



# FINANCIAL RESULTS FOR THE 1<sup>ST</sup> HALF OF 2013

25 JULY 2013

# Disclaimer

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**This document contains forward-looking statements. Although Solocal Group believes its expectations are based on reasonable assumptions, these statements are subject to numerous risks and uncertainties. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among other things: the effects of competition, usage levels, the success of investments by the Group in France and abroad, and the effects of the economic situation.**

**A description of the risks borne by the Group appears in section 4 "Facteurs de risques" of the Solocal Group's "Document de Référence" filed with the French financial markets authority (AMF) on 29 April 2013.**

**The forward-looking statements contained in this document apply only from the date of this document, Solocal Group does not undertake to update any of these statements to take account of events or circumstances arising after the date of said document or to take account of the occurrence of unexpected events.**

**All accounting data are presented in audited consolidated form.**



## 1<sup>ST</sup> HALF 2013 HIGHLIGHTS



# 1<sup>st</sup> half 2013 highlights

## Temporary acceleration of the decrease in revenues

- Decline of 4.7% in H1 2013 revenues in the strongly deteriorated advertising market <sup>1</sup>
- Printed directories declining by 14.3% in H1 2013
- Weak growth of +2.4% in Internet business, heavily impacted by the sharp downturn in the display business

## Measures taken to support Online revenues growth

- Launch of new offers (search, deals, local display, Web-2-store, websites)
- Increased communication on ROI of our products (300k customers on Business Center)
- Reinforcement of actions and customer acquisition teams at PagesJaunes and Mappy

## Acceleration of online audience growth

- Fixed and mobile Internet: +8% in visits<sup>2</sup> in Q2
- Mobile and tablets: +58% in visits<sup>2</sup> in Q2, representing 23% of total audiences
- Mobile: more than 26 million application downloaded, a +50% increase year-on-year

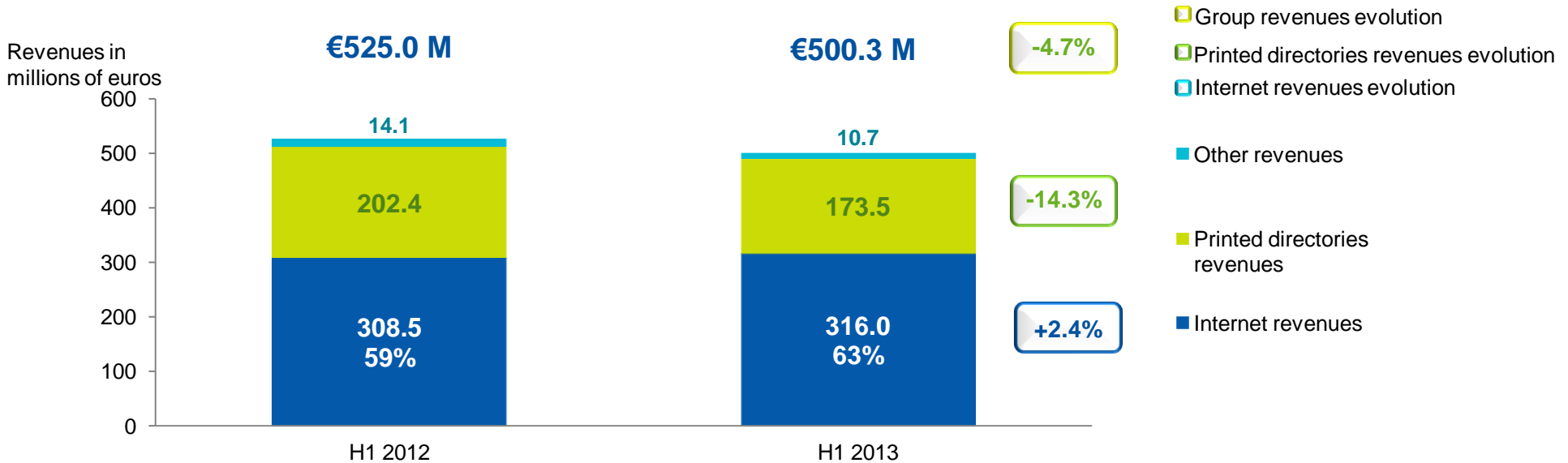
## New strategic initiatives

- Acceleration of Mappy's development in online shopping and start of the commercialisation of the Web-2-store « Vitrine digitale » offer for shops and retailers in Bordeaux and Paris
- Launch of eBay partnership to develop an e-commerce offer
- Zoom On, France's leading social media with more than 1 million fans on Facebook
- Digital 2015: highly motivated teams and implementation on schedule

# Group revenues -4.7% in a depressed economic and advertising environment

## Group revenues of €500.3 M in H1 2013, down -4,7%

- Depressed advertising market<sup>1</sup>,
- Decrease of -4.3% without Editus
- Printed directories: 35% of revenues (39% in Q2), contraction of -14.3%
- Internet: 63% of revenues, weak growth of +2.4%



## GOM rate: 43.1% in H1 2013 compared to 44.2% in H1 2012

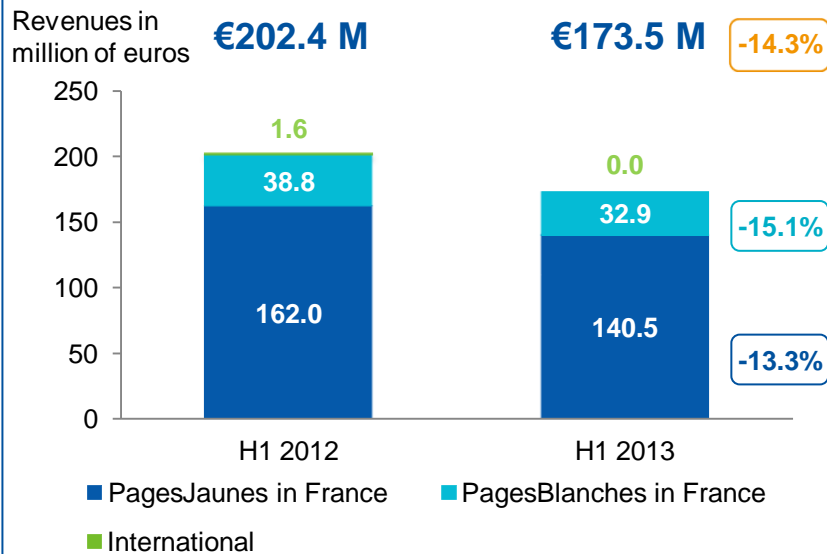
- impacted notably by the overlap of non-recurring income<sup>2</sup> as well as the strong deterioration of activity Display which dampened Internet margin

<sup>1</sup> French advertising market 2013 estimated by Warc at -2.0% (in June 2013 v.s +1.3% estimated in Nov. 2012) and by ZenithOptimedia at -2.5% (in June 2013 vs. -1.4% estimated in Dec. 2012)

