Free translation for information purposes only

Elis

Joint-stock corporation (*société anonyme*) governed by a management board and a supervisory board, with share capital of €497,610,409
Registered office: 33 rue Voltaire, Puteaux (92800)
499 668 440 R.C.S. Nanterre

DOCUMENT DE BASE

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GENERAL COMMENTS

In this document, unless otherwise specified, the terms "**Company**" and "**Elis**" refer to Elis, a joint-stock corporation (*société anonyme*) headquartered at 33 rue Voltaire, Puteaux (92800) and registered with the Nanterre trade and companies register under number 499 668 440. The term "**Group**" refers to the Company and its consolidated subsidiaries combined.

Forward-looking statements

This *document de base* contains information on the Company's objectives and forecasts, particularly in chapters 12 – "*Information on trends and objectives*" and 13 – "*Earnings forecasts or estimates*". Such information is sometimes identified by the use of the future tense, the conditional mood and forward-looking terms such as "think," "aim," "expect," "intend," "should," "has the ambition of," "consider," "believe," "wish," "could" and so forth. The information is based on data, assumptions and estimates that the Company considers reasonable. It is liable to change or be altered due to uncertainties relating to all business activities and to the economic, financial, competitive, regulatory and climatic environment. The Company makes no undertaking to publish updates to the objectives, forecasts and forward-looking statements contained in this *document de base*, except as part of applicable statutory or regulatory obligations. The occurrence of certain risk events described in chapter 4 – "*Risk factors*" of this *document de base* may have an impact on the Group's activities and its ability to attain its objectives. The achievement of objectives also assumes that the strategy presented in section 6.1 – "*Overview of the Group*" of this *document de base* will be successful. The Company makes no representation and gives no warranty about the realization of objectives stated in this *document de base*.

Information about the market and competition

This *document de base* contains information relating to business segments in which the Group operates and its competitive position, particularly in chapter 6 – "*Industry and market overview*". Some information in this *document de base* is publicly available information that the Company regards as reliable but that has not been checked by an independent expert. The Company cannot guarantee that a third party using different methods for collating, analyzing or calculating business segment data would obtain the same results. The Company and its shareholders make no representation or warranty as regards the accuracy of that information. Given the very rapid changes in the Group's business sector in France and worldwide, it is possible that the information is inaccurate or out-of-date. As a result, the Group's activities could develop in different ways from those described in this *document de base*. The Group makes no undertaking to publish updates to that information, except pursuant to any applicable statutory or regulatory obligations.

Risk factors

Investors are invited to pay close attention to the risk factors described in chapter 4 – "*Risk factors*" before taking any investment decision. The occurrence of one or more of these risks may adversely affect the Group's business, financial condition, results and objectives. Other risks, either not currently identified or not regarded as significant by the Company, could have the same negative impact and could cause investors to lose some or all of their investment.

Rounding

Certain figures (including figures expressed in thousands or millions) and percentages in this *document de base* have been rounded.

The totals presented in this *document de base* may differ slightly from those obtained by adding together the non-rounded values of those figures.

Tables showing changes in certain financial data over time and data contained in chapter 9 – "*Operating and financial review*" of this *document de base* are taken from the Group's consolidated financial statements or produced on the basis of figures contained in this *document de base* (and therefore potentially rounded).

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CHAPTER 1
PERSONS RESPONSIBLE FOR THE *DOCUMENT DE BASE*

[INTENTIONALLY OMITTED]

CHAPTER 2
STATUTORY AUDITORS

2.1 PRINCIPAL STATUTORY AUDITORS

PricewaterhouseCoopers Audit

Represented by Bruno Tesnière
Member of the Association of Statutory Auditors of Versailles (*Compagnie régionale des Commissaires aux Comptes de Versailles*)

63, rue de Villiers
92200 Neuilly-sur-Seine

Appointment renewed at the general meeting of June 26, 2013 for a period of six financial years expiring at the end of the general meeting convened to approve the financial statements for the year ending on December 31, 2018.

Mazars

Represented by Isabelle Massa
Member of the Association of Statutory Auditors of Versailles (*Compagnie régionale des Commissaires aux Comptes de Versailles*)

61, rue Henri Regnault
Tour Exaltis
92400 Courbevoie

Appointment renewed at the general meeting of June 26, 2013 for a period of six financial years expiring at the end of the general meeting convened to approve the financial statements for the year ending on December 31, 2018.

2.2 ALTERNATE STATUTORY AUDITORS

Anik Chaumartin

Member of the Association of Statutory Auditors of Versailles (*Compagnie régionale des Commissaires aux Comptes de Versailles*)

63, rue de Villiers
92200 Neuilly-sur-Seine

Appointment made at the general meeting of June 26, 2013 for a period of six financial years expiring at the end of the general meeting convened to approve the financial statements for the year ending on December 31, 2018.

CBA

Member of the Association of Statutory Auditors of Versailles (*Compagnie régionale des Commissaires aux Comptes de Versailles*)

61, rue Henri Regnault
Tour Exaltis
92400 Courbevoie

Appointment renewed at the general meeting of June 26, 2013 for a period of six financial years expiring at the end of the general meeting convened to approve the financial statements for the year ending on December 31, 2018.

CHAPTER 3
SELECTED FINANCIAL INFORMATION

The following tables show certain selected financial information for the years ended December 31, 2011, 2012 and 2013 and the six-month periods ended June 30, 2013 and 2014.

The financial information shown below is taken from the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 and the condensed consolidated interim financial statements for the six-month period ended June 30, 2014, prepared under IFRS as adopted by the European Union, as contained in sections 20.1.1 – "*Consolidated financial statements prepared under IFRS for the years ended December 31, 2011, 2012 and 2013*" and 20.1.3 – "*Condensed consolidated interim financial statements for the six-month period ended June 30, 2014 prepared under IFRS*" of this *document de base.* The Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 were audited by the Company's Statutory Auditors and they performed a limited review of the condensed consolidated interim financial statements for the six-month period ended June 30, 2014. The Statutory Auditors' report on the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 is in section 20.1.2 – "*Statutory Auditors' report on the consolidated financial statements prepared under IFRS for the years ended December 31, 2011, 2012 and 2013"* and the report by the Company's Statutory Auditors on the condensed consolidated interim financial statements for the six-month period ended June 30, 2014 is in section 20.1.4 – "*Statutory Auditors' report on the condensed consolidated interim financial statements at June 30, 2014 prepared under IFRS*" of this *document de base*.

The summary of the selected financial information below should be read in conjunction with (i) the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 and the condensed consolidated interim financial statements for the six-month period ended June 30, 2014, (ii) the discussion of the Group's financial position and results of operations presented in chapter 9 – "*Operating and financial review*" of this *document de base* and (iii) the discussion of the liquidity and capital position presented in chapter 10 – "*Treasury and capital*" of this *document de base*.

3.1 SELECTED FINANCIAL INFORMATION TAKEN FROM THE CONSOLIDATED INCOME STATEMENT

	Year ended December 31,			Six-month period ended June 30,	
	2011	**2012***	**2013***	**2013***	**2014**
			(millions of euros)		
Revenue[1]	**1,148.8**	**1,185.2**	**1,225.4**	**600.0**	**644.3**
Cost of linen, equipment and other consumables*	(199.3)	(172.1)	(195.8)	(93.3)	(107.2)
Processing costs	(372.3)	(391.6)	(413.3)	(202.6)	(223.6)
Distribution costs	(186.2)	(191.7)	(195.5)	(97.6)	(103.9)
Gross margin*	**390.9**	**429.8**	**420.8**	**206.6**	**209.6**
Selling, general and administrative expenses	(199.1)	(205.8)	(209.1)	(106.6)	(106.1)
Operating income before other income and expense and amortization of customer relationships	**191.8**	**224.0**	**211.7**	**100.0**	**103.5**
Amortization of customer relationships	(60.3)	(38.6)	(39.6)	(19.7)	(20.5)
Goodwill impairment	(33.0)	(37.6)	(4.0)	0.0	0.0
Other income and expense	(4.2)	(18.5)	(49.2)	(10.9)	(16.1)
Operating income	**94.4**	**129.3**	**118.9**	**69.4**	**67.0**
Net financial expenses	(165.2)	(154.4)	(164.2)	(76.2)	(79.2)
Income (loss) before tax	(70.8)	(25.0)	(45.3)	**(6.8)**	**(12.2)**
Income tax	1.4	(21.6)	1.2	(4.3)	(5.3)
Share of net income of equity-accounted companies	0.1	0.2	0.1	0.1	0.0
Net income (loss)	**(69.3)**	**(46.4)**	**(44.1)**	**(11.1)**	**(17.5)**

1 Revenue may be referred to by the term "revenue" or "consolidated revenue" in this *document de base*.

* The Group carried out a study of the actual useful life of textiles. This review of the useful life of rented items prompted the Group to extend their useful life for depreciation purposes effective January 1, 2012. This led to a €40.2 million decline in depreciation and amortization expenses in the 2012 financial year, a €9.7 million decrease in the 2013 financial year and a €8.3 million reduction in the first six months of 2013. Flat linen was the main beneficiary of this extension, with its average estimated useful life rising from two to three years.

3.2 SELECTED FINANCIAL INFORMATION CONCERNING THE STATEMENT OF FINANCIAL POSITION

	Year ended December 31,			Six-month period ended June 30,
	2011	2012	2013	2014
	(millions of euros)			
Non-current assets	**2,610.3**	**2,624.6**	**2,530.9**	**2,672.0**
of which goodwill	1,466.7	1,439.9	1,454.7	1,526.5
of which intangible assets	506.6	472.6	428.3	426.3
Current assets	**350.9**	**372.4**	**398.6**	**468.1**
Assets held for sale	—	26.7	88.9	—
Total assets	**2,961.2**	**3,023.7**	**3,018.4**	**3,140.1**
Equity	**(6.0)**	**(39.8)**	**347.4**	**380.9**
Non-current liabilities	2,581.5	2,619.3	2,194.6	2,260.2
Current liabilities	385.7	438.6	467.7	499.0
Liabilities directly associated with assets held for sale	—	5.6	8.6	—
Total equity and liabilities	**2,961.2**	**3,023.7**	**3,018.4**	**3,140.1**

3.3 SELECTED FINANCIAL INFORMATION TAKEN FROM THE CONSOLIDATED CASH FLOW STATEMENT

	Year ended December 31,			Six-month period ended June 30,	
	2011	2012	2013	2013	2014
	(millions of euros)				
Net cash from operating activities	351.4	342.8	367.8	156.9	174.8
Net cash used in investing activities	(225.6)	(248.7)	(230.8)	(117.8)	(112.5)
Net cash used in financing activities	(130.6)	(60.4)	(142.4)	(51.9)	(50.0)
Net increase/(decrease) in cash and cash equivalents	**(4.8)**	**33.7**	**(5.4)**	**(12.9)**	**12.3**
Cash and cash equivalents at beginning of year	25.6	20.9	54.7	54.7	48.6
Effect of changes in foreign exchange rates on cash and cash equivalents	0.1	0.0	(0.7)	(0.6)	0.7
Cash and cash equivalents at end of year	**20.9**	**54.7**	**48.6**	**41.2**	**61.6**

3.4 OTHER FINANCIAL INFORMATION AND SELECTED BUSINESS INFORMATION BY OPERATING SEGMENT

	Year ended December 31,			Six-month period ended June 30,	
	2011	2012	2013	2013	2014
	(millions of euros)				
France					
Revenue	899.2	923.4	941.9	461.8	468.0
Intercompany eliminations[1]	1.8	1.8	2.1	1.1	1.2
Revenue including intercompany eliminations	901.0	925.2	944.0	462.9	469.2
EBITDA[2]	320.9	325.7	339.0	161.4	169.1
As a % of revenue including intercompany eliminations[3]	35.6%	35.2%	35.9%	34.9%	36.0%

	Year ended December 31,			Six-month period ended June 30,	
	2011	2012	2013	2013	2014
	(millions of euros)				
Europe					
Revenue	203.7	218.2	260.1	124.1	131.9
Intercompany eliminations[(1)]	0.6	0.8	1.1	0.8	0.2
Revenue including intercompany eliminations	204.3	219.0	261.2	124.9	132.1
EBITDA[(2)]	43.1	46.4	60.5	28.2	31.8
As a % of revenue including intercompany eliminations[(3)]	21.1%	21.2%	23.2%	22.6%	24.1%
Brazil					
Revenue	--	--	0.0	--	36.2
Intercompany eliminations[(1)]	--	--	(0.0)	--	(0.0)
Revenue including intercompany eliminations	--	--	0.0	--	36.2
EBITDA[(2)]	--	--	(0.8)	(0.3)	7.0
As a % of revenue including intercompany eliminations[(3)]	--	--	--	--	19.3%
Manufacturing entities					
Revenue	45.9	43.6	23.4	14.2	8.2
Intercompany eliminations[(1)]	12.1	10.3	8.4	4.3	4.1
Revenue including intercompany eliminations	58.0	53.9	31.8	18.5	12.3
EBITDA[(2)]	8.3	5.9	3.4	1.8	1.6
As a % of revenue including intercompany eliminations[(3)]	14.3%	10.9%	10.7%	9.7%	13.0%
Intercompany eliminations & Holding companies					
Revenue	--	--	--	--	--
Intercompany eliminations[(1)]	(14.5)	(12.9)	(11.6)	(6.3)	(5.5)
Revenue including intercompany eliminations	(14.5)	(12.9)	(11.6)	(6.3)	(5.5)
EBITDA[(2) (4)]	(0.8)	(1.3)	(1.4)	(0.8)	(0.5)
As a % of revenue including intercompany eliminations [(3)]	--	--	--	--	--
Total					
Consolidated revenue	**1,148.8**	**1,185.2**	**1,225.4**	**600.0**	**644.3**
EBITDA	**371.4**	**376.7**	**400.7**	**190.3**	**209.1**
As a % of consolidated revenue	**32.3%**	**31.8%**	**32.7%**	**31.7%**	**32.5%**
Adjusted net debt[(5)]	**1,933.4**	**1,945.5**	**1,991.7**	**--**	**1,996.0**

(1) Intercompany eliminations reflect outsourcing between operating segments dedicated to rental, laundry and maintenance services and to sales of goods by the manufacturing entities to the other operating segments. These do not represent sales to external customers. Accordingly, they are eliminated for the purpose of calculating the Group's revenue. Intercompany sales are not material in relation to sales to external customers for the France and Europe operating segments. Conversely, these intercompany sales account for a material portion of the manufacturing entities' revenue. For the year ended December 31, 2013, intercompany sales recorded by the manufacturing entities came to €8.4 million, with €4.8 million generated by Kennedy Hygiene Products and €3.4 million by Le Jacquard Français.

(2) For a definition of EBITDA and EBIT, see Note 16 to the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 included in section 20.1.1 – "*Consolidated financial statements prepared under IFRS for the years ended December 31, 2011, 2012 and 2013*" and Note 5 to the condensed consolidated interim financial statements in the six-month period ended June 30, 2014 included in section 20.1.3 – "*Condensed consolidated interim financial statements at June 30, 2014 prepared under IFRS*" of this *document de base*.

(3) The EBITDA margin is calculated as a percentage of revenue including intercompany eliminations because the expenses related to these intercompany sales are captured in the calculation of each operating segment's EBITDA.

(4) The "Intercompany eliminations & Holding companies" EBITDA shows the EBITDA of the Group's holding companies. These companies incur certain administrative costs that are not allocated to the operating segments.

(5) The concept of adjusted net debt used by the Group consists of the sum of non-current financial liabilities, current financial liabilities and cash and cash equivalents adjusted by capitalized debt arrangement costs, the impact of applying the effective interest rate method, the loan from employee profit-sharing fund and the bonds subscribed by Eurazeo/ECIP Elis including accrued interest. For further information about how adjusted net debt is calculated, please refer to section 10.6.2 – "*Financial liabilities*" of this *document de base*.

Revenue broken down by operating segment for financial years 2010 to 2013 and the six-month periods ended June 30, 2013 and June 30, 2014

	Year ended December 31,				Six-month period ended June 30,	
	2010	**2011**	**2012**	**2013**	**2013**	**2014**
				(millions of euros)		
Revenue						
France	**870.6**	**899.2**	**923.4**	**941.9**	**461.8**	**468.0**
Hospitality	247.5	266.4	276.1	282.5	134.2	136 .5
Industry	175.1	180.3	184.5	187.7	93.1	93.3
Trade and Services.......	334.4	338.2	341.1	340.5	169.0	170.2
Healthcare	123.9	130.0	137.6	144.7	71.4	76.1
Miscellaneous	(10.3)	(15.8)	(15.9)	(13.4)	(6.0)	(8.1)
Europe	**154.3**	**203.7**	**218.2**	**260.1**	**124.1**	**131.9**
Germany	30.8	32.5	35.7	41.7	19.6	20.9
Belgium and Luxembourg .	26.0	26.9	28.0	32.3	16.5	15.0
Spain and Andorra	37.8	49.3	50.2	51.1	23.3	28.0
Italy	19.7	25.2	25.2	24.7	12.4	13.0
Portugal	34.0	34.9	36.8	37.0	17.3	18 .3
Switzerland	5.5	34.2	41.1	72.0	34.4	35.9
Czech Republic	0.6	0.7	1.2	1.2	0.6	0.7
Brazil	--	--	--	0.0	--	36.2
Manufacturing entities	54.4	58.0	53.9	31.8	18.5	12.3
Revenue	42.6	45.9	43.6	23.4	14.2	8.2
Inter-sector	11.8	12.1	10.3	8.4	4.3	4.1

Revenue and consolidated revenue growth broken down by operating segment for financial years 2010 to 2013 and the six-month periods ended June 30, 2013 and June 30, 2014

	Year ended December 31,							Six-month period ended June 30,		
	2010	**2011**	**% chge between 2010 and 2011**	**2012**	**% chge between 2011 and 2012**	**2013**	**% chge between 2012 and 2013**	**2013**	**2014**	**% chge between 2013 and 2014**
			(millions of euros)							
Group										
Consolidated revenue	**1,067.,6**	**1 148,8**		**1,185.2**		**1,225.4**		**600.0**	**644.3**	
Consolidated revenue growth	**+25.1**	**+81.2**	**+7.6%**	**+36.5**	**+3.2%**	**+40.2**	**+3.4%**	**+19.3**	**+44.3**	**+7.4%**
o/w scope effect	+8.2	+43.1	+4.0%	+16.0	+1.4%	+21.9	+1.8%	+12.4	+33.2	+5.5%
o/w currency effect	+0.5	+0.6	+0.1%	+1.3	+0.1%	(1.2)	(0.1)%	(0.5)	+0.3	+0.1%
o/w organic growth	+16.4	+37.5	+3.5%	+19.2	+1.7%	+19.5	+1.6%	+7.4	+10.7	+1.8%
France										
Revenue	**870.6**	**899.2**		**923.4**		**941.9**		**461.8**	**468.0**	
Revenue growth	**+9.7**	**+28.5**	**+3.3%**	**+24.3**	**+2.7%**	**+18.5**	**+2.0%**	**+10.1**	**+6.2**	**+1.4%**
o/w scope effect	+0.0	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0	+0.0%

	Year ended December 31,							Six-month period ended June 30,		
	2010	2011	% chge between 2010 and 2011	2012	% chge between 2011 and 2012	2013	% chge between 2012 and 2013	2013	2014	% chge between 2013 and 2014
			(millions of euros)							
o/w currency effect	+0.0	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0	+0.0%
o/w organic growth	+9.7	+28.5	+3.3%	+24.3	+2.7%	+18.5	+2.0%	+10.1	+6.2	+1.4%
Europe										
Revenue	**154.3**	**203.7**		**218.2**		**260.1**		**124.1**	**131.9**	
Revenue growth	**+15.0**	**+49.4**	**+32.0%**	**+14.5**	**+7.1%**	**+41.8**	**+19.2%**	**+17.0**	**+7.8**	**+6.3%**
o/w scope effect	+8.2	+43.1	+27.9%	+16.0	+7.9%	+41.4	+19.0%	+19.4	+2.4	+1.9%
o/w currency effect	+0.3	+0.7	+0.4%	+0.8	+0.4%	(0.9)	(0.4)%	(0.4)	+0.20	+0.2%
o/w organic growth	+6.5	+5.6	+3.6%	(2.3)	(1.1)%	+1.3	+0.6%	(1.9)	+5.2	+4.2%
Brazil										
Revenue	**--**	**--**		**--**		**0.0**		**+0.0**	**36.2**	
Revenue growth	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**+0.0**	**+36.2**	**+100%**
o/w scope effect	--	--	--	--	--	--	--	+0.0	+36.2	+100%
o/w currency effect	--	--	--	--	--	--	--	+0.0	+0.0	+0.0%
o/w organic growth	--	--	--	--	--	--	--	+0.0	+0.0	+0.0%
Manufacturing entities										
Revenue	**42.6**	**45.9**		**43.6**		**23.4**		**14.2**	**8.2**	
Revenue growth	**+0.4**	**+3.3**	**+7.7%**	**(2.3)**	**(5.0)%**	**(20.2)**	**(46.3)%**	**(7.8)**	**(6.0)**	**(42.1)%**
o/w scope effect	+0.0	+0.0	+0.0%	+0.0	+0.0%	(19.5)	(44.7)%	(7.0)	(5.4)	(38.3)%
o/w currency effect	+0.2	(0.1)	(0.2)%	+0.5	(1.0)%	(0.3)	(0.7)%	(0.1)	+0.1	+0.8%
o/w organic growth	+0.2	+3.4	+7.9%	(2.8)	(6.1)%	(0.4)	(0.9)%	(0.8)	(0.7)	(4.7)%
Germany										
Revenue	**30.8**	**32.5**		**35.7**		**41.7**		**19.6**	**20.9**	
Revenue growth	**+4.6**	**+1.7**	**+5.6%**	**+3.2**	**+9.8%**	**+6.0**	**+16.8%**	**+2.6**	**+1.3**	**+6.6%**
o/w scope effect	+0.0	+0.0	+0.0%	+0.0	+0.0%	+3.9	+10.9%	+1.7	+0.0	+0.0%
o/w currency effect	+0.0	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0	+0.0%
o/w organic growth	+4.6	+1.7	+5.6%	+3.2	+9.8%	+2.1	+6.0%	+0.9	+1.3	+6.6%
Belgium and Luxembourg										
Revenue	**26.0**	**26.9**		**28.0**		**32.3**		**16.5**	**15.0**	
Revenue growth	**(0.8)**	**+0.9**	**+3.6%**	**+1.1**	**+4.1%**	**+4.3**	**+15.4%**	**+3.0**	**-1.5**	**(9.1)%**
o/w scope effect	+0.0	+0.0	+0.0%	+0.7	+2.7%	+3.7	+13.1%	+2.2	+0.0	+0.0%
o/w currency effect	+0.0	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0	+0.0%
o/w organic growth	(0.8)	+0.9	+3.6%	+0.3	+1.2%	+0.6	+2.3%	+0.8	(1.5)	(9.1)%
Spain and Andorra										
Revenue	**37.8**	**49.3**		**50.2**		**51.1**		**23.3**	**28.0**	
Revenue growth	**+7.0**	**+11.6**	**+30.6%**	**+0.8**	**+1.8%**	**+0.9**	**+1.9%**	**(1.6)**	**+4.7**	**+20.2%**
o/w scope effect	+6.2	+11.2	+29.6%	+3.3	+6.6%	+3.2	+6.4%	+0.2	+2.4	+10.4%
o/w currency effect	+0.0	+0.0	+0.0	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0	+0.0%
o/w organic growth	+0.8	+0.4	+1.0	(2.4)	(4.9)%	(2.3)	(4.6)%	(1.9)	+2.3	+9.7%
Italy										
Revenue	**19.7**	**25.2**		**25.2**		**24.7**		**12.4**	**13.0**	
Revenue growth	**+0.4**	**+5.5**	**+27.8%**	**+0.0**	**+0.0%**	**-0.5**	**-2.0%**	**(0.5)**	**+0.6**	**+4.8%**
o/w scope effect	+0.0	+4.1	+20.9%	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0	+0.0%
o/w currency effect	+0.0	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0	+0.0%
o/w organic growth	+0.4	+1.3	+6.8%	+0.0	+0.0%	(0.5)	(1.8)%	(0.5)	+0.6	+4.8%

	Year ended December 31,							Six-month period ended June 30,		
	2010	2011	% chge between 2010 and 2011	2012	% chge between 2011 and 2012	2013	% chge between 2012 and 2013	2013	2014	% chge between 2013 and 2014
	(millions of euros)									
Portugal										
Revenue	**34.0**	**34.9**		**36.8**		**37.0**		**17.3**	**18.3**	
Revenue growth	**+1.5**	**+0.9**	**+2.6%**	**+1.9**	**+5.6%**	**+0.2**	**+0.5%**	**(0.4)**	**+1.0**	**+5.5%**
o/w scope effect	+0.0	+0.0	+0.0%	+3.6	+10.3%	+0.0	+0.0%	+0.0	+0.0	+0.0%
o/w currency effect	+0.0	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0	+0.0%
o/w organic growth	+1.5	+0.9	+2.6%	(1.7)	(4.8)%	+0.2	+0.5%	(0.4)	+1.0	+5.5%
Switzerland										
Revenue	**5.5**	**34.2**		**41.1**		**72.0**		**34.4**	**35.9**	
Revenue growth	**+2.4**	**+28.7**	**525%**	**+6.9**	**+20.2%**	**+30.9**	**+75.2%**	**+13.9**	**+1.5**	**+4.4%**
o/w scope effect	+2.0	+27.8	508%	+8.4	+24.6%	+30.6	+74.5%	+15.2	+0.0	+0.0%
o/w currency effect	+0.3	+0.7	+12.0%	+0.8	+2.4%	(0.9)	(2.1)%	(0.4)	+0.2	+0.7%
o/w organic growth	+0.2	+0.2	+4.4%	(2.3)	(6.6)%	1.1	+2.8%	(0.9)	+1.3	+3.8%
Czech Republic										
Revenue	**0.6**	**0.7**		**1.2**		**1.2**		**0.6**	**0.7**	
Revenue growth	**(0.0)**	**+0.1**	**+23.1%**	**+0.5**	**+73.6%**	**-0.0**	**-3.2%**	**+0.0**	**+0.2**	**+28.6%**
o/w scope effect	+0.0	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0%	+0.0	+0.0	+0.0%
o/w currency effect	+0.0	+0.0	+2.7%	(0.0)	(2.0)%	(0.0)	(3.2)%	(0.0)	(0.0)	(6.4)%
o/w organic growth	(0.0)	+0.1	+20.4%	+0.5	+75.6%	+0.0	+0.0%	+0.0	+0.2	+35.0%
Europe										
Revenue	**154.3**	**203.7**		**218.2**		**260.1**		**124.1**	**131.9**	
Revenue growth	**+15.0**	**+49.4**	**+32.0%**	**+14.5**	**+7.1%**	**+41.8**	**+19.2%**	**+17.0**	**+7.8**	**+6.3%**
o/w scope effect	+8.2	+43.1	+27.9%	+16.0	+7.9%	+41.4	+19.0%	+19.4	+2.4	+1.9%
o/w currency effect	+0.3	+0.7	+0.4%	+0.8	+0.4%	(0.9)	(0.4)%	(0.4)	+0.20	+0.2%
o/w organic growth	+6.5	+5.6	+3.6%	(2.3)	(1.1)%	+1.3	+0.6%	(1.9)	+5.2	+4.2%

CHAPTER 4
RISK FACTORS

Before purchasing shares in the Company, investors should carefully consider each of the risk factors described below, as well as other information contained in this document de base*. These risks are those that the Company believes, as of the date of this* document de base*, could have a material adverse effect on the Group and its business, financial condition, results, or outlook. The Company would like to highlight the fact that the risks and uncertainties listed below are not the only ones the Group faces; additional risks and uncertainties not currently known to the Group or that the Group deems immaterial as of the date of this* document de base *could also have a material adverse effect on its business, financial condition, results, or outlook.*

4.1 RISKS RELATING TO THE GROUP'S BUSINESS SECTORS

4.1.1 Risks relating to the overall economic conditions

The growth in demand for certain of the Group's services, such as the services it provides to customers in the hospitality, industrial, and retail and services sectors, correlate with economic conditions, including growth in gross domestic product (GDP) in France, the Group's principal geographic market by revenue (the French rental, laundry, and maintenance services market accounted for 76.9% of consolidated revenue and 84.6% of consolidated EBITDA for the year ended December 31, 2013), and GDP growth in the other countries in which the Group operates. Periods of recession or deflation, when combined with potential customers' financial troubles and downsizing of their activities, could have an adverse impact on prices and payment terms, and make customers delay their outsourcing projects, or reduce their demand for services.

The Group's financial and operating performance could be adversely affected by declining economic conditions in the countries in which it operates and by international trading conditions. In particular, during the global economic downturn that started in 2008—and more specifically during the European sovereign debt crisis that began in 2009—the Group faced lower demand in certain countries in which it operates for services ordered by customers in the hospitality, workwear, and hygiene and well-being (**HWB**) markets. Customers indeed typically scale back such services in a difficult economic environment because they either reduce staff working hours (for example, they might cut down on night staff) or view some HWB services as non-essential. Accordingly, the Group's ability to maintain business volumes and growth in France and some of the other countries in which it operates, such as Spain, Portugal, and Italy, will depend on the ability of those countries to come out of the recession and on the growth in demand for the Group's services in those countries. But the economies of France and the other countries in which the Group operates may not experience growth—or may experience insufficient growth—in the future, thereby negatively affecting general outsourcing trends, and therefore growth in demand for the Group's services in these markets. In addition, further expansion into new sectors or geographical markets may not be successful in a depressed economic context.

Finally, the Group's business is sensitive to developments that materially impact the French economy or otherwise affect its operations in France, since that country accounts for a major part of its consolidated revenue. Although demand for the Group's services is typically not highly affected by a slowdown in GDP growth, since the Group generally provides services essential for its customers, negative developments in France, including with respect to the general business climate, could impact the Group's customers' businesses. If these risks materialize, they could adversely affect the Group's business volumes, ability to win new customers or contracts, increase the cost of acquiring new customers, or negatively impact the Group's prices and, accordingly, have a material adverse effect on its business, results, financial condition, or outlook.

4.1.2 Risks relating to price and margin pressure on the Group's services

The Group might be forced to cut prices for its services, or be unable to raise prices to the level necessary to stabilize or grow margins, due to a number of factors such as challenging macroeconomic conditions and existing competition, especially during contract renewals or the periodic renegotiation of pricing terms for some key account contracts (see section 6.7.2 – "*Different kinds of contracts*" of this *document de base*). The Group may be unable to compensate for these price decreases or insufficient price increases by

attracting new business, reducing its operating costs (for example, through headcount reductions, increases in labor productivity, or other gains in cost efficiency) or otherwise, which could lead eventually to a decline in its earnings.

In addition, the impact of laws and regulations, particularly labor and environmental laws and regulations, may restrict the Group's ability to achieve cost reductions and other efficiency gains and may increase its operating costs (see section 4.4.3 – "*Risks related to compliance with labor and employment regulations*" and section 4.4.6 – "*Environmental risks*" of this *document de base*). Price and margin pressure may therefore lead to a reduction in the Group's margins and the average prices for the Group's services, which could have a material adverse effect on its business, results, financial condition, or outlook.

4.1.3 Risks relating to the competitive landscape

The Group faces significant competition from a variety of companies across each of its markets and its success is dependent on its service quality and prices, especially relative to its competitors. Competitors differ from market to market and according to the type of service provided by the Group (see chapter 6 – "*Industry and market overview*," for a description of the Group's markets). In France, the Group's principal market, it competes against some large companies like Initial BTB, RLD, and Anett, as well as smaller local or regional service providers. There is limited presence of foreign companies in the French market, with the exception of Initial BTB, which is a wholly-owned subsidiary of Rentokil Initial plc (see section 6.2.3 – "*Competitive environment*" of this *document de base* for a description of the Group's main competitors). Some of the Group's customers may decide to use their in-house resources to not only launder their own flat linen and workwear required for their activities, but also offer supply and maintenance services to third parties for flat linen, workwear, and HWB equipment. For example, in flat linen and workwear services, the Group faces competition from the shared laundry facilities that some hospitals have pooled their resources to create. These shared laundry facilities serve many different hospitals and could also serve other customers like retirement homes. The Group's competitive positioning could also be affected by new market entrants, such as cleaning and facility management companies that offer a full range of services including HWB services.

The Group also faces competitive pressure in markets outside France—especially on prices.

If customers or potential customers do not value the quality and cost value of the Group's services, or if there is not sufficient demand for new services, its business, results, financial condition, or outlook could be adversely affected to a significant extent.

In addition, the markets for some services—such as the provision of basic flat linen to small and medium-sized companies—are relatively fragmented, with many companies competing primarily on price. Over time, the Group's competitors could merge or further consolidate, and the diversified service offerings or increased synergies of these consolidated businesses could increase the intensity of the competition the Group faces, especially if it cannot take part in the consolidation trend.

The development of new products or new technology by competitors may also affect the Group's competitive positioning. For example, the widespread adoption of electric hand-dryers and paper hand towels has had a negative impact on the Group's rental and laundry services for textile hand towels. The Group's failure to adapt successfully to these or other changes in the competitive landscape could also result in a loss of market share, decreased revenue, or a decline in profitability, and could therefore have a material adverse effect on its business, results, financial condition, or outlook.

4.1.4 Risks relating to fluctuations in textile prices

The Group is exposed to changes in the prices of the raw materials used to make the consumables and textile products (flat linens and workwear) it provides as part of its rental and laundry services. The price of textiles, especially those made from cotton and polyester, is primarily determined by the cost of the production time required to manufacture them. To a lesser extent, the price of textiles is also determined by the price evolution of their ingredients—mainly cotton and polyester—which are subject to considerable price volatility. For example, the Group's variable costs increased significantly following a rise in the cotton price between the second quarter of 2010 and March 2011, which drove up textile prices throughout

2011. If textile prices increase again, and if the Group is not able to fully or immediately offset the higher costs by raising the prices it charges customers—in particular due to the scale of the higher costs, price pressure from existing competitors, or market conditions—the Group's business, results, financial condition, or outlook could be adversely affected to a significant extent (see section 9.1.3.2 – "*Cost of linen, equipment and other consumables*" and section 9.1.2.6 – "*Capital expenditure*" of this *document de base*).

4.1.5 Risks relating to energy prices

Most of the services the Group provides rely on frequent delivery and collection services by its vehicle fleet. As a result, the Group uses a great deal of gasoline. The Group estimated that trucks and passenger cars undertake about 2,200 rounds every day, representing about 1,500,000 kilometers each week. In addition, the Group's laundry facilities and processing centers run on gas and electricity. The price evolutions of that gas and electricity, as well as the price of gasoline for the Group's delivery and collection vehicles, is unpredictable and fluctuates, sometimes substantially, based on events outside the Group's control including: the supply and demand for gas, electricity, and gasoline; actions by central governments, local governments, and government agencies; actions by oil and electricity producers; war and political unrest in oil and gas producing countries; limits on refining capabilities; natural disasters; and environmental concerns.

The water used by the Group comes primarily from wells at its processing centers that tap into underground reservoirs, meaning the Group has to pay water royalties of an amount set by local authorities and subject to change. In 2013, the level of royalty payments increased in line with the volume of wastewater discharged by the Group's processing centers, which increased the Group's wastewater treatment costs.

The Group does not hedge its energy costs. The Group has, nevertheless signed gas procurement contracts at fixed prices covering 2011, 2012, and 2014 (see section 9.1.3.2 – "*Linen, appliance and other consumable costs*" of this *document de base*). If the Group is not able to increase the prices it charges to customers as a result of increases in gas, electricity, water, or gasoline prices, its business, results, financial condition, or outlook could be affected. In addition, any disruption in the supply of the Group's various sources of energy may impair its ability to conduct its business and meet customer demand, and could have a material adverse effect on its business, results, financial condition, or outlook (see section 9.1.3.2 – "*Linen, appliance and other consumable costs*" and section 9.1.2.6 – "*Capital expenditure*" of this *document de base*).

4.1.6 Risks relating to trends in the outsourcing of services provided by the Group and the re-insourcing of those services by some customers

The decision by an existing or potential customer to outsource flat linen, workwear, and HWB services is dependent upon, among other things, its perception regarding outsourcing in general and the price and quality of such outsourced services in particular. Negative perceptions regarding outsourcing may adversely impact trends in the outsourcing of flat linen, workwear, and HWB services, lead to decreased consumer demand, cause the Group to lose contracts, and prompt the re-insourcing of certain services provided by the Group—this relates mainly to HWB services—which would have a material adverse effect on the Group's business, results, financial condition, or outlook.

In addition, the development of new, more cost-effective methods that can be directly performed by customers could have a material adverse effect on the Group's business, results, financial condition, or outlook. For example, replacing the textiles currently used in operating rooms with disposable textiles could lead to a reduction in the demand for the Group's services, which could have a material adverse effect on its business, results, financial condition, or outlook.

4.1.7 Risks relating to public sector spendings

In some of the countries in which the Group operates, a large part of its revenue comes from contracts with the government and other public sector agencies. The Group's public sector business may be adversely affected by political and administrative decisions about levels of public spending. For example, in France and various other countries in which the Group operates, some hospitals have terminated laundry

outsourcing agreements and set up shared laundry facilities as part of broader measures to reduce public spending. Moreover, decisions to reduce public spending may result in the termination or downscaling of public sector contracts, which could have a material adverse effect on the Group's business, results, financial condition, or outlook.

4.1.8 Risks relating to the capital intensive nature of the Group's business

The Group's flat linen and workwear purchases are classified as capital expenditure, meaning its flat linen and workwear activities are capital intensive. For the year ended December 31, 2013, the Group's capital expenditure on linen totaled €126.1 million, or 10.3% of consolidated revenue (see section 9.1.2.6 – "*Capital expenditure*" of this *document de base*). These activities are also capital intensive because a high degree of mechanization is required to launder flat linens and workwear. For the year ended December 31, 2013, the Group's capital expenditure (excluding acquisitions, linen and workwear purchases, and asset disposals) amounted to €88.8 million, or 7.2% of consolidated revenue.

In order to continue to provide reliable, high-quality services, the Group must continue to invest in new equipment and products that can improve its laundering and manufacturing processes, and to renew its vehicle fleet as needed. The Group might experience technical failures and may not be able to invest adequate resources into state-of-the-art equipment, which could impair its service quality and consequently have a material adverse effect on its business, results, financial condition, or outlook.

4.2 RISKS RELATING TO THE GROUP'S BUSINESSES

4.2.1 Risks relating to the Group's inability to win new contracts

Winning new contracts is one of the avenues the Group uses to sustain organic growth, and such new contracts may be subject to competitive bidding. The Group may be unable to win competitively-awarded or other new contracts, especially if its bid is less attractive than those of its competitors. In addition, the Group might spend time and incur significant costs in order to prepare a proposal for new customer contracts, especially when participating in a bidding process. Those costs may not be recovered if the Group is not retained at the end of the bidding process. Even if the Group is awarded a contract, the contract may not yield the expected results, especially if the Group has not accurately estimated the cost of providing the services specified in the contract.

The realization of any or several of these risks could have a material adverse effect on the Group's business, results, financial condition, or outlook.

4.2.2 Risks relating to damage to the Group's image

The Group's image, its primary brand Elis, and its reputation are fundamental elements of its positioning and its value. The Group's success over the years has been due largely to its ability to establish its brand image as a leading provider of a broad range of flat linen, workwear, and HWB services. Accordingly, the Group's image, brand, and reputation are important assets to its ability to market its services and win new customers. Although the Group closely monitors the quality of its services, it may not be able to protect its business against damage to its image, brand, or reputation vis-a-vis current and potential customers, and, more generally, in the regions and sectors in which it operates (for examples of such events, see section 4.4.6 – "*Environmental risks*" and section 20.3 – "*Legal and arbitration proceedings*" of this *document de base*). Any such event or perception could have a material adverse effect on the Group's business, results, financial condition, and outlook.

