



Boulogne–Billancourt, 3<sup>rd</sup> July 2020

Dear Shareholders,

I wanted to address you directly as we go through an exceptional crisis triggered by the health crisis, the outcome of which will depend on your support.

As you may have read, Solocal announced today that it had come to an agreement on reinforcing its financial structure. This project will be put to you for approval in the General Meeting on 24<sup>th</sup> July 2020.

We have always wanted our shareholders to be closely associated with the development of the company. This is why I want to give you more explanations not only on the different stages that led us to this agreement but also on the project itself, a project that will enable us to weather the storm and consolidate Solocal's position.

The current year 2020 started with a relatively bright outlook. Month after month, the transformation initiated three years ago unfolded. For the first time in 9 years we had a slight increase in our EBITDA in 2019 and the sales momentum observed at the end of 2019 and early 2020 confirmed we were on the right operational performance path. We did however have one weak spot, liquidity for 2020 which, while being assured, was fragile and we did not have much leeway.

Unfortunately, the Covid-19 crisis broke this momentum. Order intake fell by -55% during the lockdown, forcing us to revise our guidance. As you know, we are now forecasting a 20% drop in revenues this year despite encouraging signs of recovery in recent weeks.

The consequences of this decrease in business and the impact on our financial situation were immediate with a liquidity need now estimated at 120 million for the next 18 months.

Solocal is now facing one of the biggest challenges in its history: in August it is the entire Group and its 3,000 employees who will be under threat if we do not manage to fill this liquidity need.

We have been working all out to save the company. Several solutions were considered but the weight of our debt, over €500m, greatly limited the possibilities available forcing us to pass up on a certain number of options. We could not obtain a government guaranteed loan for example without a significant reduction in our debt. Similarly, it would have been very difficult to find a “backstop” for a capital increase.

I wish to insist on this point: without a significant reduction in our debt, no serious and lasting solution was possible. And to address this essential issue, an agreement with our debtholders was crucial.

It is in this spirit that we carefully studied the offer from the Montefiore private equity fund, based on taking a shareholding through a reserved capital increase. The arrangements for this offer, including the revised version of this offer, did not meet with the agreement of our debtholders.

So we intensified our discussions with these debtholders to come to a solid and balanced agreement, while remaining focused on the interests of the company and its employees. But at the same time we have never neglected the interests of our shareholders who, like you, have placed their trust in us.

An agreement was reached and approved unanimously by our Board of Directors. From a financial standpoint firstly, this agreement will enable us to secure the €117m in liquidity and would cut our debt by over €250m with the advantage of cutting annual financial expenses by over €25m. Our liquidity requirements would thus be secured for the next 18 months with a financial structure that has been reinforced and secured for the long term.

In the operational area, the Group would again have the visibility required to pursue its transformation without jeopardising jobs. Solocal is now a French digital champion. It deserves to continue its route driven by the commitment and talent of its teams whose future would be secured.

Finally in terms of governance, the changes planned to the Board of Directors would not compromise its independence in rolling out the strategy, to the extent that the financial path is followed. This is also an essential point that deserves to be strongly stressed.

Of course your interests as shareholders have not been forgotten, and even though we are aware that the agreement we reached is far from being ideal, rest assured that we have done everything possible to optimise it. The capital increase you must vote on shortly maintains the preferential subscription right enabling you, if you so wish and within the limits of your possibilities, to limit your dilution and recover all or part of your initial investment. The dilution being considered will also be reduced by the distribution of one free share for each share held.

So you now see that you will have a very important choice to make when voting in the Annual General Meeting on 24<sup>th</sup> July. In this event that will be crucial for the Group's future, I would call on your sense of responsibility and ask you to approve the project the benefits of which I have just set out above. I wish to draw your attention to the fact that a negative vote in the General Meeting would automatically mean the Solocal Group would, at the very least, go into Court resolution ("*redressement judiciaire*"). In this context, the Bondholders have committed to funding the 120 million in liquidity required for Solocal SA's business operations and would, as a result, have the possibility of taking control of Solocal Group's capital in a much more decisive way than that offered to us in the in bonis solution on the table.

Our CEO, Eric Boustouller, who has done exceptional work in recent years, has mobilised his entire team to deliver results in line with the path traced out in the press release on 18<sup>th</sup> May 2020.

I hope therefore that I can count on you on 24 July. Until then, we remain of course at your disposal with all the attention and consideration you deserve and ask you to visit our site [www.solocal.com](http://www.solocal.com) to view the presentations and videos and consult all the documents that will enable you to become familiar with this project.

Yours faithfully,

Pierre Danon

Chairman of the Board of Directors