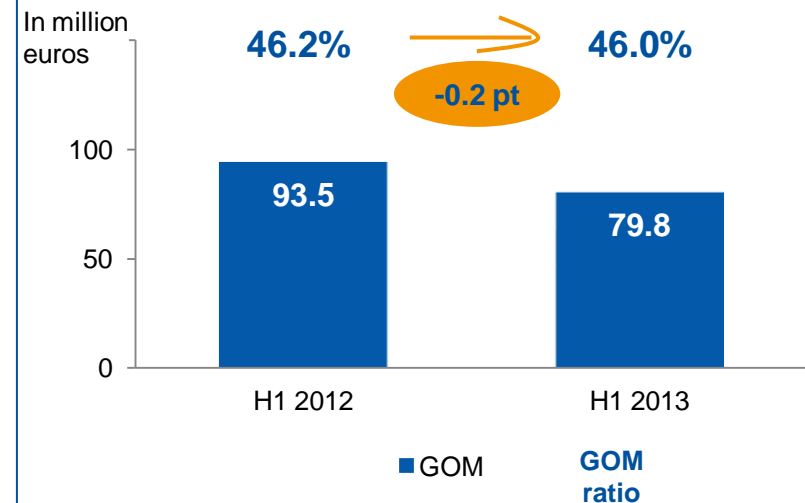
<sup>2</sup> Including investment tax credits from 2008 and 2009 recorded in 2012

# Trend in Printed directories

## Controlled decrease of revenues



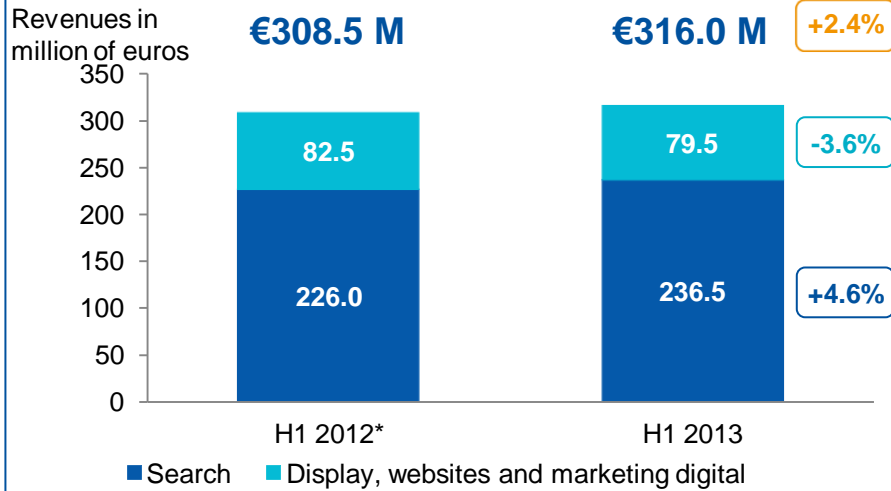
## Good resistance of margin rate



**-14.3% decline of Printed directories**  
**Limited decrease of GOM rate at -0.2 pt in H1 2013**

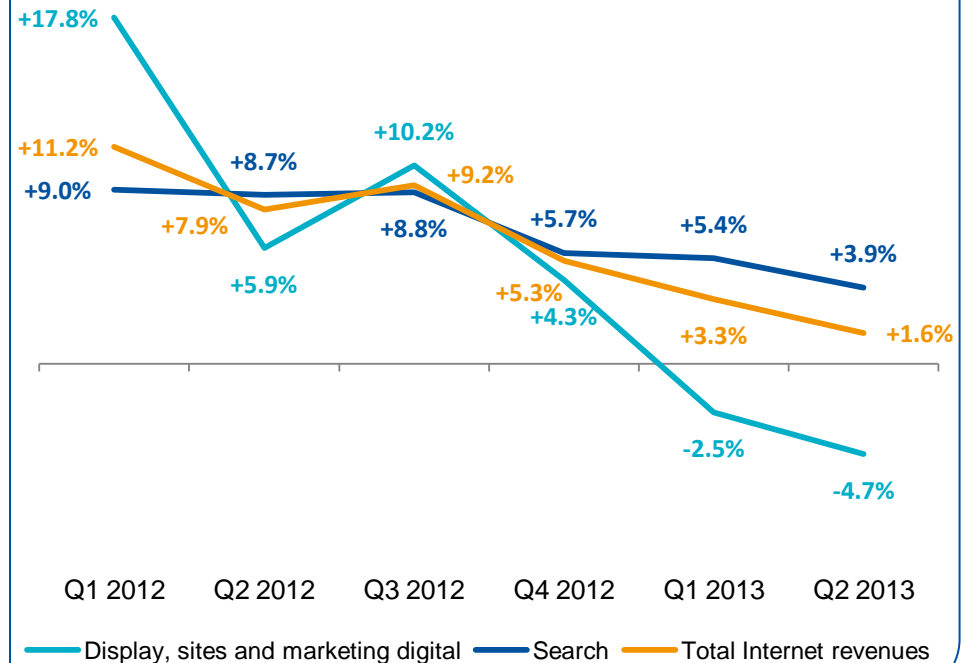
# Trend in Internet

## Weak Internet growth mainly impacted by Display



\*Revised H1 2013 split following reclass between Search and Display

## Sharp Display slowdown

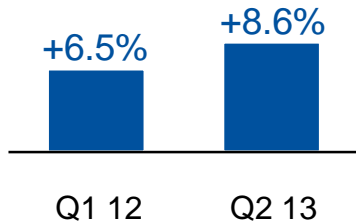


**Internet revenues at 63.2% of Group revenues up by +2.4% in H1 2013**

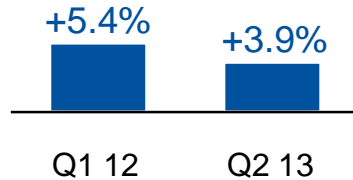
# Search growth

## Contrasted evolution of audiences and revenues

### Audiences



### Revenues

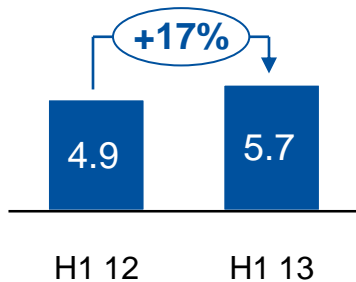


- Strong pressure on advertisers' budgets
- Innovation to support revenues
  - Launch of Mappy Shopping (+5k points of sales)
  - PagesJaunes.fr performance based search
  - ROI / Business Center : +300k customers
  - Good Deals development