4.2.3 Risks relating to supply chain disruptions

Some of the Group's businesses rely on a small number of suppliers: Malongo, the supplier of its coffee machines and coffee pads; Jensen-Group and Kannegieser, the suppliers of its heavy-duty washing tunnels, ironers, dryers, and sorting machinery and equipment; and Christeyns and Ecolab, the suppliers of its washing products (see section 6.8 – "*Suppliers*" of this *document de base*). Any adverse change affecting the Group's relationship with any of its main suppliers, especially those listed above, or more stringent supply terms, price increases, the non-renewal of supply contracts or renewal under less favorable terms, or

the failure of one of the aforementioned suppliers, could have a material adverse effect on the Group's business, results, financial condition, or outlook.

Some suppliers may be unwilling to provide the Group with merchandise if it does not place orders on attractive terms or on terms competitive with the suppliers' other customers. In the event that one or more of the Group's main textile suppliers decide to terminate the contractual relationship or experiences operational difficulties, and the Group is unable to secure alternative sources in a timely manner or on commercially equivalent or better terms, the Group may experience inventory shortages or an increase in procurement costs. If the Group's suppliers are unable or unwilling to continue to provide it with merchandise under terms comparable with those previously applicable, or if the Group is unable to obtain merchandise from suppliers at prices that will allow its services to be competitively priced, there could be a material adverse effect on its business, results, financial condition, or outlook.

Moreover, the Group purchases the majority of its textiles in markets outside of Western Europe, primarily in Africa and Asia, and the number of foreign suppliers may increase as the Group proceeds with its strategy to partner with suppliers in low-cost countries. The Group faces a variety of risks generally associated with importing merchandise from foreign markets, including: currency risks; political instability; increased requirements applicable to foreign goods (such as the imposition of duties, taxes, and other charges); restrictions on imports; risks related to suppliers' labor and environmental practices or other issues in the foreign factories in which the merchandise bought by the Group is manufactured; delays in shipping; and increased costs of transportation. The Group also faces the risk that suppliers subject their employees to poor working conditions or do not comply with applicable legislation, which could result in the Group being held liable.

In addition, the ongoing challenging economic environment could have a number of adverse effects on the Group's supply chain. The inability of suppliers to access funding, or the insolvency of suppliers, could lead to delivery delays or failures.

In some countries, the Group's supplier relations could be affected by local government policies such as the introduction of customs duties or other trade restrictions that, if enacted, could increase the cost of products purchased from suppliers in such countries or restrict the importation of products from such countries.

The realization of any of these risks, which are all beyond the Group's control, could have a material adverse effect on its business, results, financial condition, or outlook.

4.2.4 Risks relating to acquisitions and divestments

The Group's business has grown significantly in recent years, in large part through acquisitions in various countries in Western and Southern Europe, and more recently through the February 2014 acquisition of Atmosfera in Brazil (see section 9.1.2.2 – "*Acquisitions*" of this *document de base*). The Group intends to continue to develop and expand its business through acquisitions, primarily in Europe. Acquisitions and external growth of the Group may strain its management and financial resources. Risks associated with acquisitions which could adversely affect the Group's business, operating results, financial condition, or outlook to a significant extent include the following:

- the Group may not find suitable acquisition targets;
- the Group may not plan or manage an acquisition efficiently;
- the Group may not obtain a waiver (if required) under the Senior Subordinated Notes, the High Yield Bonds, the Senior Credit Facilities Agreement or New Senior Credit Facilities Agreement, allowing it to undertake a proposed acquisition;
- the Group may face increased competition for acquisitions as the flat linens, workwear, and HWB markets undergoe continuing consolidation;

- the Group may incur substantial costs, delays, or other operational or financial problems in integrating acquired businesses and in adapting its services to their local markets and local business practices, and it may have a reduced ability to predict the profitability of acquired businesses if the Group has less experience in the market of those businesses than in the markets in which it already operates;

- the Group may incur impairment charges or unforeseen liabilities, or encounter other financial difficulties with completed acquisitions;

- the Group may not be able to retain the key personnel or key account contracts of acquired businesses; and

- the Group may encounter unanticipated events, circumstances, or legal liabilities related to acquired businesses or an acquired customer base.

In addition, there can be no assurance that, following its integration into the Group, an acquired business will be able to maintain its customer base consistent with expectations or generate the expected margins or cash flows or achieve the anticipated synergies or other expected benefits. Although the Group carefully studies each acquisition target, these assessments are subject to a number of assumptions and estimates concerning markets, profitability, growth, interest rates, and company valuations. There can be no guarantee that the Group's assessments of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from expectations.

Furthermore, acquisitions of companies expose the Group to the risk of unforeseen legal obligations to public authorities or to other parties such as employees, customers, suppliers, and subcontractors of acquired businesses and in relation to real estate owned or leased by acquired businesses. Such obligations may have a material adverse effect on the Group's business, results, financial condition, or outlook.

The Group may also face risks relating to any divestments it may undertake. Among the risks associated with such divestments, which could adversely affect its business, results, financial condition, or outlook to a significant extent, are the following:

- the Group may not obtain a waiver (if required) under its Senior Credit Facilities Agreement or New Senior Credit Facilities Agreement, allowing it to undertake a proposed divestment;

- divestments could result in losses or lower margins;

- divestments could result in impairments on goodwill and other intangible assets;

- divestments could result in the loss of qualified personnel associated with the divested businesses; and

- the Group may encounter unanticipated events or delays and retain or incur legal obligations related to the divested business with respect to employees, customers, suppliers, subcontractors of the divested business, public authorities, and other parties.

4.2.5 Risks relating to the termination of a large number of customer contracts or the non-renewal of customer contracts

Most of the Group's contracts, usually entered into for a fixed duration, are tacitly renewed at the expiration of the stated term. However, even if a contract has a tacit renewal clause, the customer may decide not to renew the contract at the expiration of the stated term. For contracts without such clauses, the customer could decide not to renew the contract once it expires. Some of the Group's contracts may be terminated at the customer's discretion before the stated term upon the payment of a termination fee (which usually equals the residual value of the contract, calculated on the basis of the period remaining until the stated term), unless the Group has not complied with the terms of the contract (see section 6.7.2 – "*Different kinds of contracts*" of this *document de base*). Although the Group's business model is built

upon, among other things, having a large number of small customers so that it is not overly dependent on a handful of customers in each market in which it operates, the simultaneous loss of several contracts, especially with key accounts, because they are terminated or not renewed could have a material adverse effect on the Group's business, results, financial condition, or outlook. For the year ended December 31, 2013, 9.1% of the Group's revenue was generated in France from its ten biggest customers. Such events could harm the Group's reputation and make it more difficult to win contracts with other customers.

The Group provides customized textiles to customers under some of its contracts in the hospitality sector and many of its contracts for workwear rental and laundry services. If such a contract is terminated, the Group must use an accelerated depreciation method for the customized textiles related to that contract, which could have an adverse effect on the Group's financial condition and results.

4.2.6 Risks relating to IT systems

The Group relies on several information technology (IT) systems, at Group and local levels, which allow it to track and bill services and costs, communicate with customers, manage employees, and gather information upon which management makes business decisions. The administration of the Group's business is increasingly dependent on the use of these systems. For example, the Group relies on its IT systems to track flat linens and workwear from the initial stage of its business process, from orders placed with suppliers, to the customization of products at its specialized customization facilities, their delivery to customers, and their collection, cleaning, and redelivery. Any disruption or failure of the Group's IT systems could have a material adverse effect on the quality and timeliness of its services, for example by causing delays in deliveries, or causing flat linens and workwear to be delivered to the wrong customer. In addition, if unremedied for a certain period of time, a general failure of the Group's IT systems could result in severe delays in, or potentially cause the blockage of, deliveries or collections of flat linens and workwear with the Group's customers. As a result, system failures or disruptions in general, or at a specific processing center in particular, resulting from computer viruses, security breaches, the breakdown of hardware or software due to the lack of maintenance or other causes, could result in severe disruptions to the Group's supply chain and services—especially the tracking of flat linens and workwear—and have an adverse effect on its business, results, financial condition, or outlook.

In 2012, the Group decided to modernize, expand, and enhance the integration of its IT systems. Several modules and innovations have already been rolled out successfully.

The Group also performed a detailed study of a complementary SAP implementation project for all customers' contract management and service execution functions for the Group's customers, as well as tracking and billing, which are now being performed by Galaxie software. The SAP software will be tested on a pilot site in the second half of 2014; if the test is successful, the software will be rolled out at all factories and dispatching centers. In light of the project's complexity and the initial feedback from user tests, the Group is considering whether it will be possible to complete the project within a reasonable budget. No decisions have yet been made as to the project's feasibility, but the Group is studying an alternative option that would involve upgrading the existing Galaxie system. The decision as to whether to use SAP or Galaxie will depend on the results of the 2014 pilot site test or the end of the test phase prior to start-up.

These IT system modernization expenses totaled €73.8 million at June 30, 2014 (see Note 19 of the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013, included in section 20.1.1 – "*IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013*" and Note 7 of the intermediary condensed consolidated financial statements for the six-month period ended June 30, 2014, included in section 20.1.3 – "C*ondensed IFRS consolidated interim financial statements for the six months ended June 30, 2014*" of this *document de base*).

Regardless of which software the Group eventually decides to use, starting in 2015 it plans to return to an IT project budget of around 1% of the Group's consolidated revenue. See also section 6.5.2 – "*IT systems*" of this *document de base*.

Realization of any of the aforementioned risks could adversely affect the Group's business, results, financial condition, or outlook to a significant extent.

4.2.7 Risks relating to the use of third-party suppliers

The Group may enter into agreements with third-party suppliers in connection with the provision of services under its customer contracts. For example, the Group sources espresso machines from Malongo, a French coffee producer. Reliance on such third parties reduces the Group's ability to directly control the quality of services it provides. Accordingly, it is exposed to the risk that these third-party suppliers may fail to meet agreed quality standards under the contract or to generally comply with applicable legislative or regulatory requirements.

As such, damage claims involving such third-party suppliers may be brought against the Group. Such claims could include accrued expenses for allegedly defective work or alleged breaches of warranty or health and safety requirements. The claims and accrued expenses can involve actual damages, as well as contractually agreed-upon liquidated sums. These claims, as well as any other legal action involving the Group, its customers, suppliers, or other parties, if not resolved through negotiation, could result in lengthy and expensive litigation or arbitration proceedings that could have a material adverse effect on the Group's business, financial condition, results, or outlook.

Furthermore, third-party suppliers may have inadequate insurance coverage or inadequate financial resources to honor claims or judgments resulting from damages or losses inflicted on a Group's customer as a result of their actions. Any failure of such third parties to meet their obligations could harm the Group's reputation, as well as result in lost customers and additional costs, which could have a material adverse effect on the Group's business, results of operations, financial condition, or outlook.

The Group may find itself in a situation of economic dependency with one of its suppliers. In that event, the Group may not be able to terminate its contract with such a supplier due to the risk of litigation and the cost of any termination fees or the need to extend the notice period for terminating the contract.

4.2.8 Risks relating to the Group's international operations

As of the date of this *document de base*, the Group serves customers in thirteen countries. Because of the international scope of its activities, the Group is subject to a number of risks beyond its control. These risks include political, social and economic instability, corruption, unexpected changes in government policies and regulations, devaluations and fluctuations in currency exchange rates—in particular for the pound sterling, Swiss franc, and Brazilian real—and the imposition or reduction of withholding and other taxes on payments by foreign subsidiaries. The management of a decentralized international business requires compliance with the legislative and regulatory requirements of many different jurisdictions, especially in terms of tax, labor, and environmental legislation. In addition, decision making and local legal compliance may be more difficult due to conflicting laws and regulations, specifically those relating to employment, health and safety, public procurement, competition, and environmental protection.

4.2.9 Risks relating to the Group's decentralized organizational structure

The Group has a decentralized organizational structure in which its local sales, operations, and management teams retain substantial autonomy regarding the management of operations in their markets, and its business model emphasizes local decision-making and empowerment. If the Group's local sales, operations, and management teams do not have the required operational expertise or do not adequately manage operations in their markets, the Group may be unable to efficiently and profitably render its services and it could experience increased contract execution costs or operating losses, difficulty in obtaining timely payment for its services, or suffer from harm to its reputation—any of which could adversely affect its business, results, financial condition, or outlook to a significant extent.

Although the Group has adopted Group-wide control procedures, financial reporting requirements, and "codes of conduct," it may experience incidents of local sales, operations, or management teams not complying with its control procedures, unintended accounting misstatements, or breaches of local legislation, any of which could have a material adverse effect on its business, results, financial condition, or outlook.

4.2.10 Risks relating to intellectual property rights

The Group's principal brand names, such as Elis, the Elis logo, Le Jacquard Français, Presto, SNDI, AD3, Magic Rambo, Poulard, and Prévention 3D, are key assets of its business.

The Group fully owns a portfolio of eight active patents in over fifteen countries, as well as a large portfolio of registered designs that it uses to create workwear (especially personal protective equipment) and table linen (see section 6.5.3 – "*Intellectual property*" of this *document de base*).

The Group relies on a combination of copyright, brand, and patent laws and regulations to establish and protect its intellectual property rights, but it cannot guarantee that the actions it has taken or may take in the future will be adequate to prevent violations of or challenges to its intellectual property rights. There can be no assurance that litigation will not be necessary in order to enforce the Group's brand or other intellectual property rights or to defend against third-party claims of infringement of their rights. Should any such litigation occur, there is no guaranty that it will have a favorable outcome for the Group. The adverse publicity of any such legal action could harm the Group's brand image, which could in turn lead to decreased consumer demand and have a material adverse effect on its business, results, financial condition, or outlook.

4.2.11 Risks relating to labor relations

In the first half of 2014 the Group had an average of 18,500 employees in ten key countries. The Group's business is labor intensive, so maintaining good relationships with its employees, unions, and other labor organizations is essential. As a result, any deterioration in those relationships could have an adverse effect on its business, results, financial condition, or outlook (see section 6.9.2.6 – "*Employee Representatives*" of this *document de base*).

The majority of the Group's employees are covered by national collective bargaining agreements. These agreements typically complement applicable laws on working conditions for employees, such as for maximum working hours, holidays, termination, retirement, welfare, and benefits. National collective bargaining agreements and company-specific agreements also contain provisions that could affect the Group's ability to restructure its operations and facilities or terminate employees (see section 6.9.2.1 – "*Collective Bargaining Agreements*" of this *document de base*). The Group may not be able to extend existing company-specific agreements, renew them under their current terms, or, upon the expiration of such agreements, negotiate new agreements in a favorable and timely manner or without work stoppages, strikes, or similar protests. The Group may also become subject to additional company-specific agreements or amendments to the existing national collective bargaining agreements. Such additional company-specific agreements or amendments may increase its operating costs and therefore have an adverse effect on its business, results, financial condition, or outlook.

While in the last five years the Group has not experienced any material disruption to its business as a result of strikes, work stoppages, or other labor disputes, such events could disrupt its operations, harm its reputation, result in increased wages and additional benefits, and therefore have a material adverse effect on its business, results, financial condition, or outlook.

4.2.12 Risks relating to hiring and retaining key people

The Group's success is largely dependent on the skills of its existing management team. The Group cannot guarantee that it will be able to retain its executives and other key personnel. If one or more executives or other key personnel are unable or unwilling to continue in their present positions, the Group may not be able to replace them easily and its business may be disrupted, which may materially and adversely affect its results, financial condition, or outlook.

In addition, if any of the Group's executives or other key personnel joins a competitor or forms a competing company, the Group may lose customers, know-how and other key personnel, which may have an adverse effect on its business, results, financial condition, or outlook. Given that the Group's business depends to a certain extent on personal relationships with its customers, departing members of its central or local management teams who have close relationships with the customers in a given region could attract

customers and persuade them to reduce or terminate their business with the Group. For example, following the acquisition of Lavotel in 2010, the Lavotel sales director set up his own laundry business, despite having agreed to a non-compete clause, resulting in a significant decline in Lavotel's revenue for the year ended December 31, 2011.

4.2.13 Risks relating to the use of subcontractors

The Group has a strategy of avoiding the widespread use of subcontractors. However, the Group does occasionally call on subcontractors that act on behalf of and for the Group to provide services to the Group's customers, either because the Group has acquired an entity that uses subcontractors or because the Group does not have a processing center in a given region. For example, in Germany the Group uses subcontractors to provide services in the Munich area, where it does not have a processing center, to customers whose service contracts span the entire country. The Group remains responsible for services provided by subcontractors and therefore faces risks related to managing its subcontractors, including the risk that subcontractors do not execute their services in a satisfactory manner or in the agreed time frame. Such a situation could make it difficult for the Group to keep its commitments to its customers, comply with applicable regulations, or meet customers' needs. In extreme cases, the failure of a subcontractor to properly execute its services could cause a customer to terminate its contract with the Group. Such an event could damage the Group's reputation, hinder its ability to win new contracts, and incur its liability. In addition, if a subcontractor fails to properly execute its services, the Group may be required to perform unplanned work or provide additional services to fulfill the initial contract with the customer, without receiving any compensation for the extra work or services.

Some subcontractors may have inadequate insurance coverage or inadequate financial resources to honor claims resulting from damages or losses related to their services.

Any failure of subcontractors to meet their contractual or legal obligations could therefore have a material adverse effect on the Group's business, results, financial condition, or outlook.

When it has to work with subcontractors, the Group endeavors to conduct business with a sufficiently large number of subcontractors to avoid any situation of economic dependency. But in the event of the bankruptcy of or a default by one of its subcontractors, the Group cannot exclude the possibility that it could be considered a co-employer of the failed subcontractor, and as such be obligated to redeploy or indemnify the subcontractor's employees, particularly in the event of a redundancy plan. This situation may constrain the implementation of the Group's strategy and force it to adopt appropriate measures resulting in significant additional costs. The Group may not be able to terminate its contracts with subcontractors in a situation of economic dependency due to the risk of litigation and the cost of any termination fees or the need to extend the notice period for terminating the contract.

4.2.14 Risks relating to difficulties in Group customers receivables recovery

Across each of its business lines, the Group relies on the ability of its customers to pay for the services it provides. If a customer undergoes financial difficulties, its payments can be significantly delayed and ultimately the Group may not be able to collect amounts payable under the corresponding contracts, resulting in write-offs of such debt. The Group maintains reserves for doubtful accounts and amounts past due and has credit insurance to protect it against bad debt. However, there can be no assurance that those reserves and insurance are sufficient to cover the credit risks the Group faces. Significant or recurring incidents of bad debt would have a material adverse effect on the Group's results, financial condition, or outlook.

4.3 RISKS RELATING TO THE COMPANY AND ITS GROUP

4.3.1 Risks relating to the holding company structure

The Company is a holding company and its assets consist primarily of the equity interests it holds, directly or indirectly, in each of its subsidiaries, which generate the Group's cash flow (see section 7.1 – "*Group's simplified organizational chart*" of this *document de base*). In the event of a decline in the earnings of its operating subsidiaries, the Group's cash flow and earnings could also be affected and such subsidiaries may

not be able to meet their obligations, including their financial liabilities, or pay dividends to the Company or other subsidiaries. The Company's cash flow essentially comes from dividends, interest, and intra-group loan repayments from its subsidiaries.

The ability of the Group's operating subsidiaries to make these payments depends on economic, commercial, contractual, legal, and regulatory factors. Any decline in earnings, or the incapacity or inability of subsidiaries to make payments to the Company or to other Group subsidiaries, could adversely affect to a significant extent the subsidiaries' ability to pay their debts or meet their other obligations, which could have a material adverse effect on the Group's business, results, financial condition, or outlook.

4.3.2 Risks relating to the Group's indebtedness and restrictive clauses in financing agreements

Risks relating to the Group's indebtedness

The Group currently has a significant amount of debt; its total net debt on an adjusted basis stood at €1,996.0 million for the six-month period ended June 30, 2014 (see section 10.6.2 – "*Financial liabilities*" of this *document de base*). The Group intends to refinance its debt in parallel with its initial public offering, and use a large part of the initial public offering proceeds to pay off some of its borrowings. However, even after the initial public offering the Group will still have a high level debt.

The Group's substantial amount of debt could have adverse consequences such as:

- requiring the Group to dedicate a significant portion of its cash flow from operations to interest and debt payments, thus reducing the availability of cash flow to fund organic growth, capital expenditure, and other needs of the Group;

- increasing the Group's vulnerability to a downturn in business or economic conditions;

- placing the Group at a competitive disadvantage compared to less-indebted competitors;

- limiting the Group's flexibility in reacting to changes in its businesses and markets;

- limiting the Group's capacity to invest in growth opportunities, particularly external growth; and

- limiting the Group's and its subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financing.

The Group's ability to meet its obligations, make interest payments on its borrowings, or refinance or pay off its debt under the agreed terms will depend on its future operating performance and could be affected by several factors (such as the economic conditions, debt market conditions, regulatory changes, etc.), including some beyond the Group's control.

If the Group cannot generate sufficient cash to meet its debt service requirements, it may need to scale back or delay planned acquisitions or capital expenditure, sell assets, refinance its debt, or seek additional financing, which could adversely affect its business and financial condition. The Group may not be able to refinance its debt or obtain additional financing under satisfactory terms.

Although the Group intends to reduce its debt after the planned initial public offering, the aforementioned risks could have a material adverse effect on its business, results, financial condition, or outlook. The Group is also exposed to interest rate risk, which mainly relates to the risk of fluctuations in interest rates (see section 4.5.3 – "*Interest rate risk*" of this *document de base*).

Risks relating to restrictive covenants in financing agreements

The Senior Credit Facilities Agreement requires—and after the initial public offering, the New Senior Credit Facilities Agreement will require—the Group to comply with specified ratios and covenants,

particularly financial ones (see chapter 10 – "*Treasury and capital"*). These covenants restrict the Group's ability to:

- change the nature of its business (except for expanding into complementary areas);
- carry out any merger that would cause a borrowing entity to disappear (see section 10.6.2.4 – "*Senior Credit Facilities Agreement"* of this *document de base*);
- make acquisitions, unless the acquisition is of a company or group of companies with an identical or complementary business to the Group and, if the acquisition is financed by drawing down credit lines under the New Senior Credit Facilities Agreement, provided that certain other conditions are met (including compliance with maximum leverage ratios if the acquisition target has an enterprise value of more than €50,000,000 and the pledging of securities of the acquisition target if it has an enterprise value of more than €30,000,000); and
- carry out certain asset sales or disposals.

Furthermore, the indentures for the Senior Subordinated Notes and the High-Yield Bonds contain covenants that restrict the Group's ability to:

- incur additional debt;
- pay dividends or make other types of distributions (see section 10.6.2.2 – "*Senior Subordinated Notes*" and section 10.6.2.3 – "*Senior Secured Notes"* of this *document de base*);
- make certain payments or investments;
- issue security interests or guarantees;
- sell or dispose of assets or stock;
- enter into transactions with affiliates; and
- merge or consolidate with other entities.

The restrictions contained in the Senior Credit Facilities Agreement, in the indenture for the High-Yield Bonds, in the New Senior Credit Facilities Agreement, and in the Senior Subordinated Notes could affect the Group's ability to operate its business and may limit its ability to react to market conditions or take advantage of business opportunities as they arise. For example, such restrictions could adversely affect the Group's ability to finance its capital expenditure, make strategic acquisitions, investments, or alliances, restructure its organization, or finance its capital needs. In addition, the Group's ability to comply with these covenants and restrictions may be affected by events beyond its control, such as prevailing economic, financial, and industry conditions. If the Group breaches any of these covenants or restrictions, it could be in default under the terms of the aforementioned agreements.

If there were an event of default: (i) under the Senior Credit Facilities Agreement or New Senior Credit Facilities Agreement, the holders of the defaulted debt (voting on a two-thirds majority) could (1) return margins to their maximum levels (if the margins had been reduced at the same time that leverage was reduced) for as long as the default lasts or (2) if the default continues beyond the contractually-specified grace period (or if the default has not been waived by the holders of the defaulted debt), suspend or terminate the available credit lines and/or require the accelerated repayment of some or all of any loans and advances already granted; (ii) under the High-Yield Bonds, the Trustee or the holders of at least 25% of the High-Yield Bonds could cause all amounts outstanding under the Bonds to become due and payable immediately or (iii) with regard to the Senior Subordinated Notes, the Trustee or the holders of at least 25% of Senior Subordinated Notes could cause all amounts outstanding under the Senior Subordinated Notes to become due and payable immediately. That could in turn trigger cross-default clauses in the Group's other

debt instruments. Such an event could have a material adverse effect on the Group, possibly forcing it into bankruptcy or liquidation.

Risks relating to assets (particularly brands) pledged as collateral

Under the indenture for the High-Yield Bonds, Group companies agreed to various first-ranking securities, including a first-ranking pledge of the Elis brand, which is a fundamental element of the Group's positioning and value. In the event of default on the High-Yield Bonds, the security trustee, acting on behalf of the interested creditors, could seize one or more of the pledged assets—including the Elis brand, meaning the Group would no longer be able to use the brand. Such an event could have a material adverse effect on the Group's business model, operations, strategy, results, financial condition, or outlook.

4.3.3 Risks relating to goodwill and deferred tax assets

Under IFRS, the Group evaluates and measures the potential impairments on goodwill annually or at interim closing dates if an impairment indicator, both internal or external, is identified, and records charges in case of impairment. Impairment may result from, among other things, deterioration in Group performance, a decline in expected future cash flows, unfavorable market conditions, unfavorable changes in applicable laws and regulations (including changes that restrict the activities of or services provided by the Group's processing centers) and a variety of other factors. The amount of any impairment must be accounted immediately as a charge to the Group's income statement and cannot be reversed. At December 31, 2012, after having performed the annual impairment testing on goodwill, the Group recorded a €37.6 million impairment on goodwill allocated to the cash-generating units Molinel, Portugal, and Le Jacquard Français. At December 31, 2013, the Group recorded a €4 million impairment on goodwill allocated to the cash-generating unit Kennedy Hygiene Products due to a downward revision to future cash flow estimates. Sensitivity to the assumptions used for impairment tests for the UGT Kennedy at this date is shown below (difference between the accounting value and the recoverable value of the UGT) :

As of December 31, 2013		Perpetual growth rate		
In millions of euros		**1,5%**	**2,0%**	**2,5%**
WACC	6,33%	0	3	6
	6,83%	(2)	**0**	2
	7,33%	(4)	(2)	0

Any further impairments on goodwill may result in material reductions of the Group's income and equity under IFRS.

Furthermore, the Group may record deferred tax assets on its balance sheet, reflecting future tax savings resulting from discrepancies between the tax and accounting valuations of the assets and liabilities or in respect of tax loss carry-forwards from Group entities or tax credit carryforwards the Group has benefited from. The actual realization of these assets in future years will depend on tax regulations, the outcome of any tax audits and tax claims, and the future results of the relevant entities. The Group's deferred tax assets totaled €8.7 million at December 31, 2013. Any reduction in the Group's ability to use these assets due to changes in regulations, potential tax reassessments, or lower-than-expected earnings could have an adverse effect on its results, financial condition, or outlook.

4.4 LEGAL, REGULATORY, TAX AND INSURANCE RISKS

4.4.1 Risks related to compliance with antitrust regulations

The Group is subject to antitrust laws and regulations, at both the national and European levels. In particular, in accordance with decision no. 07-D-21 of the French antitrust authority on June 26, 2007 – which imposed a penalty for specific anti-competitive practices – and as part of a compliance program, the Group has adopted internal directives regarding compliance with antitrust laws and regulations and has set up an alert mechanism. In addition, mandatory annual compliance reports are prepared and made available to the French antitrust authorities.

Although the application of those internal directives is closely monitored, executives and employees working inside and outside France could fail to comply with the Group's instructions and, either voluntarily or involuntarily, breach the relevant laws and regulations by engaging in prohibited practices, such as colluding on price or working with competitors in certain markets or for certain customers. Such actions could damage the Group and, if the Group were found liable, could lead to considerable fines and other penalties. If such events occur, this could have a material adverse effect on the Group's business, results, financial condition or outlook.

In addition, the Group occasionally faces claims from suppliers, customers and other commercial partners asserting that, given its position as market leader, its pricing policies could be considered as abusive (excessive, improper or predatory pricing), and damaging competition in the markets concerned. Although the Group's policy is to strictly comply with applicable antitrust laws and regulations and although it has adopted an antitrust compliance program (described above), commercial partners or the relevant authorities could commence proceedings for non-compliance with those rules and the outcome of such proceedings could be damaging to the Group, for example requiring a change in the Group's pricing practices.

The relevant authorities and courts, and some governments of certain countries, could adopt measures or decisions aimed at maintaining or increasing competition in certain markets, to the detriment of the Group's economic and financial interests, which could have a significant adverse effect on the Group's business model, business, strategy, results, financial condition or outlook.

4.4.2 Risks related to restrictive regulations in some of the Group's business sectors

The Group provides services to certain companies operating in highly regulated business sectors such as healthcare. In those sectors, the Group and its customers are subject to very complex and restrictive laws and regulations applying to the provision of services. For example, the collection of potentially infectious healthcare waste is subject to particularly strict regulations. The Group could be liable if it failed to comply with the relevant standards in terms of cleanliness, safety or security and if that failure caused damage to natural or legal persons, for example if workers wearing workwear provided by the Group were to suffer injuries.

In these highly regulated sectors, the need to comply with increasingly restrictive standards means that the Group has to dedicate an increasing proportion of its technical and financial resources to complying with standards. For example, compliance monitoring and control of Group departments involved in healthcare activities (particularly the supply of healthcare linen), certain types of workwear classified as personal protective equipment, "ultra-clean" (lint-free) workwear and beverage activities (water dispensers and coffee machines) are monitored and managed through ISO 9001-certified Quality Management Systems (QMS).

Breaches of those standards could expose the Group to fines, penalties, claims for injury or property damage and other charges or liabilities, as well as negative publicity. In addition, the introduction of stricter laws and regulations could have an adverse impact on the long-term growth of sectors in which the Group provides services, and on the level of demand from customers operating in those sectors. This could have a material adverse effect on the Group's business, results, financial condition or outlook.

4.4.3 Risks related to compliance with labor and employment regulations

The Group's activity is subject to a large number of employment laws and regulations (see section 6.9.2 – "*Labor and Employment Laws and Regulations*" of this *document de base*). Due to the scale of the Group's workforce, which consisted of 18,500 employees on average in the first half of 2014, and the significant amount of the Group's staff costs (equal to 41.9% of Group revenue for the year ended December 31, 2013), a change in laws and regulations relating to labor and employment in the countries in which the Group operates could limit the Group's ability to provide services to customers or increase its operating costs. This could have a material adverse effect on the Group's business, results, financial condition or outlook. In addition, the failure to comply with labor and employment regulations in the countries in which the Group operates – particularly Brazil, where regulations are complex and constantly changing – could result in substantial fines, penalties, litigation or substantial claims (see section 20.3.1.2 "*Proceedings relating to alleged breaches of labor regulations*" of this *document de base*).

Any adverse development in laws and regulations relating to welfare law or increase in the mandatory minimum wage or social security contributions in the countries in which the Group operates could have a material adverse effect on the Group's activity and profitability. For example, in France the Group benefits from reductions in employer social-security contributions in respect of certain salaries (the "Fillon exemption") and from the CICE competitiveness and employment tax credit (see section 6.9.1.3 – "*CICE (competitiveness and employment tax credit)*" of this *document de base*). Any adverse development in the Fillon exemption, the CICE or any other law or regulation relating to labor or employment law, and any change in the terms of collective bargaining agreements applicable to the Group's activities in countries or sectors in which the Group operates, could increase its staff costs and adversely affect its operating margins and operational flexibility. This could have a material adverse effect on the Group's business, results, financial condition or outlook. Some of the Group's commercial partners such as customers and suppliers could demand a share of the benefits arising from the CICE, and this could affect the Group's revenue and margins, reducing or cancelling out the impact of the CICE.

4.4.4 Risks related to compliance with health and safety regulations

Since human resources are the foundation of the Group's business, employment regulations, particularly relating to health and safety at work, have a significant impact on its business (see section 6.9.2.7 - "*Workplace Health and Safety*" of this *document de base*). Although the Group makes significant efforts to ensure compliance with those regulations, it cannot guarantee the absence of potential breaches. If the Group, its employees or its subcontractors failed to comply with such obligations, this could lead to significant fines, claims against the Group in relation to regulatory breaches, and the loss of authorizations and qualifications. In addition, regulations change frequently as the authorities seek to strengthen them. Adjusting the Group's organization in order to comply with changing regulations may lead to significant additional costs.

Group employees working in processing centers are exposed to risks arising in their workplaces and from their working conditions, which naturally show a higher level of hazard. A significant number of Group employees also drive Elis service vehicles daily, and may cause or be the victims of road accidents. Despite its attention to safety and working conditions, the Group cannot rule out an increase in the frequency or number of occupational accidents and illnesses.

In addition, new technologies and the introduction of new procedures, services, tools and machines may have unexpected effects on the working conditions of employees of the Group.

The occurrence of such events could have a material adverse effect on the Group's business, financial condition, results or outlook.

4.4.5 Risks related to disputes and litigation

In the normal course of its business, the Group is involved or may be involved in a certain number of administrative, court or arbitration proceedings, the most significant of which are described in section 20.3 – "*Legal and arbitration proceedings*" of this *document de base*. In some of these proceedings, the amounts claimed or potentially claimed from the Company are significant, and penalties, including administrative and criminal penalties, may be handed down against the Group. If such penalties were handed down against the Group, their application could have a material adverse effect on the Group's business, financial condition, results or outlook. In addition, any provisions set aside by the Company in respect of administrative, court or arbitration proceedings in its financial statements could prove insufficient, and this could have material adverse consequences on the Group's business, results, financial condition, liquidity or outlook, regardless of whether or not the underlying claims are well founded.

In particular, the Group is involved in various labor disputes and labor court proceedings involving employees in France and abroad, particularly in Brazil, usually regarding compliance with working time regulations and payment of severance pay. In general, although none of these proceedings involve large sums taken separately, if taken together, or if they were to increase in number, they could have a material adverse effect on the Group's business, results, financial condition or outlook. Provisions for tax, commercial and employee disputes amounted to €5.2 million at December 31, 2013 and €18.0 million for the six-month period ended June 30, 2014 (see section 20.3 – *"Legal and arbitration proceedings"* of this

document de base). This increase is related to the fact that the Atmosfera group joined the Group’s consolidation scope.

The Group could be held liable for the acts or omissions of some of its employees. As part of the Group’s activities, its employees provide services on customers’ premises. As a result, the Group could be the subject of claims for safety breaches or damage to the assets, premises or agents of a customer, or for spreading infections in healthcare facilities. Such claims could have a material adverse effect on the Group's business, results, financial condition or outlook.

Generally speaking, it is possible that, in the future, new proceedings - connected with those currently underway or not - may be commenced against the Company or its subsidiaries. Such proceedings could be long and costly and, regardless of their outcome, could therefore have an adverse impact on the Group's business, results, financial condition, cash situation or outlook.

4.4.6 Environmental risks

The Group's activity is subject to particularly strict environmental regulations (see section 6.9.4 - *"Waste management"* and section 6.9.6 - *"European Energy Efficiency Directive"* of this *document de base*). Changes in laws and regulations relating to the environment, the use, transportation and disposal of hazardous substances, individual safety equipment, rodent control, insect control, disinfection and energy efficiency could have a material adverse effect on the Group's business, results, financial condition or outlook. Environmental standards applicable to the Group's processing centers, defined by law or expected or desired by the Group's customers, are increasingly restrictive. The Group's processing centers in France are regarded as classified facilities under the French Environmental Code, requiring the Group to obtain and maintain authorizations required to operate those centers. Similar requirements exist in the other countries in which the Group operates. Those authorizations specify numerous obligations and restrictions relating to the Group's activities, including the types of chemicals and methods for processing and disposing of waste that may be used, the stability of deposits, water intrusions, the management of leachate, risk studies and the remediation of environmental damage to surface and groundwater. The public authorities and courts may impose fines or civil or criminal penalties, and may require remediation or pollution clean-up work, in response to a failure to comply with relevant environmental regulations. In addition, in certain cases, the authorities could amend or revoke the Group's operating authorizations, which could force it to close sites temporarily or permanently and to pay the resulting shutting down, maintenance and repair costs.

In certain processing centers, the Group uses and handles hazardous substances on a daily basis. For example, in three of its processing centers in France, the Group uses perchloroethylene, a hazardous chemical, in the dry-cleaning process. More generally, as part of the laundry process, the Group uses large quantities of detergent. As a result, the Group is exposed to risks related to the use of chemicals and the storage, transportation and disposal of hazardous substances, products and waste. Any potential contamination or pollution of ground or water on or close to land that the Group owns, leases or operates, or has in the past owned, leased or operated or may acquire in future, could give rise to civil proceedings or criminal prosecutions, along with claims relating to property damage or personal injuries suffered by the Group’s employees, customers or third parties. This could have a material adverse effect on the Group's business, results, financial condition or outlook. The Group could be liable for material financial expenses due to the cost of cleaning up land it owns or occupies as lessee.

The Group could also be the subject of nuisance claims, given that a large proportion of its processing centers is located in urban areas. In addition, some of the Group's products and services, such as its workwear, rodent control, disinfection and water fountains businesses, are subject to very strict environmental, safety and cleanliness standards. The Group could also incur large costs, including clean-up costs and fines and other penalties under environmental laws and regulations, arising in particular from specific regulations applying to waste management or the presence of asbestos.

The Group spent €1.5 million for the year ended December 31, 2011, €0.7 million for the year ended December 31, 2012 and €0.7 million for the year ended December 31, 2013 on complying with developments in relevant environmental laws and regulations. The Group expects that it will be continually exposed to expenditure arising from the need to comply with applicable environmental laws and

regulations and with future or existing clean-up obligations relating to former and current processing centers, and to other environmental liabilities, to the extent that such expenditure is not covered by its insurance policies or other third-party compensation agreements. The Group cannot guarantee that such expenditure will not exceed its estimates or that it will not have a material adverse effect on its business, results, financial condition or outlook. At December 31, 2013, the total provision for environmental risks was €15.5 million. Provisions for environmental risks carry a high level of uncertainty regarding the amount and timing of any obligations. Environmental risks that are currently unknown, such as the discovery of new contamination, changes to local urban development programs or the imposition of additional clean-up obligations at former, current or future sites or at third-party sites, could lead to material additional costs, and material expenditure could be necessary to comply with future changes to environmental laws and regulations or to their interpretation or application.

4.4.7 Risks related to fires and industrial accidents

The Group's processing centers present a certain number of safety risks, due in particular to the flammable nature of textiles, the toxic nature of substances used in processing them and the potential for malfunctions affecting industrial facilities and equipment. In particular, the Group's processing centers show a high risk of fire and industrial accidents. It is also possible that the Group's liability may be invoked in relation to accidents involving the Group's activities or products. The occurrence of such events could have a material adverse effect on the Group's business, results, financial condition or outlook.

4.4.8 Risks relating to tax and social security mandatory deductions

The Group is exposed to risks relating to tax and social security deductions in the various countries in which it operates.

The Group organizes its commercial and financial activities on the basis of varied and complex legislative and regulatory requirements in the various countries in which it operates, particularly as regards tax and social security deductions. Changes in regulations or their interpretation in the various countries in which the Group operates could affect the calculation of the Group's overall tax burden (income tax, social security contributions and other taxes), along with its financial condition, liquidity, results or outlook. In addition, the Group must interpret French and local regulations, international tax agreements, legal theory and administrative practice in each of the jurisdictions in which it operates. The Group cannot guarantee that its application and interpretation of such provisions will not be challenged by the relevant authorities or that the tax and social security treatment adopted by the Group in respect of reorganizations and transactions involving affiliates of the Group, their shareholders and their representatives or employees will not be challenged by the competent authorities in the relevant jurisdictions. In general, any breach of tax laws or regulations applicable in the countries in which the Group operates may lead to tax adjustments, late-payment interest, fines and penalties. The Group's business, results, financial condition, liquidity or outlook could be materially affected if one or more of the aforementioned risks materialized.

