 million in 2017 were stable (-0.3%) compared with 2016 and accounted for 84% of total revenues in 2017. The growth of the Digital Marketing business (+18.1%) offset the decrease in the Local Search (-5.8%), which was due to the negative impact of the financial restructuring on sales and to the slower than expected ramp-up of the new Search products.

- Audience growth: Internet visits in 2017 were up +2% to 2.4 billion compared with 2016. The mobile audience specifically increased by +12%, and accounted for 40% of the total audience.

- Local Search revenues: -5.8% to €461.3 million in 2017 compared with 2016:

    - Local Search ARPA : -1% to €984 in 2017 compared with 2016. This slowdown is mostly due to the impact on sales of the financial restructuring finalisation in Q4 2016, especially with large accounts.

    - Number of customers : -5% to 469k in 2017 compared with 2016.

- Digital Marketing revenues: revenues increased by +18.1% to €174.5 million in 2017 compared with 2016, thanks to an acceleration of the Group's innovative offerings, including websites (Premium and Privilege websites) and AdWords (Booster Contact offering). Digital Marketing revenues accounted for 23% of total revenues in 2017.

- Print & Voice revenues, which amounted to €120 million in 2017 were down -26.6% compared with 2016, as customers and users continued to migrate to digital offerings. This business accounted for 16% of total revenues in 2017.

1.2.2 Analysis of recurring EBITDA

<u>Net external expenses</u>

The net external expenses decreased -7.3%, or -15.1 million euros, to -192.4 million euros in 2017 compared to -207.4 million euros in 2016. External expenses represent 25.5% of revenue.
The decrease in external expenses stems primarily from the reduction in communication expenses and that in general expenses as well as production costs in Print & Voice activities.

<u>Personnel expenses</u>

Personnel expenses increased +1.3% at -367.5 million euros in 2017 compared to -362.9 million euros in 2016. Personnel costs represent 48.6% of revenue.

Recurring EBITDA

Recurring EBITDA was 196.0 million euros in 2017, down to -15.2% versus 2016, mainly due to the decline in revenues partially attenuated by the decrease in net external expenses.

The EBITDA to revenue margin was 25.9% in 2017, a limited decrease of 2.9 points versus 2016.

Internet segment recurring EBITDA decreased -9.2%, or -17.2 million euros, to 170.4 million euros in 2017 compared to 187.6 million euros in 2016. Print & Voice recurring EBITDA decreased -41.0%, or -17.8 million euros, to 25.6 million euros in 2017 compared to 43.4 million euros in 2016.

1.2.3 Analysis of the other items of the income statement

Recurring operating income

The table below shows the Group's recurring operating income for continued activities as at 31 December 2017 and as at 31 December 2016:

SoLocal Group	**Continued activities**						
in million euros	**As at 31 December 2017**			**As at 31 December 2016 (*)**			**Change recurring 2017/2016 (*)**
	Total	**Recurring**	**Non recurring**	**Total**	**Recurring**	**Non recurring**	
EBITDA	**182,7**	**196,0**	**(13,3)**	**226,0**	**231,0**	**(5,0)**	**-15,2%**
As % of revenues	*24,2%*	*25,9%*	-	*28,2%*	*28,8%*	-	
Depreciation and amortization	(64,2)	(64,2)	-	(56,6)	(56,6)	-	13,4%
Operating income	**118,5**	**131,8**	**(13,3)**	**169,4**	**174,4**	**(5,0)**	**-24,4%**
As % of revenues	*15,7%*	*17,4%*	*-1,8%*	*21,1%*	*21,8%*	*-0,6%*	

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2 and Turn over table (cf note 6.2)

Depreciation and amortization for the Group stands at -64.2 million euros in 2017 compared to -56.6 million euros in 2016, an increase of -7.6 million euros (+13.4%) due primarily to the increase depreciation and amortization linked to the rate of investment of previous financial years.

The Group's recurring operating income decreased by -24.4% compared to 2016 at 131.8 million euros. This decrease primarily stems from the -35.0 million euro drop in recurring EBITDA and from the increase in depreciation and amortization of -7.6 million euros.

Net income

The table below shows the Group's results for continued activities as at 31 December 2017 and as at 31 December 2016:

in million euros	Continued activities						
	As at 31 December 2017			As at 31 December 2016 (*)			Change recurring 2017/2016 (*)
	Total	Recurring	Non recurring	Total	Recurring	Non recurring	
Operating income	**118,5**	**131,8**	**(13,3)**	**169,4**	**174,4**	**(5,0)**	**-24,4%**
Net gain from debt restructuring at 13 March 2017	265,8	-	265,8	-	-	-	-
Other financial income	0,4	0,4	-	1,4	1,4	-	-71,4%
Financial expenses	(28,6)	(28,6)	-	(75,2)	(75,2)	-	-62,0%
Financial income	**237,6**	**(28,2)**	**265,8**	**(73,8)**	**(73,8)**	**-**	**-61,8%**
Income before tax	**356,1**	**103,6**	**252,5**	**95,5**	**100,5**	**(5,0)**	**3,1%**
Corporate income tax	(27,1)	(44,1)	17,0	(41,8)	(43,5)	1,7	1,4%
Income for the period	**329,0**	**59,5**	**269,5**	**53,8**	**57,0**	**(3,3)**	**4,4%**

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2 and Turn over table (cf note 6.2)

Net financial expenses

Net financial expenses of Group amounted -28.6 million euros as at 31 December 2017, down -62.0%, mainly due to the financial restructuring of 2017. The average interest rate for the debt decreased from 5.4% as at 31 December 2016 to 7.6% as at 31 December 2017. The 2017 interest expenses were only payable for the period between 15 March and 31 December 2017, in accordance with the terms negotiated as part of the financial restructuring.

Recurring income for the period

The corporation tax charge amounted to -44.1 million euros in 2017, increase 1.4% compared to 2016. The effective tax rate stands at 42.6%, down -0.7 points compared to 2016.

The recurring operating income for continued activities amounted to +59.5 million euros in 2017, up +4.4% compared to 2016.

Non-recurring items

The net income for non-recurring items was +269.5 million euros compared to -3.3 million euros in 2016. This is primarily financial income of +265.8 million euros excluding tax (+278.2 million euros including tax) and non recurring items included in EBITDA for -13.3 million euros (-8.7 million euros including tax) and is mostly comprised of the following items:

- non recurring items included in EBITDA for -13.3 million euros which comprised -8 million euros of staff expenses for positions not being replaced, - 2 million euros for retention plan,
- non-monetary financial income of +298.0 million euros resulting from the difference between the book value of the debt converted into equity instruments and the fair value amount of these same instruments in application of IFRIC 19 (cf. note 10.5),
- accelerated amortisation of the expenses associated with the issue of previous financing for an amount of -10.5 million euros linked to the restructuring of the debt in March 2017 which resulted in the extinguishment of the previous debt,
- expenses linked to the financial restructuring that was fully recognised in the income statement for an amount of -24.7 million euros,

- income of +2.2 million euros on the partial repurchase of the bond loan.

Income for the period

The result for continued activities of the Group reached + 329.0 million euros in 2017. Excluding financial income stemming from the restructuring of the debt (265.8 million euros, or 278.2 million euros net of tax), the result for continued activities of the Group would be +50.8 million euros, representing a decrease of -5.6%.

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

Cash flow statement

In million of euros	As at 31 December 2017	As at 31 December 2016	
Recurring EBITDA	**196.0**	**231.0**	**-15.2%**
Non monetary items included in EBITDA and other	1.7	8.0	-79.1%
Net change in working capital	(41.3)	(56.8)	-27.2%
Acquisition of tangible and intangible fixed assets	(52.9)	(67.2)	-21.3%
Cash financial income	(55.8)	(36.0)	55.0%
Non recurring items	(25.8)	(32.5)	-20.6%
Corporate income tax paid	(44.6)	(12.6)	253.8%
Net Cash flow from continued activities	**(22.8)**	**33.9**	**na**
Net Cash flow from divested activities	(2.8)	(3.3)	-14.2%
Net cash flow	**(25.6)**	**30.6**	**na**
Increase (decrease) in borrowings and bank overdrafts	(263.9)	1.7	na
Capital increase	272.7	0.0	na
Other	12.0	5.3	125.6%
Net cash variation	**(4.9)**	**37.7**	**na**
Net cash and cash equivalents at beginning of period	91.0	53.3	70.7%
Net cash and cash equivalents at end of period	**86.1**	**91.0**	**-5.4%**

1.2.5 Financial information

Revenues by Quarter

In million of euros	12M 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	12M 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Internet revenues	**635.8**	**172.1**	**145.5**	**158.2**	**160.2**	**637.8**	**168.6**	**153.5**	**161.7**	**154.0**
Local search	**461.3**	**120.3**	**106.6**	**115.4**	**119.1**	**489.9**	**127.3**	**119.6**	**125.7**	**117.4**
Number of visits (in million) [1]	*2428*	*594*	*617*	*604*	*614*	*2371*	*597*	*599*	*596*	*578*
ARPA [2] *(in €)*	*984*	*262*	*229*	*242*	*250*	*991*	*264*	*244*	*253*	*232*
Number of clients (in thousand)	*469*	*459*	*466*	*476*	*477*	*494*	*481*	*490*	*496*	*506*
Digital marketing	**174.5**	**51.8**	**38.9**	**42.8**	**41.1**	**147.8**	**41.3**	**33.9**	**36.0**	**36.6**
Penetration rate (in number of clients) [3]	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*	*23%*	*23%*	*23%*
Print & Voice revenues	**120.0**	**28.4**	**29.3**	**36.4**	**26.0**	**163.5**	**39.4**	**41.1**	**50.2**	**32.8**
Revenues from continued activities	**755.8**	**200.4**	**174.7**	**194.5**	**186.2**	**801.3**	**208.0**	**194.6**	**211.9**	**186.8**
Revenues from divested activties	9.1	1.5	2.5	2.5	2.6	11.0	2.4	2.6	2.9	3.2
Consolidated revenues	**764.9**	**201.9**	**177.2**	**197.0**	**188.8**	**812.3**	**210.4**	**197.2**	**214.8**	**190.0**

[1] excluding avendrealouer.fr website

[2] Average Revenue Per Advertiser

[3] % of Internet clients benefiting from a Digital marketing product

Recurring EBITDA

In million of euros	12M 2017	H1 2017	12M 2016	H1 2016
Internet recurring EBITDA	170.4	81.4	187.6	89.5
EBITDA / revenue margin	27%	25%	29%	28%
Print & Voice recurring EBITDA	25.6	9.6	43.4	22.1
EBITDA / revenue margin	21%	15%	27%	27%
Recurring EBITDA from continued activities	**196.0**	**91.1**	**231.0**	**111.6**
EBITDA / revenue margin	26%	24%	29%	28%
Recurring EBITDA from divested activities	(2.7)	(1.5)	(2.1)	(0.2)
Consolidated recurring EBITDA	**193.3**	**91.1**	**228.9**	**111.6**
EBITDA / revenue margin	25%	24%	28%	28%

Income Statement

In million of euros	12M 2017	H1 2017	12M 2016 (*)	H1 2016 (*)
Group revenues	**755.8**	**385.8**	**801.3**	**404.7**
Net external expenses	(192.4)	(101.4)	(207.4)	(105.5)
Personnel expenses	(367.5)	(193.4)	(362.9)	(187.6)
Recurring EBITDA	**196.0**	**91.1**	**231.0**	**111.6**
Non recurring items	(13.3)	(2.8)	(5.0)	(2.0)
EBITDA	**182.7**	**88.2**	**226.0**	**109.5**
Depreciation and amortisation	(64.2)	(29.9)	(56.6)	(26.9)
Operating income	**118.5**	**58.4**	**169.4**	**82.7**
Financial income	237.6	255.0	(73.8)	(36.9)
Share of the result from associated companies	-	-	-	-
Income before tax	**356.1**	**313.4**	**95.5**	**45.8**
Corporate income tax	(27.1)	(7.5)	(41.8)	(20.6)
Corporate income tax rate	*-7.6%*	*2.4%*	*-43.7%*	*45.0%*
Net income from continued activities	**329.0**	**305.8**	**53.8**	**25.2**
Net income from divested activities	6.6	(0.2)	(4.8)	0.5
Net income	**335.5**	**305.7**	**49.0**	**25.2**