## Strong success of our contents

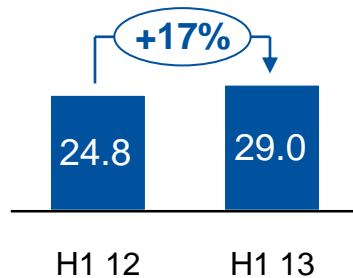
### Websites

Visits / month – millions



### Detailed pages

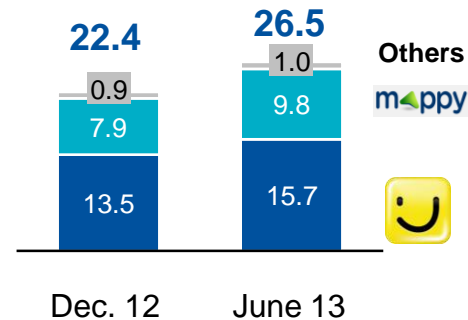
Views / month – millions



## New devices: growth drivers

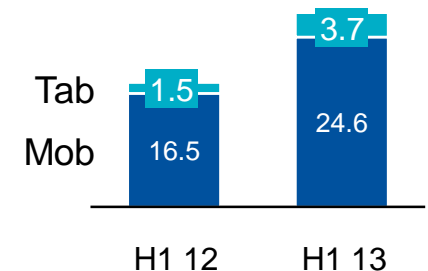
### +4 M downloads

Cumulated in millions



### +57% visits

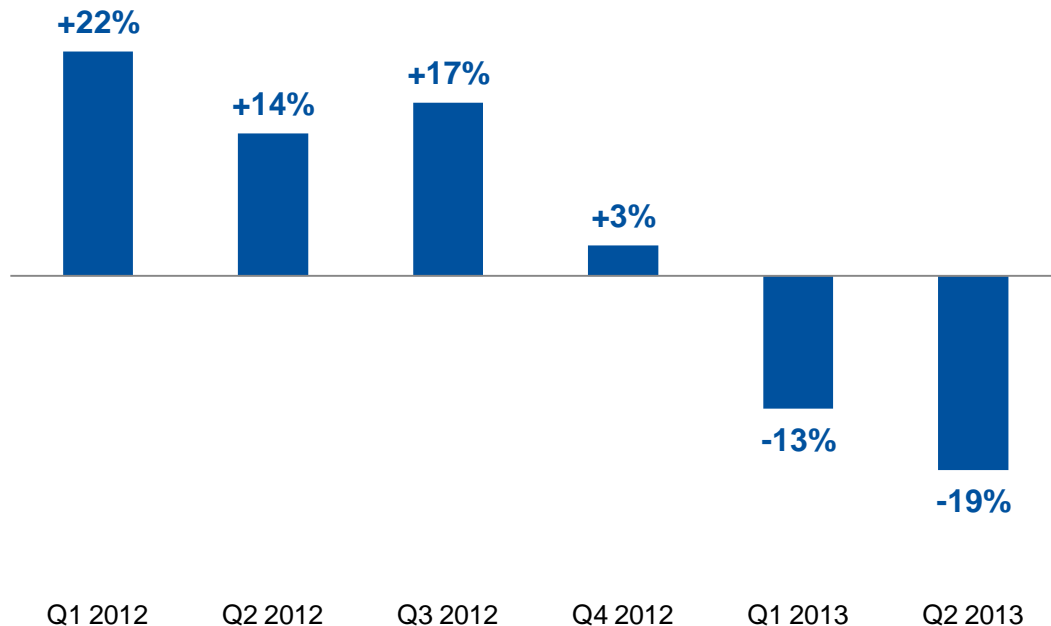
PJ visits / month – millions





# Strong decrease of Display

**Very strong deterioration  
of Display revenues growth**



**Strong business deterioration up to the end of May 2013**

- Very high sensitivity to macroeconomics
- Substitution by concurrent offers (TV, performance-based search) and weak presence on video
- Weak level of business with media agencies

**Continued investments to strengthen our business in short and medium term**

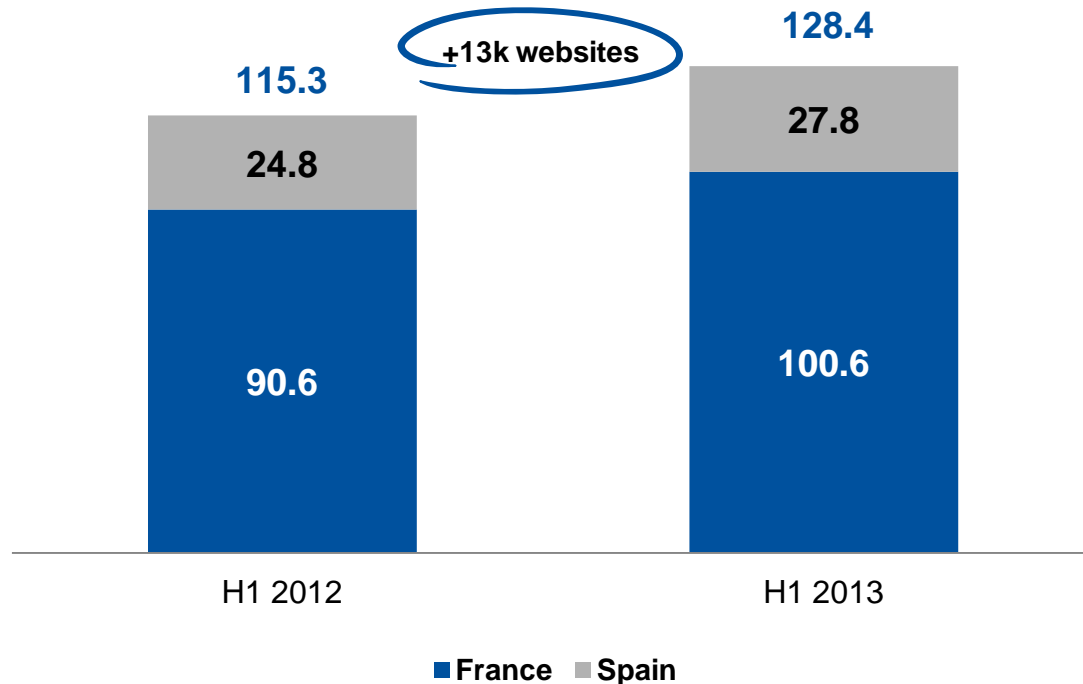
- Continued premium CPM on PJ / Mappy
- Solocal AdExchange growth
- « local data » strength unique to Solocal

**New organisation**

- Solocal Network

# Websites and digital marketing growth

## Number of websites managed\* by Solocal Group (in thousand)



Source : Solocal Group (Scope France: PagesJaunes SA only)