4.4.9 Risks related to insurance policies

The Group has taken out insurance policies of various kinds, including policies for property damage, general liability and directors and officers liability. The Group's centralized management of insurance policies enables it to insure its activities, sites and vehicles upstream of any developments of new products or services. Although the Group seeks to maintain adequate levels of coverage, its insurance policies may provide only partial coverage of certain risks to which it may be exposed. Insurers may also seek to limit or challenge the Group's claims following a loss, which could limit the Group's ability to receive full compensation or any compensation at all under its insurance policies. Such limitations, challenges or delays could affect the Group's results, financial condition or outlook. In addition, the occurrence of several events giving rise to substantial insurance claims during a given calendar year could have a material adverse effect on the Group's insurance premiums. Finally, the Group's insurance costs could increase in future as a result of an adverse development in its claims history or because of significant rate increases in the general insurance market. The Group may not be able to maintain its current level of insurance cover or maintain it at a reasonable cost, and this could have an adverse effect on its business, results, financial condition or outlook.

4.5 MARKET RISKS

4.5.1 Credit or counterparty risk

Credit or counterparty risk is the risk that a party to a contract with the Group fails to meet its contractual obligations, leading to a financial loss for the Group.

The main financial assets that could expose the Group to credit or counterparty risk are as follows:

- Trade receivables: the Group insures its customer's risk in France with a well-known insurance company. Trade receivables are managed in a decentralized manner by operational centers and by the key account management. Their amount and age are monitored in detail as an integral part of the monthly reporting system. Because of the large number of Group's customers, there is no material concentration of credit risk (meaning no one counterparty or group of counterparties accounts for a material proportion of trade receivables).

- Financial investments: the Group's policy is to invest its cash in short-term money-market mutual funds (OPCVM), with the aim of obtaining returns close to EONIA while complying with rules regarding diversification and counterparty quality. At December 31, 2013, short-term investments totaled €24.2 million and consisted mainly of money-market mutual funds managed by one of the largest players in the global asset management industry. In the Group's view, therefore, those investments do not expose it to any material counterparty risk. As part of its policy for managing interest-rate and exchange-rate risks, the Group arranges hedging contracts with top-ranking financial institutions and believes that counterparty risk in this respect can be regarded as insignificant.

4.5.2 Exchange-rate risk

The Group operates mainly in eurozone countries. For the year ended December 31, 2013, countries outside the eurozone – mainly Switzerland, where the Group operates through its Lavotel, Blanchâtel, Papritz, Blycolin, Domeisen, InoTex and Kunz subsidiaries, and the UK, where it operates through its Kennedy Hygiene Products subsidiary – accounted for 6.5% of consolidated revenue (5.9% for Switzerland and 0.5% for the UK). In the six-month period ended June 30, 2014, non-eurozone countries – mainly Switzerland, the UK and Brazil – accounted for 11.8% of the Group's consolidated revenue (5.6% for Switzerland, 0.5% for the UK and 5.6% for Brazil). When the Group prepares its consolidated financial statements, it must translate the accounts of its non-eurozone subsidiaries into euros at the applicable exchange rates. As a result, the Group is exposed to fluctuations in exchange rates, which have a direct accounting impact on the Group's consolidated financial statements. This creates a risk relating to the conversion into euros of non-eurozone subsidiaries' balance sheets and income statements.

At December 31, 2013, the Group's sensitivity to fluctuations in exchange rates arose mainly from:

- Fluctuations of the Swiss franc against the euro – a 10% rise or fall of the Swiss franc against the euro relative to the exchange rates seen for the year ended December 31, 2013 would cause equity to vary by €9.2 million and consolidated net income by €0.3 million;

- Fluctuations of the pound sterling against the euro – a 10% rise or fall of the pound sterling against the euro relative to the exchange rates seen for the year ended December 31, 2013 would cause equity to vary by €2.9 million and consolidated net income by €0.3 million;

and following the acquisition of Atmosfera in the first half of 2014:

- Fluctuations in the Brazilian real against the euro – a 10% rise or fall of the Brazilian real against the euro relative to the exchange rates seen for the six-month period ended June 30, 2014 would cause equity to vary by €14.4 million and consolidated net income by €0.3 million.

The Group is also exposed to operational exchange-rate risk through its goods purchases, which are partly denominated in pounds sterling and US dollars. In 2013, goods purchases denominated in foreign currencies totaled $34.7 million and £3.4 million. However, the Group seeks to reduce the impact of exchange-rate movements on its income by using currency hedging in relation with the goods procurement. In 2013, that hedging took the form of forward purchases with a 2014 maturity amounting to $33.0 million and with a 2014 maturity amounting to £2.4 million. In 2014, at the date of this *document de base*, the Group had made forward purchases with a 2015 maturity amounting to $21.0 million.

4.5.3 Interest-rate risk

Interest-rate risk mainly includes the risk of future fluctuations in flows relating to floating-rate debt, which is partly linked to Euribor. At December 31, 2013, the Group had €1,525.2 million of floating-rate debt outstanding and €501.5 million of fixed-rate debt outstanding.

To manage this risk effectively, the Group has taken out certain derivatives contracts (swaps), under which it has undertaken to swap, at specific times, the difference between the fixed rate agreed to in the swap contract and the floating rate applying to the relevant debt, based on a given notional amount. The Group's financing terms are monitored regularly, including in monthly financial performance monitoring meetings. At December 31, 2013, the Group was a party to interest-rate hedging contracts covering a total amount of €735 million of debt. These contracts effectively convert some of the Group's floating-rate debt into fixed-rate debt. However, no guarantee can be given regarding the Group's ability to manage its exposure to interest-rate fluctuations appropriately in the future or to continue doing so at a reasonable cost.

Net exposure to interest-rate risk at December 31, 2013, before and after hedging, was as follows:

In thousands of euros	12/31/13 (1)	Fixed rate	Floating rate		Debt maturity
			hedged (2)	unhedged	
PIK Proceeds Loan	**183,867**			183,867	June 2019
Senior Subordinated Notes	**381,351**			381,351	Dec 2018
Senior Secured Notes	**451,500**	451,500			June 2018
Senior Credit Facilities Agreement	**959,128**		735,000	224,128	Oct 2017
Loan from employee profit-sharing fund	**33,626**	33,626			
Finance leases	**6,335**	6,335			
Other	**10,085**	10,085			
Overdrafts	**856**			856	
Borrowings and liability	**2,026,748**	**501,547**	**735,000**	**790,201**	

(1) Borrowings and liability described in Note 12 to the financial statements for the years ended December 31, 2011, 2012 and 2013 (see section 20.1.1 - *"IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013"*).

(2) Interest-rate derivatives described in Note 13 to the consolidated financial statements (see section 20.1.1 - *"IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013"*).

At December 31, 2013, 61% of debt, taking into account hedging derivatives, is a fixed-rate debt.

Sensitivity to interest-rate risk in terms of financial expenses, net income and equity is being analyzed using the following assumptions:

- movements in the yield curve have no impact on financial instruments paying a fixed interest rate if they are measured at amortized cost;
- movements in the yield curve have an impact on financial instruments paying a floating interest rate if they are not designated as a hedged item. A fluctuation in interest rates affects the cost of gross debt and is therefore included in the interest-rate sensitivity calculation for income and equity;
- movements in the yield curve have an impact on the fair value of a derivative financial instrument eligible for cash-flow hedge accounting. The fluctuation in the instrument's fair value affects the

hedging reserve in equity. The impact is therefore included in the interest-rate sensitivity calculation for equity;

- movements in the yield curve have an impact on derivative financial instruments (interest-rate swaps, caps, etc.) that are not eligible for hedge accounting as such movements affect their fair value, fluctuations which are accounted for in the income statement. The impact is therefore included in the interest-rate sensitivity calculation for income and equity.

Based on these assumptions, the interest-rate sensitivity of the Group's results is analyzed as follows:

2013	**+100 bp**		**-100 bp**	
Nature	**Hedging reserve**	**Financial income**	**Hedging reserve**	**Financial income**
Financial instruments designated as hedging instruments	25,754		(26,965)	
Non-derivatives financial instruments with floating rate (unhedged)		(7,902)		7,902
Interest-rate derivatives (not eligible for hedging)	0	0	0	0
Total impact (before taxes)	25,754	-(7,902)	-(26,965)	7,902
Interest-rate sensitivity of equity	*+100 bp*	***4.9%***	*-100 bp*	***-5.1%***
Interest-rate sensitivity of consolidated net income	*+100 bp*	***-11.8%***	*-100 bp*	***11.8%***

* See Note 13 to the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 included in section 20.1.1 - *"IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013"*.

4.5.4 Liquidity risk

The Group must always have financial resources available, not just to finance the day-to-day running of its business, but also to maintain its investment capacity.

The Group manages liquidity risk by paying constant attention to the duration of its financing arrangements, the permanence of its available credit facilities and the diversification of its resources. The Group also manages its available cash prudently and has set up cash management agreements in the main countries in which it operates in order to optimize available cash.

At December 31, 2013, the Group's adjusted net debt was €1,991.7 million. Loan agreements relating to this debt include the legal and financial undertakings usually involved in such transactions, and specify accelerated maturities if those undertakings are not complied with.

The financial undertakings include an obligation for the Group to maintain certain financial ratios. Those ratios were complied with at December 31, 2013 (see the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 included in section 20.1.1 - *"IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013*" of this *document de base*).

The following table breaks down the financial liability based on contractual maturity at June 30, 2014:

In thousands of euros	**At June 30, 2014**	**12 months at least until June 30, 2015**	**Between June 30. 2015 and June 30, 2019**	**More than 5 years**	**Total**
PIK Proceeds Loan	193,948		193,948		193,948
Senior Subordinated Notes	381,267	1,267	380,000		381,267
Senior Secured Notes	451,200	1,200	450,000		451,200
Senior Credit Facilities Agreement	1,014,643	91,268	881,454		972,722
Debt issuance costs spread using the effective interest-rate method	(41,921)	(10,600)	(31,321)		(41,921)
Finance leases	6,065	899	5,166		6,065
Other	10,516	4,813	5,704		10,516
Overdrafts	13	13			13
Total financial liability	**2,055,326**	**110,146**	**1,955,181**	**0**	**2 055,326**

In parallel with its initial public offering, the Group intends to refinance its debt, with an effective date as of the settlement-delivery of the shares issued as part of the Company's admission to trading on the Euronext exchange in Paris. The refinancing will consist in paying off in its entirety the principal amount and interest due under the Senior Credit Facilities Agreement (see section 10.6.2.4 – "*Senior Credit Facilities Agreement*" of this *document de base*), paying off about 40% of the principal amount and interest due under the Senior Subordinated Notes due 2018 (see section 10.6.2.2 – "*Senior Subordinated Notes*" of this *document de base*) and paying off in its entirety the amounts due under the PIK Proceeds Loan (see section 10.6.2.1 – "*Private PIK Notes and PIK Proceeds Loan*" of this *document de base*).

Part of the amount due under the Senior Credit Facilities Agreement would be paid off with the New Senior Credit Facilities Agreement; the outstanding balance under the Senior Credit Facilities Agreement would be paid off using the proceeds of the capital increase related to the initial public offering (see section 10.6.3 – "*New Senior Credit Facilities Agreement*" of this *document de base*).

The Group's refinancing transaction will likely total around €1.35 billion.

See section 10.1 – "*General presentation*" of this *document de base* regarding the capacity of the Company to face its cash flow needs during the 12-month period following the date of this *document de base* and proceed with the payment of the interest and repayment of the financial debt maturing during this period of time.

4.5.5 Equity risk

As of the date of this *document de base*, the Group did not own any financial securities other than shares in companies accounted for under the equity method and shares in non-consolidated companies. As a result, the Group believes that it does not have any material exposure to market risk relating to equity or other financial instruments.

4.6 RISK MANAGEMENT POLICY AND POLICY ON INSURANCE

4.6.1 Risk management policy

Organization of internal control and risk management

Objectives

Risk management is regarded as a priority by the Group's management, which closely associates internal control with risk management. The Group's internal control and risk management arrangements are based on appropriate resources, policies, procedures, behaviors and actions, aimed at ensuring that the necessary measures are taken to manage:

- business activities, the effectiveness of operations and the efficient use of resources;
- risks that may have a material impact on the Group's assets or its achievement of objectives, whether of an operational or financial nature or related to compliance with laws and regulations.

Organizational framework

The Group's risk management and internal control process is coordinated by senior management, under the control of the supervisory board, with the assistance of the audit committee (see section 16.3.1 - "*Audit committee*" of this *document de base*). The audit committee's task is to ensure the quality of the risk management and internal control system and to monitor issues relating to the preparation of and controls on accounting and financial information.

The risk management and internal audit department reports to the Group's administrative and finance department. It reports on the main results of its work to senior management, the administration and finance department and the audit committee.

The operational departments of each Group's subsidiaries have responsibility for risk management and internal control. The role of central functions is to define the framework in which subsidiaries fulfil their risk management and internal control responsibilities, and to coordinate the whole system.

Risk management and internal control system

The overall risk management and internal control system has several elements, of which the most important are:

- managing operational risks;
- managing Group risks at various levels (entities, operational departments and subsidiaries);
- monitoring the preparation of accounting and financial information;
- internal audit, which assesses how the internal control and risk management system operates and makes recommendations aimed at improving its operating procedures; and
- preventing and combating fraud.

Risk management and internal control process

For detailed information about the risks to which the Group is exposed, see sections 4.1 to 4.5 of this *document de base*.

Specific control procedures included in operational processes

- the risks to which the consolidated subsidiaries that carry out most of the Group's activities are exposed are handled through specific control procedures forming part of the following operational processes:
- investment decisions and monitoring of non-current assets;
- purchasing decisions and monitoring of trade payables;
- monitoring of inventories and production costs;
- Monitoring of work in progress (workshops, worksites and IT projects);
- Selling decisions and monitoring of trade receivables (credit and recovery);
- Monitoring of cash and bank transactions;
- Payroll validation and monitoring of employee benefits;
- Accounting entries relating to transactions and monitoring of monthly accounts closings; and
- Monitoring of access to IT and data protection applications and hardware.

Risk management at the local level

Each subsidiary's management team ensures that risk management and internal control procedures are properly applied. It is the duty of each operational manager to check that risk exposure is consistent with the directives issued by the management teams of the divisions concerned. The quality and effectiveness of the controls carried out within operating subsidiaries are then reviewed by the divisional management teams during assignments performed by the internal audit department.

Internal control procedures relating to the preparation of accounting and financial information

The audit committee monitors issues relating to the preparation and control of accounting and financial information, and ensures the quality of the risk management and internal control system, in order to facilitate the supervisory board's control and checking duties.

Based on the organization of the management control function, the Group has set up a system allowing the internal dissemination of relevant, reliable information that helps all staff to carry out their duties in a timely fashion. The Company has also set up budget procedures, reporting procedures and procedures for the preparation of full- and half-year consolidated financial statements. Monthly reporting documents from subsidiaries are sent each month to the financial officers or managers of each country concerned, and to the Company's consolidation department.

Assessment of internal control and monitoring of action plans

The risk management and internal audit department, as part of its assignments, is responsible for assessing how the internal control and risk management system operates and making any recommendations to improve its operating procedures, if needed.

The assignments included in the annual audit plan are presented and approved by the audit committee. The aim is to examine all of the Group's sites in France as well as one foreign subsidiary at least once per year. 115 assignments were performed in 2013 across all business lines. The management teams of audited sites systematically comment on the audit reports. The reports are then sent to the Group's management committee, and to managers at the head office and at the audited centers. After the final presentation of conclusions and after a concerted action plan has been agreed upon, the centers or subsidiaries concerned must remedy quickly any deficiencies according to a set timetable.

The audited entities are responsible for monitoring the implementation of action plans. Internal audit also monitors the implementation of action plans.

Efforts to combat fraud

Preventing and combating fraud is a major issue for the Group and all its employees. In this respect, and given its decentralized organization, the Group has set up a system to combat fraud with the specific aim of protecting its assets.

4.6.2 Policy on insurance

The Group's policy on insurance is coordinated by the insurance unit (which is part of the Legal Department), whose task is to identify the main insurable risks and to quantify their potential consequences. The aim is to:

- reduce certain risks by recommending prevention measures in collaboration with other Group departments;
- cover risks by taking out insurance for risks for which coverage is mandatory, exceptional risks with high potential impact and low frequency, and risks relating to the services provided (claims from third parties and customers).

The property and casualty insurance program provides the largest coverage of risk, given the number of Group locations worldwide and the amounts insured. As part of its property and casualty insurance program, the Group actively seeks to prevent industrial risks related to its business by working with Generali – which has been the Group's property and casualty insurer for 13 years– and Generali's "Risk Analysis, Prevention and Sustainable Development" department, which provides engineering, fire prevention and advisory expertise.

The insurance unit is supported by the Group's various departments, each Group entity in France and each Group subsidiary outside France, in obtaining the information needed to identify and quantify insured and insurable risks relating to the Group, and in activating the necessary resources to ensure business continuity in the event of a loss. The insurance unit negotiates with major insurance and reinsurance providers to arrange the coverage that is best suited to insuring those risks.

Local entities also take out local insurance policies to cover risks for which local coverage is suitable, such as auto insurance policies.

Insurance policies are arranged on the basis of the level of coverage needed to deal with the materialization, based on reasonable estimates, of liability risks, property and casualty risks or other risks. That analysis takes into account assessments made by insurers as risk underwriters, and by brokers and the Group as specialists in the insurance market and experts of the business and the risks involved.

The Group's insurance programs take the form of "master" insurance policies for property damage, liability and directors and officers liability. Those policies are supplemented by local policies taken out as necessary in certain countries where master policies alone are not authorized. Master insurance policies are designed to apply to the Group's operations worldwide, supplementing local policies according to the DIC/DIL ("difference in conditions / difference in limits") principle, if the coverage concerned proves insufficient or non-existent with respect to the loss. Local policies are also taken out depending on specific local features or legislative constraints in the country or countries concerned.

The insurance policies taken out by the Group contain:

- coverage exclusions, which are public policy exclusions, meaning they cannot be removed under insurance law. Those exclusions are common to insurance policies provided by all insurance companies. However, where legally possible and where appropriate given the risk concerned, the Group pays to remove the exclusions stipulated in insurance companies' general terms and conditions; and

- coverage limits and deductibles, the amounts of which are set when the policy is taken out and customized to the Group's risks. The Group negotiates those limits and deductibles with the insurance company.

The Group's main insurance policies, taken out with insurance companies known to be solvent and with an international reputation, are as follows:

- insurance of the automobile fleet, to insure vehicles owned or leased by the Group;

- property damage and loss of profit / additional expenses insurance, to insure Group sites (particularly processing centers);

- general liability insurance, to insure against claims by customers and third parties for property damage, personal injury and consequential losses arising in the course of the Group's business;

- directors and officers liability insurance, to insure managers (natural persons) and the Company (legal person) for the Company's management acts; and

- transport and goods insurance, to insure imports by the Group's purchasing department transported from outside Europe into Europe.

The Group believes that existing insurance cover, including the amounts covered and the insurance terms, provides the Group with sufficient protection against the risks to which the Group is exposed in the course of its business.

CHAPTER 5
INFORMATION ABOUT THE GROUP

5.1 HISTORY AND EVOLUTION OF THE GROUP

5.1.1 Business name

The Company's business name is Elis.

5.1.2 Company registration place and number

The Company is registered with the corporate and trade registry of Nanterre under number 499 668 440.

5.1.3 Date of incorporation and term of existence

The Company was set up for a term of existence of ninety-nine years as of its registration with the corporate and trade registry, i.e., until August 26, 2106, unless sooner dissolved or said period is extended.

5.1.4 Headquarters, legal form and applicable legislation

The Company's is headquartered at 33 rue Voltaire in Puteaux (92800). The headquarters' telephone number is + 33 (0)1 41 25 45 00.

The Company was a simplified limited company (*société par actions simplifiée*) at its incorporation and was initially called Legendre Holding 20 and subsequently Holdelis as of July 28, 2008. It was transformed into a joint-stock corporation (*société anonyme*) on September 5, 2014 and changed its name to Elis.

The Company's financial year ends on December 31 of each year.

The Company, at the registration date of this *document de base*, is a joint-stock corporation governed by a management board and a supervisory board (*société anonyme à directoire et conseil de surveillance)* under French law, subject to the legal and regulatory provisions applicable in France (and in particular those of Book II of the French Commercial Code) and by its by-laws.

For more information on regulatory provisions applicable to the Group's business, see section 6.9 – "*Regulations applicable to the Group*" of this *document de base*.

5.1.5 Significant events in the development of the Group's activities

The Group is a European leader in the rental, laundry and maintenance of textile, hygiene and well-being items. It operates in France, Europe and Brazil where it provides multi-service offerings to various types of customers.

The Group was founded in 1883 when the Grandes Blanchisseries de Pantin were founded by the Leducq family. Slightly less than a century later, in 1968, the Group overhauled its organization and pooled all its operations within a single group under the name Elis, an abbreviation of Europe Linge Service.

As of the 1970s, the Group acquired an international dimension through acquisitions in Belgium and Spain in 1973, in Portugal and Germany between 1987 and 1990.

In 1978, the Group launched a service of rental, laundry and maintenance of dust mats (made of absorbent microfibers) in addition to its existing services, i.e., the rental and maintenance of flat linen, workwear and hygiene appliances.

Several key events were then recorded in the Group's activities, in particular in the early 1990s:

- in 1991, the Group entered into a contract with the Eurodisney amusement park in France to launder the costumes and linen for the entire park and its hotels, i.e., more than six thousand rooms

and ten thousand employees' items of workwear; in order to cope with this contract, two new plants were built in Meaux and Saint-Thibault;

- in 1992, the Group became the official designer and supplier of the clothing of athletes and officials in French National Olympic and Sports Committee delegations;
- in 1994, the Group moved into Luxembourg, and subsequently Italy in 1999 and Switzerland in 2001; and
- in 1997, the Group was acquired by BC Partners in a first leveraged buyout transaction.

After the late 1990s, the Group began to diversify its activities. For instance, in 1999 and then in 2001, the Group respectively widened its operations to renting and maintaining water fountains and espresso machines, and in 2001, with the acquisition of Société de Nettoyage et de Désinfection d'Ivry (S.N.D.I.), the Group became the European leader in the clean room business (see section 6.1 – "*Overview of the Group"* of this *document de base*). Since 2003 and its acquisition of an equity stake in AD3, the Group has provided laundry services for nursing home residents and, since March 2007, the Group has provided a collection service for potentially infectious healthcare waste. Lastly, since 2013, the Group has proposed pest control services that include the extermination of insects and rodents, disinfection aimed at preventing the appearance of insects and rodents, long-term preventive treatment and one-off additional services (Prevention 3D).

After having started its expansion in Switzerland in 2010 with, in particular, the acquisition of Lavotel, the Group purchased Atmosfera in February 2014, Brazil's largest industrial dry cleaning group. Atmosfera operates nine processing centers and one clean room center in the São Paulo, Rio de Janeiro, Belo Horizonte and Salvador de Bahia regions and in the State of Santa Catarina. In 2013, Atmosfera processed around 93,000 tons of textile items and supplied around 3,300 customers in the hospitality, healthcare and industrial segments. To do so, Atmosfera has around 3,400 employees. On an indicative basis, the Atmosfera group generated in Brazil for the year ended December 31, 2013 revenue of BRL 276.9 million, i.e., about €90 million (the exchange rate is close to 3.1 Brazilian reais for €1) and had an EBITDA of around €19 million. This acquisition significantly accelerated the Group's international growth: since 2007, 23 external growth transactions have been completed outside of France, resulting in total annual revenue, including Atmosfera, of €224.0 million in 2013.

5.2 INVESTMENTS

5.2.1 Historical investments

The European market of rental and maintenance of textile items and HWB appliances remains relatively fragmented and there are interesting consolidation opportunities in the foreign countries in which the Group already operates.

As part of its strategy of acquisitions in France, the Group is focusing on the acquisition of small or medium-sized companies that provide flat linen, workwear and HWB services in the regions where the Group has developed to a lesser extent.

With respect to acquisitions outside of France, the Group ascertains whether targeted acquisitions can be purchased in the relevant markets of other foreign countries. To do so, the Group in particular draws on indicators covering the following aspects: favorable business environment, geopolitics, population, per capita GDP, GDP growth, the tourism sector and the presence of international companies as potential customers. The Group's objective is to become one of the leading service providers in every country in which it operates in every one of the Group's market segments (Hospitality, Healthcare, Industrial and Retail & Services – see section 6.2.1 – "*Market Overview,"* section 6.4.1 – "*Consolidating its positions through organic growth and acquisitions"* and section 6.4.2 – "*Developing the Group's business in Brazil*" of this *document de base*).

5.2.1.1 Main investments made in 2013

The main investments made by the Group for the year ended December 31, 2013 consisted in gross industrial investment expenses that totaled €88.8 million, or 7.2% of the consolidated revenue generated by the Group in this period and investments in linen that amounted to €126.0 million, or 10.3% of the consolidated revenue generated by the Group in this period.

Capital expenditure on industrial investments for the year ended December 31, 2013 included:

- investments in plant, property and equipment (excluding washroom appliances) that amounted to €60.4 million, or 4.9% of the Group's consolidated revenue in this period. These investments mostly relate to large-scale projects, including in particular the building of new processing centers in Toulouse (6,000 m² extension and increase in treatment capacity) and Pantin and industrial maintenance investments (maintenance of industrial buildings, renewal of industrial equipment and facilities management in plants);

- investments in intangible assets, mainly related to information technology systems that totaled €12.3 million, or 1.0% of the consolidated revenue generated by the Group in this period; and

- investments in washroom appliances that totaled €16.1 million, or 1.3% of the consolidated revenue generated by the Group in this period.

Moreover, during the year ended December 31, 2013, the Group also made several "material acquisitions" (see section 5.1.5 – "*Significant events in the development of the Group's activities*" and section 9.1.2.2 – "*Acquisitions*" of this *document de base*).

5.2.1.2 Main investments made in 2012

The main investments made by the Group for the year ended December 31, 2012 consisted in gross industrial investment expenditure that totaled €109.6 million, or 9.2% of the consolidated revenue generated by the Group in this period and expenditure on linen that came in at €128.1 million, or 10.8% of the consolidated revenue generated by the Group in this period.

Capital expenditure on industrial investments for the year ended December 31, 2012 included:

- investments in property, plant and equipment (excluding washroom appliances) that came in at €74.3 million, or 6.3% of the Group's consolidated revenue in this period. These investments mostly relate to large-scale projects, including the construction of the Nice Carros (treatment capacity to be doubled on the Riviera) and Toulouse processing centers and industrial maintenance investments (maintenance of industrial buildings, renewal of industrial equipment and facilities management in plants);

- investments in intangible assets, mainly related to information technology systems that totaled €19.2 million, or 1.6% of the consolidated revenue generated by the Group in this period; and

- investments in washroom appliances that totaled €16.1 million, or 1.4% of the consolidated revenue generated by the Group in this period.

In addition, during the year ended December 31, 2012, the Group also completed several "material acquisitions" (see section 5.1.5 – "*Significant events in the development of the Group's activities*" and section 9.1.2.2 – "*Acquisitions"* of this *document de base*).

5.2.1.3 Main investments made in 2011

The main investments made by the Group for the year ended December 31, 2011 related to gross industrial investment expenditures that came in at €88.5 million, or 7.7% of the consolidated revenue generated by

the Group in this period and linen purchases that amounted to €133.7 million, or 11.6% of the consolidated revenue generated by the Group in this period.

Capital expenditure on industrial investments for the year ended December 31, 2011 included:

- investments in plant, property and equipment (excluding washroom appliances) that totaled €54.3 million, or 4.7% of the Group's consolidated revenue in this period. These investments mostly related to, on the one hand, large-scale projects, including in particular the beginning of the construction of the Nice Carros and Toulouse processing centers, work carried out on upgrading the Bordeaux processing center and work carried out on upgrading the Pantin 2 processing center as well as the acquisition of the site; and, on the other hand, industrial maintenance investments (maintenance of industrial buildings, renewal of industrial equipment and facilities management in plants);

- investments in intangible assets, mainly related to information technology systems, that came in at €17.6 million, or 1.5% of the consolidated revenue generated by the Group in this period; and

- investments in washroom appliances that totaled €16.6 million, or 1.4% of the consolidated revenue generated by the Group in this period.

Moreover, during the year ended December 31, 2011, the Group also completed several "material acquisitions" (see section 5.1.5 – "*Significant events in the development of the Group's activities"* and section 9.1.2.2 – "*Acquisitions*" of this *document de base*).

5.2.2 Investments in progress

The main investments made by the Group during the six-month period ended June 30, 2014 related to gross industrial investment expenditures that came in at €30.0 million, or 4.7% of the consolidated revenue generated by the Group in this period and linen purchases that totaled €85.5 million, or 13.3% of the consolidated revenue generated by the Group in this period.

Furthermore, during the six-month period ended June 30, 2014, the Group also completed several "material acquisitions" (see section 5.1.5 – "*Significant events in the development of the Group's activities*," section 6.1 – "*Overview of the Group*" and section 9.1.2.2 – "*Acquisitions*" of this *document de base*).

5.2.3 Future investments

The Group intends to continue its investment policy, with the same guidelines as in the past, in other words, on the one hand, investments related to its everyday activities that include industrial investments to maintain and improve its facilities (plants, machines, service vehicles, information technology and rented washroom appliances) as well as investments related to textile items rented to customers; and, on the other hand, external growth opportunities that will be characterized by an attractive profile in terms of return on investment and will meet the criteria defined in its acquisition strategy (see section 6.4 – "*The Group's Strategy*" and section 9.1.2.2 – "*Acquisitions"* of this *document de base*).

With regard to investments in information technology systems, see section 6.5.2 – "*IT systems"* of this *document de base*.

Moreover, the Group plans to invest around €14 million in moving its Puteaux processing center to Nanterre (see section 12.2.2 – "*Financial objectives of the Group for 2015-2017*" of this *document de base*). In connection therewith, the site of Puteaux will be sold (see section 8.1.1 – "*Real Estate Properties*" of this *document de base*).

The Senior Credit Facilities Agreement and the New Senior Credit Facilities Agreement as well as the documents related to the Senior Subordinated Notes and the Senior Secured Notes, contain certain provisions likely to limit the Group's capacity to make certain investments (including certain acquisitions).

For more information on these provisions see 4.2.4 – "*Risks relating to acquisitions and divestments*" of this *document de base*.

As of the date of this *document de base*, the Company is not subject to any binding commitments in relation to its future investments.

CHAPTER 6
BUSINESS OVERVIEW

The market data presented in this chapter were obtained from various sources and most notably a report dated August 27, 2014 prepared by KPMG at the Company's request and intended for the Group's Senior Management. KPMG's work in preparing this report was limited to collecting and analyzing information and data concerning the Group's key markets obtained from various public sources — such as the European Textile Services Association (ETSA), INSEE (the French national economic research and statistics agency) and the International Monetary Fund (IMF) — and private sources. KPMG performed no auditing or valuation work and made no recommendation in respect of any potential market opportunities for the Company or in connection with the initial public offering. Furthermore, some of the information in this chapter is publicly available information deemed reliable by the Company but which has not been verified by an independent expert. The Group does not provide any assurance that if a third-party used other methods to collect, analyze or compile the market data they would obtain the same result. The Group's competitors may also define geographic regions and market categories differently.

This chapter presents the Group's services and markets.

6.1 OVERVIEW OF THE GROUP

The Group is one of Europe's leading renters of flat linen, workwear, and hygiene and well-being ("**HWB**") appliances and providers of associated laundry and maintenance services. It operates in France, Europe and Brazil, where it provides a broad range of services to over 240,000 business customers in four main end markets: Hospitality, Healthcare, Industry, and Trade and Services.

The Group provides the following services:

- **Flat linen** rental and laundry services, which consist mainly in the rental and laundry of (i) restaurant linen (i.e., tablecloths, napkins, dish towels, glassware towels and aprons) and (ii) hotel linen (bed sheets, duvets, duvet covers, pillowcases and bathroom towels). Flat linen rental and laundry services generated consolidated revenue of €489.9 million for the year ended December 31, 2013, or 40.0% of the consolidated revenue generated by the Group for that year.

- **Workwear** rental and laundry services, i.e., mainly the rental, customization and laundry of several types of workwear, including (i) standard workwear (such as trousers, shirts, uniforms and jackets), (ii) personal protective equipment (such as firefighter uniforms, suits for working with hazardous materials or in extreme temperature environments or for ensuring high visibility) and (iii) workwear for personnel who work in controlled atmosphere environments (clean rooms), and mainly in the pharmaceutical and semiconductor industries (i.e., "**Ultra-Clean**" workwear). Workwear rental and laundry services generated consolidated revenue of €392.3 million for the year ended December 31, 2013, or 32.0% of the consolidated revenue generated by the Group for that year.

- **HWB** appliance rental and maintenance services. They consist, on the one hand, of (i) the rental, installation and maintenance of washroom appliances, mainly for toilet hygiene (toilet paper dispensers, feminine hygiene, etc.), for hand washing and drying (soap dispensers, textile and paper hand-towels and electric hand dryers) and for air freshening, and also supplying consumables for these appliances. On the other hand, HWB appliance rental and maintenance services includes (i) the rental, installation and maintenance of water fountains and espresso machines and the supplying of consumables for these, (ii) the rental, customization and cleaning of dust mats (made of absorbent microfibers), (iii) the provision of services for potentially infectious waste from medical activities (French acronym: DASRI) and (iv) since 2013, pest control and disinfection services which include the eradication of insects and rodents, long-term preventive treatment and related one-off services ("**3D Pest Control**"). HWB appliance rental and maintenance services generated consolidated revenue of €329.0 million for the year ended December 31, 2013, or 26.8% of the consolidated revenue generated by the Group for that year.

The Group provides a broad and integrated range of flat linen, workwear and HWB appliance services to a diversified base of over 240,000 customers, divided into the following operating segments:

- France, where the Group posted consolidated revenue of €941.9 million and €468.0 million respectively for the year ended December 31, 2013 and for the six-month period ended June 30, 2014 (these figures include flat linen, workwear and HWB appliance services only), or respectively 76.9% and 72.6% of the Group's consolidated revenue in these periods, respectively. In France the Group serves customers in four main end markets: Hospitality, Healthcare, Industry, and Trade and Services (see section 6.2.1 – "*Market overview*" of this *document de base*).

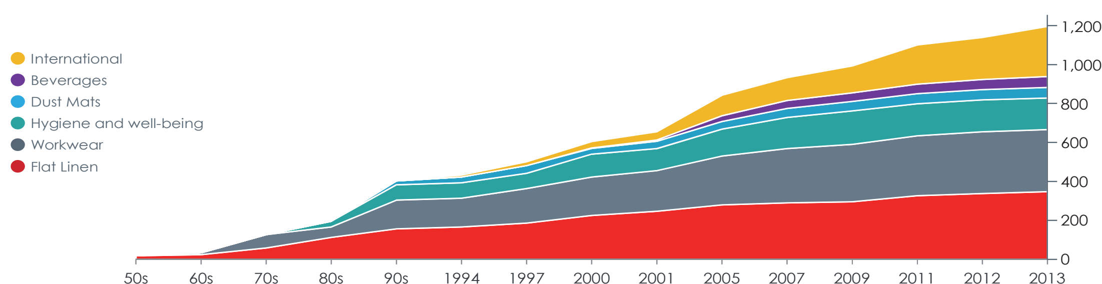
- Europe (which includes Germany, Belgium-Luxembourg, Spain-Andorra, Italy, Portugal, Switzerland and the Czech Republic), where the Group posted consolidated revenue of €260.1 million and €131.9 million respectively for the year ended December 31, 2013 and for the six-month period ended June 30, 2014, or 21.2% and 20.5% of the Group's consolidated revenue for these periods respectively. The Group serves customers in all its end markets in Europe (see section 6.2.1 – "*Market overview*" of this *document de base*).

- Brazil, where the Group opened a sales office in December 2012. In this country the Group posted revenue of €36.2 million for the six-month period ended June 30, 2014, or 5.6% of its consolidated revenue for the period. Almost all of this revenue was generated by the Atmosfera group, acquired by the Group in February 2014. The Atmosfera group posted consolidated revenue in Brazil of approximately R$280 million for the year ended December 31, 2013, which at an exchange rate of R$3.1 for €1 amounts to around €90 million. The Group serves customers in the Hospitality, Healthcare and Industry end markets (see section 6.2.1 – "*Market overview*" of this *document de base*).

The Group also has a manufacturing business that generated consolidated revenue of €23.4 million for the year ended December 31, 2013 and €8.2 million for the six-month period ended June 30, 2014 (after intercompany eliminations), or 1.9% and 1.3% respectively, of the consolidated revenue generated by the Group for these periods. Its manufacturing business is conducted by two manufacturing entities that together form one of the Group's operating segments: (i) Le Jacquard Français makes high-end damask table linen, and (ii) Kennedy Hygiene Products, a European designer and manufacturer of hygiene appliances, such as textile and paper hand-towel dispensers, soap dispensers and toilet paper dispensers.

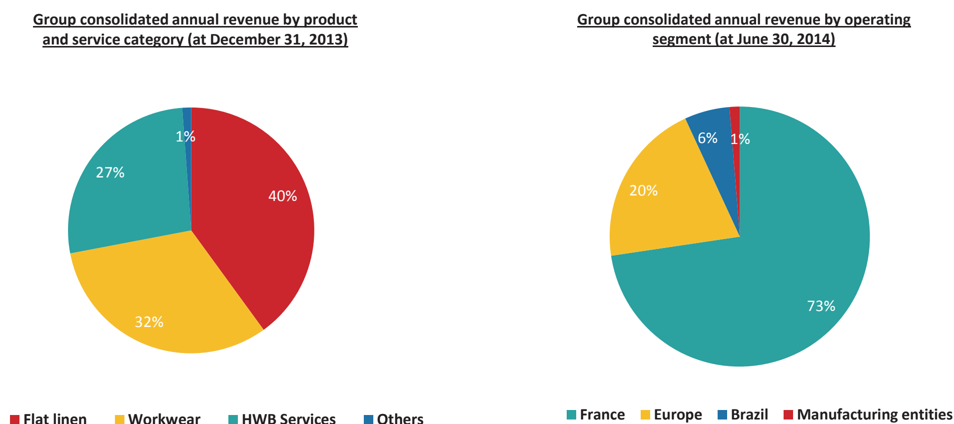
Through organic growth and carefully selected acquisitions, over the past few years the Group has substantially increased the share of its consolidated revenue (outside of France and excluding its manufacturing business) from 12.8% for the year ended December 31, 2008, to 21.6% for the year ended December 31, 2013 and to 26.4% for the six-month period ended June 30, 2014. Since the Group's acquisition by Eurazeo on October 4, 2007, it has accelerated its global expansion with 23 acquisitions outside of France and most notably in Brazil, with the acquisition of the Atmosfera group in February 2014 followed by Santa Clara and L'Acqua in May and July (see section 5.2 – "*Investments*" of this *document de base*).

The chart below shows the increase in consolidated revenue* (in millions of euros) generated by the Group for every one of its product and service categories:



* Excluding manufacturing business and after intercompany eliminations; including organic growth and acquisitions.