(*) restated for the retrospective application of IAS 20 concerning the CIR

1.3 Consolidated liquidities, capital resources and investment expenses

The table below shows the cash flows for **continued activities** of the Group as at 31 December 2017 and as at 31 December 2016:

SoLocal Group	**Continued activities**		
in million euros	**As at 31 December 2017**	**As at 31 December 2016**	**Change 2017/2016**
Net cash from operations	30,1	101,6	(71,4)
Net cash used in investing activities	(40,7)	(62,0)	21,3
Net cash provided by (used in) financing activities	8,5	1,9	6,6
Impact of changes in exchange rates on cash	(0,0)	(0,1)	0,0
Net increase (decrease) in cash position	**(2,1)**	**41,4**	**(43,5)**

The net cash from operations amounted to 30.1 million euros in 2017 compared to 101.6 million euros in 2016, representing a decrease of 71.4 million euros due mainly to:

- EBITDA for continued activities of 182.7 million euros in 2017, down 43.4 million euros compared to 2016,
- a disbursement of 12.4 million euros for non-recurring items compared to 27.5 million euros as at 31 December 2016,
- a decrease in the working capital requirement of 41.3 million euros in 2017 compared to an increase of 56.8 million euros in 2016, representing a favourable change of 15.4 million euros between the two periods (monthly payment vs quarterly and the increase of the provider post (rent-free effect partially offset by lower supplier credit due to lower external charges),
- a net disbursement of 55.8 million euros in respect of financial interest in 2017 compared to 36.0 million euros in 2016, which is an unfavourable change of 19.8 million euros between the two periods linked primarily to a shift in the payment of interests in the fourth quarter of 2016 to the first quarter of 2017, in the framework of debt renegotiation (recorded expense in 2016 of 32.0 million euros) partially offset by the mechanical decline in interest related to the decline in debt,
- a disbursement of 44.6 million euros in respect of corporation tax in 2017 of which 6.4 million euros concerning a tax reassessment on prior years linked to the research tax credit compared to 12.6 million euros in 2016, i.e. an unfavourable change of 32.0 million euros, with the situation in 2016 benefiting in particular from the reimbursement of the tax receivable recorded as at 31 December 2015.

The net cash used in investing activities represents a disbursement of 40.4 million euros in 2017, a decrease compared to a disbursement of 62.0 million euros recorded in 2016, mainly comprising:

- 52.9 million euros in respect of acquisitions of tangible and intangible fixed assets in 2017 compared to 67.2 million euros in 2016,

- In 2017, the net proceeds from sale of the « avendrealouer.fr » deducted cash surrendered is 14,8 million euros,

- In 2016, 9.0 million euros in terms of the restitions of the cash collateral as a guarantee for two commercial lease contracts for future completion, 4.1 million euros paid in 2016 for the security deposit for the CityLights premises in Boulogne, offset by 1.6 million euros linked to the reimbursement of the security deposit for Sèvres,

- 0,9 million euros in earn-out disbursement in 2016 and 2017 for acquisition.

The net cash used in financing activities amounted to 8.5 million euros in 2017 compared to a disbursement of 1.9 million euros in 2016, representing an increase of 6.6 million euros due mainly to:

- In 2017, the financial restructuring (note 10.5 of consolidated accounts), the reimbursement of 252.7 million euros, a capital increase in cash for 272.7 million euros and disbursement of refinancing costs for 21.4 million euros.

- The implementing in 2017 of a sales & lease-back operation of IT equiments for 10.0 million euros,

- In 2016 the drawing of the revolving credit line for 38.4 million euros, the contractual repayment of the excess cash flow of tranche A7 of the bank loan for an amount of 15.2 million euros, the repayment of another loan for an amount of 1.7 million euros, the treating as a decrease in debt (no longer as a cash equivalent) the partial repurchase of a bond loan for an amount of 12.2 million euros in 2015 and the payment of refinancing expenses of 7.0 million euros in 2016.

The table below shows **the consolidated Group's cash position** in the year's ending on 31 December 2017 and 31 December 2016:

SoLocal Group in million euros	**As at 31 December 2017**	**As at 31 december 2016**
Cash and cash equivalents	87.5	91.0
Cash	**87.5**	**91.1**
Bank overdrafts	(1.4)	(0.1)
Net cash	**86.1**	**91.0**
Bank borrowing	-	783.6
Bond loan	397.8	337.8
Revolving credit facility	-	38.4
Loan issue expenses	-	(10.5)
Capital leases	0.1	0.3
Earn-outs	3.7	2.0
Accrued interest not yet due	1.4	32.1
Other financial liabilities	14.8	4.0
Gross financial debt	**417.8**	**1,187.8**
of which current	*9.6*	*1,186.4*
of wich non current	*408.2*	*1.3*
Net debt	**331.7**	**1,096.8**
Net debt of consolidated group excluded loan issue expenses	**331.7**	**1,107.3**

Following the restructuring if the Group's debt on 14 March 2017, the latter is down 765.1 million euros compared to 31 December 2016. It stood at 331.7 million euros as at 31 December 2017 compared to 1,096.8 million euros as at 31 December 2016.

As at 31 December 2017, it is mainly comprised:

- of bonds stemming from the financial restructuring operations carried out in March 2017 for an amount of 397.8 million euros, repayable in March 2022,
- of net cash flow of 86.1 million euros.

1.4 Perspectives for the year 2018

The outlook for 2018 is the stabilisation of recurring EBITDA.

1.5 Events subsequent to the closing date of 31 December 2017

SoLocal has presented its "SoLocal 2020" strategic project, based on an expanded offer of digital services for businesses, a reinvented PagesJaunes media platform and a streamlined organisation. This plan bears SoLocal's new ambition: to become one of the digital services champions in France.

SoLocal, and especially PagesJaunes SA, must accelerate its transformation by focusing on three value-creating development sectors:

- Developing new "full web & apps" services on all terminals (PCs, mobile phones, tablets and PDAs), sold as packaged offers and subscriptions to businesses
- Reinventing its media, around new user experiences with PagesJaunes and Mappy
- Simplifying its organisation

To better meet customers' needs, the operational organisation would be redesigned : the business units will be eliminated, support functions will be centralised, locations will be rationalised, the hierarchy will be streamlined, and certain activities will be consolidated. This would require cutting around 1,000 positions at the Group level over the 2018-2019 period, including around 800 positions at PagesJaunes in 2018 and 200 positions in 2019. An Employment Protection Plan would be implemented. The transformation project would also include the creation of a hundred positions in 2018 on new digital skills. Accordingly, on February 13rd, the company initiated the process of informing and consulting with the employee representative bodies.

The overall cost is approximately of €180 million

As a subsequent event to the closing date, no amount has been provisioned in 2017 accounts.

1.6 Investment expense

CAPEX from continued activities	**As at 31 december 2017**	**As at 31 december 2016**	**Variation**
In million of euros			
Acquisition of tangible and intangible fixed assets	**53.0**	**67.2**	**-21.1%**
In % of revenues from continued activities	7.0%	8.4%	

CAPEX decreased -21.1% at 53.0 million euros in 2017 compared to 67.2 million euros in 2016. CAPEX represents 7.0% of revenue in 2017. CAPEX for 2016 included real estate investments concerning the development work in 2016 at the Group's new headquarters in Boulogne Billancourt.

Group investments in 2017 concentrated on the Order to Cash and Order to Publish processes, the growth in Search and the platforms for the Programmatics activity.

Definitions

EBITDA: alternate indicator of performance presented in the income statement in operating income and before taking depreciation and amortisation into account.

Recurring EBITDA: EBITDA excluding exceptional events.

Internet revenue: sum of the revenues for the Search local and Digital Marketing activities.

Search local revenue: Revenues generated from the Local search business, consisting of local communication services that the Group offers on its own websites, such as PagesJaunes, Mappy, Ooreka (the new name of ComprendreChoisir) and A Vendre A Louer, or with its partners, in particular Google, Bing, Apple and Facebook.

Digital Marketing revenue: the revenue concerns Digital Marketing revolving around 3 product lines:

- Transactional services: in particular, making appointments with doctors (PagesJaunes Doc), making reservations or ordering meals from restaurants (PagesJaunes Resto), and offering deals provided by clients. SoLocal Group is abandoning 'daily deals', which generated little customer loyalty, and will focus on deals provided by PagesJaunes, which are more highly valued by its clients.

- Local programmatic: SoLocal Group is disposing of an over the counter display business and will focus solely on local programmatic, which offers the most promising growth opportunities. The Group is increasing its investments in this technology and taking advantage of its local database and the success of its ADhesive offer, which was launched at the beginning of the year.

- Websites and contents: this product line is currently the Group's flagship Digital marketing activity. The Group has a significant international presence through its partners and subsidiaries (QDQ, Leadformance, SoLocal UK) and will continue to develop these activities in order to offer its customers the most effective possible promotion of their local know-how.

Print & Voice revenue: sum of the revenues stemming on the one hand from the "printed directories" activities involving the publication, distribution and sale of advertising space in printed directories (PagesJaunes, PagesBlanches) and on the other hand from traditional direct marketing activities (logistics, postage, mailing) and the directory enquiry services by telephone and SMS (118 008) as well as the QuiDonc reverse directory

Number of Search local customers: average number of customers for the period (average of the customers present at the beginning and at the end of of the period in question) who have a product from the Search local range

ARPA Search local: revenue for the period in question over the average number of customers for the period

Penetration rate of Digital Marketing: average number of customers for the period in question who have a product from the Digital Marketing range, over the average number of customers that have a product from the Search local range over the same period.

Reach (audience indicator created and published by Nielsen Médiamétrie)

Number of unique visitors for a site: number of internet users / mobile users / tablet users who have visited a site over a given month

Reach: this represents the traffic, for unique visitors, of a site or of a group during a given month. This can be expressed in volume (number of unique visitors) or as a ratio (with respect to a reference population for the month in question). The Reach for the Group only concerns its own services. None of the external media partners in "out-portalling" are taken into account in this indicator

Audiences (visit indicator measured by SoLocal Group)

Syndication: indirect audiences on PagesJaunes contents excluding PagesJaunes digital media (in particular Bing, Yahoo!, Ooreka, etc.)