\* Websites managed: websites sold – websites not renewed for more than one year

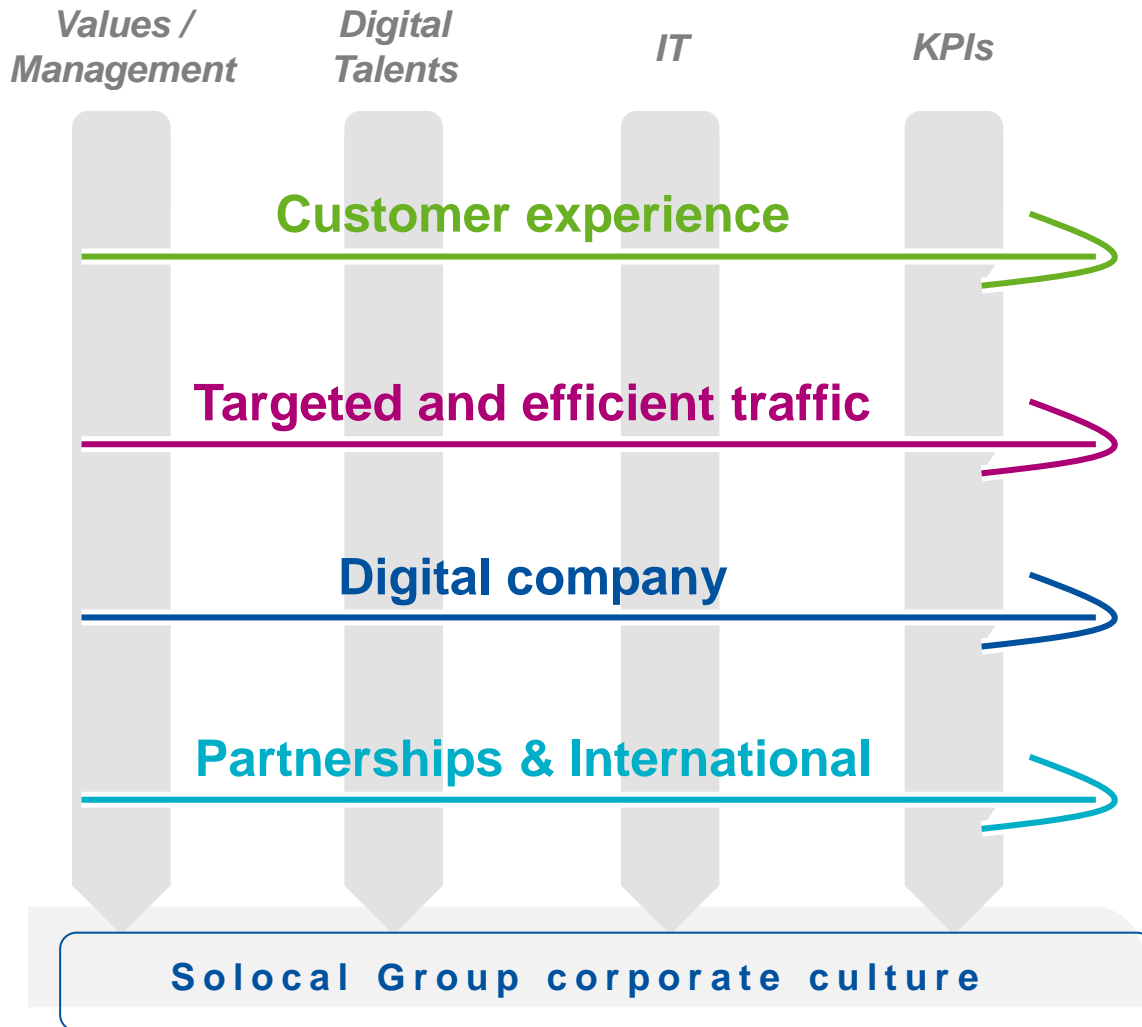
### Websites

- **Responsive web design** native for all our websites (fixed, mobile, tablet)
- **Verticalisation of websites**
  - Look and Feel customized by sector
  - Transactional functionalities introduced (ie. appointment, e-commerce, reservation,...)
- **B2B communication**
- **Agreement with eBay** to launch e-commerce offer

### Digital Marketing

- **ClicRDV**: + 22 million appointments made online by more than 1.8 million users since its start up
- **Solocal Network**: new contracts with worldwide brands (luxury, retail, network)

# « Digital 2015 » : strong mobilisation and 50 key projects



**All teams mobilised on 50 projects aiming to drive Online growth**

## ■ Customer

- Sales and marketing specialisation in 5 Business Units
- Sales tools effectiveness
- Client relationship management

## ■ Traffic

- New PagesJaunes search / Verticals
- Transactional services
- Web-2-store / products and deals

■ **Business digitalisation** (billing, production)

## ■ New IT

■ **Human resources** (values, talents, behavior, change)



# **FINANCIAL RESULTS FOR THE 1<sup>ST</sup> HALF OF 2013**



# -4.7% decrease in revenues

Internet: 63.2% of Group revenues and growth of +2.4%

## Consolidated revenues by segment

In million euros	H1 2013	H1 2012	Change
<b>Group revenues</b>	<b>500.3</b>	<b>525.0</b>	<b>-4.7%</b>
<b>Internet</b>	<b>316.0</b>	<b>308.5</b>	<b>+2.4%</b>
<i>as % of Group revenues</i>	<b>63.2%</b>	<b>58.8%</b>	
<b>Printed directories</b>	<b>173.5</b>	<b>202.4</b>	<b>-14.3%</b>
<i>as % of Group revenues</i>	34.7%	38.6%	
<b>Other businesses</b>	<b>10.7</b>	<b>14.1</b>	<b>-24.1%</b>
<i>as % of Group revenues</i>	2.1%	2.7%	

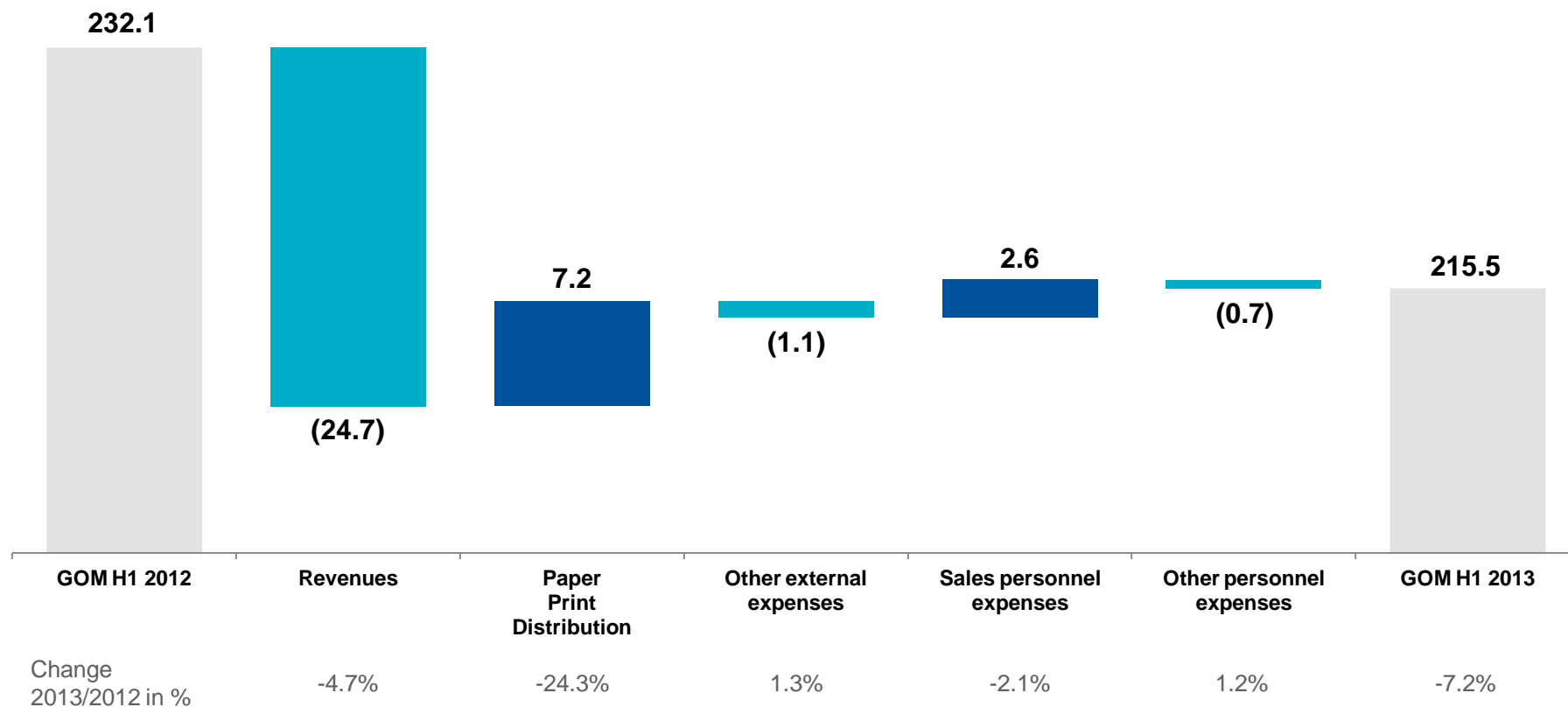
# GOM of 215.5 million euros, 43.1% of Group revenues