The charts below show the Group's consolidated revenue broken down by product/service category (left-hand chart) and by operating segment (right-hand chart), as a percentage of consolidated revenue generated by the Group for the year ended December 31, 2013 and for the six-month period ended June 30, 2014; respectively:



For more information on the Group's consolidated revenue break-down expressed in percentages of the consolidated revenue generated by the Group, in particular for the years ended December 31, 2012 and December 31, 2011, see section 9.5 – "*Analysis of revenue and EBITDA by operating segment for the years ended December 31, 2013, 2012 and 2011*" of this *document de base*.

The Group's business model is based on the strategic deployment of a large number of processing centers and dispatching centers in each geographic market, to maintain close proximity with as many customers as possible and thus respond to and anticipate their needs more quickly and more effectively than the Group's competitors. The Group is convinced that it is one of the few providers of flat linen, workwear and HWB appliance services that has sufficient geographic coverage to serve the entire French market. This enables the Group to provide these services to customers with a national footprint under framework agreements that cover all of their operations.

In providing its flat linen, workwear and HWB appliance services to customers, the Group uses two operating models: an "industrial" model and a "Tribu" (or "Tribe") model. It uses the industrial operating model to serve customers with whom it has substantial business (and in particular its "very large customers," i.e., customers who generated in 2013 an average monthly revenue of at least €4,311) and to whom it delivers its goods in 12-ton or larger trucks and generally at night. For smaller customers (and especially "very small customers" who generated in 2013 an average monthly revenue of less than €85) it uses its Tribu operating model, whereby services are delivered by Field Agents that are members of teams or "tribes," made up of a customer service manager, a sales assistant and four or five Field Agents (see section 6.6.1 – "*Sales*" of this *document de base*). Each Field Agent completes about one round a day, visiting approximately 50 customers, in a 3.5-ton van. Each of these vans can deliver all the Group's services and products and thus offer every customer a unique one-stop shop for their usual products or services and for any new products or services a Field Agent may wish to present. At June 30, 2014, the Group operated a fleet of 1,934 vans, used by its Field Agents, and 977 trucks. The Group estimates that its vans and trucks complete some 2,200 rounds a day, thus covering about 1,500,000 kilometers a day. Each van is capable of delivering all of the Group's products, including flat linen, workwear, washroom appliances, dust mats, water fountains, espresso machines and 3D Pest Control services (sold to the Group's "Tribu" customers by subscription or on a one-off basis).

Typical load of a van starting a round:

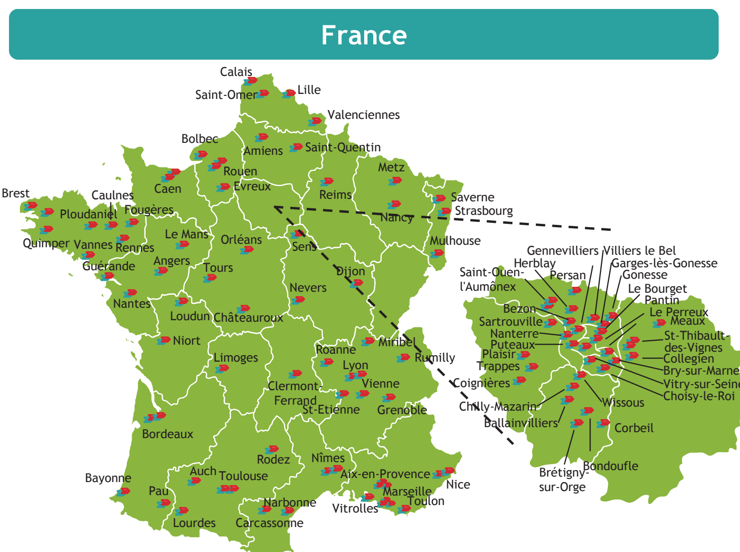
For the six-month period ended June 30, 2014, in the Group's 10 largest countries, it employed an average of 18,500 people in its processing centers (industrial laundries equipped with industrial-type washing, drying, finishing, folding and wrapping machines and linen mending shops), dispatching centers (which may serve a single processing center or be independent), and "ultra-clean" centers, where ultra-clean workwear are serviced:

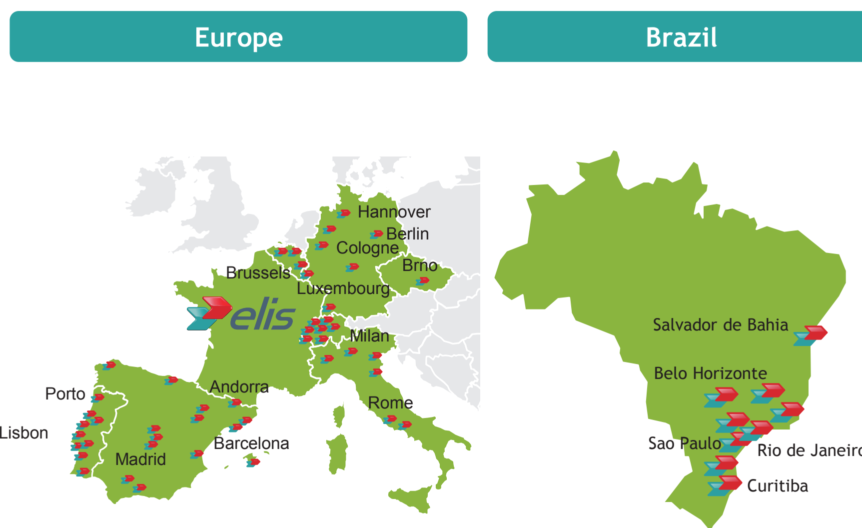
GROUP SITES AT JULY 10, 2014			
Processing centers	**Dispatching centers serving a single processing center**	**Independent dispatching centers**	**Ultra-clean centers**
96	**96**	**64**	**13**

Source: the Company

Together the Group's processing centers clean and process each week an average of about 8,334 tons of flat linen (peaking at 9,834 tons) and 3,055,000 items of workwear (peaking at 3,500,000).

The maps below show the Group's processing and dispatching centers in France, Europe and Brazil on July 10, 2014, after the acquisition of L'Acqua and ProServices Environnement:





Source: the Company

The Group's flat linen, workwear and HWB appliance services offer its customers a cost-effective alternative to owning linen, workwear and appliances, by reducing their capital expenditure requirements, improving product and service quality, and enabling them to manage their operations more flexibly and concentrate on their core business.

6.2 MARKETS AND COMPETITIVE ENVIRONMENT

6.2.1 Market overview

The Group provides its flat linen, workwear and HWB appliance services in France, Europe and Brazil to customers in the following end markets: Hospitality, Healthcare, Industry, and Trade and Services.

For the year ended December 31, 2013, the Group posted consolidated revenue and consolidated EBITDA of €1,225.4 million and €400.7 million, respectively.

See section 9.1.1. of this *document de base* for a description of the Group's four operating segments.

In France, the Group's customers are divided into the following end markets:

- The **Hospitality** end market, which consists of hotel and restaurant chains and independents.

  This market generated €282.5 million of consolidated revenue for the year ended December 31, 2013, or 30% of the Group's consolidated revenue in France that year.

  The table below shows the services the Group provides to the customers in the Hospitality end market:

	YEAR ENDED DECEMBER 31, 2013		
	Flat linen	Workwear	HWB
Consolidated revenue (millions of euros)	241.2	16.4	25.0
As a % of total consolidated revenue	19.7%	1.3%	2.0%

- The **Healthcare** end market, i.e., mainly public hospitals, private clinics and nursing homes.

This market generated €144.7 million of consolidated revenue for the year ended December 31, 2013, or 15.4% of the Group's consolidated revenue in France that year.

The table below shows the services the Group provides to its customers in the Healthcare end market:

	YEAR ENDED DECEMBER 31, 2013		
	Flat linen	Workwear	HWB
Consolidated revenue (millions of euros)	69.2	61.7	13.8
As a % of total consolidated revenue	5.6%	5.0%	1.1%

- The **Industry** end market, which includes the primary industry and manufacturing sectors and the construction industry (including public works). The Group mainly serves customers in the "dirty industries" as classified by INSEE, the French national statistics agency (e.g. machine construction, oil, automobile, aeronautic, construction and public works) and in some "clean industries," such as high-technology, fine chemicals, pharmaceuticals and food-processing.

  This market generated €187.7 million of consolidated revenue for the year ended December 31, 2013, or 19.9% of the Group's consolidated revenue in France that year.

  The table below shows the services the Group provides to its customers in the Industry end market:

	YEAR ENDED DECEMBER 31, 2013		
	Flat linen	Workwear	HWB
Consolidated revenue (millions of euros)	7.3	125.4	55.0
As a % of total consolidated revenue	0.6%	10.2%	4.5%

- The **Trade and Services** end market, i.e., mainly customers in (i) the retail sector (supermarkets and shops) and the services sector (customer-facing services, cleaning companies, independent professionals and head offices) and (ii) government and municipal services.

  This end market generated €340.5 million of consolidated revenue for the year ended December 31, 2013, or 36.1% of the Group's consolidated revenue in France for the year.

  The table below shows the services the Group provides to its customers in the Trade and Services end market:

	YEAR ENDED DECEMBER 31, 2013		
	Flat linen	Workwear	HWB
Consolidated revenue (millions of euros)	36.4	120.3	183.8
As a % of total consolidated revenue	3.0%	9.8%	15.0%

In Europe, the Group provides flat linen, workwear and HWB appliance services mainly to customers in:

- Switzerland and Germany, where Hospitality and Healthcare customers account for most of the Group's business. In both of these countries flat linen rental and laundry account for the bulk of revenue. In Switzerland the Group also has a minority stake in workwear rental and laundry business that includes ultra-clean workwear.

- In Spain-Andorra, Belgium-Luxembourg, Italy, Portugal and the Czech Republic, most of the Group's customers are in the Industry, and Trade and Services and Hospitality end markets. Workwear and HWB appliance rental and related services account for most of the Group's revenue in these countries, with flat linen rental and laundry services accounting for the remainder.

Most of the Group's customers in Brazil are in the Hotel, Healthcare and Industry end markets and most of its revenue is obtained from flat linen, workwear and industrial towel services.

The Group also has a manufacturing business with two manufacturing entities: Le Jacquard Français and Kennedy Hygiene Products (see section 6.5.1.4 – "*Manufacturing entities*" of this *document de base*).

The table below shows the products and services the Group provides in every end market and country that account for at least 15% of its revenue in that end market or country, based on consolidated revenue figures generated by the Group for the year ended December 31, 2013*:

	SERVICES AND PRODUCTS		
COUNTRY / END MARKET	**Flat linen**	**Workwear**	**HWB**
France:			
▪ Hospitality	✓		
▪ Healthcare	✓	✓	
▪ Industry		✓	✓
▪ Trade and Services		✓	✓
Europe:			
▪ Germany	✓		
▪ Belgium-Luxembourg		✓	✓
▪ Spain-Andorra	✓	✓	
▪ Italy	✓	✓	✓
▪ Portugal	✓		✓
▪ Switzerland	✓	✓	
▪ Czech Republic		✓	
Brazil*	✓		

*: only for the sixth-month period ended June 30, 2014 as regards Brazil.

6.2.2 Demand drivers

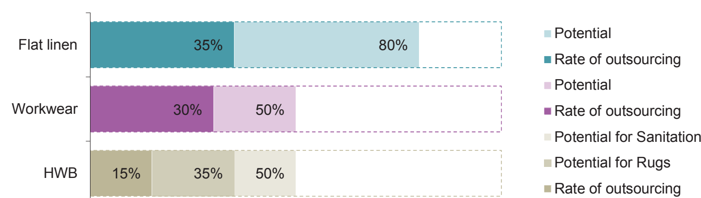
The following general and sector-specific trends are the main drivers of demand for flat linen, workwear and HWB appliance services in the Hospitality, Healthcare, Industry, and Trade and Services markets.

6.2.2.1 General trends

(a) Outsourcing

Demand for the Group's flat linen, workwear and HWB products and services in the Hospitality, Healthcare, Industry, and Trade and Services market is driven by a general trend toward outsourcing in these end markets. Moreover, customers in France tend to outsource the provision of flat linen, workwear and HWB appliance services to a single provider, such as the Group. About one-third of textile rental and laundry services were outsourced in France and in Europe in 2013.

The chart below shows the outsourcing rates for flat linen, workwear and HWB appliance services in Europe in 2013 as well as outsourcing potential at maturity:



Source: KPMG (Study, August 2014)

The Group expects this market's upside potential[2] will be driven mainly by a sharp increase in the outsourcing rate. According to market research could double in Europe, rising to between 55% and 65%. According to ETSA, the European market is ultimately likely to grow from €10.5 billion to €11 billion in 2012, to between €21.5 billion and €26 billion eventually (based on a conservative scenario)[3,4]. For instance, the outsourcing rate is expected to increase by about 300% in Spain and more than double in Italy and Germany. In France, the outsourcing rate is expected to almost double, from around 30% to over 50%, boosted by significant upside potential of outsourcing in public hospitals (where the full outsourcing rate stood at 15% in 2011 versus 80% in the rest of Europe) and in Industry (the full outsourcing rate ranged between 25% and 33% for workwear in 2013).

By contrast, the upside potential for the outsourcing rate in certain countries where the Group does not operate seems less favorable. For instance, the upside potential for outsourcing in Nordic countries (Denmark, Norway, Sweden and Finland) as well as in the United Kingdom and Ireland is believed to be lower[5] than in France.

Contracts for flat linen, workwear and HWB appliance services that cover more than one country are still relatively scarce. However, major multinational groups, particularly in the Industry end market, are increasingly streamlining the purchasing and operation of these services. Few service providers have signed contracts to provide flat linen, workwear and HWB appliance services that cover multiple customer sites and countries, as most providers lack the necessary geographic coverage and logistic capabilities. As of the ate of this *document de base*, the Group provides workwear and HWB appliance services to some customers in several countries where these customers have available facilities.

To ensure a constant quality of service, multinational groups in the Hospitality industry tend to select the same service provider in most of the countries where they do business. For example, the Group serves the Accor group in Europe and B&B in France and Germany.

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2 Source: ETSA, *Quantifying the Opportunity, European Market Sizing study for ETSA*, June 2014. This study did not give any precise dates but only a time range.

3 Source: ETSA, *Quantifying the Opportunity, European Market Sizing study for ETSA*, June 2014.

4 The ETSA study, *Quantifying the Opportunity, European Market Sizing study for ETSA*, June 2014 includes the United Kingdom and Ireland in the Continental European market.

5 Sources: ETSA, (*Quantifying the Opportunity, European Market Sizing study for ETSA*, June 2014); KPMG (study, August 2014).

Below are the main reasons why the Group believes its customers prefer to outsource the supply of flat linen, workwear and HWB appliance services:

- To focus on their core business — By outsourcing, the Group's customers do not tie up resources with activities that are ancillary to their core business.

- To lower fixed costs and manage spending more efficiently — Outsourcing turns fixed costs into variable costs and facilitates the planning and management of expenditures. Customers are usually billed for flat linen laundry service on a per-unit-laundered basis. This keeps their costs in proportion to their level of activity and enables them to adapt more flexibly to increases or decreases in staffing, as such fluctuations are noticeably significant in the Hospitality end market and other seasonal industries.

- To simplify personnel management — By outsourcing, customers in the Hospitality and Healthcare (especially public hospitals) end markets do not have to recruit and manage employees skilled in laundry flat linen or workwear.

- To free up space for other uses — Customers who outsource their laundry services can use their laundry room for something else. This is particularly useful in the Hotel end market.

- To improve workwear hygiene, cleanliness and safety — Outsourcing gives the Group's customers the assurance that their employees' workwear (and in particular their personal protective equipment) is regularly washed and properly maintained, and this is not always the case when employees are responsible for taking care of their own workwear. Employees are also always certain to have a clean workwear, provided at the agreed frequency. Employers who require the wearing of personal protective equipment can obtain the cleaning expertise they lack in-house and thus comply with occupational safety and health regulations. If they fail to do so, they may be held liable for an injury an employee could suffer due to a deficiency in the protective properties of workwear.

- To improve the quality of textile laundering and care — Customers who outsource the laundry of their flat linen or workwear have the assurance that the most effective methods will be used and that these methods will be optimized regularly and more frequently than if they laundered their textiles themselves.

- To enhance brand image and reputation — The uniform quality and customization of workwear, customized dust mats and value-added washroom services (such as air fresheners and feminine hygiene) made possible by outsourcing enhance the image of the Group's customers in the eyes of their own customers and employees.

- To meet their sustainable development commitments — By outsourcing, the Group's customers can reduce their energy consumption and meet their sustainable development obligations. Since the Group's business is based on a more modern economic model, based on product functionality as opposed to ownership, it has an incentive to design products that will ensure the longest and most sustainable service possible, to find alternatives to throw-away products, and to make customers aware of the environmental advantages of the Group's business model. The Group has undertaken a variety of sustainable development initiatives. They include: (i) having all of its textile suppliers sign the Group's Sustainable Development Charter, (ii) developing 12 products made from organically grown cotton obtained from fair-trade suppliers (see section 6.8 – "*Suppliers*" of this *document de base*), (iii) recycling the water used to wash textiles, (iv) using laundry products that contain less detergent than standard products and require less water (the Group's washing machines also use only 1/4th of the water that standard machines require) and (v) having end-of-life textile items collected at all the Group's processing centers in France and recycled by contractors.

- To enable workwear traceability — Customers that outsource their workwear services to the Group do not risk losing an item of workwear since the Group inserts a microchip into the collar of each one. This ensures that every cleaned item of workwear will be distributed to the right employee.

As the general economic environment improves, growth in the market for textile services in Europe is expected to be particularly robust over the next few years as business customers increasingly prefer to outsource rental and laundry/maintenance services, to reduce their costs, improve environmental performance, enhance brand image, comply with occupational health regulations, and focus on their core business.

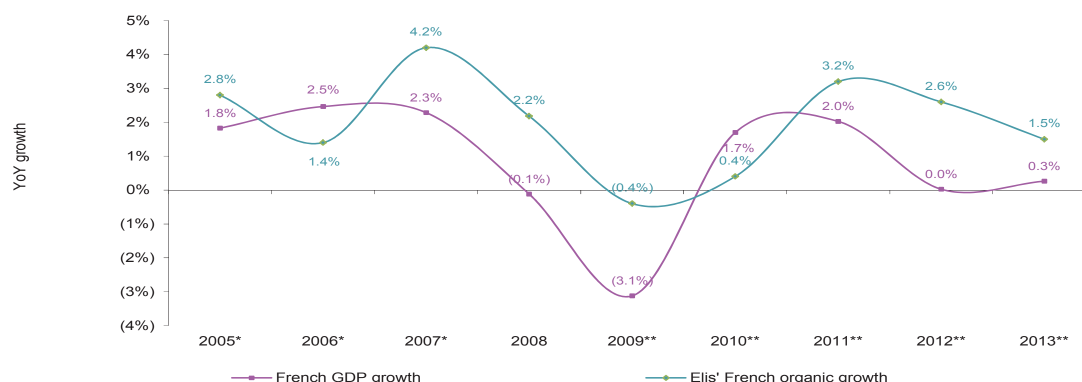
(b) The general economic environment

Although the Group believes that its flat linen, workwear and HWB appliance services business is resilient in general — as may be seen by its steadily improving financial performance since 2007, despite the economic crisis in Europe (see chapter 9 – "*Operating and financial review*") — its business in a given country may be affected by national macroeconomic factors, such as the unemployment rate, the level of inflation or deflation and the general business climate.

However, the impact of the economic situation in a given country on the Group's business in that country is relatively limited, as its customers generally do not tend to negotiate the price of its services since they account for only a small percentage of their total expenses.

Furthermore, the Group's exposure to a wide range of customers in different industries helps shield it from an economic downturn. For example, the Group's revenue in the Healthcare end market (and from nursing homes in particular) is relatively unaffected by the sluggish economy and is growing as populations age. Furthermore, as the Hospitality industry moves upscale, tourism-related business is making up for the economic slowdown's negative impact on the Group's revenue, in particular in France. Lastly, the Group's business consisting in renting and laundering workwear for customers in the Industry end market depends on the number of employees who have workwear rather than on industrial output.

The economic environment therefore has a relatively small impact on the Group's business. For example, its growth in France at a constant consolidation scope regularly outpaces real GDP growth, as seen in the chart below.



* Nota Bene: Growth at constant scope is the growth observed within the following scope:

- For financial year Y, within the Group's consolidated scope.
- For financial year Y-1, within the Group's consolidated scope, plus a share of the revenue generated that year by the acquisitions made in financial year Y. This share of revenue represents the period from one year prior to the date that the acquisition entered the Group's consolidation scope, to the end of financial year Y-1. This amount is calculated from the monthly revenues posted in financial year Y-1 by the acquisitions made in financial year Y, or, when monthly revenue figures are not available (which is generally the case with "smaller" acquisitions), using the monthly revenues prorated from the annual revenue posted in financial year Y-1 by the acquisitions made in financial year Y. In either case the revenue figures provided by the acquired company are used.

The Group's business is also benefiting from the economic upturn in southern European countries, like Spain, Portugal and Italy.

(c) *The indispensable nature of the Group's services*

The flat linen, workwear and HWB appliance services the Group provides are essential to its customers' businesses, particularly those in the Hospitality and Healthcare end markets. Once these services have been outsourced they are very difficult to repatriate since doing so would require substantial capital expenditure.

Furthermore, the average monthly fee that customers pay for the Group's flat linen, workwear and HWB appliance services is relatively cheap compared to their other expenses. The Group estimates that half of its customers pay less than €142 a month. As a result, few ask to renegotiate prices.

Lastly, the Group is able to develop new and complementary products and services that its approximately 2,500 Field Agents, including close to 1,700 in France, 600 in Europe and 200 in Brazil, can cross-sell to its current customer base (see section 6.6.1 – "*Sales*" of this *document de base*).

6.2.2.2 *Specific market trends in France*

The table below[6] shows the estimated size in 2013 and the estimated recent growth and future growth projections of the Group's end markets in France, by type of end market (Hospitality, Healthcare, Industry, Trade and Other).

	MARKET SIZE BY END MARKET		
End markets	**Estimated size in 2013 (billions of euros)**	**Estimated CAGR 2011 – 2013**	**Forecast CAGR 2013 – 2017**
Hospitality	About 0.5	2% - 3%	4% - 4.5%
Healthcare	About 0.3	1% - 3%	2.5% - 3.5%
Trade and Industry	About 1.0	0.5% - 1.5%	1% - 2%
Other (non-members) (1)	About 0.2	N/A	N/A
TOTAL	**About 2.0**	**1.5% - 2%**	**2.5% - 3.0%**

Source: KPMG (Study, August 2014).

(1) The market presented hereabove includes only companies that are GEIST members. The Group estimates that non-GEIST members accounted for total revenue of €200 million.

(a) *Hospitality*

The Group mainly provides flat linen services to customers in the Hospitality end market, and to a lesser extent HWB appliance services.

The demand for flat linen in the Restaurant end market depends above all on the eating habits of end-customers, and more specifically on the proportion of meals taken seated at tables dressed with a tablecloth and textile napkins. In 2011, 1.064 billion restaurant meals were served traditionally at the customer's table, amounting to one-third of all restaurant meals by volume. Fast-food restaurants accounted for 46% of all meals served. The Group estimates that flat linen (tablecloth or textile napkins) is used for 10% to 20% of table-served meals in France. At the date of registration of this *document de base*, about 80% of traditional restaurants that use flat linen prefer to outsource the supply and laundering of flat linen. Over the past few years the traditional restaurant sector has been shrinking in France, with the number of meals served decreasing 3% from 2006 to 2011 and with further declines of 1.5% and 3.0% in 2012 and 2013, respectively. Traditional restaurants are feeling the combined squeeze of the economic crisis and the growing popularity of fast-food restaurants.

The demand for flat linen in the Hotel end market depends above all on the strength of the tourism industry and the number of overnight stays. With this number relatively stable in France in 2013 (0.2% less than 2012) the Group successfully increased its revenue in this end market. Its growth was mainly driven by two factors: the overall outsourcing trend and the Group's strong positions with hotel chains (such as Accor,

[6] These estimates are based solely on data obtained from the members of GEIST, a textile services trade association. The Group estimates that non-GEIST members posted total revenue of €200 million in 2013, which makes the French market worth €2.0 billion.

Hilton and Pierre et Vacances) and with high-end hotels (e.g., luxury hotels in Paris, Nice, Cannes and other cities) as they reached higher occupancy rates in 2013 than did low-range and mid-range hotels.

The Group estimates that the number of overnight stays in France in chain hotels and in hotels with four or more stars is likely to increase over the next few years and thus offset the impact of any overall decline in overnight stays in France. Hotel chains, for instance, recorded an average annual increase of 0.9% in overnight stays from 2011 to 2013, while independently owned hotels saw an average annual decrease of 0.9% over this period (as a result the overall market was practically stable, decreasing only by an average of 0.1% a year). Hotel chains thus increased their share of the hotel market from 45% in 2008 to 47% in 2013. As for hotels with four stars and more, they witnessed an 11.5% rise in overnight stays in 2013 in a market that remained virtually stable, declining by only 0.2%. This increase, however, is partly attributable to the reform of the hotel rating system that began in 2012 as some hotels have yet to adopt it. Nonetheless, prior to this reform, four-star and above hotels recorded gains well above the market average.

The Group also believes that the outsourcing of the supply and laundering of flat linen within the French Hotel end market will continue to increase over the next few years and thus strengthen demand for its flat linen rental and laundry services. Lastly, these trends will be supported by the continual improvement of the Group's products for hotels, such as duvet covers instead of sheets (see section 6.5.1.1(a) – "*France – Hospitality*" of this *document de base*).

Customers in the Hospitality end market, and especially high-end restaurants and hotels, appreciate the quality of the Group's services and are therefore willing to accept the prices it charges.

The Group expects the Hospitality end market's demand for flat linen and workwear rental and laundry services will grow at an average annual rate of 4 - 4.5% from 2013 to 2017 (vs. 2 - 3% since 2011).

(b) Healthcare

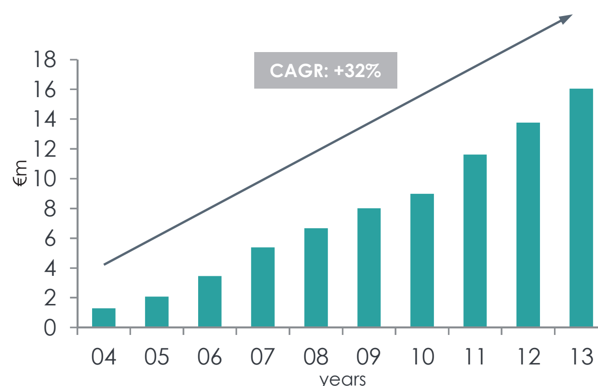
The Group mainly provides flat linen and workwear to customers in the Healthcare end market, and to a lesser extent HWB appliance services.

The outsourcing of flat linen and workwear services in public hospitals and private clinics in France is a strong growth driver for the Group. In France, only 15% of public hospitals outsourced all of their linen supply and services in 2011, while 20% partially outsourced these services. In contrast, private hospitals are significantly more inclined to outsource flat linen and workwear rental and laundry services than are public hospitals. Most of the large private companies that provide Healthcare services also outsource linen services. The outsourcing rate for flat linen laundering in the French Healthcare end market in 2013 is estimated at about 40%, with the laundering of flat linen and workwear generally being handled within the hospital or by laundries that serve two or more hospitals. In 2011, 44% of public hospitals operated their own laundries and 21% shared a laundry with one or more other hospitals. The Group believes that customers in the Healthcare end market, and public hospitals in particular, will increasingly outsource the laundering of flat linen and workwear over the next few years as they feel the pressure of sharp budget cuts and seek to focus on providing medical care, as the recent example of the Soissons hospital shows. The United Kingdom provides a good example of what may be expected. Under various cost-cutting plans over the last decade the National Health Service has encouraged outsourcing, and it now accounts for 75% of the linen market.

Similarly, the outsourcing of the laundering of the personal clothing of nursing home residents also offers considerable growth potential. The Group believes that the outsourcing of laundry services for nursing home residents will further increase in the coming years, mainly because of the technical complexity of keeping track of clothing and the problems nursing homes encounter in this respect. Indeed, the loss of personal clothing items laundered in-house is a major complaint of nursing home residents and their families. In 2003 the Group therefore acquired a stake in AD3, a company that provides laundry services for nursing home residents. The Group developed this business by billing these services to nursing homes (and not directly to residents) and by setting up either dedicated processing centers for AD3, or laundries that it operates directly at the customer's site. Nine Group processing centers are dedicated to the laundering of the personal clothing of nursing home residents.

The chart below shows growth in the revenue generated by the Group from personal laundry services for nursing home residents.

Personal clothing of nursing home residents



Demand for flat linen rental and laundry services in public hospitals and private clinics depends on their budgetary constraints (as an in-house laundry requires a substantial initial investment and is more expensive to operate than the cost of outsourcing flat linen laundry services), the number of patient admissions and the length of their stays, which is decreasing. Due to demographic growth, the accessibility of medical care, and recent changes in the reimbursement of medical expenses, the number of admissions for full hospitalization (i.e., excluding outpatient treatment and day hospital care) in public sector and private sector healthcare institutions in France grew at an average annual rate of 0.4% from 2007 to 2012 (up from 11.4 million to 11.6 million), while the number of stays increased at an average annual rate of 1.4% (up from 16.9 million to 18.1 million). Over this period the increase in the number of stays of ambulatory and day hospital care rose averaged 3.4% per year. The Group believes that the increase in short-length stays and outpatient care will increase demand for flat linen in both public sector and private sector hospitals since this will mean a higher patient turnover rate.

The demand for flat linen rental and laundry services in nursing homes depends on their number of beds and occupancy rate, both of which will increase as the dependent elderly population grows. The average age of admission into a nursing home is currently over 80. The number of people in France aged 80 and over is steadily increasing and is expected to grow at an average annual rate of 2.6% from 2007 to 2035, up from 3.0 million to 6.1 million, or a 103% increase. This trend will accelerate from 2025 to 2030 as baby boomers start entering nursing homes that recorded growth in their capacity at a 3.1% annual rate from 2003 to 2012, up from 486,760 rooms and beds to 637,955. Occupancy rates remained high in the 2007-2012 period, as they stayed above 95%.

Demand for workwear rental and laundry services in the Healthcare end market is favored by sanitary regulations and the high proportion of Healthcare employees who have workwear. Employment in this end market in France grew 11.1% overall from 2005 to 2011, up to a total of 3.3 million jobs. In other words, a 4.7% increase in hospital and clinic staff over this period that explains the increasing emphasis on outpatient care. The percentage of healthcare employees who wore a uniform in 2011 is estimated to exceed 60%. Furthermore, the Group estimates that the employee turnover rate in the Healthcare end market is particularly high in France due to the shortfall in qualified personnel and the high mobility of nurses and nurse aides. This naturally fuels demand for workwear, since employees frequently change jobs and, therefore, employers and uniforms

Some of the Group's innovations, such as its Pop'Art collection of workwear for public hospital and private clinic personnel, have also increased demand for Healthcare workwear. Since this collection was launched in June 2011, this type of product has been increasingly popular with customers. The monthly revenue generated by the Pop'Art collection recorded linear growth in the 12 months prior to June 30, 2014, and the cumulative revenue generated by the collection totaled €2.3 million. Likewise, the Group launched its Duo offering, which combines the rental and laundering of a duvet and a duvet cover made of a fabric that

provides a disinfectable surface, is resistant to cleaning products and fire (as per the EN 12952-1 standard), is impermeable (EN 20811).

The Group expects the market for textile rental and laundry services in the Healthcare end market in France will grow at an average annual rate of about 3% from 2013 to 2017 (vs. 1 - 3% a year since 2011).

(c) Industry

The Group mainly provides workwear and HWB appliance services to customers in the Industry end market, as well as flat linen services albeit to a lesser extent.

Demand for workwear rental and laundry services in the Industry end market in France is underpinned by the significant percentage of industrial employees who must be provided with work clothes, for either practical or regulatory reasons. For example, over 50% of employees working in a mechanical industry may require work clothes. The high weekly turnover rate for personnel in this end market also increases demand for workwear.

The Group's customers in the Industry end market also use workwear that may be classified as "personal protective equipment', and which serve to ensure high visibility or to provide protection from extreme heat or cold, abrasion or acids and other chemicals. Over the past five years, the increasing use of personal protective equipment has been a key factor in the outsourcing of the supply and laundering of workwear. There are several reasons for this:

- Employers have an obligation to protect the safety of their employees with personal protective equipment.
- Regulations are more stringent, and, for example, require workwear traceability and may make employers criminally liable for failing to provide sufficient personal protective equipment. This has encouraged employers to outsource the supply of personal protective equipment to providers of workwear rental and laundry services, as they are assured that their item of workwear will be properly cared for and their protective properties preserved.
- The continuous improvements in the area of personal protection equipment encourage employers to replace protective workwear relatively often and therefore tend to make rental more attractive than ownership.
- Personal protective equipment requires special laundering and treatment processes to preserve its qualities and ensure long service life, and workwear rental and laundry services companies can provide such processes.

From 2006 to 2013, the consolidated revenue generated by the Group from the rental of personal protective equipment and associated services surged from about €12.0 million to about €33.0 million, for an average annual growth rate of about 16%. The industrial sector has played a key role in this growth, with consolidated sales generated by the Group to these customers rising at an average annual rate of 18% during this period.

Demand for workwear in the Industry end market has also been boosted by the innovative products the Group has introduced, such as its Epifusion, Epishine and Epishock collections. They offer high fire-resistance, high visibility and effective protection from abrasion and impact, respectively.

(d) Trade and Services

The Group mainly provides workwear and HWB appliance services to customers in the Trade and Services end market, and, to a lesser extent, flat linen services.

Their decision to outsource or repatriate the HWB appliance rental and maintenance services is highly correlated with their financial situation.

Among the Group's customers in the Trade and Services end market, cleaning services companies have contributed to the development of the HWB appliance rental and maintenance services market by offering to provide their customers with HWB appliances and associated consumables. They may sub-contract this service to a firm that provides HWB appliance rental and maintenance services, such as one of the Group's companies. The Group believes that cleaning companies hold a substantial share of the cleaning services market in France. From 2008 to 2012, the market for outsourced cleaning and associated services grew by about 2%, from €11.0 billion to €11.2 billion. The Group expects this market to grow a further 4-5% from 2013 to 2017.

The Group has also succeeded in developing new services for its existing customer base by introducing a steady stream of innovative new products and services, such as the rental and cleaning of dust mats, water fountains and Malongo espresso machines. The consolidated revenue generated by water fountains and espresso machines rose 60.2% from 2006 to 2013, amounting to 7.0% average annual growth. Over this period revenue from dust mat supply and cleaning grew 69.1%, or an average annual rate of 7.8%. Examples of other innovative products launched by the Group include the Prote'in workwear collection for catering industry workers, introduced in 2009, and in 2011 the Group's Everywear collection, which features bright colors and convenient pockets. Accordingly, the monthly revenue generated by the "Prote'in" workwear collection, which benefited from an upturn with the launch of a new range in January 2012, and by the "Everywear" collection, recorded linear growth over the 12 months prior to June 30, 2014, as the cumulative revenue generated by these two collections during this period totaled €1.4 million and €13.6 million, respectively.

6.2.2.3 Specific market trends in other European countries

The Continental European rental and maintenance market (excluding the United Kingdom and Ireland) totaled around €10 billion in 2013. The following table shows the Group's positioning in Continental Europe in every end market segment in which it operates:

	CONTINENTAL EUROPE BY MARKET SIZE IN 2013		
Market	**Market size (as a %)**	**Market shares (as a %)**	
		Main players (1)	**Group**
Healthcare	About 25%	22-25%	About 8% - first
Hospitality	About 27%	35-38%	About 15% - first
Trade, Industry and Other	About 48%	44-48%[3]	About 12% - second (2)

Source: KPMG (Study, August 2014), Company

(1) Group, Rentokil-Initial plc, Berendsen, CWS-boco, Mewa

(2) The market leader in this segment holds 13% market share.

(3) Market shares calculated exclusively with respect to the Trade and Industry end markets.

According to the Group's estimates, Gross Domestic Product in the European countries (excluding France) where the Group operates should grow in the following manner:

	MARKET SIZE BY COUNTRY AND GDP GROWTH		
	Market size in 2013 (estimated – billions of euros)	**2011-2013 GDP growth (estimated CAGR)**	**2013-2017 GDP growth (estimated forward-looking CAGR)**
Germany	2.7 – 3.2	0.7%	1.5%
Switzerland	About 0.4	1.5%	2.1%
Spain	0.5 – 0.6	(1.4)%	1.0%
Belgium and Luxembourg	About 0.4	0.1%	1.3%
Italy	About 1	(2.1%)	1.0%
Portugal	About 0.1	(2.3%)	1.0%
Czech Republic	About 0.1	(0.9%)	2.1%
Total Europe (countries in which the Group operates otutside France)	5.2 -5.8	(0.1)%	1.4%

Sources: KPMG (Study, August 2014), ETSA (*Quantifying the opportunity European Market Sizing Study for ETSA*, June 2014)

The following table presents a comparison between the change in the average annual growth rate of the markets and the GDP growth for the countries in which the Group operates in Europe (with an average split between South and North Europe) and France:

	EUROPE BY REGION AND FRANCE			
Regions	**2011-2013 growth (estimated CAGR)**		**2013-2017 growth (estimated forward-looking CAGR)**	
	Group's market share	**GDP**	**Group's market share**	**GDP**
South Europe[(1)]	(1.4) – (0.4) %	(1.9)%	2.1 – 3.0%	1.0%
North Europe[(2)]	1.8 – 2.3 %	0.7%	2.6% - 3.5%	1.6%
France	1.5 – 2.0 %	0.1%	2.5 – 3.0%	1.5%

Sources: KPMG (Study, August 2014), ETSA (*Quantifying the opportunity European Market Sizing Study for ETSA*, June 2014)

(1) Italy, Spain and Portugal

(2) Germany, Switzerland, Belgium and Luxemburg, Czech Republic

6.2.2.4 *Specific market trends in Brazil*

The table below shows the respective size of the Hospitality, Healthcare and Industry end markets in Brazil in 2011, 2013 and 2017 projections:

	BRAZIL BY END MARKET (billions of euros)		
End marlet	**2011**	**2013**	**2017**
Healthcare	0.2	0.3	0.6
Hospitality	0.1	0.1	0.1
Industry	0.4	0.4	0.6
Total	0.7	0.9	1.3

Source : KPMG (Study, August 2014), Company

6.2.3 Competitive environment

The Group's competitors vary in terms of their operating segments and the types of services they provide.

With respect to flat linen and workwear rental and laundry services, the Group faces a diversified range of competitors. It includes in-house laundries installed on the premises of potential customers who have decided not to outsource or to stop outsourcing laundry services; shared hospital laundries; "ESAT" laundries, which employ handicapped workers; local providers of laundry services; and employees whose work involves frequent workwear soiling and who receive an allowance to cover the expense of having their workwear cleaned.

With respect to HWB appliance rental and maintenance services, the Group's main competitors are cleaning service companies, as they can also be its customers for this type of service, and facility management companies that offer a complete range of services including the rental and maintenance of HWB appliances (see section 6.2.2.2(d) – "*Specific market trends in France – Trade and Services*" of this *document de base*).

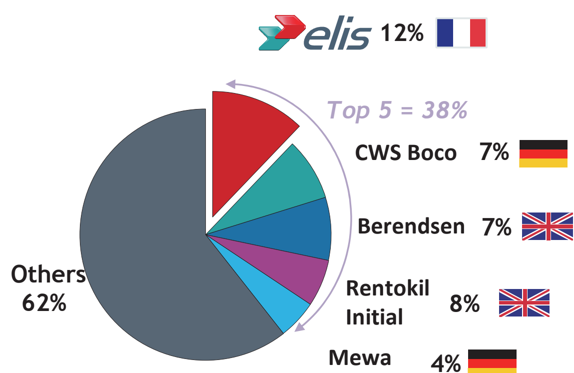
In France, the Group's main competitors in terms of annual revenue are Rentokil Initial plc, RLD and Anett, and small local service providers. Some potential customers may also prefer to handle the procurement of flat linen, workwear or HWB appliances and the associated laundering or maintenance services themselves. There are few foreign groups in the French market, with the exception of Rentokil Initial plc (U.K.). The table below shows each of the Group's main competitors in France in 2013 (i) their annual revenue in France for the year ended December 31, 2013, (ii) the number of facilities they operate in France and (iii) their workforce in France.