SEO & affiliates: audiences on PagesJaunes digital media originating from affiliate partners (MSN, Nosibay, Free & Alice, Planet, L'internaute) and SEO (Search Engine Optimisation)

PagesJaunes: audiences that are the result of users' expressed intent to access PagesJaunes digital media (direct access and brand search on a search engine)

2. CONSOLIDATED FINANCIAL STATEMENTS

2.1 - Consolidated income statement

(Amounts in thousands of euros, except data relating to shares)	Notes	**As at 31 december 2017**	**As at 31 december 2016(*)**
Revenues		764,941	812,277
Net external expenses		(201,479)	(215,822)
Personnel expenses		(383,492)	(372,580)
EBITDA		**179,970**	**223,875**
Depreciation and amortization		(53,487)	(59,231)
Operating income		**126,483**	**164,644**
Net gain from debt restructuring at 13 March 2017		265,785	-
Financial income		393	1,425
Financial expenses		(28,569)	(75,247)
Financial income	10.4	**237,609**	**(73,847)**
Income before tax		**364,092**	**90,796**
Corporate income tax	9	(28,570)	(41,840)
Income for the period		**335,522**	**48,956**
Income for the period attributable to:			
- Shareholders of SoLocal Group		335,543	48,945
- Non-controlling interests		(21)	11
Net earnings per share (in euros)			
Net earnings per share of the consolidated group based on a weighted average number of shares			
- basic	12.5	0.86	1.26
- diluted		0.85	1.21
Net earnings per share of the consolidated group based on a year end number of existing shares (as at 31 décembre)			
- basic		0.58	1.26
- diluted		0.57	1.21

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2) and Turn over table (cf. note 6.2)

2.2 – Statement of comprehensive income

(Amounts in thousands of euros)	**As at 31 december 2017**	**As at 31 december 2016(*)**
Income for the period report	**335,522**	**48,956**
ABO reserves :		
- Gross	(878)	(2,489)
- Deferred tax	(1,260)	(36)
- Net of tax	**(2,138)**	**(2,525)**
Exchange differences on translation of foreign operations	(297)	(324)
Other comprehensive income	**(2,435)**	(2,849)
Total comprehensive income for the period, net of tax	**333,087**	**46,108**
Total comprehensive income for the period attributable to:		
- Shareholders of SoLocal Group	333,112	46,097
- Non-controlling interests	(25)	11

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2) and Turn over table (cf. note 6.2)

2.3 – Statement of financial position

(Amounts in thousands of euros)	Notes	**As at 31 december 2017**	**As at 31 december 2016**
Assets			
Net goodwill	7	90,727	95,507
Other net intangible fixed assets	8	118,842	128,074
Net tangible fixed assets	8	25,482	33,420
Available-for-sale assets		426	188
Other non-current financial assets	10	6,867	6,263
Net deferred tax assets	9.2	9,155	182
Total non-current assets		**251,498**	**263,633**
Net trade accounts receivable	4	304,070	320,900
Acquisition costs of contracts		35,477	35,025
Other current assets		33,703	31,228
Current tax receivable	9	2,731	361
Prepaid expenses		6,374	5,715
Other current financial assets	10	2,880	21,408
Cash and cash equivalents	10.6	87,476	91,069
Total current assets		**472,710**	**505,706**
Total assets		**724,208**	**769,339**
Liabilities			
Share capital		58,244	233,259
Issue premium		741,551	364,544
Reserves		(1,591,351)	(1,947,843)
Income for the period attribuable to shareholders of SoLocal Group		335,543	48,945
Other comprehensive income		(44,745)	(11,606)
Own shares		(5,157)	(4,987)
Equity attributable to equity holders of the SoLocal Group	12	**(505,915)**	**(1,317,688)**
Non-controlling interests		79	104
Total equity		**(505,836)**	**(1,317,584)**
Non-current financial liabilities and derivatives	10.6	408,170	1,341
Employee benefits - non-current		139,391	133,848
Provisions - non-current		17,533	21,077
Other non-current liabilities	10	-	37
Deferred tax liabilities	9.2	74	4,444
Total non-current liabilities		**565,168**	**160,747**
Bank overdrafts and other short-term borrowings	10.6	9,555	1,154,359
Accrued interest	10.6	1,419	32,137
Provisions - current		16,108	30,473
Trade accounts payable		91,186	98,889
Employee benefits - current		119,416	114,455
Other current liabilities	10	81,357	83,662
Corporation tax	9	4,905	3,852
Deferred income	4.3	340,931	408,349
Total current liabilities		**664,876**	**1,926,176**
Total liabilities		**724,208**	**769,339**

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2) and Turn over table (cf. note 6.2)

2.4 – Consolidated statement of changes in equity

(Amounts in thousands of euros)	*Notes*	**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 1st January 2016		**38,789,776**	**233,259**	**364,544**	**(5,209)**	**(1,911,544)**	**(9,081)**	**17**	**(1,328,014)**	**79**	**(1,327,935)**
Total comprehensive income for the period, net of tax						48,945			**48,945**	11	**48,956**
Other comprehensive income, net of tax						-	(2,525)	(324)	**(2,849)**	1	**(2,848)**
Comprehensive income for the period, net of tax						**48,945**	**(2,525)**	**(324)**	**46,096**	**12**	**46,108**
Share-based payment						(4,542)			**(4,542)**	-	**(4,542)**
Dividends paid									**-**		**-**
Shares of the consolidating company net of tax effect		4,066			222				**222**		**222**
Subscription minority in Dubai Effilab capital										13	**13**
Balance as at 31 December 2016		**38,793,842**	**233,259**	**364,544**	**(4,987)**	**(1,867,141)**	**(11,606)**	**(306)**	**(1,286,238)**	**104**	**(1,286,134)**
Adjustment n-1 Turnover table (cf. note 6.2)						*(1,784)*	*(31,001)*		*(32,785)*		*(32,785)*
Adjustment retention plan						*1,335*			*1,335*		*1,335*
Balance as at 1st January 2017		**38,793,842**	**233,259**	**364,544**	**(4,987)**	**(1,867,590)**	**(42,607)**	**(306)**	**(1,317,688)**	**104**	**(1,317,584)**
Total comprehensive income for the period, net of tax						335,543			**335,543**	(21)	**335,522**
Other comprehensive income, net of tax						-	(2,138)	(293)	**(2,431)**	(4)	**(2,435)**
Comprehensive income for the period, net of tax						**335,543**	**(2,138)**	**(293)**	**333,112**	**(25)**	**333,087**
Capital transactions	10.5	543,568,236	(175,015)	377,007	-	268,035	-	-	**470,027**		**470,027**
Mandatory Convertible Bond			-	-	-	8,804	-	-	**8,804**		**8,804**
Shares of the consolidating company net of tax effect		(319,552)			(170)				**(170)**		**(170)**
Balance as at 31 december 2017		**582,042,526**	**58,244**	**741,551**	**(5,157)**	**(1,255,207)**	**(44,745)**	**(600)**	**(505,915)**	**79**	**(505,836)**

2.5 – Cash flow statement

Consolidated cash flow statement

(Amounts in thousands of euros)	Notes	**As at 31 december 2017**	**As at 31 december 2016(*)**
Income for the period attribuable to shareholders of SoLocal Group		**335,543**	**48,945**
Depreciation and amortization of fixed assets		64,511	59,037
Change in provisions		(10,653)	(14,771)
Share-based payment		-	(4,542)
Capital gains or losses on asset disposals		(11,024)	194
Interest income and expenses	10.6	(237,573)	73,822
Hedging instruments		(36)	-
Unrealised exchange difference		-	25
Tax charge for the period	9.2	28,570	41,840
Non-controlling interests		(21)	11
Decrease (increase) in inventories		135	(47)
Decrease (increase) in trade accounts receivable		18,574	29,539
Decrease (increase) in other receivables		(665)	77
Increase (decrease) in trade accounts payable		4,357	(6,426)
Increase (decrease) in other payables		(62,862)	(79,425)
Net change in working capital		**(40,461)**	**(56,282)**
Dividends and interest received		422	1,452
Interest paid and rate effect of net derivatives		(56,228)	(37,449)
Corporation tax paid		(44,790)	(12,578)
Net cash from operations		**28,260**	**99,704**
Acquisition of tangible and intangible fixed assets		(53,859)	(69,055)
Acquisitions / disposals of investment securities and subsidiaries, net of cash acquired / sold and other changes in assets		12,233	5,216
Net cash used in investing activities		**(41,626)**	**(63,839)**
Increase (decrease) in borrowings		(263,919)	1,726
Capital increase net of costs		272,651	0
Other cash from financing activities o/w own shares		(216)	170
Net cash provided by (used in) financing activities		**8,516**	**1,895**
Impact of changes in exchange rates on cash		(45)	(78)
Net increase (decrease) in cash position		**(4,895)**	**37,683**
Net cash and cash equivalents at beginning of period		91,013	53,330
Net cash and cash equivalents at end of period	10.6	**86,118**	**91,013**

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2) and Turn over table (cf. note 6.2)

2.6 – Notes to the consolidated financial statements

Note 1 – Basis for preparation of the consolidated financial statements

1.1 Description of the business

The Group's main activities are described in note 2.

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 (LOCAL).

This information was approved by the Board of Directors of SoLocal Group on 14 February 2018.

1.2 Context of publication and basis for preparation of the consolidated financial statements 2017

1.2.1 – IFRS standards

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 2017 in accordance with the IFRS standards adopted in the European Union and applicable as of that date.

The accounting policies used are consistent with those used in the preparation of the annual consolidated financial statements for the year ending 31 December 2016, with the exception of new standards, amendments and interpretations which are mandatory with effect from 1 January 2017, but which have no significant impact:
- IAS 7 Disclosure Initiative
- IAS 12 Recognition of deferred tax asset for unrealized losses

None of these new standards and interpretations has had a significant effect on the consolidated financial statements as at 31 December 2017.

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 2017, 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.

Finally, 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 31 December 2017:

Standards:
- IFRS 15 Revenue from Contracts with Customers (applicable on 1 January 2018)
- IFRS 16 Leases (applicable on 1 January 2019)
- IFRS 17 Insurance Contracts (applicable on 1 January 2021)
- IFRS 9 Financial Instruments (applicable on 1 January 2018)

Amendments:
- IFRS 9 Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 (date of application not set)
- Effective Date of IFRS 15 (applicable on 1 January 2018)
- Clarifications to IFRS 15 (applicable on 1 January 2018)

- IFRS 2 Classification and measurement of share-based payment transactions (applicable on 1 January 2018)
- IAS 40 Transfers of Investment Property (applicable on 1 January 2018)
- IFRS 9 Prepayment Features with Negative Compensation (applicable on 1 January 2019)
- IAS 28 Long-term Interests in Associates and Joint Ventures (applicable on 1 January 2019)

Interpretations:
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (application on 1 January 2018)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable on 1/1/2019)

All of the standards and interpretations adopted by the European Union as at 31 December 2017 are available on the website of the European Commission at the following address:
http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

The accounting positions retained by the Group pursuant to paragraphs 10 to 12 of IAS 8 are not subject to any particular provisions in the international accounting standards adopted by the European Union or their interpretation.

Update on the application of standards IFRS9, IFRS15 (1 January 2018) and IFRS16 (1 January 2019)

IFRS 9 – Financial Instruments
This accounting standard has three phases, classification and measurement, impairment of credit risk and hedge accounting. It is related mainly to hedging instruments and hedge accounting, available-for-sale assets and modification in debt, and impairment of commercial liabilities. The analysis has not highlighted any impact on the first three items, the Group has focused on impacts of the accounting standard on evaluation of impairment on commercial liabilities.

Therefore, the Group conducted a study on the impairment of bad debts using historical data covering the financial periods from 2015 to 2017 in order to estimate the theoretical loss rate to be retained and to estimate the impact of the change with respect to the current process. The current methodology consisting in depreciating accounts receivable and writing off those uncollected after a five year period, leads to an average annual rate over the last three years of 0.68% (ratio between unrecoverable losses and revenue). Applying IFRS9 would lead to an unrecoverable losses to revenue ratio of 0.73%.
The results of this study are that the Group considers that implementing IFRS 9 does not call into question the financial balance.

IFRS 15 "Revenue from Contracts with Customers"

Introduction to the standard and methodology followed
In May 2014, standard IFRS15, "Revenue from Contracts with Customers", was published by the IASB and ratified by the European Union. It became mandatory in France for all financial periods opened starting on 1 January 2018.
IFRS 15 sets out a single model that companies must use to account for the revenue from contracts with customers. It replaces the current standards of the IASB on the recognition of revenue, in particular IAS 18, Revenue.
According to the basic principle of IFRS15, the accounting for revenue must reflect the transfer of the control of the goods and services promised to the customer for an amount which represents what the entity expects to receive in exchange for these goods and services.
The new standard also includes recommendations on accounting for contract costs.

A project was set up during the year 2017. It consisted in analysing the main offers of the group and the contracts that materialise them, in preparing the technical notes for each one of the offers and in assessing the potential impact of the foreseeable changes. The approach and the technical analyses were presented to the Audit Committee.