## Gross operating margin by segment

In million euros	H1 2013	H1 2012	Change
<b>Group gross operating margin</b>	<b>215.5</b>	<b>232.1</b>	<b>-7.2%</b>
<i>as % of Group revenues</i>	43.1%	44.2%	-110 bps
<b>Internet</b>	<b>132.7</b>	<b>134.1</b>	<b>-1.0%</b>
<i>as % of Internet revenues</i>	42.0%	43.5%	-150 bps
<b>Printed directories</b>	<b>79.8</b>	<b>93.5</b>	<b>-14.7%</b>
<i>as % of Printed directories revenues</i>	46.0%	46.2%	-20 bps
<b>Other businesses</b>	<b>3.1</b>	<b>4.6</b>	<b>-32.6%</b>
<i>as % of Other businesses revenues</i>	29.0%	32.6%	na

# Gross operating margin decreased by -7.2%

Change in consolidated gross operating margin (GOM) in million euros



# Net financial income stabilisation, increase of amortisation charges

## Corporate income tax rate impacted by year end 2012 increases

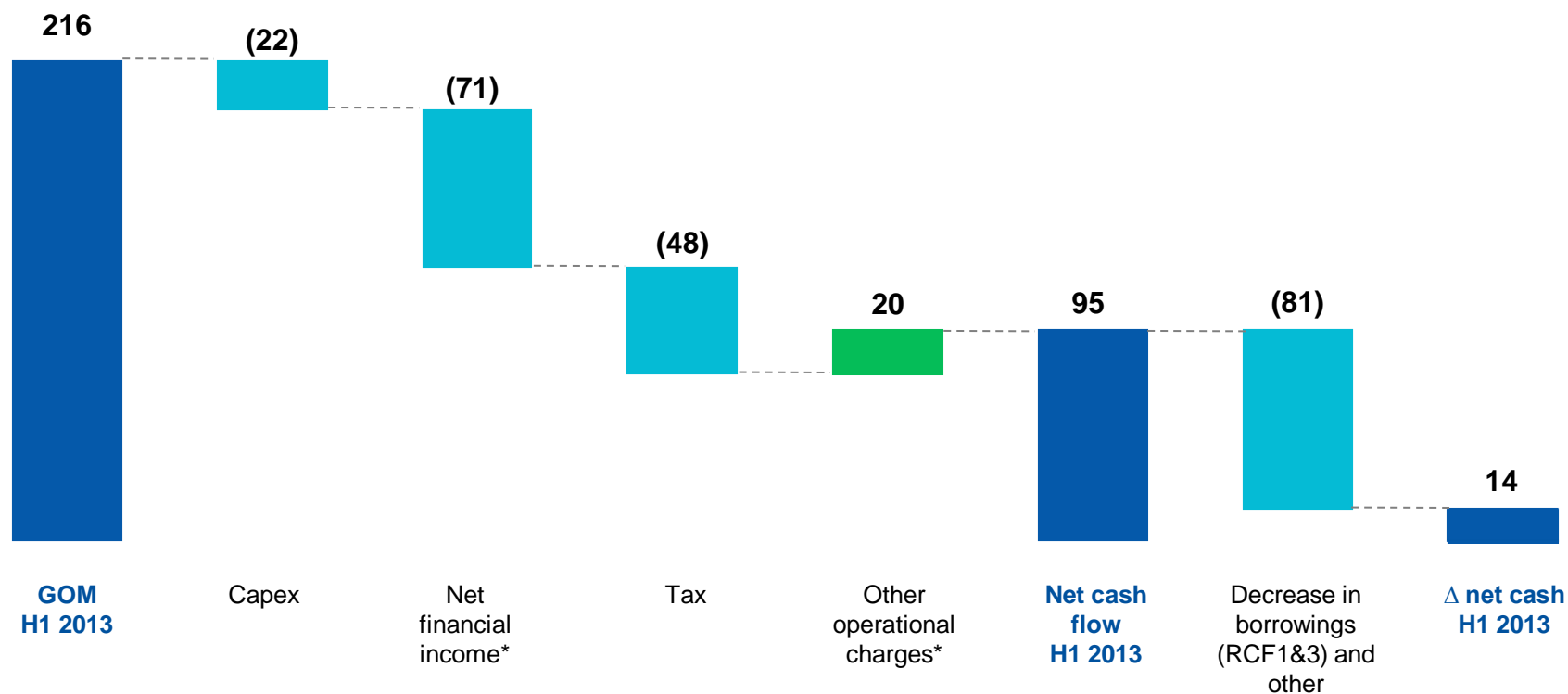
### From gross operating margin to consolidated income

In million euros	H1 2013	H1 2012	Change
<b>Gross operating margin</b>	<b>215.5</b>	<b>232.1</b>	<b>-7.2%</b>
<i>Legal employee profit sharing</i>	(7.0)	(6.8)	-2.9%
<i>Depreciation and amortisation</i>	(20.0)	(17.0)	-17.6%
<i>Other income and expenses</i>	(3.5)	(0.6)	na
<b>Operating income</b>	<b>184.9</b>	<b>207.8</b>	<b>-11.0%</b>
<b>Net financial income</b>	<b>(66.8)</b>	<b>(65.1)</b>	<b>-2.6%</b>
<i>Share of profit or loss of an associate</i>	(0.1)	(0.4)	na
<b>Income before tax</b>	<b>118.0</b>	<b>142.3</b>	<b>-17.1%</b>
<i>Corporate income tax</i>	(47.4)	(55.2)	+14.1%
<i>Corporate income tax rate</i>	40.1%	38.7%	
<b>Net income</b>	<b>70.6</b>	<b>87.1</b>	<b>-18.9%</b>