	MAIN COMPETITORS (France)			
Competitor	**Annual revenue (billions of euros)**	**Number of facilities**	**Number of employees (approximately)**	**Market share [(1)]**
Rentokil-Initial plc (Initial BTB)	0.4	140 dispatching centers	4,200	20%
RLD	0.2	36 processing centers	2,000	8%
Anett	0.1	17 processing and 3 dispatching centers	1,500	6.5%

Sources: KPMG: Study, August 2014 (based on company website data).

(1) Market shares calculated by dividing the market's size by the revenue posted in it.

The pie chart below shows the market leaders' shares of the flat linen, workwear and HWB appliance services market in Europe (excluding the U.K. and Eastern Europe) in 2013.



Source: KPMG, Study, August 2014

The table below shows, for each country where the Group operates: (i) the size of the flat linen, workwear and HWB appliance market, (ii) its position in the market, (iii) the market leader and (iv) the Group's market shares.

	COMPETITIVE POSITION (Europe – 2013 estimates)			
Country	**Estimated size of the rental, laundry and maintenance market (billions of euros)**	**The Group's position**	**Leader**	**Group's market share[1]**
France	2.0	Leader	Group	About 47%
Portugal [2]	0.1	Leader	Group	About 10%
Belgium-Luxembourg	0.4	4 [4]	Rentokil Initial plc	About 7%
Spain-Andorra	0.5 – 0.6	3	Flisa	About 11%[5]
Italy	1.0	Niche market player [6]	Servizi Italia	About 3%
Germany	2.7 – 3.2	Niche market player [7]	CWS-Boco	1%
Switzerland	0.4	2	CWS-Boco	About 16%
Czech Republic	0.1	Niche market player [8]	Rentokil Initial plc	1%
Continental Europe[9]	10.0	Leader	Group	About 12%
Brazil [3]	0.9	Leader	Group	About 11%

Source: the Company, KPMG (Study, August 2014), ETSA (*Quantifying the opportunity – European Market Sizing Study for ETSA*, June 2014)

[1] Market shares calculated by dividing the market's size by the revenue posted in it

[2] KPMG (Study, August 2014), exclusively textile items rental and laundry sub-segment

[3] As of June 30, 2014, after the acquisition of the Atmosfera group

[4] No. 2 in workwear rental and laundry services and No. 3 in HWB appliance rental and maintenance services

[5] Median point of the range indicated for the market's size

[6] Workwear and HWB appliance services

[7] Textile and HWB appliance services for medium-size hotels and restaurants

[8] Ultra-clean workwear rental and laundry services

[9] Excluding the U.K. and Eastern Europe

6.2.4 Consolidation of the French market

The French market for flat linen, workwear rental and HWB appliance services is highly concentrated, with four players serving 80% of the market in 2013: the Group, Initial BTB, RLD and Anett.

Consolidation was a constant trend in the market from 2004 to 2013. This has been partly due to the acquisitions the Group and its competitors have made to achieve sufficient operating scale to be competitive. Since October 2007, the Group has made 43 acquisitions, including 20 in France. This strategy has involved acquiring either its competitors' customer portfolios or their processing and dispatching centers.

The market for flat linen, workwear and HWB appliance services is currently in a consolidation phase, especially among medium-sized and large companies that are seeking to improve their profitability by expanding their operations. This consolidation is both geographic (as local and foreign competitors are acquired to expand business in other regions) and operational, for example when companies that provide flat linen services acquire specialized service providers to expand their range of services. At the registration

date of this *document de base*, the Group's dedicated acquisition team is reviewing 150 acquisition opportunities in 10 countries. This team is composed of three people who look for and contact potential acquisition targets and one person who conducts the necessary financial analysis. Furthermore, a special committee consisting of the chairman of the Group's management board, chief financial officer and M&A manager meets monthly to discuss potential acquisition targets.

The market's fragmentation has traditionally meant that flat linen, workwear and HWB appliance services were provided on a local basis. Consolidation is increasingly enabling market players to differentiate their services and use their size to build their reputations and brand recognition.

In France, the Group is number one in flat linen, workwear and HWB appliance services (see section 6.2.3 – "*Competitive environment*" of this *document de base*).

6.3 COMPETITIVE STRENGTHS AND ADVANTAGES OF THE GROUP

6.3.1 A leader in markets with growth potential

The Group is one of Europe's leading providers of flat linen, workwear and HWB appliance services (see section 6.2.3 – "*Competitive environment*" of this *document de base*). In 2013, the Group ranked number one in flat linen, workwear and HWB appliance services in France with a market share of about 47% in terms of revenue, assuming total market revenue of about €2 billion (see section 6.2.3 – "*Competitive environment*" of this *document de base*) as opposed to about 20% for Rentokil Initial plc, its main competitor. In France, the Group had around 11,640 employees on average in the six-month period ended June 30, 2014 and a fleet of about 2,250 vehicles. According to the Group's estimates, it was also the market leader in flat linen, workwear and HWB appliance services in Portugal in 2013, and this country's market size is assessed by the Group at approximately €72 million. In Portugal the Group had over 750 employees and a fleet of 106 vehicles on June 30, 2014. The Group is the second- and third- largest provider of these services in Switzerland and Spain-Andorra, respectively. In Europe (excluding the United Kingdom, Ireland and Eastern Europe), the Group was the market leader in flat linen, workwear and HWB appliance services with a market share of around 12% in terms of revenue in 2013, as opposed to approximately 8% for its main competitor, Rentokil Initial plc. Since its recent acquisition of the Atmosfera group (see section 5.1.5 – "*Key events in the Group's development*" of this *document de base*) the Group is also the leader of the flat linen and workwear rental and laundry market in Brazil. The Group assesses the size of the Brazilian market size at approximately €0.9 billion, and it should be a strong growth driver for the Group. In particular, the Group is the market leader in Brazil with an 11% market share in 2013 versus 6% to 9% for its main competitors, i.e., Alco Brasil and Lave Bras.

The Group's strong positions in its markets mean it boasts some significant advantages over its current competitors, such as substantial economies of scale and a very large customer base that cannot be built without a first-class sales force. Furthermore, flat linen, workwear and HWB appliance services are capital intensive businesses that require the purchase of linen and workwear, as well as investing in linen and workwear laundering and treatment facilities and in processing centers to boost growth (the Group's industrial investment expenditure averages close to 130% of the Group's depreciations of its industrial and HWB equipment). Accordingly, new entrants in this market would have to make substantial investments to be able to compete in these activities.

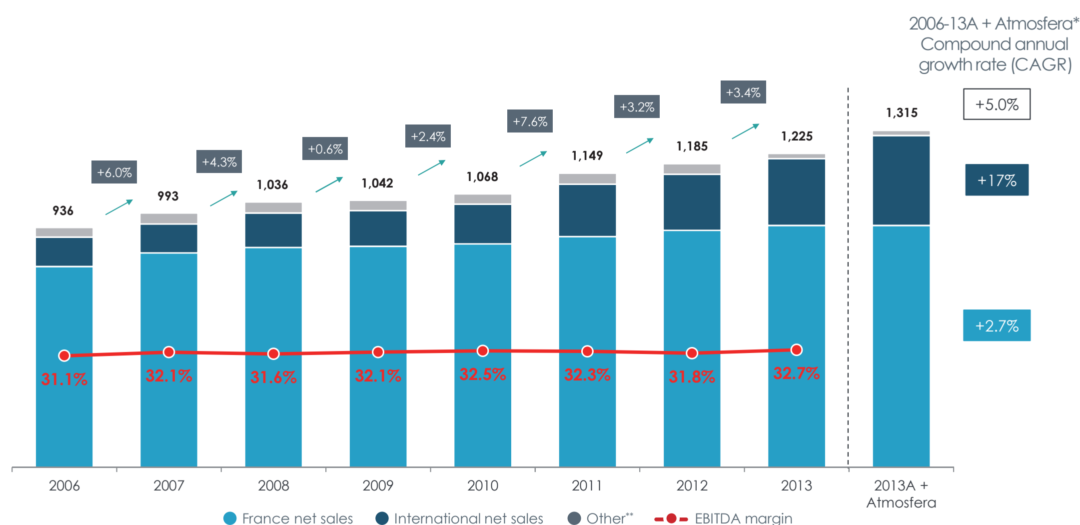
The Group's growth in the industries and sectors it serves is driven by a general outsourcing trend — as current and potential customers seek to focus on their core business and lower their costs (see section 6.2.2.1(a) – "*General trends – Outsourcing*" of this *document de base*) — and by the fact that customers are very unlikely to repatriate laundry services they have outsourced, due to the cost of setting up a laundry and staffing it and the need to recover the space that had been used for laundering prior to outsourcing. For example, a hotel that closed its in-house laundry to create a spa is very unlikely to set up an internal laundry. Over the long term the outsourcing of flat linen, workwear and HWB appliance services is expected to double in Europe. The Group's services also enable its current customers and prospects to meet their sustainable development commitments (see section 6.2.2.1(a) – "*General trends – Outsourcing*" of this *document de base*).

The Group's growth in the sectors it serves is also driven by the increasingly stringent occupational safety and health requirements its current and potential customers must comply with. This encourages them to outsource workwear rental and laundry services to service providers such as the Group, as they can process workwear in compliance with the applicable standards. These requirements are particularly demanding for customers in the Healthcare and Industry end markets.

In addition to the two general growth drivers mentioned above, there are specific growth drivers in every one of the Group's end markets (see sections 6.2.2.2(a) – "*Specific market trends in France – Hospitality*," 6.2.2.2(b) – "*Specific market trends in France – Healthcare*," 6.2.2.2(c) – "*Specific market trends in France – Industry*" and 6.2.2.2(d) – "*Specific market trends in France – Trade and Services*" of this *document de base*) that may increase demand for the Group's services in these end markets. One example in the Healthcare end market is the ageing population and the increasing number of dependent elderly people (i.e., over 85).

Lastly, the Group believes that it will continue to benefit from the economic recovery in southern Europe, in the countries where it provides flat linen, workwear and HWB appliance services, such as Spain, Portugal and Italy.

For many years, the Group has been posting robust and solid growth in consolidated revenue across all of its end markets, as seen in the chart below.



Source: Company

* including the consolidated revenue of approximately R$280 million (i.e., approximately €90 million, applying an exchange rate of €1 for R$3.1), generated by the Atmosfera group in Brazil in 2013.

** including the manufacturing business and intercompany transactions.

Even in 2009 and 2012, when the economic situation was at its worst, the Group's revenue rose 0.6% and 3.2%, respectively. The Group has proven its ability to generate faster organic growth than real GDP. In France, the Group reached a 1.8% organic growth rate from 2006 to 2013, i.e., 140 basis points more than French real GDP growth over this period.

The table below shows the financial performance of the Group in the end market segments he is operating:

FINANCIAL PERORMANCE OF THE GROUP[(1)]			
Net revenue[(2)] (2008-2013)		Adjusted EBIT Margin[(3)] (2008-2013)	
Organic growth (estimated CAGR)[(2)]	Global growth (estimated CAGR)[(4)]	Mean	(Max margin – min margin) / Mean margin
+1.2%	+3.4%	16.4%	7.8%

Source: Company's estimates

(1) End of financial year in December.

(2) Group's growth at constant scope - from 2008 to 2013.

(3) Adjusted EBIT (EBIT before goodwill impairment and amortization of customer relationships) in order to neutralize the impact of the change in impairment method for flat linen in 2012 (a €-40.2 million impact in 2012 and a €-9.7 million impact in 2013) – from 2008 to 2013.

(4) Estimate based on the Group's revenue – from 2008 to 2013.

6.3.2 An efficient platform to support organic growth

The Group's robust organic growth is supported by a solid foundation:

- Its efficient sales department, with 655 key account managers, sales representatives and customer managers in Europe (see section 6.6.1 – "*Sales*" of this *document de base*). 490 of them are based in France. They constantly prospect for new customers, with whom they sign about 25,000 contracts a year.

- Some 2,500 Field Agents, who are in contact with current customers with each delivery and are incentivized to sell them complementary services (see section 6.6.1 – "*Sales*" of this *document de base*).

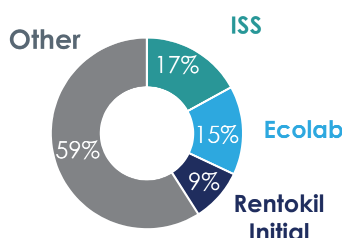
- The Group's multi-service business model based on a network of some 2,500 Field Agents who maintain a weekly and sometimes even daily relationship with current customers of the Group, to whom they are encouraged to cross-sell complementary services (see section 6.6.1 – "*Sales*" of this *document de base*).

- Its ability to introduce innovative products and services by upgrading existing products, developing new products, or enhancing the Group's offering with complementary services. One example is the Group's Duo Healthcare service, which combines the rental and laundering of a duvet and a duvet cover made of a fabric that can be disinfected on the surface, is resistant to cleaning products and fire, is impermeable and meets breathability criteria (see section 6.2.2.2(b) – "*Specific market trends in France – Healthcare*" of this *document de base*). In March 2011 this Duo Healthcare offer was extended to the Hotel end market and it is currently provided to about 1,000 hotels. The Group also uses its ability to innovate to create new items of workwear for customers in the Healthcare end market, such as its Pop'Art collection (see section 6.2.2.2(b) – "*Specific market trends in France – Healthcare"* of this *document de base*) and for customers in the Industry end market, with its Epifusion, Epishine and Epishock collections, which offer fire resistance, high visibility and ultra-high resistance (see section 6.2.2.2(c) – "*Specific market trends in France – Industry*" of this *document de base*). As for HWB appliances, the Group has created innovative product lines, such as its customizable Aqualine soap and fragrance dispensers.

  The Group has also demonstrated its talent for innovation by developing new types of products and services. For example, the water fountains and Malongo espresso machines that it began to rent and service about fifteen years ago generated consolidated revenue of €61.2 million for the year ended December 31, 2013 (see section 6.2.2.2(c) – "*Specific market trends in France – Trade and Services*" of this *document de base*). In 2003, the Group introduced its personal clothing laundry

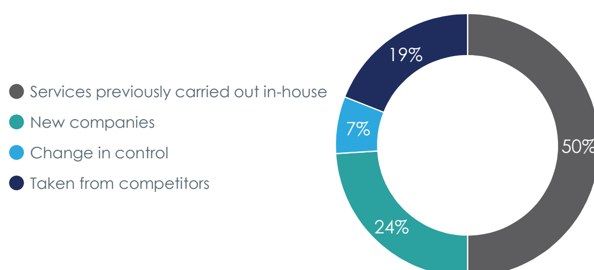
service for nursing home residents, a market it believes offers excellent growth potential since there are currently 750,000 dependent elderly people in French nursing homes and their number is steadily increasing. Furthermore, only a small percentage of nursing homes have outsourced the laundering of their residents' personal clothing (see section 6.2.2.2(b) – "*Specific market trends in France – Healthcare*" of this *document de base*). More recently, in 2013, the Group launched its 3D Pest Control services in France, Spain, Portugal, Belgium and Luxembourg. This business requires little capital expenditure and uses the Group's current logistics systems, since it employs its existing "Tribu" model of service delivery and there is no need to increase van or truck size or significantly extend the amount of time spent at the customer's premises. The monthly revenue generated by 3D Pest Control services in France has constantly grown since this business was launched in January 2013 and totaled €1.7 million for the six-month period ended June 30, 2014. The Group believes this business boasts significant upside potential and in 2013 weighed around £9 billion in the world (including France)[7], about €2.7 billion in Europe and €300 million in France only.

3D Pest Control market shares in France broke down as follows in 2013 (in terms of revenue):



- The Group's proven success in convincing potential customers to outsource their flat linen, workwear and HWB appliance services and take advantage of the high quality and reliability of the Group's products and services and its cost-effectiveness. For example, according to the findings of a survey conducted by the Group in May 2014, it signed 1,973 new contracts with customers, and about 75% of them consisted in outsourcing flat linen, workwear or HWB appliance services for the first time.

- On the basis of the findings of the survey mentioned hereabove, the following chart shows how the Group's 1,973 new customers broke down:



6.3.3 A track record of successfully integrated acquisitions demonstrating the Group's ability to participate in the sector's consolidation

By maintaining a very selective approach to investment opportunities and strict financial criteria, since October 2007 the Group has successfully integrated 43 acquisitions that has revenue multiples (before integration and synergy gains) of about 1x and EBITDA multiples lower than 4x (after integration and synergy gains). In 2014 the Group purchased the Atmosfera group in Brazil, a major acquisition that made the Group into the leader in flat linen, workwear and HWB appliance services in that country. In July 2014

[7] According to information released by the Group's main competitors.

the Group also acquired the Brazilian company L'Acqua, which provides laundry services for the Healthcare end market, and the French pest control company ProService Environnement. This latter acquisition gives the Group a solid foothold in the pest control business, which the Group entered in 2013. The Group also recently purchased two other businesses in France (Blanchisseries Mazamétaine and Quercy Périgord) and demonstrated its ability to further consolidate its network by immediately integrating their customers in its nearby processing and dispatching centers.

	2008	2009	2010	2011	2012	2013	2014*
Number of acquisitions	6	5	7	7	4	8	4
Annual revenue at the time of acquisition (millions of euros)	17	9	52	22	11	47	92
Acquisition target country	France Spain Germany	France Germany Belgium	France Spain Switzerland Italy	France Spain Switzerland Portugal	France Belgium Switzerland	France Spain Switzerland Germany	France Brazil

* At June 30, 2014

Since 2007, the Group has proven its ability to integrate its acquisitions quickly and efficiently and to improve the operational efficiency of the acquired companies and assets, by systematically implementing standardized practices for financial and reporting procedures, and for logistics, industrial processes, pricing and trade practices for procurement and sales.

The Group's success in executing its strategy of growth through acquisition is due in large part to its in-depth knowledge of its markets and their various participants. In particular, this has enabled the Group to negotiate most of its acquisitions on a private basis with the target (and therefore not in competition with other bidders) and to have a continuously updated list of carefully selected targets. At the date of this *document de base,* the Group was watching 150 potential acquisition targets in 10 countries, with around 10 of them in Brazil.

The Group's acquisitions are selected by a dedicated and experienced team composed of four people. Three of them are in charge of looking for and contacting potential acquisition targets and one is in charge of conducting the necessary financial analysis. A special committee gathering the Company's executive board chairman, chief financial officer and M&A manager meets monthly to discuss potential acquisition targets.

The Group's external growth strategy is mainly shaped by the following guidelines:

- consolidating in the countries and regions where the Group is already operating and increasing the geographic density of its sites. In this respect, the Group can make acquisitions of different sizes that it integrates by taking advantage of synergies. After Aquaservice and Reig Marti in 2013, the integration of RLD Sanary in May 2014 increased the Group's EBITDA by €1.2 million by taking advantage of synergies.

- building a significant position in the countries where the Group decides to develop operations. For instance, in Switzerland, the Group made substantial acquisitions between 2010 and 2013: purchasing Lavotel, Blanchâtel, Papritz, Blycolin, Domeisen and InoTex, lifted the Group's revenue in this country from €5.5 million in 2010 to €34.2 million in 2011, €41.1 million in 2012 and €72.0 million in 2013. This enabled the Group to become the third-largest player in the flat linen, workwear and HWB appliance rental and laundry business in Switzerland in 2013 (in terms of revenue).

- acquiring platforms boasting a large enough critical size to ensure the Group's further development in markets where it does not have any local operations, financial conditions are positive and the upside potential of outsourcing is high. In Brazil for instance, in February 2014 the Group acquired Atmosfera, the country's market leader in flat linen and workwear rental and laundry services in the Hospitality and Industry segments in a market boasting significant upside potential. For more

information on the Group's strategy and growth prospects in Brazil, see section 6.4.2 – "*Developing the Group's business in Brazil*" of this *document de base*.

- acquiring new businesses for the Group, to build up its position in this market subsequently. For example, acquiring AF System in December 2010 enabled the Group to gain a foothold in the Italian market for its 3D Pest Control services (see section 6.5.1.2 (f) – "*Italy"* of this *document de base*), and subsequently draw on the experience acquired in this market to develop these operations at a European level.

6.3.4 Operational excellence with consistent improvement

The Group's first-class operating resources consist mainly of 96 processing centers and 160 dispatching centers. 64 of them are independent with a manager for each processing center, in charge of their results and their employees. The Group also invests regularly to maintain the quality of its operating resources (see section 5.2.2 – "*Current investments*" of this *document de base*).

The cost productivity and cost efficiency of textile processing are monitored daily. The Group constantly strives to minimize costs as much as possible.

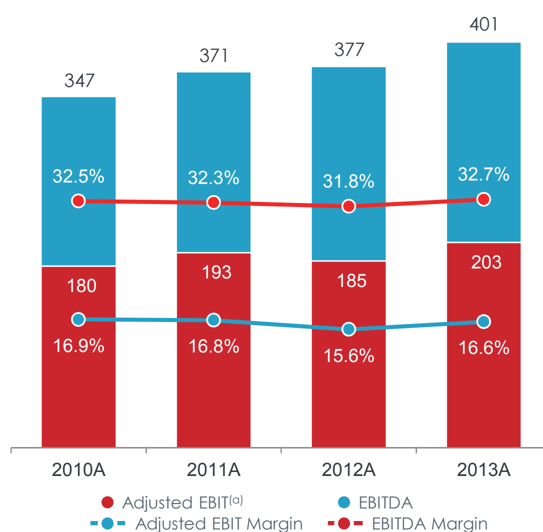
The Group measures the productivity of linen and workwear processing in terms of the number of items of workwear or flat linen items processed per hour worked. From an hourly productivity index of 100 observed in 2007, the productivity of the Group's workwear and flat linen processing increased to 132 and 112, respectively, in 2013. The Group has also (i) implemented control measures on its operating expenses, (ii) reduced its consumption of water, laundry products and energy (see section 9.1.2.7 – "*Operational efficiency*" of this *document de base*) and (iii) signed new agreements in 2014 to lower the cost of its laundry products. The Group has long powered its steam equipment with natural gas. The Group implemented more optimizing measures in 2013, improving its energy ratio (kWh natural gas/kg of linen laundered) by 7.1% in France and 5.0% in Europe (excluding France, InoTex and Cleantex Potsdam). Replacing ageing sites with more efficient facilities makes a significant contribution to this improvement. The Group has already maximized the efficiency of 6 plants with productivity gains estimated to be approximately 4% and plans to upgrade 29 additional sites in the next two years as part of the rolling out of the *Perf'équipement* project (see section 6.4.3 "*Continuing to improve the Group's operational excellence*" in this *document de base*).

In 2013, the Group also tested 2,005 steam traps, of which around 511 proved to be defective. The Group invested €110,000 to replace these defective steam traps and realize a gain of €670,000, which accounts for half of the energy savings made during the year.

The combination of consolidated revenue growth and efficient cost control has enabled the Group's annual EBITDA (about €15 million on average per year, between 2010 and 2013) to grow steadily.

The chart below shows the evolution of EBITDA margins – Investments from 2010 to 2013.

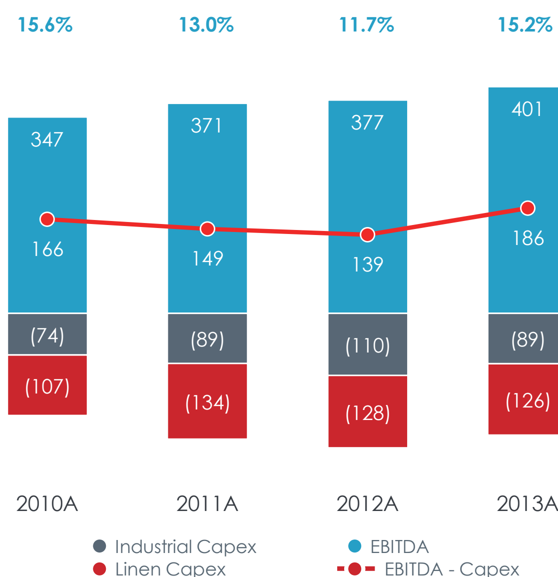
EBITDA margins evolution from 2010 to 2013
(€ million /%)



(a) Adjusted to account for the change in the depreciation method for flat linen in 2012, representing €-40.2 million in 2012 and €-9.7 million in 2013.

The chart below shows the evolution of EBITDA margin – Investments from 2010 to 2013.

EBITDA margin evolution – Group investments from 2010 to 2013
(€ million)

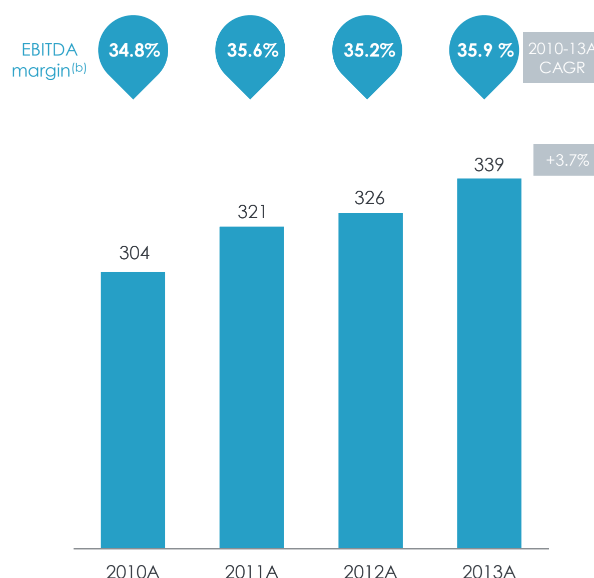


The EBITDA margins relating to the Group's business in France are higher than the ones relating to the Group's international business as the Group enjoys all the main competitive advantages in France, i.e., the density of its network, strong competitive position and the full range of its expertise. The Group intends to

improve its margins outside France by consolidating its networks and deploying its expertise internationally, especially in Europe where the Group maintained EBITDA margins of 23.0% for 2010, 21.1% for 2011, 21.2% for 2012 and 23.2% for 2013.

The following chart illustrates the evolution of the EBITDA margin in France from 2010 to 2013:

EBITDA margin evolution in France between 2010 and 2013
(€ million / %)



6.3.5 Sound capacity to generate cash and a business model ensuring predictability to some extent

Year after year the Group has demonstrated its ability to increase revenue, profit margins and its EBITDA-to-cash conversion ratio.

The Group's EBITDA margin for the year ended December 31, 2013 stood at 32.7%. Capital expenditure for plant, property and equipment, which is managed at Group level, amounts to about 7% of the annual revenue of the Group, while textile purchases account for about 10% of the Group's annual revenue. Assuming this percentage of textile purchases, and stripping out fluctuations in the need for working capital, free cash flow totals about 15% of annual revenue.

The increase in free cash flow in 2012 and 2013 is accounted for by EBITDA growth and the decrease in textile purchases.

Moreover, cash flow generation has made it possible to reduce the Group's adjusted net debt-to-EBITDA ratio, which came in at 5.2x, 5.2x and 5.0x, respectively, at December 31, 2011, 2012 and 2013.

Lastly, the Group intends to repay and refinance some of its loans once the Company's shares are listed on the Euronext exchange in Paris.

6.3.6 Committed organization focused on growth and operational excellence

The Group is managed by a team of eight members of the Executive Committee, members with many years of experience in flat linen, workwear and HWB appliance services. The members of the Executive Committee also have considerable operational experience since half of them have managed a processing center. This team has built a strong corporate culture in the Group that is firmly based on:

- Well-staffed teams of local operational managers, whose average seniority is more than 11 years and the majority of whom have been promoted internally. These teams regularly report their center's results to the Executive Committee, in particular every month as part of their performance review meeting. The local operational managers are supported by highly skilled employees with proven expertise.

- A commitment to professional development and safety underpinned by standardized training programs (such as the F.E.D. Elis, Young Talent programs, and a program dedicated to young Spanish engineers – for more information, please refer to section 17.1.3 – "*Training*" of this *document de base*), skills recognition and the promotion of best safety and health practice, to provide an attractive work environment and ensure a high employee retention rate. Professional mobility of Group managers is also encouraged. For instance, 10% of managers had such an experience in 2013.

Under the leadership of this experienced team, the Group's revenue and earnings have grown steadily — both organically and through the successful integration of numerous acquisitions — margins have increased in all end markets, and the Group has implemented cash management and control procedures that help ensure strong cash flow and a solid and stable financial situation.

The Group believes that its management team's experience and industry knowledge, together with the skills and responsiveness of local operational teams, are fundamental to the successful execution of its strategy.

6.4 THE GROUP'S STRATEGY

This section presents the key components of the Group's strategy.

6.4.1 Consolidating its positions through organic growth and acquisitions

The Group's objective, in every country where it operates, is to continue to grow its business both organically and through acquisitions by leveraging the competitive advantages described in section 6.3 – "*Competitive strengths and advantages*" of this *document de base*.

The Group's strategy outside France is to consolidate its market share and geographic coverage in each country and deploy its expertise to become the market leader in every one of them (see section 9.1.2.2 – "*Acquisitions*" of this *document de base*).

Switzerland offers a good example of this strategy. After entering the Swiss market in 2010, the Group swiftly became the market leader in western Switzerland, by making various acquisitions and transferring Group expertise to them. By 2013 the Group had become the country's second-largest supplier of flat linen, workwear and HWB appliance services, with 11 processing centers and an EBITDA margin of 28%.

6.4.2 Developing the Group's businesses in Brazil

The Group had been studying the Brazilian market since 2010. After setting up a sales office in Brazil in 2012, the Group became the country's market leader in 2014 thanks to the acquisition of Atmosfera in February. Since then the Group has strengthened its leadership position with the acquisition of Santa Clara and L'Acqua, in the cities of Belo Horizonte and Curitiba, thereby taking part in the consolidation trend witnessed in this country. The Group has also begun to transfer its sales and operational expertise to its Brazilian subsidiaries to strengthen their market positions and raise their profit margins, and management has set a high growth target for the Group's workwear rental and laundry services business, as it boasts excellent upside potential.

With a population of about 200 million and a large manufacturing sector (particularly in food-processing, automobiles and pharmaceuticals), Brazil is a very promising market for the Group's business, especially considering the tremendous potential for outsourcing flat linen and workwear services in various sectors. The Group estimates that at the current stage of the market's development, sales of flat linen, workwear and HWB appliance services in Brazil totaled only about €0.9 billion in revenue in 2013, whereas sales in the

French market totaled €2 billion in revenue that year. Customers in Brazil are essentially hospitals, hotels and industrial sector companies. Although many employees wear a uniform, the outsourcing of workwear rental and laundry services is still relatively uncommon. Considering the current size of the French and Brazilian markets for flat linen, workwear and HWB appliance services, relative to each country's land area, population and economic situation, the Group believes that Brazil offers considerable growth potential for flat linen, workwear and HWB appliance services.

The Group is targeting double-digit growth in Brazil, especially for its workwear rental and laundry services business, through the reinforcement of its leading position on the Brazilian market.

Brazil may also serve as a future platform for expansion into other South American countries.

6.4.3 Continuing to improve the Group's operational excellence

The Group plans to continue increasing its profit margins and improving its operational excellence, by controlling costs, deploying its expertise to all centers, pursuing its projects to increase productivity and taking advantage of the economies of scale made possible by its dense network of processing and dispatching centers. To achieve these goals the Group will leverage its marketing, sales, operational and logistics expertise as well as its large size. The latter, in particular, enables it to order large volumes of textiles and other consumables (such as laundry products) and purchase them at the lowest possible price.

The Group intends to press ahead with its policy of systematically striving to improve productivity and operational excellence. Its engineering department, composed of some fifty engineers and technicians with an average of five to six years of service with the Group, plays a key role in this respect. This department's mission is to improve the productivity of the Group's processing and dispatching centers and the allocation of resources throughout the Group. To achieve these objectives, it is conducting various projects, such as the *Perf'équipement* project, which involves deploying new systems that enable computerized monitoring of the performance of the Group's equipment and will allow the Group's Overall Productivity Rate in the Group's processing centers to improve. The Gest'Elis project to organize work stations more efficiently as well as best practice rules the disseminated in the Group's processing and dispatching centers have resulted in an improvement in productivity (see section 9.1.2.7 – "*Operational efficiency*" of this *document de base*). The Group also applies this strategy when integrating a recently acquired entity. For example, by adopting the Group-wide supplier contract terms and best practice rules, InoTex (acquired in 2013) has reduced its procurement costs by around €390,000 in 2013. Furthermore, implementing laundry best practices at Blanchâtel (acquired in 2011 by the Group) and Lavotel's Nyon plant (this company was acquired in 2010), led to cost savings of around €58,000 and €75,000, respectively, in 2013. The Group has, moreover, taken other steps to increase productivity and cut costs, for example by reducing its consumption of water (for example, by reusing hotel linen laundry water to wash restaurant linen, which allowed for instance to decrease the water consumption of the processing center in Nice by 24%), of laundry products and of energy (by systematically using steam traps, for example), and also by optimizing washing programs to extend the service life of its flat linen and workwear.

The Group's contracts with suppliers are generally relatively short-term (one year) and are not automatically renewed. This enables the Group to respond swiftly to changes in textile and other commodity prices. The Group currently sources flat linen items in France, Turkey, Egypt, India and Pakistan, and is looking for sourcing opportunities in Central Africa and the Balkans. The Group usually sources its workwear in Laos, Madagascar and Mauritius. If, however, it needs a particular textile item urgently it may prefer a "near sourcing" solution and turn to a supplier closer to one of its sites, for example in Morocco, Tunisia or Bulgaria. The Group is also examining the possibility of sourcing workwear in Central Africa. The diversity of its supply sources generally enables it to avoid a disruption in its supply chain if a given supplier is unable to honor a contract.

Lastly, the Group's "5-star" program aimed at improving the quality of customer service also helps it enhance its operational excellence. The program's objective is to ensure that all employees are committed to five things — (i) making sure that customers are completely satisfied with the services they provide; (ii) providing service that meets customers' expectations; (iii) providing more personalized service by getting closer to customers; (iv) responding rapidly and effectively to customer needs; (v) and being proactive and proposing solutions.

6.4.4 Introducing new products and services at limited marginal cost

The Group intends to continue developing new products and services that offer high margins and growth potential, by leveraging its current network of processing and dispatching centers and its multi-service business model, which enables the Group to provide its products and services via a single Field Agent and a van. This means that the Group can generally introduce new products and services at a low marginal cost (such as its 3D Pest Control service).

The Group's new products and services are either:

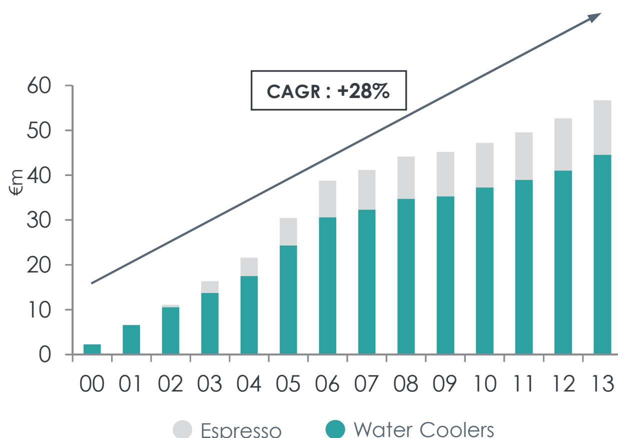
a) developed from existing products and services, such as:

- in 2013-2014, its Epifusion, Epishine and Epishock workwear collections (see section 6.2.2.2(c) – "*Specific market trends in France – Industry*" of this *document de base*);

- in 2011, its Pop'Art workwear collections (see section 6.2.2.2(b) – "*Specific market trends in France – Healthcare*" of this *document de base*);

- in 2009, its sparkling water fountains, to complement its offering of still water fountains.

b) completely new, such as the beverage equipment rental and maintenance service introduced in the 2000s, something that was considered as very innovative by the Group at the time. The chart below shows the revenue growth for this business.



For instance, the Group has also recently launched the following services:

- in January 2013, its 3D Pest Control service, which is growing at the same pace as its beverage service. The Group has set up a sales force dedicated to the 3D Pest Control service for the first two years following the launch of this service at a European level. In France and Portugal, the 3D Pest Control benefited from a very good initial performance;

- in 2007, its infectious Healthcare waste (DASRI) collection service; and

- in 2005, its clothing laundry service for nursing home residents.

The Group is also studying the forthcoming launch of the following products:

- a fire prevention service (extinguishers and smoke detectors), in a fast growing market the Group believes weighed around €3 billion in France in 2013, in particular because of more stringent regulations with the obligation to equip homes and apartments with smoke detectors. This service would be a good fit for the Group's operations insofar as the fire prevention market is very

fragmented and synergies are possible with the 3D Pest Control service. The Group believes that customers purchasing renewal material account for 70% of the business of companies which specialize in this field.

- a laundry service for retail customers. The Group's operations would then be widened to a substantial new customer base. The Group's current operating resources would then be used to provide the launderette service.

The Group is seeking to develop new and complementary products and services that it will be able to sell to a significant share of its current customer base on a regular basis. To do this the Group will rely on its network of some 2,500 Field Agents, as one of their tasks is to promote complementary products and services to its current customers (see section 6.6.1 – "*Sales*" of this *document de base*). The Group also operates a laboratory to test and develop new items of workwear and personal protective equipment in particular.

The Group also benefits from the expertise developed in-house by Kennedy Hygiene Products, its subsidiary that designs and makes sanitary appliances. Kennedy Hygiene Products has a dedicated R&D department that works closely with the Group's own teams to design products that meet its customers' specific requirements. This enables the Group to diversify the range of products it provides in the context of its HWB appliance rental and maintenance services.

6.5 DETAILED DESCRIPTION OF MAIN BUSINESSES

The Group has four operating segments: (i) France, (ii) Europe and (iii) Brazil — where the Group provides its flat linen, workwear and HWB appliance services to customers in the Hospitality, Healthcare, Industry, and (iv) Trade and Services end markets — and its manufacturing business operated by two "manufacturing entities," its subsidiaries Le Jacquard Français and Kennedy Hygiene Products.

6.5.1 The Group's operating segments

The table below shows the annual consolidated revenue for the year ended December 31, 2013, for each of the operating segments (except for Brazil) and end markets and the percentage this revenue weighs in the Group's total consolidated revenue.

Country or region	Consolidated revenue for the year ended December 31, 2013 (millions of euros)	Percentage of total consolidated revenue for the year ended December 31, 2013	Consolidated revenue for the six-month period ended June 30, 2014 (millions of euros)	Percentage of total consolidated revenue for the six-month period ended June 30, 2014
France	**941.9**	**76.9%**	**468.0**	**72.6%**
Hospitality	282.5	23.1%	136.5	21.2%
Healthcare	144.7	11.8%	76.1	11.8%
Industry	187.7	15.3%	93.3	14.5%
Trade and Services	340.5	27.8%	170.2	26.4%
Sundry	(13.4)	(1.1%)	(8.1)	(1.3%)
Europe	**260.1**	**21.2%**	**131.9**	**20.5%**
Germany	41.7	3.4%	20.9	3.2%
Belgium-Luxembourg	32.3	2.6%	15.0	2.3%
Spain-Andorra	51.1	4.2%	28.0	4.3%
Italy	24.7	2.0%	13.0	2.0%
Portugal	37.0	3.0%	18.3	2.8%
Switzerland	72.0	5.9%	35.9	5.6%
Czech Republic	1.2	0.1%	0.7	0.1%
Brazil	–	–	36.2	**5.6%**
Manufacturing entities	**23.4***	**1.9%**	**8.2***	**1.3%**
TOTAL	**1,225.4**	**100%**	**644.3**	**100%**

* After intercompany eliminations.