SoLocal has opted for the full retrospective method for the application of IFRS 15 on 1 January 2018.

The main impacts of the new standard per category of commercial offering are described hereinafter.

Choice of the accounting policies retained:

The offers of SoLocal Group are grouped into 3 major families:

1. Sites which are developed to be made available to customers for a contractual period of 12 or 24 months;
2. The Search local products around the presence on internet via the internet Business Card and its complements intended to improve the visibility or the audience or to allow for transactional possibilities, typically offered over a period of 12 months which can be renewed and the digital marketing offers which correspond to one-off services or campaigns;
3. The Print and Voice offer, which for the most part corresponds to inserts in paper directories for annual publication.

Recognition of Revenue per SoLocal Groupe (SLG) product range

"Sites" range:

Currently the revenue for sites is recorded in the following way:

1. the designing and producing of sites are subject to an assessment according to the costs incurred and are recognised at the delivery of the sites for about 38% of the total sales price
2. the putting online and updates are accounted for the residual amount of the sales price on a time pro rata basis over the duration of the contract.

In application of IFRS 15, two separate performance obligations are retained for the sites offer

1. Designing of the intellectual content over the duration of realisation (between 30 days and 90 days according to the products).
2. Making available and updating the site during the contractual hosting period

Applying IFRS15 generates an allocation that is different in value between the first obligation and the second, resulting in a modification in the rate of recognising the revenue. A greater portion of the revenue is spread out over the duration of the publication.

“Search and Digital Marketing (excluding Sites)” range:

The main offers are currently recorded, in reference to practices in the sector, by distinguishing:

1. Technical costs for designing and realisation between 20% and 50% of the price of the offer, taken into account at the beginning of the contract
2. An online publishing service recognised on a time pro rata basis over the contractual duration.

Applying IFRS 15 will result in recognising all these offers in a linear manner over the duration of the contracts. Taking revenue into account will as such be delayed with respect to the current methods.

"Print Voice" range:

Revenue from the "Print and Voice" range is currently recorded in the following way:

Revenues from the sale of advertising space in printed directories are recognised at the time of publication of these printed directories. Technical costs for the manufacturing of the directories are currently the object of separate billing to the advertisers which is recognised at the beginning of the contract.

The revenue generated by the traffic relating to the telephone enquiry services 118 008 is recognised as the calls are made based on the gross revenue billed to the user. The advertiser revenue is spread out over the duration of the publication, which is generally 12 months.
Applying IFRS 15 leads to no longer distinguishing the technical costs. Insertions into the directories will now represent a single performance obligation for which the revenue will be recognised in full in the month the directory is distributed.

Applying IFRS 15 has no impact on the other offers in this range.

Costs of obtaining contracts

- The variable portion of the remuneration of the sales force can no longer be considered as an incremental cost directly linked to the acquisition of contracts identified in terms of IFRS15.
- These costs will now be recognised directly as expense at the time when they are incurred.

Costs of executing contracts

- The analysis has led us to conclude that applying IFRS15 will not have any impact on the recognition of the costs of executing contracts which will be booked directly as expense except for directories that have not yet been distributed

IFRS 16 "Leases"
In January 2016, the IASB published IFRS 16 – Leases which replaces IAS 17.
This new standard introduces a single recognition model for most leases of which the duration is greater than 12 months, consisting for the beneficiary of the contract, when the asset included in the lease can be identified, and who controls the use of this asset, to recognise as an asset on its balance sheet a right of use offset by the recognition as a liability on the balance sheet of a financial debt.
Moreover, the rents for these leases must be accounted for partly as depreciation in the operating results, and partly as financial expenses in financial income.
This standard will be applicable to financial years commencing from 1 January 2019.
The Group is continuing to examine the impact of this standard in order to determine its impacts on the financial statements and the modifications that it could lead to in the information communicated.
For information, the amount of operating lease commitments as at 31 December 2017 is 138.3 million euros.

1.2.2 – Other information

Research Tax Credit (CIR)
Recognised in the past as a reduction to profit tax, the research tax credit is recognised starting on 1 January 2017 as a grant in application of the provisions of IAS 20. The amount of the Research Tax Credit was recognised as at 31 December 2017 in the following way: the portion linked to development expenses recognised as an asset is presented as a reduction to the book value of these expenses for 2.9 million euros, which is an effect of 1.5 million euros as a decrease to depreciation and amortisation; the portion linked to other expenses recognised as expense is presented as reduction in external expenses of 0.1 million euros.
Financial year 2016 was restated in a similar manner by the impact, of an amount of 1.4 million euros, concerns only depreciation and amortisation, the external expense portion is not significant.

Foreign currency
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 corresponding revaluation differences are recorded on the income statement:

- in operating income for commercial transactions;
- in financial income or expenses for financial transactions.

Seasonal variations
The activities of the Group are not subject to seasonal effects per se, note however that 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.

Preparation of the financial statements
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.

The accounting policies applied for the financial year ending 31 December 2017 are in accordance with the provisions of international accounting standards as adopted by the European Union as at 31 December 2017 and unless mentioned otherwise in the notes (cf. notes 2 to 17), these methods have been applied permanently for all financial years presented.

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.

1.3 Presentation of consolidated 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.

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

The annual activity report presents the Group's continued activities as well as recurring EBITDA which corresponds to EBITDA before taking exceptional events such as restructuring costs into account. Segment information (note 2), presents the details of the revenues and recurring EBITDA of "Continued activities" and of "Disposed activities".

1.4 Note on continued operation

Despite the existence of consolidated equity that is still negative, the Group has not identified any elements of a nature to compromise continuity of operation.
After the financial restructuring, which made it possible to bring all of the debt to a bond debt of €398 million, the Group feels that it will be able to handle all of its financial commitments (cf Note 10.6). Indeed, future cash flows generated by operations, net of investment, as well as available cash will make it possible to ensure continuity of operation in the next twelve months.

Note 2 – Segment information

SoLocal Group is developing its activities within two operating segments: Internet and Print & Voice and generated revenue for continued activities of 755.8 million euros in 2017, its Internet and Print & Voice activities represent respectively 84% and 16%.

Internet
The Internet activity is driven by the two main digital activities, which are Search Local and Digital Marketing. In 2017, SoLocal Group recorded 635.8 million euros in Internet revenues for continued activities, representing 84% of Group revenues.

Print & Voice
This segment includes the Group's activities pertaining to the publishing, distribution and sales of advertising space in the PagesJaunes and PagesBlanches print directories (PagesJaunes, PagesBlanches), as well as other activities of the Group called "Voice", including telephone directory and reverse directory services. The Print & Voice activities generated 120.0 million euros in 2017, down -26.6% in 2017 compared to 2016.

2.1 By business sector

The table below presents a breakdown of the main aggregates by business sector for the periods ending 31 December 2017 and 2016:

Amounts in thousands of eurc	**As at 31 december 2017**				**As at 31 december 2016 (*)**			
	Consolidated	**Divested activities**	**Continued activities**		**Consolidated**	**Divested activities**	**Continued activities**	
			Recurring	**Non recur.**			**Recurring**	**Non recur.**
Revenues	**764,941**	**9,092**	**755,849**		**812,277**	**10,973**	**801,304**	
- Digital	644,940	9,092	635,848		648,729	10,973	637,756	
- Print & Voice	120,001	-	120,001		163,548	-	163,548	
Recurring EBITDA	**179,970**	**(2,690)**	**195,983**	**(13,323)**	**223,875**	**(2,143)**	**231,009**	**(4,991)**
- Digital	154,347	(2,690)	170,360	(13,323)	180,494	(2,143)	187,628	(4,991)
- Print & Voice	25,623	-	25,623		43,381	-	43,381	

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2 and Turn over table (cf note 6.2)

The non-recurring items heading notably includes impairment losses on goodwill and fixed assets, changes in the fair value of price supplements granted in connection with the acquisition of securities, acquisition costs of equity securities. as well as restructuring costs.

In 2017, this heading totals € 13.3 million, mainly covering exceptional staff costs incurred to secure business continuity and the departure costs of non-replaced persons and elements relating to the change of governance.

In 2016, this item totaled € 5.0 million covering a litigation provision and also exceptional staff costs.

2.2 By geographic region

Amounts in thousands of euros	As at 31 December 2017	As at 31 December 2016 (*)
Revenues	**764,941**	**812,277**
- France	741,119	788,689
- Others	23,822	23,588
Assets	**724,208**	**769,339**
- France	597,054	631,994
- Others	17,620	17,875
- Unallocated	109,534	119,471

(*) Included adjustment of Turnover table (cf. note 6.2)

Note 3 – Scope: main changes and disposal results

3.1 – 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.

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

In accordance with IFRS 5, the assets and liabilities of controlled entities 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.

3.2 – Changes in the scope of consolidation

2017

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

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

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

Divested business information has been included in the segment information in 2017 and 2016 (Cf. note 2).

2016

On 1 January 2016, merger of Horyzon Média World Wide with QDQ Média by take-over
Effilab Dubaï was created with a 51% stake held by Effilab.

On 7 March 2016, Effilab Australie was created with a 51% stake held by Effilab.

Note 4 – SALES

4.1 Revenues

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

Revenues from the activities of the Group are recognised and presented as follows, in accordance with IAS 18 “Revenue”.

With regard to the Internet activities, the revenue is recognised in part from the outset of the contract, either to the extent of the result of the transaction if it can be estimated reliably, or up to the costs incurred for setting up the service (vs. product) and deemed recoverable. Residual revenue is spread in a linear fashion over the term of the contract when it is put online. Since billing is faster than the recognition of revenue, a significant amount of prepaid revenue is recognised.

The group allocates the revenue over the following items:

- the providing of the technical service, for which revenue is recognised at an evaluation of the costs, either the subscription month if the latter is generated over the first part of the month, or the month following the subscription in the opposite case,
- the publishing of the offer, commonly referred to as space costs, recognised over the duration of the publication of the product.

For certain Internet products, the policy for recognising revenue was defined in reference to practices in the market, in particular in order to estimate the percentage of revenue recognised during the subscription of the offer.

With regards to the Print & Voice activities comprised mainly of the paper directories PagesJaunes and PagesBlanches, revenue if recognised when each of the directories is published. For technical costs, the month following the subscription of the contract.

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.

4.2 Trade debtors

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

(in thousands of euros)	**31 December 2017**	**31 December 2016**
Gross trade debtors	325,543	344,486
Provisions for impairment	(20,652)	(20,667)
Net receivables before statistical impairment	**304,891**	**323,819**
Provisions for statistical impairment	(821)	(2,919)
Net trade debtors	**304,070**	**320,900**

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

(in thousands of euros)	**Total (1)**	**Not due (1)**	**Overdue and not impaired (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**
2017	**304,891**	283,942	7,260	3,560	2,625	2,548	2,664	2,292
2016	**323,819**	292,936	14,486	6,182	3,961	2,507	2,270	1,477

(1) Exclusing statistical impairment provisions totalling 821 thousand euros as at 31 December 2017 and 2,919 thousand euros as at 31 December 2016

The Group's portfolio of trade debtors does not present a significant risk of concentration (about 460,000 advertisers, including 430,000 with PagesJaunes in France). In France, PagesJaunes' 20 largest advertisers represent 1.5% of these revenues (1.6% in 2016) and advertisers in the 10 largest business sections represent 13.6% of PagesJaunes revenues (13.9% in 2016). Provisions for bad debts remain at a very low level, with net provisions amounting to 0.1% of revenues in 2017 compared to 0.4% in 2016.

(in thousands of euros)	Balance at start of période	Allowances	Releases of unused provisions	Release of used provisions	Other movements (1)	Balance at end of period
2016						
Trade debtors	21,379	8,783	(831)	(5,745)	-	23,586
Other assets	-	-	-	-	-	-
2017						
Trade debtors	23,586	8,691	(3,749)	(6,946)	(108)	21,473
Other assets	-	-	-	-	-	-

(1) In 2017, sale of the company PJ Resto

Application of a provision rate according to the age of the receivables based on the collection history.