# Net cash flow: €95 M as of 1<sup>st</sup> half 2013

## Net cash flow as of 30 June 2013 (in million euros)

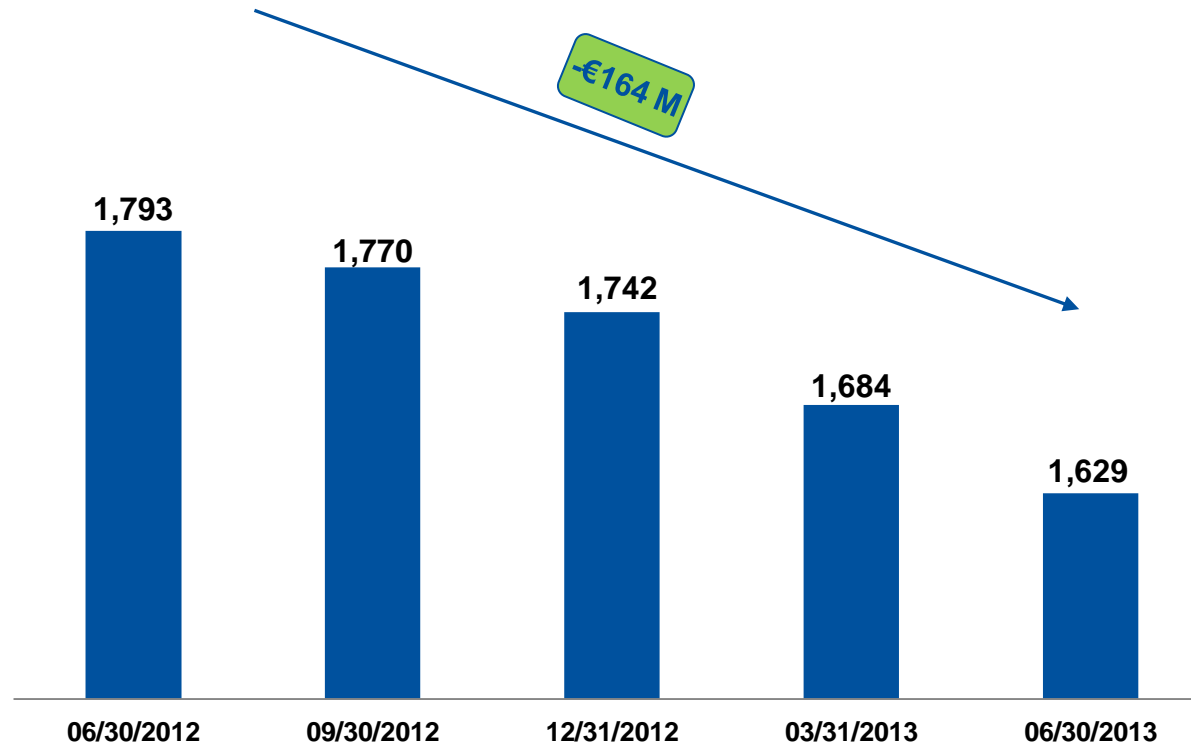


\*Of which € 10 M of interests concerning 2012

\*\*Including primarily change in working capital requirement and legal employee profit sharing

# Continued reduction of indebtedness

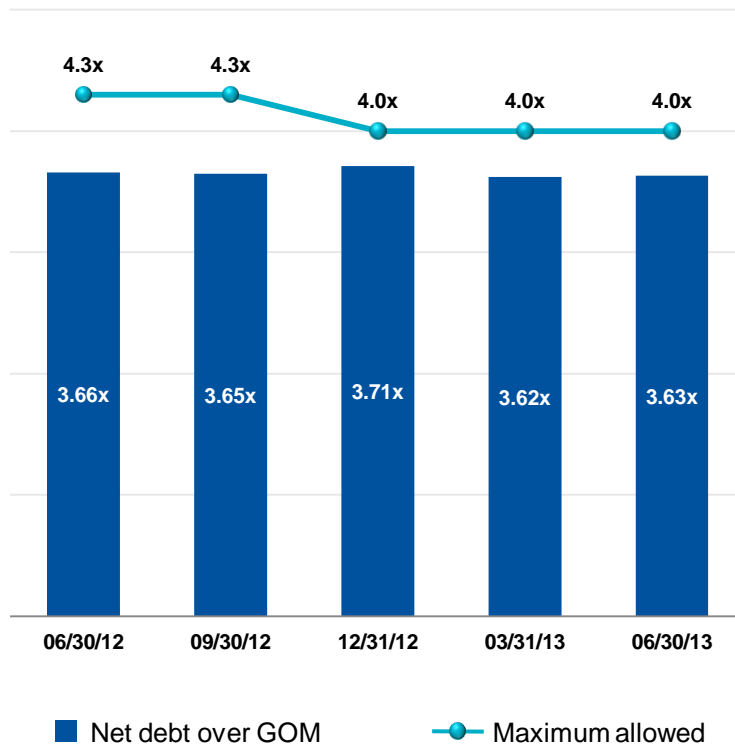
Net debt\* (in million euros)



# Compliance with covenants

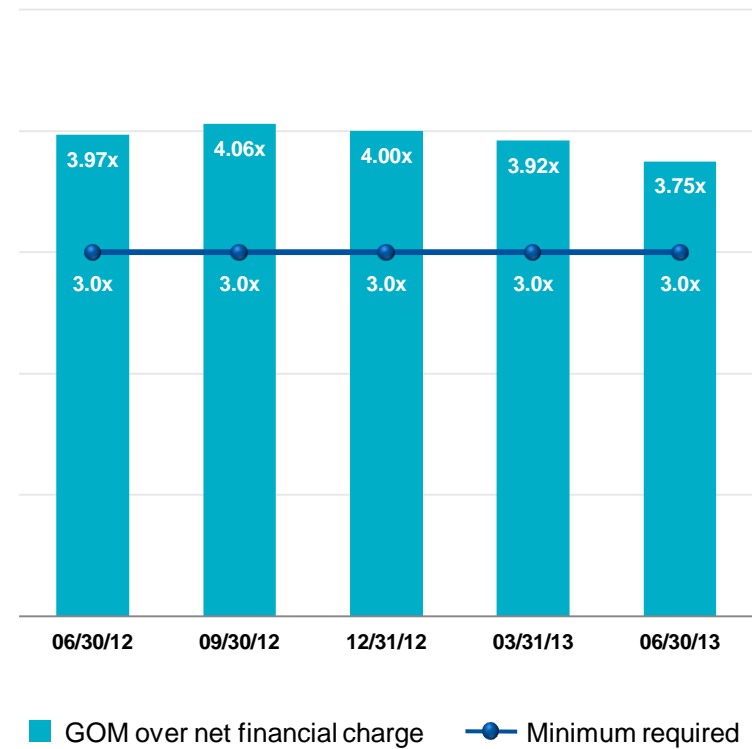
Financial leverage\*

9%



Interest coverage

25%



\* Covenant 3.75x as of 31 december 2013

*Solocal*  
GROUP

**OUTLOOK**



# Guidance 2013

The Group maintains its 2013 objectives at the low end of the range in view of the further deterioration in the advertising market in France:

- **REVENUE DECREASE BETWEEN -5% AND -3%**
- **2013 GOM BETWEEN 425 AND 445 MILLION EUROS**
- Confirmation of the priority given to **REDUCING INDEBTEDNESS**