At June 30, 2014, the Group operated a vast network of 96 processing centers, 160 dispatching centers (64 of which are independent) and 13 "ultra-clean" centers. For the six-month period ended June 30, 2014, the Group employed some 18,500 staff members in the ten main countries where it operates, including 11,640 in France, 3,400 elsewhere in Europe and 3,400 in Brazil.

6.5.1.1 France

In France, which accounted for 76.9% of the consolidated revenue generated for the year ended December 31, 2013, it serves customers in all four end markets: Hospitality, Healthcare, Industry, and Trade and Services. These markets accounted for 23.1%, 11.8%, 15.3% and 27.8%, respectively, of the consolidated revenue generated by the Group for the year ended December 31, 2013. To meet the needs of its approximately 182,000 customers in France, the Group employed on average around 11,800 staff members in France, including 1,700 Field Agents in the six-month period ended June 30, 2014. The Group operated a fleet of 1,494 vans and 755 trucks in France at June 30, 2014.

(a) Hospitality

The Group's customers in the Hospitality end market in France include hotels (both chains and independents) and restaurants.

The Group adapts its services to the size and rating (number of stars) of the hotels and restaurants it serves, both in terms of the quality of the linen provided (i.e., the fabric quality, the size of linen items and the number per room) and the frequency of delivery (either daily or weekly). In the largest hotels, the Group has an on-site "linen agent" whose job is to manage the linen function and coordinate services with one of the Group's processing centers to ensure that all of the hotel's linen requirements are met.

In France, the Group provides its customers in the Hospitality end market with a full range of bedroom linen (bed sheets, duvet covers and pillow cases), restaurant linen (tablecloths and napkins) and bathroom linen (towels, washcloths, bath robes and bath mats). The Group recently launched a new range of high-end bathroom linen for high-end hotel chains and luxury hotels. Furthermore, believing that more and more hotels are using duvets (*circa* 17% in January 2009 as opposed to *circa* 57% in January 2014), the Group has launched innovative new services such as its "Duo" offering in 2011, which enables small- and medium-size hotels to rent both a duvet and a duvet cover at a single price (see section 6.3.2 – "*An efficient platform to capitalize on multiple organic growth opportunities*" of this *document de base*). According to the Group, more than half of Duo contracts are signed with new customers and the price per unit of duvet covers is twice as high as for conventional bed linen[8]. The Group can also provide these customers with workwear for their employees in direct contact with customers and for their kitchen and cleaning personnel.

To a lesser extent, the Group also rents HWB appliances to some customers in the Hospitality end market and supplies them with the necessary consumables. Some hotel customers also use the Group's 3D Pest Control services to treat bed bugs.

For more information on the Hospitality end market in France see sections 6.2.1 – "*Market overview*" and 6.2.2.2(a) – "*Specific market trends in France – Hospitality*" of this *document de base*.

(b) Healthcare

The Group's customers in the Healthcare end market in France are mainly public hospitals, private clinics and nursing homes.

In France, the Group provides its customers in the Healthcare end market with a full range of the flat line items normally found in public hospitals, private clinics and nursing homes. The Group recently succeeded in creating a range of duvet covers capable of meeting the medical and sanitary requirements of its Healthcare customers and it can also offer them other services, such as its Pop'Art collection of workwear

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[8] On the basis of average prices practised in Europe for the 5 most widely sold duvet covers and bed linen.

introduced in 2011. (see section 6.2.2.2.(b) – "*Specific market trends in France – Healthcare*" of this *document de base*.

For more information on the Healthcare end market in France see sections 6.2.1 – "*Market overview*" and 6.2.2.2(b) – "*Specific market trends in France – Healthcare*" of this *document de base*.

(c) Industry

The Industry end market includes the primary industry and manufacturing sectors and the construction industry (including public works). The Group mainly serves customers in the "dirty industries" as classified by INSEE, the French national statistics agency (e.g. machine construction, oil, automobile, aeronautic, construction and public works) and in some "clean industries," such as high-technology, fine chemicals, pharmaceuticals and food-processing.

In France, the Group provides its customers in the Industry end market with several types of workwear, including (i) standard workwear (i.e., trousers, shirts, uniforms and jackets), (ii) personal protective equipment (which protect against hazardous materials or extreme temperatures or ensure visibility) and (iii) workwear for ultra-clean environments.

For more information on the Industry end market in France see sections 6.2.1 – "*Market overview*" and 6.2.2.2(c) – "*Specific market trends in France – Industry*" of this *document de base*.

(d) Trade and Services

The Trade and Services end market, which consists mainly of customers in (i) the retail sector (supermarkets and shops) and the services sector (customer-facing services, cleaning companies, independent professionals and head offices) and (ii) the government and municipal services sector.

In France, the Group provides its customers in the Trade and Services end market with a full range of workwear rental and laundry services (traditional workwear and aprons) and HWB appliance services, such as equipment and consumables for washrooms, water fountains and coffee machines, which use espresso and decaffeinated coffee pads purchased from Malongo, a French coffee supplier. The Group also provides its Trade and Services customers with dust mats which they can customize on a website the Group specifically set up for this purpose, or which are made of recycled materials. Since January 2013 the Group can also provide these customers with 3D Pest Control services that include the extermination of insects and rodents, long-term preventive treatment and one-off services.

For more information on the Trade and Services end market in France see sections 6.2.1 – "*Market overview*" and 6.2.2.2(d) – "*Specific market trends in France – Trade and Services*" of this *document de base*.

6.5.1.2 Europe

The Group posted consolidated revenue of €260.1 million in Europe for the year ended December 31, 2013 (or 21.2% of the Group's total consolidated revenue for that year) and €131.9 million in consolidated revenue for the six-month period ended June 30, 2014 (or 20.5% of the Group's total consolidated revenue for that period).

(a) Switzerland

The Group has been operating in Switzerland since 2001, when the Group set up an ultra-clean workwear services center. In 2010 the Group grew rapidly by acquiring Lavotel and then consolidated its position by making seven acquisitions — Papritz and the Swiss operations of the Blycolin group in 2010, Blanchâtel and Blanchinet in 2011, Domeisen in 2012 and InoTex and Kunz in 2013. They have made the Group into the country's number two provider of flat linen, workwear and HWB appliance services by revenue. The Group's main competitors in Switzerland are CWS-boco and Bardusch.

Switzerland accounted for 5.9% and 5.6%, respectively, of the Group's consolidated revenue for the year ended December 31, 2013 and for the six-month period ended June 30, 2014. The Group provides the full range of its flat linen, workwear (especially ultra-clean workwear) and HWB appliance services to its customers in this country, mainly in the Hospitality, Healthcare and Industry end markets (see section 6.2.2.3 – "*Specific market trends in other European countries*" of this *document de base*).

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Switzerland for the year ended December 31, 2013.

	YEAR ENDED DECEMBER 31, 2013				
	Flat linen	Workwear	HWB	Other	TOTAL
Consolidated revenue in Switzerland (millions of euros)	48.6	18.7	0.2	4.5	72.0
Percentage of total consolidated revenue in Switzerland	67.5%	26.0%	0.3%	6.2%	100%

The Group operates 11 processing centers and one ultra-clean processing center using its "industrial" model and employs around 560 staff members, including 75 Field Agents, to meet the needs of its close to 2,030 customers in Switzerland. It estimates that its processing centers in Switzerland process up to 524 tons of flat linen and 253,000 items of workwear a week. At June 30, 2014, the Group's vehicle fleet in Switzerland consisted of 28 vans and 46 trucks.

(b) Spain-Andorra

The Group has been operating in Spain-Andorra since 1973, and after making 6 acquisitions in the past 6 years, it has become the number three provider of flat linen, workwear and HWB appliance services in Spain-Andorra in terms of annual revenue. The recent economic crisis in these two countries has adversely affected the Group's business in these countries, especially with respect to its "small customers." In response to this situation, in 2012 and 2013 the Group launched an operational development plan that involved closing two unprofitable processing centers, reorganizing the logistics system, and lowering the wages of some employees or increasing the number of hours worked depending on their category. During this time the Group consolidated its position in the Spanish market by acquiring Azelab and the Spanish operations of the Blycolin group in 2011, and in 2013 some of the Reig Marti group's business and the Diana brand. Economic conditions in Spain-Andorra have recently improved. The Group's main competitors in Spain-Andorra are Indusal and Flisa.

Spain-Andorra together accounted for 4.2% and 4.3%, respectively, of the Group's consolidated revenue for the year ended December 31, 2013, and for the six-month period ended June 30, 2014. In these countries the Group provides its full range of flat linen, workwear and HWB appliance services, mainly to customers in the Hospitality end market (independent hotels and restaurants, or chain hotels such as Hilton, paradores or NH in continental Spain and the Balearic Islands) and in the Trade and Services end market (see section 6.2.2.3 – "*Specific market trends in other European countries*" of this *document de base*).

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Spain-Andorra for the year ended December 31, 2013.

	YEAR ENDED DECEMBER 31, 2013				
	Flat linen	Workwear	HWB	Other	TOTAL
Consolidated revenue in Spain-Andorra (millions of euros)	31.2	12.9	7.1	- 0.1	51.1
Percentage of consolidated revenue in Spain-Andorra	61.1%	25.2%	13.8%	- 0.1%	100%

The Group operates eight processing centers, five dispatching centers and two ultra-clean centers using its "Tribu" model and employs about 830 staff members, including 143 Field Agents, to meet the needs of its close to 7,300 customers in Spain-Andorra. The Group estimates that its processing centers in Spain

process up to 767 tons of flat linen and 139,000 items of workwear a week. At June 30, 2014, the Group operated a fleet of 119 vans in Spain-Andorra.

(c) Germany

The Group entered the German market in 1987-1990 and became a niche market player in textile and HWB appliance services for medium-size hotels and restaurants. On January 14, 2013 the Group acquired Cleantex Potsdam Textilpflege GmbH, which operated a processing center in Potsdam. The Group's main competitors in Germany (in particular in the workwear rental and laundry services and the Healthcare end market) are CWS-boco, Mewa, DBL Steyer and Bardusch.

Germany accounted for 3.4% and 3.2% of the Group's consolidated revenue respectively for the year ended December 31, 2013 and for the six-month period ended June 30, 2014. The Group provides a full range of flat linen, workwear and HWB appliance services to its German customers, mainly in the Hospitality end market (see section 6.2.2.3 – "*Specific market trends in other European countries*" of this *document de base*).

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Germany for the year ended December 31, 2013.

	YEAR ENDED DECEMBER 31, 2013				
	Flat linen	**Workwear**	**HWB**	**Other**	**TOTAL**
Consolidated revenue in Germany (millions of euros)	36.2	4.2	1.4	- 0.1	41.7
Percentage of consolidated revenue in Germany	86.8%	10.1%	3.4%	- 0.1%	100%

The Group operates six processing and services centers and employs 670 staff members, including 109 Field Agents, to serve its close to 3,500 customers in Germany**.** In 2013 the Group acquired a processing center in Potsdam. The Group estimates that its processing centers in Germany handle about 837 tons of flat linen and 100,000 items of workwear a week. On June 30, 2014, the Group's vehicle fleet in Germany consisted of 19 vans and 65 trucks.

(d) Portugal

The Group entered the Portuguese market in 1987-1990 and after acquiring the Portuguese branch of the Blycolin group in 2011 has become one of the country's leading providers of flat linen, workwear and HWB appliance services. The Group intends to focus on organic investments such as the investment in the center of Algoz (Algarve) in 2011. The recent economic crisis in Portugal has adversely affected business with the Group's "small customers" in this country. Economic conditions in Portugal have recently improved. SUCH and Serlima are the Group's main competitors in Portugal.

Portugal accounted for 3.0% and 2.8% of the Group's consolidated revenue respectively for the year ended December 31, 2013 and for the six-month period ended June 30, 2014. The Group provides a full range of flat linen, workwear and HWB appliance services to its Portuguese customers, mainly in the Hospitality, Industry, and Trade and Services end markets (see section 6.2.2.3 – "*Specific market trends in other European countries*" of this *document de base*).

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Portugal for the year ended December 31, 2013:

	YEAR ENDED DECEMBER 31, 2013				
	Flat linen	**Workwear**	**HWB**	**Other**	**TOTAL**
Consolidated revenue in Portugal (millions of euros)	13.7	4.7	18.5	0.1	37.0
Percentage of consolidated revenue in Portugal	37.0%	12.7%	49.9%	0.4%	100%

The Group operates three processing centers and six dispatching centers using its "Tribu" model and employs about 700 staff members, including 140 Field Agents, to serve its close to 15,300 customers in Portugal. The Group estimates that its processing centers in Portugal handle up to 430 tons of flat linen and 78,000 items of workwear a week. On June 30, 2014, its vehicle fleet in Portugal consisted of 122 vans and 6 trucks.

(e) Belgium-Luxembourg

The Group entered the Belgian and Luxembourg markets in 1973 and 1994 respectively and over the years has become one of the leading providers of flat linen and workwear services in both countries. The acquisition of some of ISS's washroom services business in 2012 enabled the Group to develop its HWB appliance services business in Belgium-Luxembourg. The Group's main competitors in Belgium-Luxembourg are Rentokil Initial, Cleanlease Fortex and Sterima Vanguard.

Belgium and Luxembourg together accounted for 2.6% and 2.3%, respectively, of the Group's consolidated revenue for the year ended December 31, 2013 and for the six-month period ended June 30, 2014. In these countries the Group provides a full range of flat linen services, workwear services (especially ultra-clean workwear services) and HWB appliance services, mainly to customers in the Industry, and Trade and Services end markets (see section 6.2.2.3 – "*Specific market trends in other European countries*" of this *document de base*).

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Belgium-Luxembourg for the year ended December 31, 2013:

	YEAR ENDED DECEMBER 31, 2013				
	Flat linen	**Workwear**	**HWB**	**Other**	**TOTAL**
Consolidated revenue in Belgium-Luxembourg (millions of euros)	1.2	16.7	15.0	- 0.6	32.3
Percentage of consolidated revenue in Belgium-Luxembourg	3.7%	51.7%	46.4%	- 1.8%	100%

The Group operates one processing center, four dispatching centers and one ultra-clean center using its "Tribu" model and employs about 300 staff members, including 98 Field Agents to serve its close to 7,070 customers in Belgium-Luxembourg. The Group estimates that its facilities in Belgium-Luxembourg handle about 86,000 items of workwear a week. On June 30, 2014, its vehicle fleet in Belgium-Luxembourg consisted of 75 vans and 17 trucks.

(f) Italy

The Group came to Italy in 1999 and over the years has become a niche market player in the workwear and HWB appliance services market. Its acquisition of AF System in 2010 has given it a foothold in the pest control market. The Group intends to focus on a Turin-Milan-Rome axis and take advantage of the recent economic upturn in Italy to step up its growth in workwear and sell more complementary services to its current customer base. During the country's recent recession that adversely affected the Group's business with "small customers," the Group brought wages and costs under strict control by not exceeding the minimum wages allowed under collective bargaining agreements. The Group's main competitors in Italy are Alsco, CWS-boco and Servizitalia.

Italy accounted for 2.0% of the Group's consolidated revenue for the year ended December 31, 2013 and for the six-month period ended June 30, 2014. The Group provides a full range of flat linen, workwear and HWB appliance services to its Italian customers, mainly in the Healthcare, Industry and Trade and Services end markets (see section 6.2.2.3 – "*Specific market trends in other European countries*" of this *document de base*).

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Italy for the year ended December 31, 2013:

	YEAR ENDED DECEMBER 31, 2013				
	Flat linen	**Workwear**	**HWB**	**Other**	**TOTAL**
Consolidated revenue in Italy (millions of euros)	4.9	10.4	9.3	0.1	24.7
Percentage of consolidated revenue in Italy	19.8%	42.1%	37.7%	0.4%	100%

The Group operates two processing centers, three dispatching centers and one ultra-clean center using its "Tribu" model and employs about 270 staff members, including 72 Field Agents to serve its close to 4,700 customers in Italy. The Group estimates that its processing centers in Italy handle about 102 tons of flat linen and 108,000 items of workwear a week. On June 30, 2014, its vehicle fleet in Italy consisted of 41 vans and 11 trucks.

(g) Czech Republic

The Czech Republic accounted for 0.1% of the consolidated revenue generated by the Group for the year ended December 31, 2013 and for the six-month period ended June 30, 2014. In this country the Group provides ultra-clean workwear rental and laundry services exclusively, mainly to customers in the Industry end market in the Czech Republic, Hungary and Germany.

The Group has one ultra-clean center in the Czech Republic and at June 30, 2014 operated a fleet of 3 vans and 2 trucks.

6.5.1.3 Brazil

After opening a sales office in São Paulo in December 2012, the Group acquired the Atmosfera group in February 2014 (see section 5.1.5 – "*Key events in the Group's development*" of this *document de base*) and SC Lavanderia LTDA-EPP, which operates under the "Santa Clara" brand and L'Acqua, in June and July 2014. The Group plans to rapidly increase productivity in Brazil by deploying its operational expertise.

Brazil accounted for 5.6% of the consolidated revenue generated by the Group for the six-month period ended June 30, 2014. In this country the Group provides its flat linen and workwear rental and laundry services, mainly to the Hotel end market (especially to large international and national hotel chains), the Healthcare end market and the Industry end market (mainly food, automotive, pharmaceutical and petrochemical companies).

These end markets accounted for 14%, 59% and 27%, respectively, of the revenue generated in Brazil, on the basis of the consolidated revenue generated by the Group during the six-month period ended June 30, 2014. The Group's main competitors in Brazil in terms of revenue are Alsco and Lave Bras as well as JPA in the Healthcare end market and Maxlav and Teclave in the Industry end market. The Group is a market leader in Brazil (with *circa* 11% market share), in particular in the Healthcare (*circa* 16% market share) and Hospitality (*circa* 16% market share) end markets and is a major player in the Industry end market (*circa* 7% market share).

The Group operates nine processing and dispatching centers and one ultra-clean center and employs about 3,400 staff members, including around 200 Field Agents, to serve its close to 3,300 customers in Brazil. The Group estimates that its processing centers in Brazil handle around 1,543 tons of flat linen and 174,000 items of workwear a week. On June 30, 2014 the Group operated a fleet of 33 vans and 75 trucks.

The Atmosfera group's integration within the Group is ongoing and focuses on industrial upgrade, sales efforts and customer satisfaction. The Group is also planning to increase capital expenditure in order to improve the rental and laundry services (as opposed to the laundry services only, which do not require the

Group to purchase linen) and to honor significant contracts for workwear rental and laundry services that were recently signed.

6.5.1.4 Manufacturing entities

In addition to providing services to customers in the Hospitality, Healthcare, Industry, and Trade and Services end markets, the Group also has a manufacturing business that involves the operation of two manufacturing entities, Le Jacquard Français and Kennedy Hygiene Products, each of which has its own plant.

These manufacturing entities together generated consolidated revenue of respectively €23.4 million and €8.2 million for the year ended December 31, 2013 and for the six-month period ended June 30, 2014 (after intercompany eliminations), which is 1.9% and 1.3% of the consolidated revenue generated by the Group respectively for each of these periods. For the year ended December 31, 2013 the manufacturing entities obtained over half of their revenue from customers outside the Group.

The Group's manufacturing entities are strategically important since they provide the Purchasing and Sourcing department with expert advice that is useful when negotiating textile and HWB purchases. They also strengthen the supply chain and secure access to high-end products. Likewise, with its multi-services business model the Group can provide Jacquard Français and Kennedy Hygiene Products with precious information about their customers' requirements.

In keeping with its basic strategy of focusing on its core business, the Group sold Molinel on April 15, 2013. This company designs and sells workwear in France and posted consolidated revenue of €25.5 million for the year ended December 31, 2012 (after intercompany eliminations).

(a) Le Jacquard Français

Le Jacquard Français, acquired in 1968 by the Group, manufactures high-end flat linen and damask linen products and has a weaving plant in Gérardmer, in the Vosges mountains in Eastern France, and its own sales, marketing and distribution departments.

Le Jacquard Français mainly sells its products to consumers and through third parties, i.e., department stores, shops, private sales websites and specialist boutiques. Le Jacquard Français also has four shops, including two in Paris. The Group plans to develop sales of Le Jacquard Français products outside of France. As of the date of this *document de base*, Le Jacquard Français exports its products to 50 countries.

Le Jacquard Français' consolidated revenue was €13.9 million for the year ended December 31, 2010 and €11.6 million for the year ended December 31, 2013 (after intercompany eliminations).

Le Jacquard Français enables the Group to customize the high-end flat linen and damask linen products the Group supplies to its customers and, therefore, to propose tailor-made service to 4- and 5-star hotels and high-end restaurants. Under a licensing agreement with Le Jacquard Français the Group can also provide hotels and restaurants with flat linen products that bear the "Le Jacquard Français" label.

Le Jacquard Français generated 49.6% and 63.4%, respectively, of the Group's consolidated manufacturing business revenue for the year ended December 31, 2013 and for the six-month period ended June 30, 2014, or €11.6 million and €5.2 million respectively (after intercompany eliminations).

(b) Kennedy Hygiene Products

Kennedy Hygiene Products, acquired in 1987, is one of Europe's leading designers and manufacturers of washroom appliances, such as cotton and paper towel dispensers, no-touch hand dryers, soap and toilet paper dispensers, feminine hygiene disposal bins and fragrance dispensers.

Kennedy Hygiene Products has a plant in the United Kingdom. Although it has its own sales, marketing and distribution departments, its R&D department works closely with the Group's marketing team to

design products that meet its customers' specific requirements. As of the date of this *document de base*, Kennedy Hygiene Products exports its products to approximately 44 countries.

Kennedy Hygiene Products' consolidated revenue was €6.3 million for the year ended December 31, 2010 and €6.4 million for the year ended December 31, 2013 (after intercompany eliminations).

Kennedy Hygiene Products enables the Group to make products that meet the particular needs and desires of its customers (including some of the Group's competitors), and to adapt its washroom appliances in accordance with the information obtained from Kennedy Hygiene Products' customers. Some of Kennedy Hygiene Products' customers are competitors of the Group.

Kennedy Hygiene Products generated 27.4% and 36.6%, respectively, of the Group's consolidated manufacturing business revenue for the year ended December 31, 2013 and for the six-month period ended June 30, 2014, or €6.4 million and €3.0 million respectively (after intercompany eliminations).

6.5.2 IT systems

The Group uses a variety of IT systems to schedule, execute, monitor and invoice its services as well as keep track of costs, communicate with customers, manage staff and monitor performance. To ensure high-quality customer service, its IT systems must operate effectively and continuously. These systems, for example, enable the Group to keep track of workwear from the time it places a purchase order with its supplier, and subsequently customization in Group workshops, and then monitor workwear delivery to the customer, collection, cleaning and return to the customer over the full term of the contract. Any problem with these systems could seriously diminish the quality and speed of service, the initiation of a new contract, or result in delivery or invoicing errors.

In 2012, the Group decided to modernize, enhance and further integrate its IT systems by deploying Microsoft's Outlook 365 e-mail application, Apriso's Flexnet (which monitors the overall productivity rate of the Group's processing centers and enables the Group to improve their performance), SAP's Time and Activity management module, and a CRM prospecting tool that enables sales personnel to access geomarketing data on their tablets. All of these applications and innovations have been successfully deployed in France (and the e-mail solution elsewhere in Europe) and will gradually be deployed in the Group's other countries. In 2013, the Group migrated its financial functions (for France) and purchasing and supply chain functions to SAP and they are currently operational.

The Group has studied in detail and will be testing at a pilot site in the second half of 2014, another project to migrate all functions dealing with customer contract management and customer service execution, monitoring and invoicing (which are currently handled by Galaxie) to SAP. If this test is successful, this new solution will be deployed in all plants and dispatching centers. In light of the project's complexity and the initial results of user tests, the Group is not certain that this project can be completed at a reasonable cost. Although the Group has not yet decided to abandon this project, it is examining the alternative solution of upgrading the current Galaxie system. The selection of one of these two solutions will depend on the results of testing at the pilot site in 2014 or on the final results of the preliminary testing phase prior to this.

If the alternative solution is selected, some of the software developments and parameterizations made for the SAP project will no doubt not be implemented. Accordingly, and in compliance with accounting rules, the corresponding expenditures, which were recognized as "assets in progress," have been impaired and recorded as a non-recurring expense at December 31, 2013, while the fraction of these expenditures made in 2014 has been directly recognized as a non-recurring expense (see sections 9.2.10 – "*Other income and expenses*" and 9.3.10 – "*Other income and expenses*" of this *document de base*).

Regardless of what decision is ultimately taken, starting in 2015 the Group intends to once again invest 1% of its annual consolidated revenue in IT projects.

The Group plans to pursue capital spending on IT systems, in order to obtain the maximum performance and functionality that the deployment of new applications will enable and to keep pace with the evolving

expectations of its customers, for instance with respect to such criteria as traceability, communication and access to information (via a web portal).

6.5.3 Intellectual property

The Group has a large portfolio of trademarks, patents and registered designs that give it a considerable strategic advantage over its competitors. It constantly protects this portfolio.

The Group uses various registered brands, service marks and trade names in its operations. The main brands the Group uses are “Elis” (and the “Elis” logo), “Le Jacquard Français,” “Presto,” “SNDI,” “AD3,” “Magic Rambo” and “Poulard.” Each of these brands is registered, protected and monitored in all of the countries where the Group operates.

The Group owns a portfolio of twelve patents that are valid in over 15 countries. These patents deal with processes involving workwear or the protection of workwear wearers, and with the use of products or the improvement of methods for industrial linen laundering/processing. The Group also has a large portfolio of registered designs that it uses to create workwear (especially personal protective equipment) and table linen. The Group believes that the research and development work it has carried out enables it to conduct its business without depending on patents relating to its business that it does not own.

The Group also licenses patents under two agreements. The first is with Mistral Constructeur and involves two of its patents to manufacture water fountains equipped with a diode system and removable water circuit. The term of this licensing agreement coincides with the remaining periods of validity of these patents, i.e., 20 years as of October 1, 1997 and as of September 4, 1998. The Group also has a licensing agreement with Osmooze for its patented liquid supply system for the Group’s washroom fragrance dispensers. The term of this agreement coincides with the remaining period of this patent’s validity, in other words 20 years as of October 20, 2005.

On July 7, 2014 the Group also signed a one-year contract with A Point Un that begins on September 1, 2014 and is automatically renewable. Under the terms of this contract A Point Un will provide Jacquard Français with table linen and kitchen linen designs for its exclusive use and with the color variations necessary to make a collection from these designs.

6.5.4 AFNOR professional standards

The Group has been granted numerous certifications for its flat linen, workwear and HWB appliance services. These certifications demonstrate its commitment to comply with the highest quality, safety, health and environmental standards. For example, its workwear services (including ultra-clean workwear), water fountains, supplier selection, purchasing, supply chain and distribution processes have been granted ISO 9001 certification from the French certification body AFNOR. These certifications strengthen the Group’s credibility, particularly in the minds of potential customers. Furthermore, AFNOR has granted 13 of the Group’s processing centers that serve customers in the Healthcare end market a RABC certificate (for bio-contamination hazard analysis and control) pursuant to standard NF EN 14065.

When one of the Group’s facilities needs to have its services certified, a certification audit is systematically conducted by a certification body, such as AFNOR. This audit also enables management to assess the knowledge and engagement of employees. It covers the entity’s various functions and the quality of its services, and is based on observed practices.

6.6 SALES AND MARKETING

6.6.1 Sales

The Group’s sales department is in charge of prospecting for new customers, while the service department seeks to sell new services to the Group’s existing customers.

Sales department teams account for two-thirds of the Group’s business growth (in value terms), while the service department accounts for one-third of its growth.

To grow revenue from new customers, the Group employs dedicated sales teams to identify potential new customers, negotiate business terms and sign contracts with customers. There are 3 levels of dedicated sales teams according to the customer's size:

- For Group key accounts, 3 market sales departments (Hospitality, Healthcare & Industry, and Trade and Services) that report to the 2 chief operating officers and are made up of "major account managers" in charge of canvassing "very large" potential customers in the Hospitality, Healthcare, Industry, Trade and Services end markets in every country where the Group operates.

- For new medium-sized customers, every country has customer advisors, who report to a separate sales department at a national level and canvass medium-sized companies (50 employees and more) in every end market in which the Group operates (Hospitality, Healthcare, Industry, and Trade and Services).

- Lastly, new small customers (fewer than 50 employees) are canvassed at a regional level by regional teams of sales representatives who report to their region's general manager. These teams are supervised by a Group sales department.

The Group has around 655 key account managers, sales representatives and customer advisors in Europe, including 490 in France.

To grow revenue from existing customers, the Group has implemented a "Tribu" model, in which teams (so-called "tribes"), all made up of a customer service manager, a sales assistant and from four to five Field Agents, are in charge of ensuring the satisfactory delivery of services as well as developing sales of complementary services to the Group's existing customers (the bonuses paid to Field Agents for such additional sales can double their monthly wage). Three months after a customer has signed a contract with the Group, the "tribe" takes over the management of the customer relationship. Every customer is in contact with a dedicated Field Agent who is their point of contact. This strategy's success is based on the continuity of the relationship forged between the Field Agent and his/her customer, whom he/she generally meets once a week.

The Group also has a call center, located in Villeurbanne, where 21 operators work. The Group's call center conducts customer satisfaction surveys (so-called Satisfelis surveys) and sets appointments for sales representatives, customer advisors and Field Agents in France with potential customers. Every year, the call center (i) handles around 7,000 to 8,000 appointments on outgoing calls (with appointments made on incoming calls, 40% of the call center's activity), (ii) makes over 340,000 calls and (iii) conducts about 38,000 Satisfelis surveys (50% of the call center's activity). 95% of unsatisfied customers are called back within 2 months to check the quality of the manner in which their complaint has been dealt with. Around 10% of the revenue generated by sales teams is accounted for by the call center, with 60% of this revenue due to incoming calls and 40% due to outgoing calls. €298 million of the revenue generated by the Group in the first five months of 2014 came from the call center.

6.6.2 Marketing

The Group steadily invests in its marketing policy, in particular through its Customer Relationship Management (CRM) department, in order to boost sales and enhance the quality of customer relationships, as well as through its Innovation divisions with the objective of improving and widening the product range.

Since 2010 the Group has launched a new logo and rebranded Elis. It has also launched a new website that boasts various online customer services (a customer area that provides customized monitoring of the delivery of a service, access to invoices, etc.). The website is available in five languages (see section 6.5.2 — "*IT Systems*" of this *document de base*).

In order to further increase the Group's brand appeal, its Field Agents now wear new branded workwear that are identical throughout the Group.

Following the change in the Group's visual identity, the appearance of its trucks and vans has also been "revamped."

6.7 CUSTOMERS

6.7.1 Customer base

The Group gives the greatest importance to managing relationships with its customers. At June 30, 2014, the number of the Group's customers was estimated to be in excess of 240,000, with around 182,000 in France, and they broke down between the Hospitality, Healthcare, Industry, and Trade and Services end markets (see section 6.2.1 – "*Market overview*" of this document de base).

The Group's customer base is highly diversified in terms of size, sector and profile. The following table shows how its customer base breaks down in France (excluding AD3) between the categories of very small, small, large and very large customers:

	Bounds (average monthly revenue generated in France during the financial year ended December 31, 2013 – in euros and excluding AD3)		Customers	Contribution to revenue generated in France by the Group during the financial year ended December 31, 2013 (excluding AD3)
Customers	**Lower**	**Higher**	**Headcount**	**%**
Very small	0	85	59,355	3%
Small	85	308	72,563	15%
Large	308	4,311	44,600	47%
Very large	4,311	303,830	2,471	35%

Slightly more than half of the 40 members of the CAC 40 stock market index[9] are customers of the Group. More than two-thirds of its customers are multi-service customers, in other words they use at least two flat linen, workwear and HWB appliance services offered by the Group. Moreover, the Group believes that every customer uses on average around 2.8 services it provides.

None of the Group's customers on its own accounted for more than 2.3% of the consolidated revenue generated by the Group for the year ended December 31, 2013. During the same period, the average size of the contracts of the Group's ten largest customers in the Hospitality, Industry, Trade and Services and Healthcare end markets in France amounted to around €9.5 million, €7.5 million and €1.2 million, respectively. Revenue generated by the Group's ten largest customers in the Hospitality, Industry, Trade and Services and Healthcare end markets in France totaled 7.6%, 6.0% and 1.0%, respectively, of the consolidated revenue posted for the year ended December 31, 2013.

Around 25,000 contracts are signed every year by the Group. Between early 2013 and June 30, 2014, more than a hundred contracts were signed. Each one generated annual revenue in excess of €100,000, and nearly half of them were signed with customers from the Hospitality end market. Moreover, the Group estimates that close to 1.3 million people have its workwear and around 2 million HWB appliances are used by its customers.

Generally speaking, on the basis of surveys and in-house analyses, the Group estimates that around 94% of its customers renew their contracts on expiry (excluding discontinued operations).

6.7.2 Different kinds of contracts

The Group uses four kinds of contracts in its business, namely standard contracts, specific contracts, public market contracts and contracts signed with waste management companies. With its contractual clauses, the Group seeks to cover over the term of the contract the underlying investment made when acquiring various textile and HWB items necessary to put in place the contract.

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9 Stock market index that covers the 40 most representative stocks quoted on the Euronext market in Paris measured by free-float market capitalization and capital traded.

- For its small customers (in terms of revenue), the Group enters into standard contracts. These contracts on average run for around four years, and are renewable by tacit agreement barring early termination by the customer within the required notification period which is generally set at six months.

- The Group can draw up a framework contract or a supplier listing agreement (completed at a local level by agreements signed with the customer's sites that set out the practical terms and conditions of services) with all its large customers (in terms of revenue) or customers operating on several sites. The Group negotiates with every one of its customers the practical aspects of the contract, including in some contracts, the term and the renewal clause. The contracts the Group signs with such customers usually run for three to five years.

- Contracts with public-sector parties are signed by the Group at the end of a publicity procedure that includes a competitive bidding approach (such as a call for tenders). The term of these public markets generally does not exceed four years. When they expire, the public-sector parties must launch a new procedure in compliance with the laws and regulations applicable to the renewal of their services.

- The contracts the Group enter into with waste management companies have some specific features insofar as its relationship with these companies is based on the sub-contracting of operations and these contracts are ancillary contracts to the main contract signed by the waste management company and its own customer. For instance, these contracts can be terminated without any penalties being due if the main contract is terminated.

The initial average term of the Group's customer contracts is four years and these contracts are usually renewed (see section 6.7.1 – "*Customer base*" of this *document de base*).

With the exception of contracts entered into with waste management companies (where the fact that the end customer needs to renew the competitive bidding procedure may have a negative impact on prices), prices in contracts entered into by the Group generally depend on the number of items delivered (for instance, for flat linen services) or on the number of employees wearing the Group's workwear. Moreover, in view of its initial investments, the Group's objective is to make its customers pay for a minimum volume of services, thereby guaranteeing long-term income for the Group. Customer contracts entered into by the Group have to some extent enabled it to maintain its EBITDA margins since 2008. This is because the Group usually manages to pass on increases in its costs to its customers, thanks in particular to price adjustment clauses that are included in contracts (see chapter 9 – "*Operating and financial review*" of this *document de base*).

Furthermore, in certain cases, a customer may terminate a contract entered into for a fixed term at any time upon payment of termination fees (generally equivalent to the contract's residual value calculated on the basis of the term that would have remained had the contract not been terminated), unless the Group has not complied with the terms and conditions of the contract. Its customers are also held, generally speaking, to buy specific or customized textile items (flat linen, workwear and floor mats) they have been provided with by the Group when a contract expires, barring the case of early termination due to the Group being at fault.

6.8 SUPPLIERS

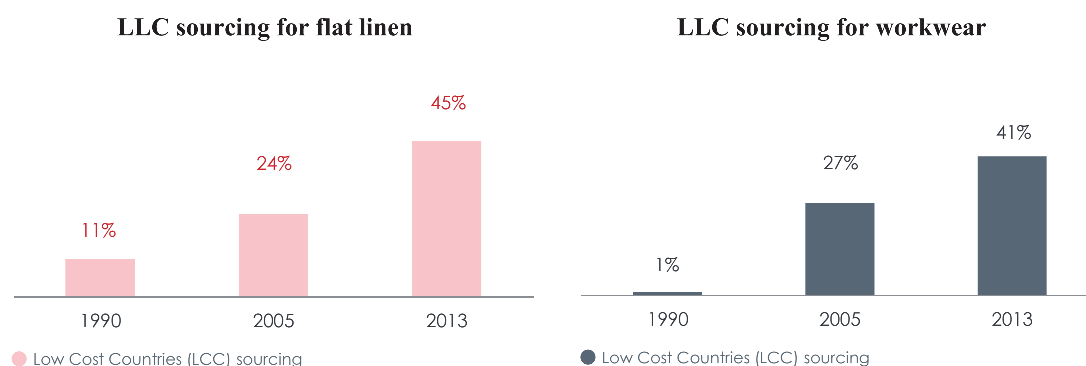
The Group's supplies consist of textiles, HWB appliances, consumables for HWB appliances, water, cleaning products, energy, business expenses and industrial supplies. The Group sources most of its supplies from third-party producers. It has an International Purchasing and Procurement Department that operates in many countries and buys textile items for its flat linen and workwear services according to their cost and their quality.

The Group sources part of its purchases in U.S. dollars and generates its sales in euros, while prices of textile items are related to cotton and polyester prices to a significant extent. In 2011, the year in which the cotton crisis broke out, the Group implemented various targeted measures to curb the impact of its exposure to the volatility of cotton and polyester prices (more sophisticated break down of costs, negotiations covering supplies for six months or a one-off order, utilization of previous inventories, etc.). The Group's

procurement costs in 2013 amounted to around €164 million, including 32% for flat linen, 31% for workwear and 37% for HWB appliances.

At the registration date of this *document de base*, the Group sourced textiles for its flat linen service mainly in France, Turkey, Egypt, India and Pakistan and is currently exploring opportunities for sourcing textiles for its flat linens in Sub-Saharan Africa and the Balkans. The India and Pakistan region is the biggest flat linen supplier of the Group in terms of quantity (61 % of flat linen purchases in 2013). Textile items used for workwear are bought in Laos, Madagascar and Mauritius (low-cost countries sourcing or "LCC sourcing" system) or, especially in the case of an urgent need of textile items, in countries nearer to the Group's sites such as Morocco, Tunisia and Bulgaria (the so-called "near sourcing" procedure).

The following charts show the percentage increase between 1990 and 2013 in the Group's flat linen and workwear purchases via the low cost countries sourcing procedure:



At the registration date of this *document de base*, the Group believes that 99% of its workwear purchases and 90% of its flat linen purchases were completed without any customs rights. Moreover, the Group believes it stands out from its competitors thanks to its know-how that enables it to acquire supplies without needing an intermediary in countries such as Laos, Madagascar or Pakistan.

Taking into account the automation that reduces the gap with countries where labor costs are low and its determination to preserve operating resources nearby that can react swiftly and for which the Group has managed to improve productivity with respect to the Le Jacquard Français manufacturing entity, the Group maintains extensive sourcing in France in two purchasing segments:

- 48% of table linen in terms of costs and 30% of table linen in terms of quantity were purchased in France in 2013(most of which were purchased with Le Jacquard Français manufacturing entity), with an objective of 39% in terms of costs and 36% in terms of quantity for 2014;

- 57% of bed linen in terms of costs and 39% of bed linen in terms of quantity were purchased in France in 2013, with an objective of 61% in terms of costs and 38% in terms of quantity for 2014.