4.3 Deferred income

Deferred income mainly comprise sales of billed advertising products later recognized according to the online display period (Internet products) or the publication period (printed directories).

Deferred income decreased from 408.3 million euros as at 31 December 2016 to 340.9 million euros as at 31 December 2017. This drop must be examined, the one hand, with the significant drop in the level of the "Print & Voice" business, and on the other hand, with a deformation in the Internet product mix towards mainly Digital Marketing products with a shorter lifespan.

4.4 Other current assets

The other current assets are made up as follows

(in thousands of euros)	31 December 2017	31 December 2016
VAT receivable	19,864	20,114
Sundry accounts receivable	2,316	206
Trade payables - Advances and instalments	2,480	3,491
Other current assets	9,043	7,417
Total	**33,703**	**31,228**

Note 5 – Purchases and other expenses

5.1 Advertising and similar expenses

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

5.2 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.

5.3 Trade creditors

Amounts owed to suppliers bear no interest and are payable in principle between 30 and 60 days.

5.4 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.

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

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

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

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

Provisions are discounted when the discounting adjustment is material.

5.5 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, the sum of which will be equal to 12 months of the gross annual remuneration (fixed and variable in accordance with the targets met) of the Managing Director, 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. SoLocal Group will have the ability to release Jean-Pierre Remy of this non-competition obligation (in that case the compensation will not have to be paid)
The accumulation of the severance pay and non-competition obligation cannot exceed two years of remuneration, fixed and variable.

Jean-Pierre Remy left his position on 30 June 2017. No termination indemnity was paid, Jean-Pierre Remy having waived any compensation related to his departure. Similarly, no non-competition indemnity was paid, the Board of Directors having freed Jean-Pierre Remy from its non-compete obligation.

Christophe Pingard was appointed Deputy Chief Executive Officer by the Board of Directors on 26 October 2011. 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, subject to fulfilment of the performance condition. The amount of this indemnity would be equal to 12 months of fixed annual gross remuneration (fixed and variable with targets reached) of the Deputy Chief Executive Officer.

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

Christophe Pingard left his post on 15 December 2017. The Board of Directors noted in its meeting of 15 December 2017 that the conditions of payment of severance pay were met. As a result, Christophe Pingard received severance pay equal to 12 months of remuneration calculated on the basis of the monthly average of the total gross remuneration (fixed and variable) paid during the last 12 months of activity. No non-compete indemnity was paid, as the Board of Directors freed Christophe Pingard from his non-compete obligation.

Following the resignation of Jean-Pierre Remy from his term as the company's CEO on 30 June 2017, the Board of Directors of SoLocal Group, meeting on 5 September 2017, appointed Eric Boustouller as CEO of the company starting on 11 October 2017.
Since he does not benefit from an employment contract, severance pay will paid to the CEO in the event of forced departure from the company, subject to fulfilment of the performance condition. The amount of the severance pay will be equal to 18 months of the annual lump-sum remuneration (fixed and variable with targets reached) of the CEO.
Eric Boustouller will be subjected to a non-competition obligation in the event of termination of his term of office as Chief Executive Officer for any reason and in any form whatsoever in the conditions mentioned hereinafter: competition prohibition shall be limited to a period of 12 months commencing on the day on which his duties actually come to an end; the corresponding compensation shall amount, based on a non-competition period of 12 months, to 6 months’ remuneration calculated on the basis of the monthly average of his total gross pay for the 12 months prior.
On termination of the term of office, the Company may, (i) renounce the benefit of the non-competition

agreement (in which case it will not have to pay the corresponding compensation) or (ii) reduce the duration, the field of activities and/or the geographical scope of said commitment (in which case the amount of the non-competition compensation will be reduced accordingly).
The accumulation of the severance pay and non-competition obligation cannot exceed two years of remuneration, fixed and variable.

Note 6 – Personnel benefits, provisions and other liabilities

6.1 Personnel expenses

(In thousands of euros, except staff count)		**As at 31 december 2017**	**As at 31 december 2016**
Average staff count (full-time equivalent)		4,403	4,386
Salaries and charges		**(381,879)**	**(368,387)**
of which:	- Wages and salaries	(240,415)	(242,630)
	- Social charges	(120,620)	(108,412)
	- Tax credit employment (CICE)	3,473	3,037
	- Taxes on salaries and other items	(24,317)	(20,382)
Share-based payment (1)		**3,309**	**2,304**
of which:	- Stock options and free shares	-	4,542
	- Social charges on grants of stock options and free shares	3,309	(2,238)
Employee profit-sharing (2)		**(4,922)**	**(6,497)**
Total staff expenses		**(383,492)**	**(372,580)**

(1) cf. note 6.4
(2) incl. Coporate contribution

6.2 Personnel benefits, provisions and other liabilities

These are made up as follows:

(in thousands of euros)	31 December 2017	31 December 2016
Post-employment benefits	127,998	121,268
Other long-term benefits	11,393	12,580
Non-current personnel benefits (1)	**139,391**	**133,848**
Other Provision for risks	12,997	8,807
Provisions for social or fiscal disputes	4,536	12,270
Non-current provisions	**17,533**	**21,077**

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

(in thousands of euros)	31 December 2017	31 December 2016
Personnel (1)	71,416	68,127
Social organisations	48,000	46,328
Total current personnel benefits	**119,416**	**114,455**
VAT payable	67,212	70,308
Sundry accounts payable	7,264	6,509
Other current liabilities	6,880	6,844
Other current liabilities	**81,357**	**83,662**

(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	48,084	1,256	(24)	(19,794)	-	29,522
Other Provision for risks	3,466	1,908	(409)	(837)	(9)	4,119
Total provisions	**51,550**	**3,164**	**(433)**	**(20,631)**	**(9)**	**33,641**
- of which non current	*21,077*	*3,114*	*(423)*	*(6,235)*	*-*	*17,533*
- of which current	*30,473*	*50*	*(10)*	*(14,396)*	*(9)*	*16,108*

The provisions booked primarily cover social disputes linked to the PSE (Job Safeguard Procedure) in progress (cf. Note 14.1).

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.

In order to have up-to-date data, the turnover tables were recalculated in 2017.
They were estimated based on the observations from 2012 to 2016 (5 years). The impact relating to this change in method gave rise to an adjustment in opening shareholders' equity standing of 33.1 million euros.

Other retirement schemes

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

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

Personnel turnover tables' adjustment

In order to have up-to-date data, the turnover tables were recalculated in 2017.
They were estimated based on the observations from 2012 to 2016 (5 years). The Group decided to retain only motives of resignation in the personnel turnover calculation. As such, the reason for redundancy regardless (including for economic reasons) or conventional termination is not retained. These tables have been used to determine commitments as at 31 December 2016 but also 31 December 2017.

The impact relating to this change in method gave rise to an adjustment in opening shareholders' equity standing as followed :

- -43.1 million euros on the post-employment benefits (IFC) with a positive tax impact of 12.1 million euros, generating a net impact of -31 million euros
- -2.7 million euros on the long-service awards with a positive tax impact of 0.9 million euros, generating a net impact of -1.8 million euros

Pension commitments and other personnel benefits:

(in thousands of euros)	Post-employment benefits	Other long-term benefits	**Total 31 décembre 2017**	Post-employment benefits	Other long-term benefits	**Total 31 décembre 2016**
Change in value of commitments						
Total value of commitments at start of period	**78,608**	**10,159**	**88,766**	**75,961**	**9,725**	**85,685**
Adjustment of the opening periode (change of method)	43,065	2,721	45,786	-	-	-
Total value of commitments at start of period (adjusted)	**121,673**	**12,880**	**134,552**	**75,961**	**9,725**	**85,685**
Cost of services rendered	7,408	915	8,322	4,795	660	5,454
Discounting cost	1,620	180	1,800	1,696	210	1,906
Reductions/liquidations	(2,256)	-	(2,256)	(5,820)	(332)	(6,152)
Actuarial (gains) or losses	876	(1,908)	(1,031)	2,472	155	2,627
Benefits paid	(475)	(374)	(849)	(495)	(259)	(754)
Changes in scope	(443)	-	(443)	-	-	-
Others	1	-	1	(1)	-	(1)
Total value of commitments at end of period (A)	**128,403**	**11,692**	**140,096**	**78,607**	**10,159**	**88,766**
Commitments at end of period relating to non-financed schemes	*128,403*	*11,692*	*140,096*	*78,607*	*10,159*	*88,766*
of which short term	*402*	*300*	*702*	*402*	*300*	*700*
of which long term	*128,001*	*11,392*	*139,394*	*78,205*	*9,859*	*84,986*
Pension charge						
Cost of services rendered	7,408	915	8,322	4,795	660	5,454
Discounting costs	1,620	180	1,800	1,696	210	1,906
Amortisation of actuarial (gains) or losses	-	(1,908)	(1,908)	-	155	155
Effect of reductions/liquidations	(2,256)	-	(2,256)	(5,820)	(332)	(6,152)
Total pension charge	**6,772**	**(813)**	**5,959**	**671**	**693**	**1,364**
Movements in the provision / (asset)						
Provision / (assets) at start of period	**121,673**	**12,880**	**134,552**	**75,961**	**9,725**	**85,685**
Pension charge	6,772	(813)	5,959	671	693	1,364
Contributions paid by the employer	-	-	-	(495)	(259)	(754)
Benefits paid directly by the employer	(475)	(374)	(849)	-	-	-
Change of scope	(443)	-	(443)	-	-	-
Actuarial gains or (losses)	876	-	876	2,472	-	2,472
Others	1	-	1	(1)	-	(1)
Provision / (assets) at end of period	**128,403**	**11,692**	**140,096**	**78,607**	**10,159**	**88,766**
Assumptions						
Discount rate (%)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Expected long-term inflation rate (%)	2.0%		2.00%	2.0%		2.0%
Expected long-term salary growth (%)	Dependent on employee category and age			Dependent on employee category and age		
Expected yield on scheme assets (%)	1.50%	-	-	1.50%	-	-
Probable residual activity period	15.8	15.8	15.8	11.3	11.3	11.3
Amount entered as a charge in respect of the period	**6,772**	**(813)**	**5,959**	**671**	**693**	**1,364**

* restated for the expensing of fixed costs of the sales force and for early adoption of IAS 19R (cf. note 2)

In 2017, the expense stated in respect of defined contribution pension plans amounted to 44.6 million euros.

The discount rate applied in valuing commitments as at 31 December 2017 is 1.50%, as at 31 December 2016.

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).

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 6.7%, or around 7.6 million euros, while a decrease of 0.50% in the discount rate leads to an increase in the commitment of about 7.4%, i.e. around 8.4 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 5.1% (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 nearly to no impact in the expense for the year.

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)	2017	2016	2015	2014	2013
Total value of commitments at end of period	140,096	88,766	85,686	90,439	86,209
Fair value of cover assets at end of period	-	-	-	-	(30)
Situation of the scheme	**140,096**	**88,766**	**85,686**	**90,439**	**86,179**
Actuarial (gains) or losses relating to experience - liability	(1,033)	107	107	(366)	(2,931)
Actuarial (gains) or losses relating to experience - cover asset	-	-	-	-	-

6.3 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.

6.4 Remuneration of the corporate officers

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 2017	31 december 2016
Short-term benefits (1)	5,935	6,700
of which employer charges	*1,768*	*1,928*
Post-employment benefits (2)	33	49
Other long term benefits (3)	1	1
End-of-contract benefits (4)	1,117	-
Equity benefits (5)	(1,712)	(1,035)
Total	**5,374**	**5,716**

(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 2017, the charge in respect of defined-contribution pension plans amounted to 0.5 million euros (0.4 million euros in 2016).