# Solocal

GROUP

1 **SUCCESSFUL DIGITAL**  
transformation

2 **STRENGTH OF AUDIENCES**  
and **LOCAL MEDIAS**

3 **STRONG GROWTH** of  
**MOBILE ACTIVITIES**

4 **BROAD** portfolio of **LOCAL**  
**DIGITAL CONTENTS**

5 **SALES AND MARKETING**  
**LEADERSHIP** on business  
categories

6 **“DIGITAL 2015”:**  
Operational transformation  
and additional digital growth

7 A **PROFITABLE AND CASH**  
**GENERATIVE** business



## QUESTIONS & ANSWERS





# **APPENDICES FINANCIAL RESULTS**





# Revenues and Gross operating margin: 2<sup>nd</sup> quarter and 1<sup>st</sup> half 2013

In million euros	Q2 2013	Q2 2012	Change	H1 2013	H1 2012	Change
<i>Internet</i>	160.7	158.1	+1.6%	316.0	308.5	+2.4%
<i>Printed directories</i>	106.7	125.6	-15.0%	173.5	202.4	-14.3%
<i>Other businesses</i>	5.0	6.5	-23.1%	10.7	14.1	-24.1%
<b>Revenues</b>	<b>272.3</b>	<b>290.2</b>	<b>-6.2%</b>	<b>500.3</b>	<b>525.0</b>	<b>-4.7%</b>
<i>Internet</i>	68.6	72.3	-5.1%	132.7	134.1	-1.0%
<i>as % of Internet revenues</i>	42.7%	45.7%	-300 bps	42.0%	43.5%	-150 bps
<i>Printed directories</i>	49.7	60.0	-17.2%	79.8	93.5	-14.7%
<i>as % of Printed directories revenues</i>	46.6%	47.8%	-120 bps	46.0%	46.2%	-20 bps
<i>Other businesses</i>	1.2	1.2	na	3.1	4.6	-32.6%
<i>as % of Other businesses revenues</i>	24.0%	18.5%	na	29.0%	32.6%	na
<b>Gross operating margin</b>	<b>119.5</b>	<b>133.4</b>	<b>-10.4%</b>	<b>215.5</b>	<b>232.1</b>	<b>-7.2%</b>
<i>as % of Group revenues</i>	43.9%	46.0%	-210 bps	43.1%	44.2%	-110 bps

# Income statement:

## 2<sup>nd</sup> quarter and 1<sup>st</sup> half 2013

In million euros	Q2 2013	Q2 2012	Change	H1 2013	H1 2012	Change
<b>Revenues</b>	<b>272.3</b>	<b>290.2</b>	<b>-6.2%</b>	<b>500.3</b>	<b>525.0</b>	<b>-4.7%</b>
<i>Net external charges</i>	(56.9)	(56.8)	-0.2%	(102.9)	(109.0)	+5.6%
<i>Salaries and charges</i>	(95.9)	(100.0)	+4.0%	(182.0)	(183.8)	+1.0%
<b>Gross operating margin</b>	<b>119.5</b>	<b>133.4</b>	<b>-10.5%</b>	<b>215.5</b>	<b>232.1</b>	<b>-7.2%</b>
as % of revenues	43.9%	46.0%		43.1%	44.2%	
<i>Legal employee profit-sharing</i>	(4.1)	(4.0)	-3.8%	(7.0)	(6.8)	-2.9%
<i>Depreciation and amortisation</i>	(10.1)	(8.8)	-15.2%	(20.0)	(17.0)	-17.6%
<i>Other income and expenses</i>	(2.9)	(0.2)	na	(3.5)	(0.6)	na
<b>Operating income</b>	<b>102.4</b>	<b>120.5</b>	<b>-15.1%</b>	<b>184.9</b>	<b>207.8</b>	<b>-11.0%</b>
<b>Net financial income</b>	<b>(32.8)</b>	<b>(32.8)</b>	<b>+0.1%</b>	<b>(66.8)</b>	<b>(65.1)</b>	<b>-2.6%</b>
<i>Share of profit or loss of an associate</i>	0.0	(0.3)	na	(0.1)	(0.4)	na
<b>Income before tax</b>	<b>69.6</b>	<b>87.5</b>	<b>-20.4%</b>	<b>118.0</b>	<b>142.3</b>	<b>-17.1%</b>
<i>Corporate income tax</i>	(28.0)	(32.8)	+14.6%	(47.4)	(55.2)	14.1%
<i>Corporate income tax rate</i>	40.2%	37.4%		40.1%	38.7%	
<b>Net income</b>	<b>41.6</b>	<b>54.7</b>	<b>-23.9%</b>	<b>70.6</b>	<b>87.1</b>	<b>-18.9%</b>

# Cash flow statement:

## 2<sup>nd</sup> quarter et 1<sup>st</sup> half 2013

In million euros	Q2 2013	Q2 2012	Change	H1 2013	H1 2012	Change
<b>GOM</b>	<b>119.5</b>	<b>133.4</b>	<b>-10.4%</b>	<b>215.5</b>	<b>232.1</b>	<b>-7.2%</b>
<i>Legal employee profit-sharing</i>	(4.1)	(4.0)	-2.5%	(7.0)	(6.8)	-3.6%
<i>Non monetary items included in GOM</i>	2.9	1.5	na	3.7	1.9	na
<i>Net change in working capital</i>	4.8	12.5	-61.6%	25.4	29.4	-13.6%
<i>Acquisition of tangible and intangible fixed assets</i>	(12.1)	(11.8)	-2.5%	(21.6)	(19.9)	-8.1%
<b>Operational cash flow</b>	<b>110.9</b>	<b>131.6</b>	<b>-15.7%</b>	<b>216.0</b>	<b>236.7</b>	<b>-8.7%</b>
<i>In % of GOM</i>	92.8%	98.6%		100.2%	102.0%	
<i>Cash financial income</i>	(60.4) <sup>1</sup>	(37.1)	-62.8%	(70.8) <sup>2</sup>	(58.6)	-20.8%
<i>Other income and expenses</i>	(2.0)	-	na	(2.0)	(0,0)	na
<i>Coportate income tax paid</i>	(27.3)	(34.0)	+19.7%	(48.3)	(48.8)	+1.1%
<b>Net cash flow</b>	<b>21.2</b>	<b>60.6</b>	<b>-65.0%</b>	<b>95.0</b>	<b>129.3</b>	<b>-26.5%</b>
<i>Increase (decrease) in borrowings and bank overdrafts</i>	(1.9)	(2.3)	+17.4%	(78.9)	279.9	na
<i>Other</i>	(1.9)	(0.7)	na	(2.1)	(2.0)	-2.7%
<b>Net cash variation</b>	<b>17.5</b>	<b>57.6</b>	<b>na</b>	<b>14.0</b>	<b>407.1</b>	<b>na</b>
<i>Net cash and cash equivalents at beginning of period</i>	88.4	427.6	na	91.9	78.1	+17.7%
<b>Net cash and cash equivalents at end of period</b>	<b>105.9</b>	<b>485.2</b>	<b>na</b>	<b>105.9</b>	<b>485.2</b>	<b>na</b>

<sup>1</sup>a shift of €24 M out of which €14 M of Q1 2013 interest disbursed in Q2 2013 and €10 M of 2012 interest disbursed in Q2 2013