The most commonly used material at the Group is the fabric made available to customers in the linen rental and laundry service. To maximize the life of its fabrics, the Group has a monitoring system in place to track indicators related to fabric management, ensure optimal use of current inventories and manage purchases of new linen. In 2013, head office teams focused mainly on tracking the rate of mending and reuse of fabrics, and on helping centers improve their performance. When a client of the Group decides to change its collection of workwear, the old workwear is reused and rented by the Group. The reuse rate for workwear has constantly increased over the 2010/2013 period (by 13% in 2010, 15% in 2011, 23% in 2012 and 37% in 2013). The Group's engineering department has implemented new information standards in order to increase the reuse rate of textiles and to optimize the size of stored items. An internal "linen exchange" has also been established between the different centers, promoting the exchange of textiles between facilities.

In order to enhance its control of quality, fungibility and costs, the Group makes it compulsory for its manufacturers of workwear to buy materials it has listed and for which it has negotiated terms and conditions.

For its HWB appliances and consumables, the Group primarily uses suppliers in Western Europe. In addition, the Group also requires industrial supplies such as laundry equipment and materials for its processing centers. For the year ended December 31, 2013, its three largest suppliers (excluding its supplier for the upgrade of the Group's computer system) were Total Energie Gaz (for gas), the Alsico Group (for textile items) and SCA Tissue (for paper consumables). The Group believes it does not depend on any supplier. However, Malongo is its only supplier of espresso machines and coffee pods. Likewise, Jensen-Group and Kannegiesser are its only suppliers of tunnel washers, washing machines, dryers, ironers, tunnel finishers and sorters. Similarly, Christeyns and Ecolab are its only suppliers of washing products. At June 30, 2014, the Group had some thirty active and significant suppliers for its flat linen, workwear and HWB appliance services. The Group can swiftly switch from one supplier to another and this enables it to maintain pressure on the prices of goods delivered by its suppliers as well as cope with any industrial or political problem.

Gas, electricity and water are the primary energy sources that the Group uses in its processing centers. It also requires gasoline for its service vehicles. Because the Group operates significant numbers of processing centers, it uses substantial quantities of gas, electricity, washing products and water.

The Group uses sea freight for its imports and makes minimal use of air freight, while it outsources road transportation to third-party logistics providers for its supplies.

The Group operates logistics systems that enable it to conduct automated and high-volume operations with high inventory turnover. The Group is also continuing to strengthen its central purchasing operations and to implement IT purchasing tools, enabling it to monitor the supply chain from the source to delivery at its processing centers. For the past 5 years, the Group's Purchasing and Procurement Department has operated a workshop in Portugal (Gafides) in which workwear is stored and customized. There are 120 staff members employed full-time in this workshop that customizes and ships 20,000 items of workwear to all the Group's European units every day.

The Group's Purchasing and Procurement Department selects suppliers, products and services everywhere in the world who respect people and the environment. Since 2006, the Group's supplier contracts have contained sustainable development guidelines and provided for regular audits. The Group's commitment is detailed in a sustainable purchasing charter included in the purchasing department's ISO 9001/2000 documents and appended to contracts signed with partners. Suppliers that do not have SA 8000 (standard for corporate social responsibility) or ISO 14001 certification (for environmental management systems) (or equivalent) are audited at the Group's request by an external body. The Group subsequently monitors the implementation of action plans arising from these audits. In the 2012-2013 cycle, audits were conducted on 14 major suppliers, with an emphasis on suppliers of flat linen (eight audits) and weavers (five audits) for work clothing.

The Group strives to maintain fair and loyal relationships with its suppliers. In all countries, the Group seeks to comply with the various laws and regulations in force and ensure its suppliers comply with them. The Group also strives to apply the values set out in the Group's Code of Ethics in day-to-day operations. As part of its sustainable purchasing charter, the Group pays particular attention to the respect of human rights, and stresses the need for suppliers to comply with ILO conventions, namely:

- the prohibition of forced labor (Conventions 29 and 105);
- the prohibition of child labor (Conventions 138 and 182);
- the elimination of employment and professional discrimination;
- freedom of association and protection of the right to organize (Convention 87);

- the right to collective bargaining (Convention 98);
- the right to a minimum subsistence income to meet basic needs (Conventions 26 and 131);
- compliance with minimum standards in respect of hours of work (Convention 1);
- the right to a healthy working environment and occupational safety (Convention 155).

The Group strictly regulates the use of subcontracting in its sustainable purchasing charter by preventing suppliers from subcontracting all or part of the contract awarded to them without the written consent of the Group.

Its Purchasing and Procurement Department also set up in 2009 a partnership with Max Havelaar, the reference Fair Trade NGO. The Group is the first company providing flat linen, workwear and HWB appliance services to hold the Max Havelaar Fairtrade license. Accordingly, the Group launched in 2009 a range of items of workwear in cotton based on organic and fair-trade cotton under the Fairtrade/Max Havelaar label.

6.9 REGULATIONS APPLICABLE TO THE GROUP

The Group's business in France is subject to a number of laws and regulations relating to labor, health, safety and the environment.

The description below is only a summary and does not purport to be exhaustive or to discuss all matters regarding labor, health, safety and environmental laws applicable to the Group.

6.9.1 Recent and forthcoming changes in the tax and social provisions applicable to the Group

The following sections sum up certain French law provisions related to tax and social issues that have recently undergone changes and are likely to have an impact on the Group's situation.

They do not provide an exhaustive list of the provisions related to tax and social issues that impact or might impact the Group's situation. In particular, the following does not describe tax and social provisions applicable to the Group outside France.

6.9.1.1 Limitation on the deductibility of interest expenses

Articles 212 bis and 223 B of the French General Tax Code, introduced by article 23 of the 2013 Finance Act (Act no. 2012-1509 of December 29, 2012), restrict the amount of net interest expenses that may be deducted from corporate income tax, subject to certain conditions and barring exceptions, at 85% for financial years ended as of December 31, 2012 and at 75% for financial years opened as of January 1, 2014.

The impact of these rules on the Group's ability to deduct interest expenses from corporate income tax may well increase its tax burden.

6.9.1.2 Supplementary Training Contribution (contribution supplémentaire à l'apprentissage)

The 2011 French Finance Act (Act no. 2010-1657 of December 29, 2010) introduced article 230 H of the country's General Tax Code. As a result, Group companies subject to the so-called training tax and which have at least 250 employees, under certain conditions, may also be subject to the payment of a supplementary training contribution if trainees and apprentices and similar employees account for less than 4% of the company's average annual workforce. This threshold will be set at 5% as of 2016. The rate of this additional training contribution depends on the percentage of trainees and apprentices working for the company. This contribution is based on the compensation drawn upon in the tax base of the supplementary training contribution.

6.9.1.3 CICE (competitiveness and employment tax credit)

In December 2012, the French government launched the so-called **CICE** (competitiveness and employment tax credit) in order to improve the competitive position of companies in France. Pursuant to the CICE, French companies will receive a tax credit of 4% of the gross salaries paid to certain staff members in 2013. This rate was raised to 6% as of 2014. The CICE is calculated on the basis of gross wages paid in the course of the calendar year that do not exceed 2.5 times the French statutory minimum wage. In accordance with the terms of the CICE scheme, an employee's gross wage is calculated on the basis of such employee's usual working hours plus said employee's overtime. Amounts paid under profit-sharing agreements are not included in the employee's gross wage for the purpose of computing the CICE. The Group expects the increase in the CICE rate in 2014 will have a positive impact on EBITDA (see section 9.1.2.8 – "*Changes in laws and regulations*" of this *document de base*).

6.9.2 Labor and Employment Laws and Regulations

Labor and employment laws and regulations, in particular in France, have a significant impact on the Group's operations because of its large headcount. As of June 30, 2014, it totaled approximately 18,500 employees, with around 11,640 of them located in France.

The following paragraphs describe various kinds of applicable labor regulations that affect the Group's operations.

6.9.2.1 Collective Bargaining Agreements

Under French law, the relationship between an employer and an employee is not only regulated by applicable legislation and the employment contract executed between both parties, but also by relevant national collective bargaining agreements ("**CBAs**") and local CBAs (i.e., at company or processing center level). CBAs are agreements entered into between one or several trade union organizations representing employees, on the one hand, and an employer, or group of employers, on the other hand. The French Labor Code and CBAs give rise to significant sources of obligations relating to working conditions since they govern individual and collective relationships between employers and employees for each industry.

The scope of each national CBA is defined by reference to a given industry or type of business. Therefore, the applicable CBA for a company depends on the main activity undertaken by said company. Given the broad range of the Group's flat linen, workwear and HWB appliance services, there are six main CBAs applicable to the Group's businesses and employees in France:

- inter-regional CBAs for laundry, launderette, linen rental and dry cleaning activities;
- regional CBAs for the dry cleaning and laundry industries in the Nord Pas de Calais region;
- national CBAs for the textile industry;
- CBAs applicable to pest control companies;
- national CBA covering service companies' personnel; and
- national CBA for the clothing industry.

6.9.2.2 Minimum Statutory Wages

All CBAs provide for a minimum wage that varies according to the classification of the employee on the applicable pay scale. However, an employee's wage may not be lower than the French statutory minimum wage (French acronym: SMIC). Trade unions renegotiate the terms of the national CBA almost every year, in particular the terms of any increase in the minimum wage for each specific level of employees. Companies to which such a CBA applies have an obligation to implement this provision by granting at least

a corresponding salary increase. Should they fail to do so, employees may sue them and demand enforcement of the national CBA, back pay and damages.

6.9.2.3 Working Time of White-Collar Employees (cadres), Senior Management Team (cadres supérieurs) and Specific Categories of Employees

(a) General Rules and Regulations

French working time regulations generally provide for a statutory weekly average working time of 35 hours.

The French Labor Code provides for a degree of flexibility in terms of applying the statutory weekly average working time of 35 hours per week for certain categories of employees.

(b) Supervisory employees

Supervisory employees have a certain amount of discretion in determining when and how they carry out their work and the 35-hour weekly average may therefore not be suitable for them. As a result, they may be subject to a working time agreement setting a fixed number of maximum working days per year (or alternatively a *per diem* agreement). Generally speaking, under French law, such agreements are implemented pursuant to the provisions of the applicable national CBA or local CBA. Moreover, as from August 20, 2008, the implementation of a fixed number of working days per year (the so-called annualization system) requires an agreement in writing between the company and every one of its employees.

The rules relating to minimum time off (a minimum of eleven hours per day of time off and a maximum of six days of work per week, with Sunday off as a general rule) remain applicable, however, for employees on contracts with a fixed number of working days per year. Employers must be certain, by consequence, that tasks given to an employee paid on a *per diem* basis can be performed within the maximum work periods and minimum time-off periods. If not, an employee working *per diem* can claim that his or her *per diem* employment contract is unenforceable and can assert a claim for overtime pay for the previous five years. Similarly, an employer may be subject to claims by employees for the payment of overtime corresponding to the hours worked that exceed 35 hours per week, if their fixed number of working days per year arrangements do not comply with applicable legal requirements, particularly if an individual agreement was not formally signed by each employee.

More specifically, should employees under an annualization arrangement be able to demonstrate that the terms of their employment contract entail that they cannot be considered as autonomous and therefore their working time should not be computed in days but in hours, they could assert a claim before the courts for:

- any work performed above 35 hours per week (over the previous five years);
- mandatory compensation rest for overtime work exceeding the annual overtime quota; and
- damages for undeclared work amounting to six months of salary if the employee's contract is terminated.

(c) Senior Management Team

The provisions in the French Labor Code in relation to working time do not apply to senior management. "Senior management" refers to executives and managers (i) with substantial responsibilities, (ii) who enjoy significant autonomy with respect to the way in which their working time is organized, (iii) who are authorized to make decisions autonomously and (iv) who receive compensation in the highest brackets of the employer's compensation schemes. These criteria are cumulative. The *Cour de Cassation* (the French Final Court of Appeal) has recently defined a senior executive as an executive having managerial powers within the company. If a manager or executive believes that such criteria have not been met, they may assert a claim in court for payment, in the form of overtime pay, for any work performed above 35 hours

per week, over the previous five years. They may also sue the company to obtain (i) mandatory compensation rest for overtime work exceeding the annual overtime quota and (ii) damages for undeclared work amounting to six months of salary in the event of the termination of the employee's contract.

(d) Overtime Pay

In consideration for overtime work performed by employees, an employer is required to pay increased compensation (or possibly grant additional time off). A specific agreement with employees (*forfait heures*), however, enables the company to include an autonomously set amount of overtime in an employee's working time. If employees work more overtime than is stipulated in their agreement, this additional working time must be calculated, recorded and paid as overtime. This type of agreement makes it possible to simplify payroll management and administration. The Group uses such agreements for certain types of employees, particularly drivers and delivery people. In any case, the rules relating to minimum time off, as described above, and, for drivers, relating to the limits on driving hours, must be strictly complied with.

(e) Night Time Work

Given the nature of the Group's services, some of its employees have to work at night. Under French law, night time work is strictly regulated:

- night time work may be implemented solely if a collective agreement is signed with employee representatives (in specific cases, night work may also be authorized by labor inspectors, i.e., officers of the French state department of labor);

- the number of hours worked by night is strictly limited; and

- employees working at night are entitled to specific compensation (additional paid rest days and/or higher wages, as the case may be).

(f) Work on Sundays

Given the nature of the Group's services, some of its employees at certain of its sites have to work on Sundays. Under French law, the general rule is that Sundays should not be worked. French law defines limited exceptions to this general rule, including, in particular, the situation where granting a day off to all employees every Sunday would be materially detrimental to the employer's business. In such a case, a specific collective agreement must be negotiated with employee representatives, defining precisely, among other things, the compensation granted to employees who work on Sundays and including a specific authorization from the Office of the Prefect. French employees may work on Sundays on a voluntary basis only.

(g) Annualization of Working Time

A local CBA may define the terms and conditions for managing working time and organize how working time is spread out on an annual basis. Such agreements are used in most of the Group's processing centers. These agreements enable its employees' working time to be adapted to fluctuations in the Group's business, in particular seasonal fluctuations. On September 28, 2010, the *Cour de Cassation* (France's Final Court of Appeal) ruled that setting up annualization mechanisms required individual agreements between employer and employees; accordingly, a local CBA could not impose annualization of working time. A law dated March 22, 2012 superseded this ruling by the *Cour de Cassation*, expressly providing that a local CBA could itself implement mechanisms for annualizing working time. A degree of uncertainty remains, however, about the date on which the law entered into force. One school of thought holds that, where an employer had implemented a plan annualizing working time prior to March 22, 2012, without obtaining the individual agreement of employees, the employees retained the right to claim overtime pay for additional time worked during the period preceding the March 22, 2012 deadline. Most of the Group's annualizing working time mechanisms were adopted prior to said deadline and did not include individual agreements with the Group's employees. Individual actions by employees, therefore, for overtime pay worked prior to March 22, 2012, cannot be ruled out.

6.9.2.4 Fixed-Term Employment Contracts and Temporary Work

Under French law, an employer wishing to hire non-permanent workers may either (i) hire an employee under a fixed-term employment contract or (ii) hire temporary workers through an agency. The Group employs almost all of its non-permanent employees under fixed-term contracts.

French law allows employers to use fixed-term employment contracts only to perform specifically defined and temporary tasks in specific circumstances provided by law (such as to replace an employee on a temporary leave of absence or whose employment contract is suspended, to temporarily fill a position before an employee can be hired under a permanent employment contract or, after a permanent employee has left, before the position is axed, or for a temporary increase in the company's business). Fixed-term employment contracts may also be put in place for seasonal jobs, which are subject to seasonal fluctuations in operations. To be deemed "seasonal," fluctuations in a business activity must be regular, predictable, cyclical and, in any case, independent from employers and employees. The Group puts in place numerous seasonal fixed-term employment contracts, in particular in regions where tourism is highly developed and for its Hospitality customers.

In any event, employers may not use fixed-term employment contracts to fill a job position on a long-term basis in connection with the habitual and ongoing business of the company.

Fixed-term employment contracts and temporary contracts are strictly regulated. A written contract must be signed and a fixed-term contract must include certain mandatory provisions (such as the reasons for using such a contract) and a time limit has to be set — i.e., a maximum of 18 months, or 24 months in certain cases. Termination and renewal of such contracts are also subject to mandatory statutory conditions. If the employer does not comply with the mandatory provisions in respect of fixed-term employment contracts, an employee may require that his or her fixed-term contract be reclassified as an open-ended employment contract, in which case the employer may be forced to make certain additional payments (such as back pay) to the employee, as well as provide various indemnities, including in respect of unserved notice periods, make severance payments and pay damages for unfair dismissal. Noncompliance may result in fines and imprisonment.

6.9.2.5 Generation Agreements (contrats de génération)

In accordance with a law dated March 1, 2013, a company (or several companies belonging to a Group) having at least 300 employees must negotiate an intergenerational collective agreement or, if not, establish an action plan. Failure to comply with these provisions could lead to the company being fined. The agreement or action plan must notably contain (i) a quantified hiring objective for young employees under open-ended employment contracts; (ii) a quantified objective with respect to hiring senior employees and ensuring further employment for senior employees already working for the company; (iii) terms and conditions of integration, support and access to training for younger employees, particularly those who may be less qualified, and senior employees in need of retraining; (iv) the terms and conditions for transmitting knowledge, know-how and skills; (v) measures for improving working conditions for senior employees and easing and preventing physical discomfort; (vi) a forecast time line for implementing these changes; and (vii) terms and conditions for ensuring information about these measures is made available, especially for employees. The agreement or action plan must also ensure objectives are met in respect of (i) gender equality and (ii) equal access to employment (no discrimination in hiring and in career management). The maximum term of the local CBA or action plan cannot exceed three years.

In the absence of an agreement or action plan, fines equal to the higher of the following two amounts may be imposed: (i) 10% of the exemptions in contributions granted under the so-called Fillon Law (Act no. 2003-47 of January 17, 2003 relating to wages, the working week and the development of employment) for the period during which the employer was not covered by an agreement or action plan; or (ii) 1% of the compensation paid to all employees during said period.

6.9.2.6 Employee Representatives

The Group does not have a Group-level employee committee. However, in accordance with French law, employees in each Group entity are represented at an entity-level work council or a central work council

and site work councils, with staff delegates; a health, safety and working conditions committee; and trade union delegates or a representative of a trade union section.

(a) Works Council

Pursuant to French labor law requirements, companies with at least 50 employees must set up a works council, which includes: (i) the employer (who is the chairman of the works council); (ii) union representatives; and (iii) elected employee representatives. Employers must periodically inform and/or consult with the works council on the economic and labor situation of the company, including with respect to: (i) general issues concerning working conditions, technology, the organization of working time, training and methods of compensation, or the implementation of any policy or decision likely to affect employment conditions; (ii) the organization, management, general operation of the company and, in particular, measures likely to affect the size or structure of the workforce, working hours, employment and working conditions, and professional training of the employees; and (iii) in the event of a change in the economic or legal organization of the company, particularly in the event of a merger, transfer, sale or substantial change in the production structure, as well as in the event of an acquisition or sale of subsidiaries. The works council must meet at least once a month.

In companies with a central works council and works councils at individual sites, (i) the central works council must meet at least every six months and be informed and consulted with about the company's general situation and all economic projects, and (ii) the site works councils must meet every month and be informed and consulted about every matter concerning the relevant site but not on general issues of the company.

(b) Health, Safety and Working Conditions Committee

Pursuant to French labor law requirements, companies with at least 50 employees must set up a health, safety and working conditions committee composed of (i) the site manager and (ii) staff representatives appointed by the works council and staff delegates. The committee must be informed and/or consulted on issues relating to health, safety and working conditions at the company and meet every three months.

(c) Trade Unions

A trade union delegate may be appointed in any company with a workforce of at least 50 employees. Every operating entity of the Group employing at least 50 employees has appointed a trade union delegate. The *Confédération Française des Travailleurs Chrétiens* (CFTC) is currently the only trade union represented in the Group.

(d) Staff Delegates

The election of staff delegates is compulsory for companies with a workforce of at least eleven employees. The remit of staff delegates consists in presenting to the employer all individual or collective requests and grievances from employees regarding compensation, compliance with the French Labor Code, compliance with applicable CBAs and compliance with other legal provisions governing Healthcare coverage, as well as health and safety. They are also responsible for notifying the French Labor Inspection Authority of any claims or grievances from employees related to a breach of labor law provisions. Employers must meet with the staff delegates at least once every month to discuss all of the above-mentioned matters.

(e) Employee Representatives on the Board of Directors and the Supervisory Board

In France, furthermore, employees may be represented in a company's Board of Directors or Supervisory Board. Accordingly, a company must appoint, under the terms and conditions set out in its by-laws, at least one or two employee representatives to its Board of Directors or Supervisory Board (i) if at least 5,000 permanent employees are on the payroll of the company and its direct and indirect subsidiaries, with their head offices located in France, on the closing date of two successive financial years; or if at least 10,000 permanent employees are on the payroll of the company and its direct or indirect subsidiaries, with their head offices located in France or abroad, and (ii) if it is obliged to set up a works council. As the Company

does not face the obligation of having to set up a works council, it is therefore not obliged to appoint employee representatives to its Board of Directors.

Moreover, with regard to companies whose securities are admitted to trading on a regulated market, if at the closing date of the latest financial year employee shareholders hold more than 3% of the share capital, shareholders must appoint one or several employee representatives to the Board of Directors or the Supervisory Board.

6.9.2.7 Workplace Health and Safety

Numerous and complex health and safety rules apply to employers, particularly in manufacturing. Employers must take any and all steps necessary to ensure the safety and protect the physical and mental health of their employees. These steps include actions to prevent professional and operational risks in difficult or dangerous working conditions, information and training, as well as the establishment of an organizational structure with appropriate resources.

These rules are particularly stringent because employers are subject to liability in the areas of health and safety.

Stringent rules apply to the individual protection equipment of employees. The employer must (i) furnish to its employees the necessary individual protection equipment, free of charge, (ii) ensure that the equipment is properly used, (iii) ensure that the protection equipment does not leave the work premises, and (iv) ensure that the equipment is properly maintained and cleaned, at its own cost.

Safety equipment, as well as most of the machinery used in the Group’s operations, must meet strict predefined norms (in order to ensure, among other things, the health and safety of the Group’s employees and of its customers’ employees) and be certified following a procedure harmonized at the European level.

Workplaces must be organized so as to ensure the safety of employees. Workplaces must be kept clean, comply with the health and sanitary conditions necessary for the safety of employees, and be free of obstacles. Specific standards regulate lighting, air circulation, ventilation and noise reduction. Furthermore, in addition to generally applicable requirements (relating to work equipment and protection, protection and precautions against fire and electrocution, and lifting and moving heavy loads), requirements specific to the Group’s business apply. For instance, a decree dated October 1, 1913 specifically regulates the handling of soiled articles and the cleaning of clothing items.

In addition, health and safety rules may extend to subcontractors while on the Group’s premises. In certain circumstances, a specific prevention plan must be implemented to oversee the health and safety rules to be followed by the Group’s subcontractors. A dedicated safety plan must also be prepared for loading and unloading activities both on the Group’s premises and on the premises of its customers.

Any breach of health and safety rules is reported by labor inspectors. In the event of such breaches, the steps inspectors may take vary depending on the type of breach and the seriousness of the risk involved. For example:

- the inspector may warn and put on notice an employer or, in the case of serious or imminent danger, issue a statement of offence;

- in the event of a serious risk of injury or harm to a worker, the labor inspector may petition a court in summary proceedings for an injunction ordering specific measures to prevent such injury or harm, such as the suspension of operations, condemnation, the seizing of materials, equipment, machinery, or other matters; or the temporary closure of a workshop; and

- in certain situations, inspectors may order the cessation of operations on their own authority.

Breaching health and safety rules by a company may potentially lead to criminal liability for the company and its senior executives and corporate officers.

6.9.3 Law and Regulations Applicable to Classified Facilities

The Group's processing centers in France are considered to be classified facilities for environmental protection purposes, under article L. 511-1 of the French Environmental Code (*Code de l'environnement*). Three main types of administrative processes may apply to classified facilities, depending on the risks involved in operating them: declaration report, registration and authorization. The type of classified facility and the type of processing center are defined in a nomenclature of classified facilities, which is annexed to article R. 511-9 of the French Environmental Code:

Category	Threshold	Applicable rule
2340 – Industrial laundry facility	Washing capacity > 5 tons	Registration
2345 – Dry cleaning	Total capacity of the machines > 50 kg	Authorization
2921 – Cold storage facility	Circuit with power > 3MW	Registration
2921 – Cold storage facility	Circuit with power < 3MW	Declaration report
2910 – Combustion installation	2MW < power < 20MW	Declaration report
2330 – Dying and coloring textiles	50 kg/day < treatment capacity ≤1 ton/day	Declaration report
2718 – Transit, organizing or sorting of hazardous waste	Quantity of waste on site < 1 ton	Declaration report
1200 – Use or storage of flammable material	2 tons ≤ storage capacity < 50 tons	Declaration report

6.9.3.1 Administrative Registration of the Group's Industrial Laundry Facilities

The most important category of classified facilities for the Group's business is category 2340 (industrial laundry facilities). The classification of category 2340 in the nomenclature of classified facilities was amended by a decree dated December 30, 2010, putting the Group's facilities, as from January 1, 2011, under the registration system that enables the Group to obtain an operating permit delivered by the Office of the Prefect under a simplified and shorter procedure.

Accordingly, facilities already in service prior to January 1, 2011 should be distinguished from facilities put into service subsequently.

(a) Industrial Laundry Facilities Put into Service after January 1, 2011

As set out in articles L. 512-7-1 *et seq.* of the French Environmental Code, facilities put into service after January 1, 2011 require registration with the Office of the Prefect prior to being put into service. The registration process is less burdensome than for an application for authorization: an application for registration must (i) contain information about the project (but does not need to include an environmental impact or risk study); and (ii) be available to the public (but is not subject to a public hearing or enquiry). The Prefect, however, may decide that the application for registration should be reviewed and examined in accordance with the more stringent rules applicable to authorizations, particularly in respect of facilities which may have a significant impact on the environment.

The time period for reviewing a registration application is five months (from the receipt of a complete application). However, the Office of the Prefect may extend this period by two additional months. When the application review is completed, the facility is subject to the Prefect's registration decision, which may contain specific requirements (such as additional operating restrictions).

The Group's industrial laundry classified facilities, therefore, are subject to specific requirements set forth in the registration decision of the Office of the Prefect and to general provisions spelled out in a ministerial decree dated January 14, 2011 related to general provisions applicable to facilities covered by the registration procedure under category no. 2340 of the nomenclature of classified facilities of the French Environmental Code.

The ministerial decree dated January 14, 2011 contains various obligations the Group must comply with and apply generally to all its industrial laundry-classified facilities. They include:

- the obligation to prevent accidents and pollution (including specific requirements relating to fire prevention and firefighting, the evacuation of effluent, securing the facility as well as storing polluting liquids);
- obligations with respect to discharges into water (in particular compliance with environmental quality standards and limits on aqueous effluent discharges, specific provisions relating to sample taking, testing and using water, and with respect to collecting and disposing of effluent);
- obligations with regard to air and atmospheric emissions (including compliance with limits on emissions into the atmosphere);
- the total ban on waste-dumping into the soil or subsoil;
- obligations with regard to noise pollution and vibrations (including compliance with limits and an obligation for the operator to monitor sound emissions);
- obligations with regard to waste management; and
- obligations with regard to the monitoring and surveillance of emissions (the operator, at its expense, must implement a program for monitoring and controlling polluting emissions and discharges).

(b) Industrial Laundry Facilities Put into Service before January 1, 2011

The Group's industrial laundry-classified facilities that were put into service before January 1, 2011 have undergone an authorization process and, consequently, are subject to an authorization decision of the Office of the Prefect. As set out in a ministerial circular dated September 22, 2010, such facilities remain subject to the requirements contained in the Office of the Prefect's initial authorization. In addition, some of the general requirements set forth in the ministerial decree dated January 14, 2011 mentioned above apply to existing facilities.

Unless otherwise stipulated, authorization and registration decisions of the Office of the Prefect are granted for an indefinite period of time.

6.9.3.2 Monitoring and Inspection of Classified Facilities

A classified facility may be inspected and monitored to verify compliance with the authorization or registration decision of the Office of the Prefect and with any applicable ministerial decision, such as the aforementioned ministerial decree dated January 14, 2011. These inspections are conducted by inspectors with specialized knowledge of classified facilities. They may be either announced or unannounced.

When an inspection or verification detects noncompliance with the applicable law, regulation, prefectoral authorization or registration decision, the inspector may propose and undertake follow-up actions. These actions depend on the breaches that have been detected and can include the following measures:

- if the inspector has grounds to believe and eventually concludes that the facility has modified its impact on the environment and its level of risk, the Prefect may be asked to amend the terms and conditions of its authorization or registration decision, or the Prefect may be asked to put the operator of the classified facility on notice to file an application for a revised authorization or registration decision;
- if the inspector has grounds to believe and eventually concludes that the operator of the classified facility is not complying with the terms and conditions of the authorization or registration decision, the Prefect may be asked to put the operator on notice to comply with such terms and conditions by

means of a formal warning (*mise en demeure*), which may set a deadline for compliance. In instances where a formal warning sets forth a compliance deadline and the facility is still not compliant with the applicable requirements by said deadline (in the event of an impact on the environment giving rise to a major risk for the nearby area neighboring residents, the Office of the Prefect may (i) demand that the operator of the classified facility deposit an amount corresponding to the cost of work to be done with the Treasury Department, (ii) have the work be carried out at its own initiative and under its authority or (iii) order suspension of the classified facility's operations until the imposed remedies are completed; and

- if the inspector has grounds to believe and eventually concludes that a classified facility is operating without the required registration or authorization, the Prefect may be asked to put the operator on notice to file an application for authorization or registration to bring the facility into compliance. If necessary, the operation of the facility may be suspended.

The inspector can send his or her findings and conclusions to the Office of the Public Prosecutor, who then decides whether criminal prosecution is required.

In practice, an initial inspection is conducted during the year following a registration or authorization decision. Subsequent inspections are conducted at each classified facility every seven to ten years.

Decisions by the inspector and the Office of the Prefect may be challenged and appealed in the appropriate Administrative Court.

6.9.3.3 Decommissioning a Classified Facility

When a classified facility is permanently decommissioned, its operator is required to (i) provide at least three months' advance notice to the Office of the Prefect of the date of such termination; (ii) take steps to secure the facility and render it safe (removing or eliminating hazardous substances, or limiting access to the facility, eliminating fire and explosion risks and studying the effects of the classified facility on the environment); (iii) conduct studies, analyses and diagnoses of the environmental situation and on successive uses of the facility; and (iv) send the file to the Office of the Prefect, the Office of the Mayor and the owner of the facility, as the case may be, stating its proposals for the future use and operation of the facility.

Furthermore, when a classified facility is decommissioned, significant obligations in terms of restoration and remediation may apply to the operator of the classified facility. For instance, the operator must hand back the facility in a condition that (i) does not injure or harm the environment, public health or safety and (ii) makes future use of the facility possible, as determined after negotiation with local authorities and, as the case may be, the owner of the facility. In the event that no agreement can be reached with the local authorities:

- the operator may rehabilitate the facility, ensuring it is in a state that allows for its future use or operation comparable to that during the most recent period of operation; and

- in any event, the Office of the Prefect may set rehabilitation requirements.

For classified facilities, recently authorized or registered after October 1, 2005, the future use of the land once operations have been discontinued that by consequence determines the required levels of rehabilitation to be carried out by the operator is stipulated in the authorization or registration decision of the Office of the Prefect.

6.9.3.4 Provisions Applicable with respect to the Environment outside France

In Spain, Belgium, Italy and Germany, the Group also needs to obtain a permit to operate its processing centers.

Moreover, in Spain, the Group faces the obligation of reaching an agreement covering discharges with the local town hall or the urban area community if the Group's processing centers are connected to the public wastewater evacuation network. It must also report any drilling or discharge into the natural environment to the relevant local authorities (*confederaciones hidrograficas*). Lastly, the Group must also sign up to the Industrial Register of the region concerned, for its regulated operations and equipment.

6.9.4 Waste Management

Specific laws and regulations apply to the management of the waste that the Group produces. French law and regulations draw a distinction between simple industrial waste (such as plastic film and cartons, and dirty laundry), which is categorized as nonhazardous, and special industrial waste (such as aerosols, soiled packaging, batteries, and used oil and lubricants), characterized as hazardous. The transportation, sale and trading in, and brokerage of, waste are regulated and the service providers the Group uses must hold all the specific governmental authorizations and permits required. The Group must also trace the waste it produces as well as create and maintain records covering its waste materials.

Given the scope of its activities, the Group is subject to specific laws and regulations applicable to the treatment of potentially infectious waste from medical activities (*Déchets d'Activités de Soin à Risques Infectieux* or "DASRI"). According to article L. 541-7 of the Environmental Code and articles R. 1335-5 *et seq.* of the Public Health Code, DASRI must be separated from other waste, sealed and destroyed within a given time frame. Its transportation and storage are also stringently regulated.

6.9.5 Pest control

The regulation on biocidal products, amended in 2013, sets out that all employees handling this kind of product must hold a so-called *Certifibiocide*, delivered at the end of a 3-day training course by an authorized body. The *Certifibiocide* will have to be passed before the end of 2015. The Group is preparing the organization of these training courses.

6.9.6 European Energy Efficiency Directive

On October 25, 2012, the European Union adopted directive 2012/27/EU on energy efficiency (the "Energy Efficiency Directive"). This directive establishes a common framework of measures aimed at promoting energy efficiency within the European Union in order to ensure that the European Union's 2020 20% headline target on energy efficiency will be met and to pave the way for further energy efficiency improvements beyond that date. According to article 8 of the Energy Efficiency Directive, all large companies such as the Group must perform every four years (and for the first time on or before December 5, 2015) group-wise energy audits. According to article 13, penalties will be applied if such audits are not conducted in a timely manner. The penalties are expected to be 2% of revenue generated by the Group in France. Such audits will have to be conducted by external consultants or in-house by qualified auditors. The transposition of the Energy Efficiency Directive into French law is currently being debated in the French parliament.

6.9.7 REACH regulation

The Group is subject to the provisions of Regulation 1907/2006 on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) as a distributor, importer or user of chemical substances. Accordingly, the Group checks that its suppliers comply with all the obligations stemming from this REACH regulation. Its purpose is to secure the manufacturing and utilization of chemical substances in European industry.

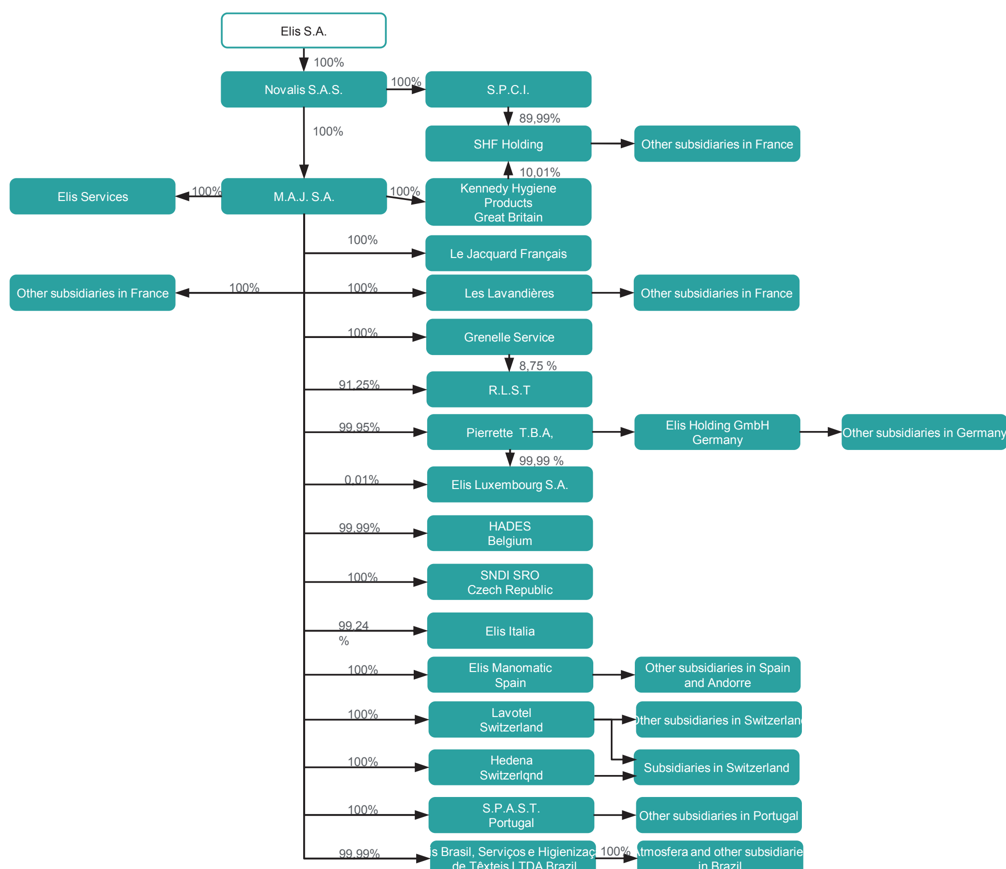
6.10 MARKET DATA ON WHICH ANY STATEMENT BY THE COMPANY ABOUT ITS COMPETITIVE POSITION IS BASED

We refer the reader to the general comments made in this *document de base* and the introduction to this chapter 6.

CHAPTER 7
ORGANIZATION STRUCTURE

7.1 GROUP'S SIMPLIFIED ORGANIZATIONAL CHART

The simplified organizational chart below shows the Group's legal organization at the registration date of this *document de base*.



The Group's activities are described in chapter 6 – "*Industry and market overview*" of this *document de base*.

The functions exercised by the Company's executives in its subsidiaries are described in section 14.1 – "*Members of the administrative, management and supervisory bodies and general management*" of this *document de base*.

7.2 SIGNIFICANT SUBSIDIARIES

7.2.1 Main subsidiaries

Elis is the Group's lead company and the head of the French tax consolidation group set up on March 1, 2008.

The Company's main direct or indirect subsidiaries are described hereafter. No Group subsidiary is listed.

- **Novalis** is a simplified public company (*société par actions simplifiée*) governed by French law with a capital of €425,630,927, headquartered at 33 rue Voltaire à Puteaux (92800) and registered

with the corporate and trade registry of Nanterre under number 442 784 914. The Company holds 100% of the share capital and voting rights of Novalis. Novalis is a holding company.

- **M.A.J.** is a joint-stock corporation (*société anonyme*) governed by French law with a capital of €133,568,032, headquartered at 31 Chemin latéral au Chemin de fer à Pantin (93500), and registered with the corporate and trade registry of Bobigny under number 775 733 835. The Company holds 100% of the share capital and voting rights of M.A.J. The main activity of M.A.J. is flat linen, workwear and HWB rental and maintenance services.

- **Elis Services** is a joint-stock corporation (*société anonyme*) governed by French law with a capital of €16,000,075, headquartered at 31 rue Voltaire à Puteaux (92800), and registered with the corporate and trade registry of Nanterre under number 693 001 091. M.A.J. holds 100% of the share capital and voting rights of Elis Services. The main activity of Elis Services is providing support services to the Group's various companies; it also operates as the Group's central purchasing office (purchase & resale transactions).

- **Les Lavandières** is a simplified limited company (*société par actions simplifiée*) governed by French law with a capital of €448,544, headquartered at Zone Industrielle les Carrières in Avrillé (49240), and registered with the corporate and trade registry of Angers under number 062 201 009. M.A.J. holds 100% of the share capital and voting rights of Les Lavandières. The main activity of Les Lavandières is flat linen, workwear and HWB rental and maintenance services.