Note 7 – 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

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 segments have been determined in compliance with IFRS 8 "Operating Segments", and are as follows: Internet, Printed and Vocal. As at 31 December 2017, the goodwill undepreciated is fully allocated to Internet sector.

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

- cash flow projections are based on the 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.

Since 2015, the level at which the Group measures the current value of goodwill corresponds to the level of each of the product lines.

Breakdown of the net value of goodwill by business sector:

(in thousands of euros)	As at 31 december 2017			As at 31 december 2016(*)			Change
	Gross	Accumulated impairments	Net	Gross	Accumulated impairments	Net	Net
Search local + Transactionnel	49,421	(1,400)	48,021	54,201	(1,400)	52,801	(4,780)
Sites	26,891	-	26,891	26,891	-	26,891	-
Programmatique	15,815	-	15,815	15,815	-	15,815	-
Internet	**92,127**	**(1,400)**	**90,727**	**96,907**	**(1,400)**	**95,507**	**(4,780)**
Printed directories	-	-	-	-	-	-	-
Other businesses	75,282	(75,282)	-	75,282	(75,282)	-	-
TOTAL	**167,409**	**(76,682)**	**90,727**	**172,189**	**(76,682)**	**95,507**	**(4,780)**

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

(in thousands of euros)	2017	2016
Balance at start of year	**95,507**	**95,507**
Acquisitions / disposals	(4,780)	-
Impairments	-	-
Impairments	-	-
Balance at end of year	**90,727**	**95,507**

Goodwill values were examined on the closure of the consolidated financial statements on the basis of business plans, a perpetual growth rate of 1.5% for the "Local Search and transactional" CGU and of 3.0% for the "Sites" and "Programmatic" CGUs and an after-tax discount rate of 9.0% for the "Local Search and transactional" CGU and 15.0% for the "Sites" and "Programmatic" CGUs. These rates are based on published sector studies.

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

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

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

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

Note 8 – Fixed assets

8.1 Other intangible fixed 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.

Brands
Trademarks having an indefinite useful life are not amortised, but are tested for impairment (see note 8.3).

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

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

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

Research and development costs not fulfilling the above criteria are expensed in the year in which they are incurred. Significant capitalised development costs are amortised on a straight-line basis over their useful life, generally not exceeding three years.

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

(in thousands of euros)	**31 December 2017**			**31 December 2016**		
	Gross value	Total depreciation and losses of value	Net value	Gross value	Total depreciation and losses of value	Net value
Software and support applications	376,602	(267,960)	108,642	369,321	(244,432)	124,889
Other intangible fixed assets	18,934	(8,734)	10,200	10,336	(7,151)	3,185
Total	**395,537**	**(276,695)**	**118,842**	**379,657**	**(251,583)**	**128,074**

No other significant impairment was recorded as at 31 December 2017 and 2016.

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

(in thousands of euros)	31 December 2017	31 December 2016
Opening balance	**128,074**	**123,384**
Acquisitions	537	1,293
Internally generated assets (1)	50,391	54,308
Effect of changes in the scope of consolidation	(738)	-
Exchange differences	(150)	(263)
Reclassifications	111	-
Disposals and accelerated amortisation	(4,093)	(372)
Depreciation charge	(55,289)	(50,276)
Closing balance	**118,842**	**128,074**

(1) concerns all capitalised development expenses

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

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

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

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

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

(in thousands of euros)	31 December 2017			31 December 2016		
	Gross value	Total depreciation	Net value	Gross value	Total depreciation	Net value
IT and terminals	58,128	(54,139)	3,988	67,181	(58,478)	8,704
Others	58,033	(36,540)	21,493	56,692	(31,976)	24,716
Total	**116,161**	**(90,679)**	**25,482**	**123,874**	**(90,454)**	**33,420**

No significant impairment was recorded as at 31 December 2017 and 2016.

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

(in thousands of euros)	31 December 2017	31 December 2016
Opening balance	**33,420**	**28,381**
Acquisitions	2,932	13,509
Subvention	(2,942)	-
Effect of changes in the scope of consolidation	(13)	-
Exchange differences	(52)	(24)
Reclassifications	(111)	-
Disposals and accelerated amortisation	(159)	(21)
Depreciation charge	(7,593)	(8,424)
Closing balance	**25,482**	**33,420**

8.3 Depreciation of fixed assets

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

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

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

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

Note 9 - Taxes

9.1 – Group tax analyse

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

Amounts in thousands of euros	**As at 31 december 2017**	**As at 31 december 2016(*)**
Pretax net income from businesses	364,092	90,796
Pretax net income from businesses and before Share of profit or loss of an associate	**364,092**	**90,796**
Statutory tax rate	34.43%	34.43%
Theoretical tax	**(125,369)**	**(31,264)**
Loss-making companies not integrated for tax purposes & Foreign subsidiaries	3,053	569
Share-based payment	1,139	1,440
Recognition of previously unrecognised tax losses	(1,072)	(602)
Corporate value added contribution (after tax)	(5,919)	(6,047)
Difference between the carrying amount of the extinguished financial liability and the fair value of the equity instruments issued	102,617	-
Ceiling of interest expense deductibility	(2,092)	(5,445)
Adjustment corporation tax of prior years	864	886
Other non-taxable / non-deductible items	(1,791)	702
Effective tax	**(28,570)**	**(41,840)**
of which current tax	*(40,926)*	*(32,969)*
of which deferred tax	*12,356*	*(8,871)*
Effective tax rate	**7.8%**	**46.1%**
Effective tax rate excluded gain from debt restructuring	**43.8%**	**46.1%**

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2) and Turn over table (cf. note 6.2)

9.2 – Taxes in the balance sheet

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

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

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

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

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

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

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

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

The net balance sheet position is detailed as follows:

Amounts in thousands of euros	**As at 31 december 2017**	**As at 31 december 2016**
Retirement benefits	33,194	34,815
Legal employee profit-sharing	1,299	1,726
Non-deductible provisions	197	1,278
Tax loss carryforward	-	171
Other differences	459	904
Subtotal deferred tax assets	**35,149**	**38,894**
Loan issue costs	-	(10,592)
Depreciations accounted for tax purposes	(26,068)	(32,564)
Subtotal deferred tax liabilities	**(26,068)**	**(43,156)**
Total net deferred tax assets / (liabilities)	**9,081**	**(4,262)**
Deferred tax assets	*9,155*	*182*
Deferred tax liabilities	*(74)*	*(4,444)*

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2) and Turn over table (cf. note 6.2)

No deferred tax asset relating to loss carryforwards of QDQ Media was recognised in the balance sheet, as this sub-group recorded a net loss in 2017. The amount of deferred tax not recognised is estimated at 65.5 million euros as at 31 December 2017.

Deferred tax assets in the balance sheet increased from 0.2 million euros as at 31 December 2016 to 9.1 million euros as at 31 December 2017.

Deferred tax liabilities in the balance sheet increased from 4.4 million euros as at 31 December 2016 to 0.1 million euros as at 31 December 2017.

In the balance sheet as at 31 December 2017, corporation tax represents a receivable of 2.7 million euros and a liability of 4.9 million euros. As at 31 December 2016, corporation tax represented a receivable of 0.4 million euros and a liability of 3.9 million euros.

The tax disbursed during the 2017 financial year was 44.8 million euros as against 12.6 million euros in 2016.

Amounts in thousands of euros	**As at 31 december 2017**	**As at 31 december 2016**
Opening balance	**(4,262)**	**(7,248)**
Changes recognized in equity	605	9
Changes recognized in income	12,356	(8,871)
Adjustment n-1 Turnover table (cf. note 6.2)	-	12,062
Others changes	382	(214)
Closing balance	**9,081**	**(4,262)**

Note 10 – Assets, liabilities & financial results

10.1 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”.

10.2 Measurement and recognition of financial assets

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.

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.

10.3 Measurement and recognition of financial liabilities

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

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

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

10.4 Net financial income

Net financial expenses are made up as follows :

(Amounts in thousands of euros)	**As at 31 december 2017**	**As at 31 december 2016**
Gain on debt restructuring through the issuance of equity instruments [3]	300,198	-
Costs related to financial restructuring [4]	(24,117)	-
Accelerated amortization of borrowing costs related to the old debt	(10,545)	-
Net gain from debt restructuring as at 13 March 2017	**265,536**	**-**
Interest and similar items on financial assets	395	1,231
Result of financial asset disposals	(2)	69
Dividends received	-	125
Other financial income	**393**	**1,425**
Interest on financial liabilities	(24,428)	(64,120)
Income / (expenses) on hedging instruments	36	-
Amortisation of loan issue expenses	(569)	(7,840)
Change in fair value of financial assets and liabilities	(476)	25
Other financial expenses & fees [1]	(1,082)	(1,405)
Accretion cost [2]	(1,801)	(1,907)
Financial expenses	**(28,320)**	**(75,247)**
Gain (loss) on exchange	-	(25)
Net financial expense	**237,609**	**(73,847)**

[1] Primarily composed of current costs linked to debt management

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

[3] This amount includes on the one hand, in accordance with the application of IFRIC 19 (cf. note 2), the difference between the book value of the debt converted into equity instruments and the fair value of these same instruments which revealed non-monetary financial income of 298 million euros and on the other hand, revenue of 2.2 million euros on the partial repurchase of the bond loan

[4] After deducting costs allocated directly as a reduction to the cash increase in capital

10.5 Financial restructuring

Description of the operation carried out in March 2017

- Capital increase with preferential subscription rights retained for 398.5 million euros (issue premium included), at a subscription price of €1 per share:
  - **272,650,250 new shares** subscribed for in cash by the shareholders made as of right and excess shares, i.e. 272.7 million euros
  - **125,834,531 new shares** subscribed for by creditors, in accordance with their guarantee pledge, for 125.8 million euros (issue premium included), converting debts owed
  - **80,542,087 new shares** subscribed for by creditors, in the framework of a capital increase in which the shareholders' preferential subscription rights are removed at an issue price of

4.51 euros per share, reserved for creditors, for an amount of 363.2 million euros (issue premium included)

- Issuing **of 9,067,200 MCB** (Mandatory Convertible Bonds) in favour of creditors for a unitary nominal value of 2 euros or a total of 18.1 million euros, conferring a right to the allocation of 9,067,200 shares in the case of conversion of all of MCBs. The latter were recognised as equity. Note, 6,226,522 MCB were converted as at 31 December 2017.
- New debt for an amount of 397.8 million euros.

The creditors subscribed to **215,443,818 shares and MCB** for a total amount of 507.2 million euros.

Accounting treatment of capital increases

- The original debt being the subject of restructuring is derecognised in its entirety (1,157.7 million euros).
- The new instruments (debt and equity) must be recognised for their Fair Value which is 607.0 million euros (new debt of 398 million euros + issued instruments 209.2 million euros)
- The difference between the book value of the original debt (1,157.7 million euros) on the one hand, and the cash remitted to bearers (252.7 million euros) and the fair value of the new instruments (607.0 million euros) on the other hand, is recognised as an offset of results in accordance with IAS 39-41 and IFRIC 19 for an amount of 298.0 million euros.

The debt is extinguished on the settlement-delivery date of the securities (i.e. on 13 March 2017 at the opening), the fair value of the share corresponds to the opening price which is 0.971 euro.
In fair value, capital increase and MCB amounted respectively to 200.4 million euros and 8.8 million euros at the issuing date. MCB are treated as equity according IFRS standards.

Accounting treatment of costs

In the framework of the financial restructuring, the Group committed about 28 million euros in costs. Although the purpose of this operation was to reinforce the Group's equity, it leads to derecognising the old debt entirely, all of the costs incurred concerning the restructuring are recognised in results in accordance with IAS 39-AG62 except for costs that can be directly attached to the issue of the equity instruments which are recognised as a decrease to equity for 4.6 million euros.
The costs pertaining to the old debt and listed on the balance sheet as at 31/12/2016 for 10.5 million euros are amortised with acceleration in the income statement 2017.