<sup>2</sup>a shift of €10 M of 2012 interest disbursed in Q2 2013

# Balance sheet as of 30<sup>st</sup> June 2013

In million euros	30 June 2013	31 Dec 2012	30 June 2012
<b>ASSETS</b>			
<b>Total non-current assets</b>	<b>210.6</b>	<b>212.3</b>	<b>219.1</b>
<i>Net goodwill</i>	83.9	82.3	93.9
<i>Other net intangible fixed assets</i>	72.2	69.4	69.9
<i>Net tangible fixed assets</i>	24.1	25.5	26.8
<i>Other non-current assets of which deferred tax assets</i>	30.5	35.1	28.4
<b>Total current assets</b>	<b>581.1</b>	<b>653.9</b>	<b>1,038.2</b>
<i>Net trade accounts receivable</i>	350.7	429.9	391.1
<i>Acquisition costs of contracts</i>	64.9	68.9	0.0
<i>Prepaid expenses</i>	12.3	5.6	118.7
<i>Cash and cash equivalents</i>	107.9	111.5	487.7
<i>Other current assets</i>	45.4	38.0	40.7
<b>Total assets</b>	<b>791.7</b>	<b>866.2</b>	<b>1,257.3</b>
<b>LIABILITIES</b>			
<b>Total equity</b>	<b>(1,923.5)</b>	<b>(2,006.8)</b>	<b>(2,033.3)</b>
<b>Total non-current liabilities</b>	<b>1,693.0</b>	<b>1,777.2</b>	<b>2,051.0</b>
<i>Non-current financial liabilities and derivatives</i>	1,595.6	1,686.6	1,987.7
<i>Employee benefits (non-current)</i>	89.6	83.3	55.9
<i>Other non-current liabilities</i>	7.9	7.3	7.4
<b>Total current liabilities</b>	<b>1,022.1</b>	<b>1,095.7</b>	<b>1,239.5</b>
<i>Bank overdrafts and other short-term borrowings</i>	133.8	149.9	285.8
<i>Deferred income</i>	599.2	632.1	654.4
<i>Employee benefits (current)</i>	114.9	124.4	108.0
<i>Trade accounts payable</i>	79.9	78.3	88.1
<i>Other current liabilities</i>	94.5	111.0	103.2
<b>Total liabilities</b>	<b>791.7</b>	<b>866.2</b>	<b>1,257.3</b>

# Net debt as of 30<sup>st</sup> June 2013

In million euros	30 June 2013	31 Dec 2012	30 June 2012
<i>Cash and cash equivalents</i>	107.9	111.5	487.7
<b>Gross cash position</b>	<b>107.9</b>	<b>111.5</b>	<b>487.7</b>
<i>Bank overdrafts</i>	(2.0)	(19.6)	(2.5)
<b>Net cash position</b>	<b>105.9</b>	<b>91.9</b>	<b>485.2</b>
<i>Bank borrowings</i>	(1,368.2)	(1,368.2)	(1,600.1)
<i>Bond borrowings – Senior secured notes</i>	(350.0)	(350.0)	(350.0)
<i>Revolving credit facility drawn*</i>	-	(75.8)	(281.4)
<i>Loan issuance expenses</i>	31.6	37.6	29.3
<i>Capital leases</i>	(0.1)	(0.1)	(0.2)
<i>Fair value of hedging instruments</i>	(34.4)	(54.6)	(59.0)
<i>Accrued interest not yet due</i>	(7.0)	(16.7)	(6.7)
<i>Other financial liabilities</i>	(6.2)	(5.7)	(9.6)
<b>Gross financial debt</b>	<b>(1,734.3)</b>	<b>(1,833.6)</b>	<b>(2,277.6)</b>
<i>Of which current</i>	(138.8)	(147.0)	(289.9)
<i>Of which non-current</i>	(1,595.6)	(1,686.6)	(1,987.7)
<b>Net cash (debt)</b>	<b>(1,628.5)</b>	<b>(1,741.7)</b>	<b>(1,792.5)</b>
<b>Net cash (debt) excluding fair value of financial instruments and loan issuance expenses</b>	<b>(1,625.6)</b>	<b>(1,724.7)</b>	<b>(1,762.7)</b>

\*At 06/30/2013, €95.8 M available under the undrawn revolving credit line (at 12/31/2012, €20 M available)

# Financial structure as of 30<sup>st</sup> June 2013

	Size (€M)	Maturity	Marge (bps) / Rate (%)
Tranche A1	49.6	November 2013	175
Tranche A3	962.0	September 2015	400
Tranche A5	356.4	September 2015	360
RCF 1*	-	November 2013	175
RCF 3*	-	September 2015	360
<b>Total bank debt</b>	<b>1,368.0</b>	-	<b>381**</b>
Senior secured notes	350.0	June 2018	8.875%
Other debts	16.3		
<b>Total gross debt</b>	<b>1,734.3</b>	-	<b>6.91%***</b>
Net cash	105.9	-	
<b>Total net debt</b>	<b>1,628.5</b>	-	

\* At 06/30/2013, €95.8 M available under the undrawn revolving credit line (at 12/31/2012, €20 M available)

\*\* Average weighted margin \*\*\* Weighted average of bank debt cost and coupon on the high yield notes.



## **GLOSSARY**



# Glossary – Operating P&L

## **Group Digital revenues:**

- Total of Internet revenues from PagesJaunes (pagesjaunes.fr, annoncesjaunes.fr, pagespro.com, websites and mobile Internet) and Internet revenues from all other subsidiaries in the Group

## **Net external charges:**

- Include external purchases: primarily include the editorial costs (purchase of paper, printing and distribution of printed directories), costs linked to databases, expenses for the information system, communication and marketing expenses, as well as structure expenses. For example: costs for producing Internet sites (launch of the Internet Visibility Pack), information system costs in line with the new developments, linked to services for advertisers or new functionality on the pagesjaunes.fr website
- And also include other operating income and expenses: are primarily comprised of taxes, certain provisions for risks, and provisions for bad debts

## **Salaries and charges:**

- Exclude legal employee profit-sharing and share-based payment

## **Gross operating margin (GOM):**

- Revenues less external purchases, operating expenses (net of operating income) and salaries and social charges. The salaries and social charges included in the gross operating margin do not include employee profit-sharing or the cost of share-based payment



# Glossary – Financial structure

## **Net financial debt:**

- Total gross financial debt plus or minus the fair value of derivative asset or liability hedging instruments and minus cash and cash equivalents

## **Ratio of net debt to GOM:**

- As defined in the agreement concluded with the financial establishments, in other words the ratio between an aggregate of consolidated net debt (excluding fair value of hedging instruments and loan issuing expenses) and an aggregate close to consolidated GOM

## **Ratio of GOM to net financial expenses:**

- As defined in the agreement concluded with the financial establishments, in other words the ratio between an aggregate close to consolidated GOM and an aggregate of consolidated net financial expenses (excluding change in fair value of hedging instruments recognised in P&L and loan issuing expenses amortisation)

## **Average cost of total debt:**

- Weighted average of bank debt cost and coupon on the high yield notes