10.6 Cash and cash equivalents, net financial debt

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

(in thousands of euros)	As at 31 december 2017	As at 31 december 2016
Accrued interest not yet due	-	27
Cash equivalents	10,044	10,172
Cash	77,452	80,870
Gross cash	**87,496**	**91,069**
Bank overdrafts	(1,358)	(56)
Net cash	**86,138**	**91,013**
Bank loan	-	783,638
Bond loan	397,835	337,846
Revolving credit facility drawn	-	38,395
Loans issue expenses	-	(10,545)
Lease liability	66	277
Price supplements on acquisition of securities	3,669	1,988
Accrued interest not yet due	1,439	32,137
Other financial liabilities	14,797	4,045
Gross financial debt	**417,806**	**1,187,781**
of which current	*9,636*	*1,186,440*
of which non-current	*408,170*	*1,341*
Net debt	**331,668**	**1,096,768**
Net debt of consolidated group excluded loan issue expenses	**331,668**	**1,107,313**

(*) restated for the retrospective application of IAS 20 concerning the CIR (cf. note 1.2.2) and Turn over table (cf. note 6.2)

Evolution of liabilities

(in thousand euros)	As at 31 december 2016	Cash flows	Variations "non cash"					As at 31 december 2017
			Capital increase by offsetting receivables	Other Variations	Var. of change	Var. of JV (1)	Reclass & changes in scope	
Bank borrwing and Bond loan	1,110,939	(236,749)	(209,196)	30,859	-	(298,018)	-	397,835
revolving credit facility	38,395	(38,395)	-	-	-	-	-	-
Other loan	2,779	10,118	-	-	-	-	-	12,897
Current account	1,266	618	-	-	(2)	-	17	1,900
Earn-Out	1,988	(600)	-	2,281	-	-	-	3,669
Capital lease	277	(211)	-	-	-	-	-	66
Bank overdrafts	56	1,302	-	-	-	-	-	1,358
Total Liabilities fron financing activities	1,155,700	(263,917)	(209,196)	33,140	(2)	(298,018)	17	417,725

(1) recognised in result in accordance with IFRIC 19

Cash and cash equivalents

As at 31 December 2017, cash equivalents amounted to 10.0 million euros and are primarily comprised of UCITS and non-blocked, remunerated, fixed-deposit accounts.

These are managed and valued on the basis of their fair value.

Issuing of bonds

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

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

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

Net consolidated Leverage Ratio	Margin
Higher than 2.0 : 1	9%
Lower or equal to 2.0 : 1 but higher than 1.5 : 1	7%
Lower or equal to 1.5 : 1 but higher than 1.0 : 1	6%
Lower or equal to 1.0 : 1 but higher than 0.5 : 1	5%
Lower or equal to 0.5 : 1	3%

Maturity date: 15 March 2022.

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

Early repayment or repurchasing:
- SoLocal Group may at any time, and several times, reimburse all or part of the Obligations at a price equal to 100 % of the principal amount plus unpaid interest accrued;
- moreover, the Bonds must be the object of a mandatory early reimbursement (subject to certain exceptions) entirely or in part, in the case of the occurrence of certain events, such as a Change of Control, Assets Sale or Net Debt Proceeds or Net Receivables Proceeds. Mandatory early reimbursements are also provided for by means of funds coming from a percentage of surplus cash flow, according to the company's Consolidated Net Leverage Ratio.

Financial commitments:
- consolidated net debt / consolidated EBITDA (Consolidated

Net Leverage Ratio) must be less than 3.5:1;
- the interest hedging ratio (Consolidated EBITDA/ Consolidated Net Interest Expense), must be greater than 3.0:1; and
- starting in 2017 and (ii) for any following year is the Consolidated Net Leverage Ratio exceeds, on 31 December of the preceding year, 1.5:1 , investment expense (excluding growth operations) (Capital Expenditure) concerning SoLocal Group and its Subsidiaries are limited to 10% of consolidated revenue of SoLocal Group and its Subsidiaries.

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

The restrictions contained in the Terms & Conditions of the Notes and described hereinabove could affect the Group's ability to exercise its activities, and limits its ability to react according to the conditions of the market or seize commercial opportunities which may arise. As an example, these restrictions could affect the Group's capacity to finance the investments for its activities, restructure its organisation or finance its needs in terms of capital. In addition, the Group's capacity to comply with these restrictive clauses could be affected by events beyond its control, such as economic, financial and industrial conditions. A failure by the Group in terms of its commitments or these restrictions, could result in a fault in terms of the agreements mentioned hereinabove.
In case of a fault that would not be remedied or renounced, the bearers of notes could require that all of the outstanding amounts become due immediately.
This could activate the cross-default clauses of the Group's other loans. This type of event could have a significant unfavourable effect for the Group, leading to bankruptcy or liquidation of the Group.
Moreover, the Group could no longer be in a position to refinance its debt or obtain additional financing at satisfactory conditions.

Price supplements on acquisition of securities

As part of the acquisitions completed in 2015, price supplements may be paid in 2018 if certain operating performance conditions are fulfilled. As at 31 December 2017, these were estimated to be 3.7 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 and the pre-financing of the CICE (Tax Credit for Competition and Employment).

10.7 Position of financial instruments in balance sheet

Position of financial instruments in balance sheet		Breakdown according to IAS 39					Breakdown by level in IFRS 13		
(in thousands of euros)	Carrying amount in balance sheet	Fair value recognised in profit or loss	Derivative instruments (Fair value recognised in equity)	Available-for-sale assets	Loans and receivables (amortised cost)	Financial liabilities (amortised cost)	Level 1 and Treasury	Level 2	Level 3
Available-for-sale assets	426	-	-	426	-	-	-	426	-
Other non-current financial assets	6,867	-	-	-	6,867	-	-	6,867	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-
Net trade accounts receivable	304,070	-	-	-	304,070	-	-	304,070	-
Other current financial assets	2,880	2,880	-	-	-	-	-	2,880	-
Cash equivalents	10,044	10,044	-	-	-	-	10,044	-	-
Cash	77,432	77,432	-	-	-	-	77,432	-	-
Financial assets	**401,719**	**90,355**	**-**	**426**	**310,937**	**-**	**87,476**	**314,243**	**-**
							-	-	-
Non-current financial liabilities and derivatives	408,170	3,669	-	-		404,501	-	408,170	-
Bank overdrafts and other short-tem borrowing	9,555	-	-	-		9,555	-	9,555	-
Accrued interest	1,419	-	-	-		1,419	-	1,419	-
Trade accounts payable	91,186	-	-	-		91,186	-	91,186	-
Financial liabilities	**510,330**	**3,669**	**-**	**-**		**506,661**	**-**	**510,330**	**-**

As at 31 December 2017, the market value of the bond loan was 398.4 million euros, compared to a carrying value of 397.8 million euros:

(in thousands of euros)	Carrying value	Quotes as at 31/12/2017	Market value
Bond loan	397 835	100,15%	398 432
Loans	**397 835**	**100,15%**	**398 432**
Accrued interest not yet due	1 439		
Price supplements on acquisition of securities	3 669		
Other debts incl. debt costs	14 863		
Current financial liabilities and derivatives	**417 806**		

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

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

In the 2017 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.

10.8 Effect of financial instruments on income

Effect in result of financial instruments		Breakdown according to IAS 39				
(in thousands of euros)	Impact in profit and loss	Fair value recognised in profit or loss	Derivative instruments	Available-for-sale assets	Loans and receivables (amortised cost)	Financial liabilities (amortised cost)
Net gain from debt restructuring as at 13 March 2017	265,536	300,198	-	-	-	(34,662)
Interest income	393	393	-	-	-	-
Interest expenses	(26,519)	(476)	-	-	-	(26,043)
Net gains / (net losses)	**239,410**	**300,115**	**-**	**-**	**-**	**(60,705)**
Accretion cost	(1,801)					
Net financial income (cf. note 10.4)	**237,609**					

Note 11 – 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 consolidates EBITDA and the maximum leverage, measured by the relationship between the consolidated net debt and consolidated EBITDA. Note that the EBITDA used in calculating these bank covenants differs from that used in these financial statements.

The Group has set a goal to reduce its financial leverage. As at 31 December 2017, is 1.7 times specified in the bank documentation.

With a net debt of 331.7 million euros as at 31 December 2017 (cf note 10.6), the financial leverage covenant of the Group comes out at 1.7 times the consolidated EBITDA as defined in the contract concluded with the financial institutions. Consequently, the Group is complying with its bank covenant on the financial leverage as at 31 December 2017.

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 all of the bank debt is at a variable rate. In an environment of low rates, the Group feels that it is not in its best interest to hedge this short-term interest rate risk.
The main features of the Group's banking debt are stated in note 10.6 (Cash and Cash equivalents, net financial debt).

Liquidity risk
The Groupe SoLocal 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. In the context of the financial restructuring, the constraints that apply to cash pooling were reinforced especially with the capping of cash from PagesJaunes to SoLocal Group.

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 2017, SoLocal Group was exposed to an extent of 10.0 million euros in respect of its investment operations (cf. note 10.6 – Cash equivalents).

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

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

Note 12 – Share-holders' equity

12.1 Share capital

The share capital of SoLocal Group is now comprised of 582,444,800 shares each with a par value of 0.10 euros (cf. Note 10.5), which is a total amount of 58,244,480 euros (before deduction of treasury shares).

12.2 Other reserves and other items of comprehensive income

The other consolidated reserves and other comprehensive income were negative in an amount of 1,636.1 million euros as at 31 December 2017 (-1,959.4 million euros as at 31 December 2016) 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;
- actuarial differences relating to retirement benefits (IAS 19) for a negative amount of 44.7 million euros;
- the cross-entry for the share-based payment expense corresponding to the portion settled in equity instruments in an amount of 57.0 million euros which did not vary over the period.

12.3 Own shares

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

Through the liquidity contract, the Company held 402,274 of its own shares as at 31 December 2017 compared to 82,722 on 31 December 2016, stated as a deduction from equity.

12.4 Dividends

SoLocal Group did not distribute any dividends in 2017 or in 2016.

12.5 Earnings per share

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

	As at 31 december 2017	As at 31 december 2016
Share capital (weighted average of quarter)	390,711,558	38,876,564
Treasury shares from liquidity contract (weighted average)	(217,740)	(88,228)
Number of basic shares	390,493,818	38,788,336
Additional information		
Number diluted Equity	393,693,361	40,469,810
Number of existing basic shares as of December 31	582,042,526	38,793,842
Number of existing diluted shares as of December 31	583,982,765	40,386,604

Note 13 – Stock options and free shares

13.1 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.

13.2 Description of the plans

13.2.1 – Stock-options

Neither SoLocal Group nor any of its subsidiaries granted any stock option plans in 2017 and 2016.

13.2.2 - Free shares

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 and following 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.

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.

On 09 February 2015, the Board of Directors adopted the conditions for a free share plan for 2,305,000 shares. These shares will be finally vested at the end of vesting periods ending on 09 February 2017, 09 February 2018 and 09 February 2019, provided that the beneficiary is still an employee or director of the Group and performance conditions are fulfilled.

All of these allocations were carried out before the consolidation of shares of October 2015 which resulted in the multiplication of the nominal by 30.

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.

13.3 Movements in stock and free share plans

	Closing balance as at 31 December 2016	**New volume conversion** (Capital-reduction of February 2 & increase of March 10 and 13, 2017)	**Cancelled/ lapsed**	**Closing balance as at 31 December 2017**	**Exercise price**
Subscription share plans	**219,570**	**562,719**	**(411,987)**	**150,731**	
July 2010	43,857	112,386	(40,873)	71,513	€127.20
December 2010	5,736	14,701	(7,263)	7,438	€105.09
July 2009	40,497	103,776	(31,996)	71,780	€99.39
December 2009	2,700	6,918	(6,918)	-	-
December 2007	126,780	324,937	(324,937)	-	-
Free share plans	**1,373,193**	**3,612,875**	**(1,823,366)**	**1,789,509**	**Final vesting date**
February 2015	16,665	43,848	-	43,848	09/02/2017
	16,665	43,847	-	43,847	09/02/2018
February 2015	36,665	96,466	(146,719)	(50,253)	09/02/2019
June 2014	296,370	779,749	-	779,749	19/06/2016
June 2014	296,370	779,749	(145,844)	633,905	19/06/2017
June 2014	710,458	1,869,215	(1,530,803)	338,412	19/06/2018

As at 31 December 2017, the options of all of the stock option plan can be exercised. These plans are expected to be settled through equity instruments.

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

The impact on the 2017 income statement amounts to +3.3 million euros, relating to the social charges regularization of the employer contribution based on the fair value of the non-acquired instruments. In comparison, the impact on the 2016 income statement was +2.3 million euros. These amounts include the social charges relating to the employer's contribution.

Note 14 – Disputes and other contractual commitments

14.1 Disputes – Significant changes for the period

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

With the exception of the proceedings described below, 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.

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

As 311 employees refused the amendment to their employment contract linked to this reorganisation implemented at the end of 2013, 280 of them were made redundant. One employee of the company decided to dispute the validation of the collective agreement relating to the job safeguarding plan before the administrative courts. The Versailles Administrative Court of Appeal, in a judgement of 22 October 2014 notified on 5 November, cancelled the validation by the DIRECCTE. On 22 July 2015, the Conseil d'Etat rejected the recourse of PagesJaunes and of the Minister of Labour, on the same argument of pure form.

Consequently, multiple proceedings are in progress with the administrative as well as judicial courts.

The administrative proceedings are now terminated.

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

On the date of this document, 171 decisions have been rendered based on merit. For a large majority, these decisions reject the requests concerning the nullity of the redundancy and the fixed compensation consequences that stem from this, observing that the redundancy is based on a real and serious cause and rejecting the requests concerning the challenging of the economic reason, (in fact no industrial tribunal has to date invalidated employee redundancy) but pronouncing sentences for payment based on article L1235-16 of the Labour Code at a level close to the compensation floor provided by this text, i.e. between six and seven months wages.

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

The remainder of the cases on the merits still in progress will be pleaded during the year 2018.

Finally, a certain number of dossiers are currently being appealed either at the initiative of PagesJaunes or at the initiative of the employees.

The Company recognised in the consolidated financial statements 2015 the exceptional impact linked to the court decisions that cancelled the validation by the DIRECCTE of the job safeguarding plan. This additional provision is 35 million euros and is recognised in the consolidated financial statements as at 31 December 2015. It corresponds to a prudent hypothesis in a context of high legal uncertainty, recently reinforced by contradictory decisions of employee claims courts. Many actions of legal recourse have been initiated by SoLocal Group to dispute these decisions. As at 31 December 2017, the remaining provision on the statements was 22.3 million euros.

A request for claims for the prejudice caused by the State to PagesJaunes due to incorrect validation of its PSE is underway.

In 2016, PagesJaunes was the subject of an inspection by the French social security agency URSSAF in respect of the 2013, 2014 and 2015 financial years. The company was in particular notified of an adjustment for an amount of 2.0 million euros concerning the amount of the employer contributions on the AGA. Disputing this adjustment, the risk was provisioned as at 31 December 2016. The company filed, on 14 November 2017, with the Social Security Affairs Court of Bobigny for recourse against the decision to maintain the adjustment, rendered by the URSSAF arbitration committee of Ile de France on 11 September 2017. The hearing will be held on 29 January 2018.

The entities concerned in the group referred to the URSSAF arbitration committee on 28 March 2017, as a safeguard measure, in the hypothesis where the priority questions on constitutionality, no. 2017-627 QPC and 2017-628 QPC concerning the employer contribution paid in terms of non-acquired AGA, were to give rise to a decision of unconstitutionality, in order to obtain reimbursement of the employer contributions provided by article L.137-13 of the CSS that were paid in terms of free shares allocated in 2014 and 2015.
On 28 April 2017, the Council validated the constitutionality of the text but added a reservation on the interpretation by indicating that "the provisions disputed cannot form an obstacle to the restitution of this contribution when the conditions to which the allocation of the free shares were subjected to were not satisfied".
Having proceedings in progress should allow the companies in Group to be reimbursed for the 2014 and 2015 amounts (herein including the adjusted amounts).
As the acquisition timeframes provided for by the 2014 and 2015 plans have not yet expired (19 June 2018 and 9 February 2019), the only ones that can be reimbursed to date are the amounts related to the employees that have left the group (€3.3 million).
As the employer contributed claimed by the Urssaf was settled on 12 January 2017, the provision was reversed in the statements as at 31 December 2017. Income will be recognised in the event of a reimbursement.

PagesJaunes is undergoing a tax audit concerning financial years 2010 to 2013 and has received a proposals for a reassessment concerning the Research Tax Credit. The company considered the reassessments as unfounded and has challenged them with the tax administration. A hierarchical recourse took place on 19 July 2016 and departmental intervention on 28 November 2016. The departmental contact then abandoned a part of the reassessments. The company sent a dispute claim in the month of February 2018 in order to obtain partial reimbursement for the remaining reassessments. It has booked a provision in order to cover the risks. As the amounts that are not eligible for the research tax credit were settled on 18 April 2017, the provision was reversed in the statements as at 31 December 2017. Income will be recognised in the event of a favourable outcome to this recourse.

The AMF (Autorité des Marchés Financiers) has initiated an investigation relating to the financial communication of SoLocal Group as of 1 January 2014. So far, no grievance has been made to SoLocal Group. In the case of any grievance made by the disciplinary Commission of the AMF to SoLocal Group, a pecuniary sanction could be pronounced.

14.2 Contractual obligations and off-balance-sheet commitments

Significant off-balance-sheet commitments are as follows:

Contractual obligations (in thousands of euros)	2017				2016
	Total	Payments due per period			Total
		Less than 1 year	In 1 to 5 years	In more than 5 years	
Operating leases	**138,267**	**25,720**	**70,092**	**42,455**	**141,179**
Paper, printing, distribution (1)	1,119	1,119	-	-	1,601
Other services (2)	16,364	11,962	4,402	-	13,051
Commitments for purchases of goods and services	**17,483**	**13,081**	**4,402**	**-**	**14,652**
Total	**155,750**	**38,801**	**74,494**	**42,455**	**155,831**

(1) See details in the table below

(2) The "Other services" section includes all firm orders placed as at 31 December 2017 for goods and services

The "Other services" section includes all firm orders placed as at 31 December 2017 for goods and services deliverable from 2018.

Leases

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

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

The rental charge recorded in the income statement in respect of operating leases amounted to 19.0 million euros in 2017 (19.9 million euros in 2016).

In 2014 and 2015, SoLocal Group subscribed to 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 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 lease contracts.

The lease contracts took effect on 9 May 2016, with an expiry date for each one of the lease contracts set to 8 May 2026.

These leased premises have a surface area of 35,702 m², for a commitment for these contracts over the remaining period starting on 1 January 2018, of 105.3 million euros (excluding expenses and rent indexing).

Security deposits for an amount of 4.1 million were paid subsequent to moving into the premises at Boulogne-Billancourt.

As at 31 December 2017, the Group's commitment under all leases amounted to 138.3 million euros, of which 25.7 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.

A contract has been concluded with an exclusive printer covering the editions of the years 2014 to 2016. This contract does not entail any volume commitment.

A twelve-month contract effective 1 February 2016 was signed with a paper supplier, specifying the rates payable for the supply by the printer of directory paper, with no volume commitment.
The printer obtains his supply and his purchases of paper following these conditions.

Only firm orders placed as at 31 December 2017, both with paper suppliers and with printers and distributors, were reported as off-balance-sheet commitments at that date, for a total amount of 1.1 million euros.

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

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

Contractual obligations (in thousands of euros)	2017				2016
	Total	Payments due per period			Total
		Less than 1 year	In 1 to 5 years	In more than 5 years	
Operation leases - lessor	-	-	-	-	-
Other services	35,795	25,250	10,545	-	6,020
Total	**35,795**	**25,250**	**10,545.00**	**-**	**6,020**

Special purpose vehicles

In 2011, SoLocal Group issued a bond through PagesJaunes Finance & Co SCA, an entity specifically dedicated to the financial restructuring (cf. note 10.5). 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.

Note 15 – Events subsequent to the closing date

SoLocal has presented its "SoLocal 2020" strategic project, based on an expanded offer of digital services for businesses, a reinvented PagesJaunes media platform and a streamlined organisation. This plan bears SoLocal's new ambition: to become one of the digital services champions in France.

To better meet customers' needs, the operational organisation would be redesigned : the business units will be eliminated, support functions will be centralised, locations will be rationalised, the hierarchy will be streamlined, and certain activities will be consolidated. This would require cutting around 1,000 positions at the Group level over the 2018-2019 period, including around 800 positions at PagesJaunes in 2018 and 200 positions in 2019. An Employment Protection Plan would be implemented. The transformation project would also include the creation of a hundred positions in 2018 on new digital skills. Accordingly, on February 13rd, the company initiated the process of informing and consulting with the employee representative bodies. The overall cost is approximately of €180 million. As a subsequent event to the closing date, no amount has been provisioned in 2017 accounts.

Note 16 – Scope of consolidation

		As at 31 December 2017		As at 31 December 2016	
Entities	**Country**	**Interest**	**Voting rights**	**Interest**	**Voting rights**
Fully consolidated companies (exclusive control)					
SoLocal Group (consolidating)	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%
SOMS	France	100%	100%	100%	100%
Mappy	France	100%	100%	100%	100%
Retail Explorer	France	100%	100%	100%	100%
Leadformance	France	100%	100%	100%	100%
Net Vendeur	France	100%	100%	100%	100%
Digital To Store	United Kingdom	100%	100%	100%	100%
Yelster Digital	Austria	100%	100%	100%	100%
ClicRDV	France	100%	100%	100%	100%
Fine Media	France	100%	100%	100%	100%
PagesJaunes Resto (1)	France	-	-	100%	100%
Orbit Interactive	Morocco	100%	100%	100%	100%
PagesJaunes Finance & Co	Luxembourg	-	-	-	-
Effilab	France	100%	100%	100%	100%
Effilab Australia	Australia	51%	51%	51%	51%
Effilab Dubaï	United Arab Emirates	51%	51%	51%	51%

(1) Transfer PagesJaunes Resto on 31 October 2017

Note 17 – Auditors' fees

(amounts in thousand of euros)	Deloitte & Associates				Ernst & Young			
	Amount		In % of fees		Amount		In % of fees	
	2017	2016	2017	2016	2017	2016	2017	2016
Audit								
Audit, statutory audit, certification and inspection of individual and consolidated accounts	**422**	**339**	**76%**	**55%**	**339**	**308**	**70%**	**41%**
- Including Solocal Group	125	125	22%	20%	125	125	26%	17%
- Including fully consolidated subsidiaries	297	214	53%	35%	215	184	44%	24%
Other services excluding certification and inspection of individual and consolidated accounts	**134**	**281**	**24%**	**45%**	**146**	**445**	**30%**	**59%**
- Including Solocal Group	134	272	24%	44%	141	440	29%	58%
- Including fully consolidated subsidiaries	-	9	0%	1%	5	5	1%	1%
Subtotal	**556**	**619**	**100%**	**100%**	**485**	**753**	**100%**	**100%**
Other services provided by the networks to fully consolidated subsidiaries								
Legal, tax and social security -related	-	-			-	-		
Others	-	-			-	-		
Subtotal	**-**	**-**			**-**	**-**		
TOTAL	**556**	**619**	**100%**	**100%**	**485**	**753**	**100%**	**100%**