- **Lavotel** is a joint-stock corporation (*société anonyme*) governed by Swiss law with a capital of CHF5,000,000, headquartered at 35 chemin de la Vuarpillière in Nyon (Switzerland), and registered with the Corporate and Trade Registry of the Vaud *canton* (Switzerland) under number CHE-106 858 105. M.A.J. holds 100% of the share capital and voting rights of Lavotel. The main activity of Lavotel is flat linen and workwear rental and laundry services.

- **Grenelle Service** is a simplified limited company (*société par actions simplifiée*) governed by French law with a capital of €15,900.000, headquartered at 10 route des Champs Fourgons Port de Gennevilliers in Gennevilliers (92230), and registered with the corporate and trade Registry of Nanterre under number 341 203 875. M.A.J. holds 100% of the share capital and voting rights of Grenelle Service. The main activity of Grenelle Service is flat linen, workwear and HWB rental and maintenance services.

- **Régionale de location et services textiles (R.L.S.T.)** is a simplified limited company (*société par actions simplifiée*) governed by French law with a capital of €243,208, headquartered at 7 rue Alfred Mongy in Marcq-en-Baroeul (59700), and registered with the corporate and trade registry of Lille Métropole under number 885 581 033. M.A.J. and Grenelle Service hold 91.25% and 8.75%, respectively, of the share capital and voting rights of R.L.S.T. The main activity of R.L.S.T. is flat linen, workwear and HWB rental and maintenance services.

- **Pierrette – T.B.A.** is a joint-stock corporation (*société anonyme*) governed by French law with a capital of €278,768, headquartered at Zone d'Activités Commerciales des Savlons in Malzéville (54220), and registered with the corporate and trade registry of Nancy under number 306 042 268. M.A.J. holds 99.95% of the share capital and voting rights of Pierrette – T.B.A, while the remainder of the share capital and voting rights is held by Xavier Martiré, Didier Lachaud and Bastien Soret. The main activity of Pierrette – T.B.A. is flat linen, workwear and HWB rental and maintenance services.

- **Elis Brasil, Serviços e Higienização de Têxteis LTDA** is a limited liability company (*sociedade limitada)* governed by Brazilian law with a capital of BRL 443,514,841.00, headquartered at Ave. Antonieta Piva Barranqueiros, S/N, Chacara Aeroporto – Jundiai, SP (Code Postal 13.212-009, Brésil), and is registered with the trade and companies register (*cadastro nacional da pessoa juridicia*) of the Brazilian Federal Republic under number 17.133 688/0001-80. M.A.J. and S.P.C.I. (a company 100% held by Novalis) hold 99.99% and 0.01%, respectively, of the share capital and voting rights of Elis Brasil, Serviços e Higienização de Têxteis LTDA. The main

activity of Elis Brasil, Serviços e Higienização de Têxteis LTDA is flat linen and workwear rental and laundry services. Elis Brasil, Serviços e Higienização de Têxteis LTDA is the head company of the subsidiaries of the Brazilian geographic segment and indirectly holds 100% of the share capital and voting rights of Atmosfera.

See Note 12 to the Group's interim consolidated financial statements for the for the six-month period ended June 30, 2014 found in section 20.1.3 – "*Condensed IFRS consolidated interim financial statements for the six months ended June 30, 2014*" of this *document de base* for the list of the Group's consolidated subsidiaries.

7.2.2 Recent acquisitions

In February 2014, the Group made a "material acquisition" and acquired Atmosfera, Brazil's largest industrial laundry group. Atmosfera owns nine processing centers and one clean room center in the São Paulo, Rio de Janeiro, Belo Horizonte, Salvador de Bahia regions and in the State of Santa Catarina. Atmosfera posted revenue of around BRL 280 million (or close to €90 million) in 2013 (see section 5.1.5 – "*Significant events in the development of the Group's activities*," section 6.1 – "*Overview of the Group*" and section 9.1.2.2 – "*Acquisitions*" of this *document de base*). The Group's objective in Brazil is to consolidate its existing market shares in order to become one of the national leaders in the flat linen and workwear rental and laundry services segment.

During the year ended December 31, 2013, the Group completed four "material acquisitions," namely it acquired Cleantex in Germany, InoTex Bern AG in Switzerland, some of the operations of the Reig Marti group and of Explotadora de Lavanderias (under the "Lavenderias Diana" brand) in Spain. All together they contributed €34.6 million to the consolidated revenue posted for the year ended December 31, 2013.

The other "material acquisitions" made by the Group in the last three years are presented in sections 5.2.1 – *"Historical investments*" and 9.1.2.2 – "*Acquisitions*" of this *document de base*.

CHAPTER 8
PROPERTY, PLANT AND EQUIPMENT

8.1 SIGNIFICANT EXISTING OR PLANNED PROPERTY, PLANT AND EQUIPMENT

8.1.1 Real estate properties

The Group's main needs with respect to premises and equipment are related to the operations of processing centers, dispatching center, clean room centers and manufacturing entities (see section 6.1 – "*Overview of the Group"* of this *document de base*).

At December 31, 2013, the Group owned land and buildings with a net value of about €155.2 million.

The Group rents approximately 64% of its processing centers, dispatching centers and clean room centers in France and abroad (after taking account of the disposal transactions described below). The Group owns the plants of its two manufacturing entities, Le Jacquard Français and Kennedy Hygiene Products.

The Group plans to carry out a call for tenders for the disposal of the Puteaux site. A subsidiary of the Company, i.e., M.A.J., owns this site on which the Group's headquarters and a processing center are located. It will be sold to property developers in view of implementing a program aimed at providing housing and services, which has already been approved by the City of Puteaux. The processing center is to be moved to Nanterre on a site where construction work is under way and is covered by a lease in advance of future completion, while the Group is planning to rent its future headquarters. Completion of the work carried out to build the Nanterre processing center is scheduled for 2015.

On March 28, 2014, the Group signed the final sale agreements for the land and buildings of 17 industrial sites in France, and on June 27, 2014 for another five other sites, for an aggregate total of €92.9 million to a real estate collective investment undertaking (OPPCI) set up by Foncière Atland and the Tikehau group. These divestments, which had been preceded in 2013 by an initial divestment of a site in Nancy (for €8.0 million), have been combined with the signature of leases with a 15-year term (12 years for the land located in Malzeville) and an agreement to support acquirers in the property development program. The Group estimates that these transactions will have a €9.1 million impact on EBITDA and a €4.5 million impact on EBIT in a normal year (from 2015). For more information on the impact of these divestments, see "*Key developments: Sale-and-leaseback transactions*" and Note 7 of the interim consolidated financial statements for the six-month period ended June 30, 2014 appearing in Section 20.1.3 – "*Condensed IFRS consolidated interim financial statements for the six-month period ended June 30, 2014*" of this *document de base*. These transactions were part of the disposal by the Group of nearly €100 million in property assets. At the registration date of this *document de base*, the Group does not plan to carry out a further program of disposals of property assets in France or abroad. It intends to rent the future processing centers required to develop its activities (excluding acquisitions) whose construction it will have ordered.

8.1.2 Other property, plant and equipment

In addition to the properties described above, other property, plant and equipment mostly consist in industrial equipment and software programs, the textile items and devices the Group needs to provide its services, office software applications and information technology facilities, equipment, as well as expenses on the layout and fittings of premises.

The Group operates for its day-to-day operations 1,934 light-duty vehicles (of which 1,756 are fully owned and 178 are rented) and 977 heavy-duty trucks (of which 926 are fully owned and 51 are rented). The studies carried out by the Group led to favor the full ownership of its delivery vehicles and renting its commercial vehicles. The Group does not usually resale the vehicles it owns.

The property, plant and equipment held by the Company are described in Note 3 to the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 found in section 20.1.1 – "*IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013"* of this *document de base*.

8.2 ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

The Group's French processing centers are so-called "classified facilities for the protection of the environment" (*Installations Classées pour la Protection de l'Environnement or ICPE*), which must be, according to each case, subject to a declaration, registration or authorization procedure.

As part of the so-called RSDE program aimed at researching and reducing the discharges of hazardous substances into water, the ministerial circular dated January 5, 2009, stemming from the European Water Framework Directive no. 2000/60/CE dated October 23, 2000 establishing a framework for community action in the field of water policy as transposed into French law, made it compulsory for industrial laundry businesses subject to authorization or registration to implement a program of analyses of their effluents as of 2010. These analyses cover a list of 22 to 25 substances drawn up for the industrial laundry sector at the end of a first stage of application of said RSDE program, carried out between 2003 and 2007. In France, the Group continues to implement the national program aimed at reducing the hazardous substances in water by establishing, on the relevant sites, an initial or permanent system for monitoring the presence of certain micro-pollutants in industrial discharges. At the registration date of this *document de base*, 48 Group sites have carried out, or are carrying out, this initial monitoring phase. Only 3 sites are subjected to an "action program" aimed at lowering, or even eliminating, discharges of certain substances.

In 2013, the Group's water consumption amounted to 5.7 million of m^3. Compared to 2012, the Group reduced its water consumption in France by 8.2% for each kilo of linen laundered. These efficiency gains made by the Group during 2013 are mainly due to:

- regular monitoring of the plant's water meter allowing to prevent any losses;
- the performance of an audit of the water and energy;
- the optimization of the washing equipment and the related washing programs;
- setting-up a recycling between washing equipment.

On the majority of the sites, the entirety of the industrial water discharged is pre-treated or treated on-site before rejection in the community network and before treatment by a municipal waste water treatment plan (STPE). The discharge of industrial effluents is governed by, on the one hand, a discharge convention or order, and on the other hand, a prefectoral order for the sites subject to registration in France. Each process center in France monitors the quality of its discharges. Equivalent systems are established in Spain, Germany and Belgium.

The key actions to prevent the risks of pollution are the following:

- establishing network obturation systems;
- dedicated washing products decanting and storage areas;
- the availability of individual protection equipment for the positions exposed to risks;
- training operators to chemical risks;
- specific trainings and certifications for certain type of interventions, training the persons responsible for the maintenance to pollution risks;
- advertising and implementing safety measures (fire risks and chemical risks);
- regular evacuation exercises;
- regular controls of the installations subject to the regulation.

Moreover, to participate to the reduction of water consumption in case of drought, the Group carried out studies on two sites in Ile-de-France to identify the levers for an exceptional reduction of its water consumption during such vigilance periods. These exceptional measures are combined with setting up permanent measures to reduce water consumption.

The Group also implements actions to reduce its consumption of natural gas for each kilo of linen delivered by:

- distributing a guide of best practices;
- performing regular "energy" diagnostics;
- central management of the energy indicators with consumption reduction goals defined annually for each of the centers;
- thorough monitoring of the equipment (including a review of their efficiency);
- investment in equipment that allow to collect energy or reduce its consumption (heat exchangers, latest technology burners and drying equipment consuming less gas, systematical installation of gas meters, installation of low pressure heaters).

In 2013, the Group's energy consumption (excluding fuel oil) amounted to 749MWh. The Group's conventional industrial laundry facilities have a limited risk of chronic or accidental pollution because of the low quantities of risky products used or stored:

- most sites use natural gas to produce steam in replacement of heavy fuel oil;
- industrial effluents resulting from laundry operations (the main impact of this activity) are comparable from a qualitative viewpoint to domestic effluents and most of the Group's sites are accordingly connected to public sewage systems.

The Group is putting in place measures aimed at preventing any risk of pollution. Detergents are unpackaged on concrete surfaces with retaining walls. Products used in the washing process are stored under conditions that prevent accidental spillage of products onto soil (retention basins, leakage sensors, etc.). All necessary measures are taken to protect groundwater abstraction installations at sites using borehole water. The waste dumpsters (mainly containing waste that is not hazardous) are stored within areas build with concrete. See also section 6.9.3 – "*Law and Regulations Applicable to Classified Facilities*" of this *document de base*.

In addition, the Group invested €2.1 million in 2013 to comply with and upgrade its environmental performance, principally to upgrade on-site pre-treatments of water discharges, monitor actions plans following inspections of the regional offices for environment, development and housing (DREAL) and rehabilitate the non-operating sites (before 2013)

Certain Group sites, however, may have in the past carried out activities that resulted in a risk of pollution because they used hydrocarbons or solvents, in particular with respect to dry cleaning with chlorinated solvents (trichloroethylene). As these former activities may well have polluted soils or groundwater tables, specific precautions are taken when operations are discontinued or the site is sold. When operations are discontinued on a site, this is done in coordination with the relevant administrative authorities.

Furthermore, the Group has put in place the following measures aimed at reducing its waste:

- sorting of waste at its source when possible to promote its recycling and waste-to-energy processes;
- reducing the production of textile waste at its source, by setting up an in-house linen swap meet;

- continuing to recycle cotton textile (flat linen, spools) with its chiffonier partners as this enables such items to enjoy a second life;

- looking for recycling procedures for workwear;

- taking back empty packaging of washing products as part of the services provided by the detergent manufacturers;

- implementing an industrial banal waste framework agreement that lists 4 service providers;

- disseminating specific procedures related to the environment and waste in 2013.

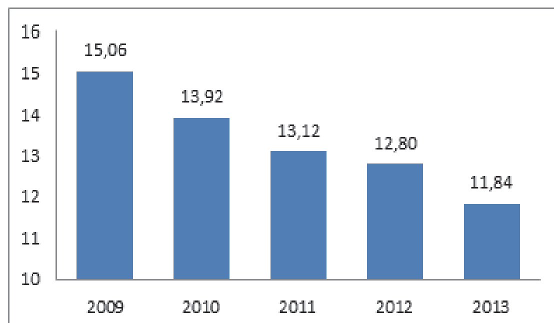
The Group aims to reduce the noise pollution related to its industrial activities. Soundproofing work is being performed (roof, extraction chimney, ventilation) on the sensitive sites. In 2013, a total amount of €56,000 has been invested on two sites to limit noise pollution.

The Group has also obtained an asbestos technical report for all its buildings in accordance with the relevant regulation.

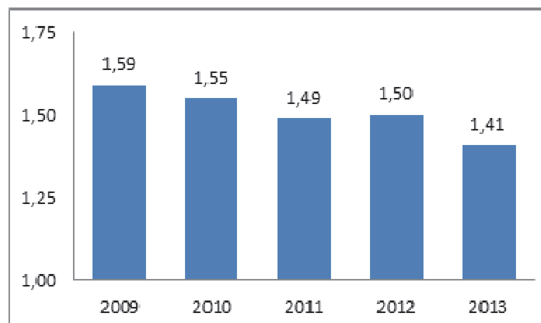
The Group has performed greenhouse gases audit for its principal French subsidiaries pursuant to the Grenelle II act of July 12, 2010 relating to the company's disclosure requirements with respect to social and environmental responsibility. Greenhouse gas emissions from the Group in 2013 amounted to 197,597 TEQ CO_2.

Also, the Group continues its actions to reduce its consumption of water and energy for each kilo of linen delivered (see section 9.1.2.7 – "*Operating efficiency*" of this *document de base*).

Water consumption in l/kg of handled laundry



Energy consumption in kWh/kg of handled laundry



Three sites of the Group received the ISO 14001 certification (for environmental management systems).

At the registration date of this *document de base*, correspondents' networks in each of the Group's production and distribution centers are responsible to establish and monitor efficiently the social and environmental responsibility (RSE) policies and environmental processes.

Lastly, the Group's operations are included in the Grenelle reporting scope of its main shareholder, i.e., Eurazeo. Reporting data in particular match the scope defined by the Grenelle II Act dated July 12, 2010 relating to companies' transparence obligations with respect to social and environmental issues.

Once the Company's shares are accepted for trading on the Euronext regulated market in Paris, the Company intends to implement the legal and regulatory provisions applicable to listed companies with regard to reporting information on the manner in which the Company takes into account the social and environmental consequences of its operations as well as its societal commitments in favor of sustainable development and in favor of fighting all kinds of discrimination as well as promoting diversity.

CHAPTER 9
OPERATING AND FINANCIAL REVIEW

Investors are invited to read the following information concerning the Group's financial position and results of operations together with the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 and the six-month period ended June 30, 2014 included in sections 20.1.1 – "*IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013*" and 20.1.3 – "*Condensed IFRS consolidated interim financial statements for the six-month period ended June 30, 2014*" of this *document de base*.

The Group's consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union. The Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 were audited by the Company's statutory auditors and the condensed consolidated interim financial statements for the six-month period ended June 30, 2014 were subject to a review by the Company's statutory auditors. The Statutory Auditors' report on the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 is included in section 20.1.2 – "*Statutory Auditors' report on the IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013*" of this *document de base* and the Statutory Auditors' report on the condensed consolidated interim financial statements for the six-month period ended June 30, 2014 is included in section 20.1.4 – "*Statutory Auditors' report on the condensed IFRS consolidated interim financial statements for the six months ended June 30, 2014*" of this *document de base*.

9.1 GENERAL OVERVIEW

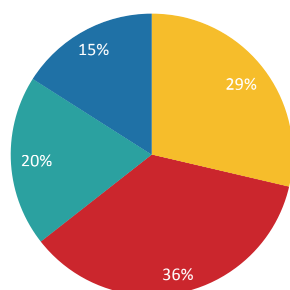
9.1.1 Introduction

The Group is one of Europe's leading providers of flat linen, workwear and hygiene and well-being ("HWB") appliance rental, laundr and maintenance services (see section 6.2.3 – "C*ompetitive environment*" of this *document de base*). During the six-month period ended June 30, 2014, the Group had an average of around 18,500 employees working in 96 processing centers, 160 dispatching centers (including 64 not linked to a processing center) and 13 "Ultra-Clean" centers.

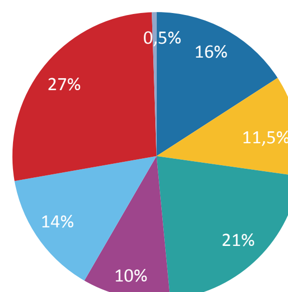
The Group is organized in four operating segments, namely (i) France, (ii) Europe, (iii) Brazil and (iv) the manufacturing entities. The Group's two main operating segments – France and Europe – are themselves divided up into four main end markets in France (Hospitality, Industry, Healthcare, and Trade and Services) and by country or group of countries in Europe (which includes Germany, Belgium and Luxembourg, Spain and Andorra, Italy, Portugal, Switzerland and the Czech Republic). The Group also operates a manufacturing business via two manufacturing entities that it operates, namely Le Jacquard Français and Kennedy Hygiene Products (see section 6.5.1.4 – "*Manufacturing entities*" of this *document de base*). The rental, laundry and maintenance services the Group provides to its customers in France, Europe and Brazil mainly cover flat linen, workwear and HWB appliances (see section 6.1 – "*Overview of the Group*" of this *document de base*).

The charts below show a breakdown of revenue for the six-month period ended June 30, 2014 for the Group's two main operating segments by end market in France and by country or group of countries in Europe.

Breakdown of revenue in France by end market at June 30, 2014
(as a percentage of revenue for laundry and maintenance in France and excluding other sectors)



Breakdown of revenue in Europe by country at June 30, 2014
(as a percentage of revenue for laundry and maintenance in Europe)



Over the period from 2011 to 2013 and for the first six months of 2014, the Group's revenue and its results of operations can be summarized as follows:

- During the year ended December 31, 2013 and the six-month period ended June 30, 2014, the Group generated €1,225.4 million and €644.3 million respectively in consolidated revenue. The Group's consolidated revenue increased steadily between 2011 and 2013, with an increase of €40.2 million (or 3.4%) between 2012 and 2013 and of €36.4 million (or 3.2%) between 2011 and 2012.

- The Group generated consolidated EBITDA of €400.7 million and €209.1 million respectively for the year ended December 31, 2013 and the six-month period ended June 30, 2014. It maintained EBITDA margins (EBITDA calculated as a percentage of consolidated revenue) at respectively 32.3%, 31.8% and 32.7% for the years ended December 31, 2011, 2012 and 2013 and 32.5% for the six-month period ended June 30, 2014 thanks to the relatively high EBITDA margin in France (i.e., 35.6%, 35.2% and 35.9% for the years ended December 31, 2011, 2012 and 2013 and 36.0% for the six-month period ended June 30, 2014) and to the gradual catch-up in EBITDA margins across European countries (by an average of one point per year).

- Since 2011, the Group has generated a significantly larger proportion of its revenue outside France through organic growth and carefully selected acquisitions. In Europe, the Group generated consolidated revenue of €260.1 million for the year ended December 31, 2013 and €131.9 million for the six-month period ended June 30, 2014, representing 21.2% and 20.5% respectively of the Group's consolidated revenue in each of these periods. The Group's consolidated revenue in Europe increased steadily between 2011 and 2013, with an increase of €41.9 million (or 19.2%) between 2012 and 2013 and of €14.5 million (or 7.1%) between 2011 and 2012. The Group continued to expand its international business through acquisitions in Brazil, including the February 2014 acquisition of the Atmosfera group and the July 2014 acquisitions of SC Lavanderia LTDA-EPP, which operates under the "Santa Clara" brands, and L'Acqua (see section 6.5.1.3 – "*Brazil*" of this *document de base*). During the six-month period ended June 30, 2014, the Group generated €36.2 million in consolidated revenue in Brazil, or 5.6% of its total consolidated revenue during this period.

9.1.2 Principal factors influencing the Group's results of operations

The Group's results of operations and the operating parameters shown below have been and may be further influenced by certain factors presented below and by certain past events or actions.

9.1.2.1 General economic situation

Demand for and the pricing of the Group's services are influenced by the general economic situation in the countries in which it operates and in particular by an increase or decrease in GDP. The Group is also exposed to the effects of the macroeconomic cycle. In particular, periods of recession may have an impact on demand for and the pricing of the Group's services that varies from one geographic region, end market, service or customer to another. France, the Group's main market, has held up relatively well in light of the challenging macroeconomic environment prevailing since 2008. However, the Group's revenue has been affected to a greater extent in certain other countries where it operates, such as Spain, Portugal and Italy, where the economic crisis has taken a heavier toll. In particular, the recent economic crisis has had an impact on the Group's "small customer" business in these countries, especially affecting HWB appliance services in the Trade and Services end market. Even so, the Group's business has benefited from the increase in economic activity in southern Europe since the end of the first quarter of 2014. During the six-month period ended June 30, 2014, the Group achieved organic growth of 9.7% and 5.5% in Spain and Andorra and in Portugal, respectively.

The Group's size and position in its main market, the French market, its diversified customer base and its broad range of services have helped it to withstand the global economic crisis and limit its effects on its business. Demand for the Group's services has remained relatively stable since (i) the organized collection, maintenance and rapid delivery of flat linen and workwear are generally crucial to the Group's customers' activities, (ii) it may be difficult for the Group's customers to reinstate its services, and (iii) the average monthly billings for the Group's services represent a small budget item for its customers, i.e., an average of €428.0 per customer per month for the year ended December 31, 2013.

Overall, the Group's margins have not been affected by the current economic crisis. The Group builds sustainable relationships with its customers, as illustrated by the multi-year contracts it enters into with them (the average length of its customer relationship is eight years) and the high renewal rate of its contracts (see section 6.7.2 – "*Different kinds of contracts*" of this *document de base*). Moreover, demand for some of the Group's services, such as workwear rental and laundry services, is growing as a result of the increasingly stringent regulatory and safety requirements. The Group believes the global economic crisis is having a more severe impact on its smaller and less diversified rivals, some of which have had to close business, pursue mergers or consolidate with larger groups, such as the Group. In addition, the Group believes that the challenging economic conditions may to some extent have a positive impact on its flat linen or workwear rental and laundry services owing to the implementation of cost-cutting plans, prompting companies and public-sector organizations in certain cases to outsource this type of services to a greater extent, which resulted in more business for the Group in the Healthcare and Industry end markets.

9.1.2.2 Acquisitions

The table below shows a breakdown of (i) the external growth effect, (ii) the foreign exchange effect, and (iii) the organic growth effect on the Group's consolidated revenue growth for the years ended December 31, 2011, 2012 and 2013, and for the six-month period ended June 30, 2014.

	Year ended December 31,						**Six-month period ended June 30,**	
(millions of euros)	**2011**	**%**	**2012**	**%**	**2013**	**%**	**2014**	**%**
Revenue	**1,148.8**		**1,185.2**		**1,225.4**		**644.3**	
Revenue growth	**+81.2**	**+7.6%**	**+36.5**	**+3.2%**	**+40.2**	**+3.4%**	+44.3	+7.4%
External growth effect	+43.1	+4.0%	+16.0	+1.4%	+21.9	+1.8%	+33.2	+5.5%
Foreign exchange effect	+0.6	+0.1%	+1.3	+0.1%	-1.2	-0.1%	+0.3	+0.1%
Organic growth effect	+37.5	+3.5%	+19.2	+1.7%	+19.5	+1.6%	+10.7	+1.8%

(a) Acquisition strategy

Since its acquisition by Eurazeo on October 4, 2007, the Group has made 43 acquisitions (including small acquisitions), including 20 in France. These consist of acquisitions of either customer portfolios or processing and dispatching centers. In recent years, external growth has contributed to the general growth in the Group's revenues, and it intends to continue pursuing its policy of selective acquisitions and extending its network to increase its market share, diversify its range of services and customer base and pursue further expansion outside France.

In international markets, the Group has applied the strategy it originally developed in France, i.e., make selective acquisitions and consolidate its existing market share and geographic coverage before establishing or strengthening its presence in other markets, principally in Europe. The Group intends to expand its international operations through selective acquisitions in emerging markets to become a leading provider of flat linen, workwear and HWB appliance rental, laundry and mainenance services in each of its operating segments. For example, the Group opened up a sales office in São Paulo (Brazil) in December 2012 to offer its workwear rental and laundry services before acquiring the Atmosfera group in February 2014, Brazil's leading industrial laundry group (see section 5.1.5 – "*Significant events in the development of the Group's activities*" of this *document de base*). It now offers the full range of its flat linen, workwear and HWB appliance rental, laundry and maintenance services to over 3,300 customers in Brazil.

In France, the Group is now focusing its acquisition strategy on purchasing small- and medium-sized businesses providing flat linen, workwear and HWB appliance rental, laundry and maintenance services in regions where its presence is less significant. The Group also makes sure that the businesses it acquires can be integrated relatively easily within the Group and that they generate stable and sustainable revenues in light of their customer contracts. As part of the acquisition due diligence, the Group makes sure that key senior executives and main sales managers of the businesses it targets are bound by appropriate non-compete agreements.

Generally, after acquiring a company, the Group integrates it fully by adapting it to its business model and by providing it with the benefit of its expertise, particularly in sales, IT, the supply chain and internal control (see section 6.1 – "*Overview of the Group*" of this *document de base* for more information about the Group's business model). For example, the Group sped up its development in Switzerland during 2010 by acquiring Lavotel, then consolidated its position to become the number two player in the Swiss flat linen, workwear and HWB appliance rental, laundry and maintenance market (based on revenues) by acquiring seven companies, namely Papritz and the Swiss division of the Blycolin group in 2010, Blanchâtel and Blanchinet in 2011, Domeisen in 2012 and then InoTex and Kunz in 2013 (see section 6.5.1.2(a) – "*Switzerland*" of this *document de base*). Between the years ended December 31, 2011 and 2013, the Group's consolidated revenue generated in Switzerland increased by €37.8 million (or 110.5%) from €34.2 million for the year ended December 31, 2011 to €72.0 million for the year ended December 31, 2013. Over the same period, the Group raised its consolidated EBITDA margin in Switzerland (EBITDA stated as a percentage of its consolidated revenue in Switzerland) from 24.7% to 28.0%, mainly due to productivity gains at newly-acquired companies.

(b) Impact of changes in the scope of consolidation

To gain insight into and analyze its results of operations, the Group uses certain data to consider the impact of "major acquisitions" and "major disposals" (referred to as "changes in the scope of consolidation"). "Major acquisitions" and "major disposals" are acquisitions and disposals of businesses generating annual revenue of over €5.0 million in France or €3.0 million in other countries at the time of such acquisition or disposal. During the period of three years and six months prior to June 30, 2014, the Group made ten "major acquisitions" and one "major disposal," i.e., the sale of Molinel in April 2013. During 2011, 2012 and 2013, acquisitions other than "major acquisitions" accounted for €2.9 million, €2.9 million and €5.8 million in total revenue respectively, based on the revenue figures supplied by the target company prior to the acquisition.

The Group calculates growth at constant scope between one year and the previous comparable year by calculating the growth in its consolidated revenue between the two years and adjusting it for the impact of "changes in the scope of consolidation" attributable to "major acquisitions" and "major disposals" during the financial years under comparison, as outlined below. For the purpose of analyzing revenue growth between one financial year ("financial year n") and the previous comparable financial year ("financial year n-1"), the Group calculates the impact of changes in the scope of consolidation on revenues as follows:

- for "major acquisitions" made during financial year n-1, the Group treats the consolidated revenue generated by these "major acquisitions" between the start of financial year n and one year after they join the scope of consolidation as an impact of "changes in the scope of consolidation";
- for "major acquisitions" made during financial year n, the Group treats the consolidated revenue generated by these "major acquisitions" between the date they join the scope of consolidation and the end of financial year n as an impact of "changes in the scope of consolidation";
- for "major disposals" made during financial year n-1, the Group treats the consolidated revenue generated by these "major disposals" during financial year n-1 as an impact of "changes in the scope of consolidation"; and
- for "major disposals" made during financial year n, the Group treats the consolidated revenue generated by these "major disposals" between the date one year prior to their exit from the scope of consolidation and the end of financial year n-1 as an impact of "changes in the scope of consolidation."

However, when analyzing revenue growth between periods that are not financial years, such as when comparing a six-month period ("period n") with the comparable six-month period for the previous year ("period n-1"), the Group works out the impact of changes in the scope of consolidation on consolidated revenue in the circumstances described below as follows:

- for "major acquisitions" made during financial year n-1 and after the end of period n-1, the Group treats the consolidated revenue generated by these "major acquisitions" during period n as an impact of "changes in the scope of consolidation";
- for "major acquisitions" made during financial year n-1 and before the end of period n-1, the Group treats the consolidated revenue generated by these "major acquisitions" during period n through to the date one year after they joined the scope of consolidation as an impact of "changes in the scope of consolidation";
- for "major acquisitions" made during financial year n and before the end of period n, the Group treats the consolidated revenue generated by these "major acquisitions" during period n as an impact of "changes in the scope of consolidation";
- for "major disposals" made during financial year n-1 and before or after the end of period n-1, the Group treats the consolidated revenue generated by these "major disposals" during period n-1 as an impact of "changes in the scope of consolidation"; and

- for "major disposals" made during financial year n and before the end of period n, the Group treats the consolidated revenue generated during period n-1 by these "major disposals" between the date one year prior to their exit from the scope of consolidation and the end of period n-1 as an impact of "changes in the scope of consolidation."

In February 2014, the Group made one "major acquisition," i.e., the acquisition of the Atmosfera group, Brazil's leading industrial laundry group, which contributed €36.2 million to consolidated revenue for the six-month period ended June 30, 2014. During the year ended December 31, 2013, the Group made four "major acquisitions," namely Cleantex in Germany, InoTex in Switzerland, Reig Marti and Explotadora de Lavanderias (Majorca – Balearic Islands), which contributed a combined total of €34.6 million to its consolidated revenue for the year ended December 31, 2013. During the year ended December 31, 2012, the Group made two "major acquisitions," namely ISS washroom services in Belgium and Luxembourg, and a 75% shareholding in Domeisen in Switzerland, which contributed a combined total of €1.6 million to its consolidated revenue for year ended December 31, 2012. During the year ended December 31, 2011, the Group made three "major acquisitions," namely the Swiss, Portuguese and Spanish divisions of the Blycolin group, Papritz and Blanchâtel in Switzerland, which contributed a combined total of €3.4 million to its consolidated revenue for the year ended December 31, 2011.

9.1.2.3 Organic revenue growth

In addition to acquisitions, the Group's revenue is influenced by organic growth in the Group's various businesses, which varies from one business, one geographic market and one sector to another. Organic growth in the Group's revenue (calculated excluding (i) the impacts of changes in the scope of consolidation of "major acquisitions" and "major disposals" in each of the periods under comparison, as well as (ii) the impact of exchange rate fluctuations) depends mostly on the following factors:

- organic growth generated by the Hospitality end market stems mainly from demand for flat linen in the tourism sector and the number of overnight stays. The Group's organic growth is correlated to the number of overnight stays, and amid a decline in the number of overnight stays, is underpinned by the Group's strong positioning among hotel chains and high-end hotels, which have better withstood the economic slowdown. Organic growth in the Restaurant end market is supported by demand among customers for flat linen, which depends mainly on the dining habits of end customers, i.e., how many meals are served with textile napkins and a tablecloth (see section 6.2.2.2(a) – "*Specific market trends in France – Hospitality*" of this *document de base*). The organic growth produced by the Hospitality end market also depends on use of workwear by employees and on the use of HWB appliance rental and maintenance services;

- organic growth produced by the Healthcare market is predominantly influenced by demand for flat linen and workwear and, to a lesser extent, HWB appliance rental and maintenance services in public hospitals and private clinics, as well as retirement homes. Organic growth in hospitals and private clinics depends on their budget constraints and on the number of hospital admissions and length of hospital stays. In retirement homes, organic growth is linked to the number of beds and the occupancy rate, which in turn depend on growth in the population they serve. Organic growth in the Healthcare end market is also supported by demand for workwear associated with the applicable hygiene standards and by the proportion of employees in the sector wearing the Group's workwear. Demand for workwear from Healthcare market customers is also underpinned by the Group's innovations. For example, the Group launched the "Pop'Art" collection of workwear for nursing staff at public hospitals and private clinics (see section 6.2.2.2(b) – "*Specific market trends in France – Healthcare*" of this *document de base*);

- organic growth generated by the Industry end market depends mainly on use of the Group's workwear rental and laundry services to a large proportion of employees in this segment using workwear and to a lesser extent on use of its HWB appliance rental and maintenance services. Weekly staff turnover is also high in this sector, boosting demand for workwear. In addition, organic growth is supported by the fact that customers in the Industry end market use personal protective equipment the Group provides to achieve high visibility or protect their staff against high temperatures, abrasions and hazardous chemicals (such as acid). Organic growth in the

Industry end market also stems from the innovations the Group has introduced, such as the "Epifusion," "Epishine" and "Epishock" workwear collections providing protection against fire hazards and ensuring high visibility and ultra-resilience respectively (see section 6.2.2.2(c) – "*Specific market trends in France – Industry*" of this *document de base*);

- organic growth generated by the Trade and Services end market depends firstly on the development of HWB appliance rental and maintenance services, which in turn hinges on economic conditions and general confidence levels among managers of very small- and medium-sized businesses, and decisions by these customers on whether to outsource HWB appliance rental and maintenance services or bring them back in-house, in turn depending mainly on their individual circumstances. Furthermore, this end market's organic growth is supported by the increase in the number of staff wearing workwear resulting from the introduction of new health and safety regulations and the Group's ability to manage its contract portfolio, to win new business and its ability to develop additional products and services that can be sold to the Group's existing customers (see sections 6.6.1 – "*Sales*" and 6.2.2.2(d) – "*Specific market trends in France – Trade and Services*" of this *document de base*).

9.1.2.4 The Group's ability to pass on higher costs

In the past, the cost of purchasing raw materials, energy and linen for the Group has varied significantly, and this trend is likely to continue going forward. The Group usually manages to pass on higher raw materials, energy and textiles costs to its existing customers without much of a time lag under the price adjustment clauses in the contracts it signs with its customers. For example, the Group was able to pass on costs arising from the increase in cotton prices in August 2011 to the majority of its customers within a reasonable timeframe (see section 6.7.2 – "*Different kinds of contracts*" of this *document de base*).

The Group pursues a proactive contract pricing strategy to maintain its margins by passing on increases in its raw materials, energy and textiles costs to its customers. The Group's ability to pass on these higher costs to its customers in most cases enables it to maintain its margins despite the volatility of its raw materials, energy and textiles costs.

With raw materials, textiles and energy costs generally on the rise, the Group believes it has succeeded overall in passing on increases in these cost categories to its customers (see section 6.7.2 – "*Different kinds of contracts*" of this *document de base*).

9.1.2.5 Cost structure

Costs incurred in generating revenue influence the Group's results of operations. The Group's cost structure predominantly consists of personnel costs, selling costs, general and administrative costs, raw material and consumable costs, and depreciation and amortization.

(a) Personnel costs

For the year ended December 31, 2013, the Group's personnel costs amounted to €513.0 million, i.e., 41.9% of the consolidated revenue generated in this period. The Group believes its personnel costs can be adjusted to business trends, which do not usually experience major seasonal fluctuations. However, flat linen rental and laundry services experience a seasonal peak in July/August in the Hospitality end market, but the impact on personnel costs is mitigated by the annualization of working time.

A large proportion of the Group's personnel costs are fixed, with the majority of employees working under permanent contracts and a relatively low staff turnover rate (10.3% for the year ended December 31, 2013). To adjust its workforce to fluctuating activity levels from one week to the next or in peak seasonal periods, the Group uses several labor planning tools.

In France, the Group uses annualized working time, weekend work and fixed-term contracts. Through the use of fixed-term contracts, the Group can manage the workforce flexibly during peak seasonal periods, mainly in the Hospitality end market for flat linen rental and laundry services. At December 31, 2013,

around 18% of the Group's staff in France were employed under fixed-term contracts. The annualization of working hours also enables the Group to handle peak periods and slack periods in the processing cycle by calculating the maximum number of working hours permitted under labor laws as an average over the year. Every week, the Group assesses the labor requirement for the coming week and adjusts its workforce's working hours accordingly. To this end, the Group has entered into collective bargaining agreements in its processing centers, which set forth the terms and conditions for managing working time and organize the distribution of working time on an annual basis (see section 6.9.2.3(g) – "*Annualization of Working Time"* of this *document de base*). Lastly, during peak periods, the Group relies to a certain extent on weekend work (see section 6.9.2.3(f) – "*Work on Sundays*" of this *document de base*).

Outside France, the Group also takes advantage of recently enacted less rigid labor laws and regulations, such as in Spain, as these give it the flexibility it needs to manage its workforce. During 2013, the Group was able to trim its payroll costs in Spain by around 8%.

In addition, the Group makes use of seasonal workers in peak periods across all the geographic regions where it does business.

Since fixed-term and seasonal contracts can be more costly than employing staff under permanent contracts, the Group uses such staffing methods sparingly to address short-term or seasonal peaks in its activity. As a general rule, the Group does not employ temporary workers (see section 6.9.2.4 – "*Fixed-Term Employment Contracts and Temporary Work*" of this *document de base*).

The Group monitors its labor utilization very carefully using the labor-planning tools described above. The Group is generally able to adjust the working hours of its workforce and reduce its employees' downtime in line with its activity levels, so that it can maximize the productivity of its workforce and protect its gross margin. Labor-planning tools are particularly important for the flat linen rental and laundry services business in the Hospitality, Industry, Trade and Services, and Healthcare end markets. In addition, the flat linen processing cycle is less automated than the workwear processing cycle, thus requiring more employees and additional flexibility to adjust working hours.

(b) Selling, general and administrative costs

For the year ended December 31, 2013, selling, general and administrative costs amounted to €209.1 million or 17.1% of the Group's consolidated revenue for this year. Selling costs consisted primarily of the Group's sales force and sales administration costs and amounted to €139.8 million for the year ended December 31, 2013. General and administrative costs amounted to €69.3 million and consisted primarily of expenses related to the Group's headquarters and administrative activities, including mandatory employee profit-sharing costs (*participation des salariés*).

(c) Raw material and consumable costs

Raw material costs include energy and water costs. Consumable costs include the cost of laundry products for workshops and that of HWB appliance consumables for customers, such as water, coffee pods and soap. The Group classifies linen and HWB appliance purchases as capital expenditure (see section 9.1.2.6 – "*Capital expenditure*" of this *document de base*). Raw material and consumable costs amounted to €171.6 million, or 14.0% of the Group's revenue for the year ended December 31, 2013, compared with €168.5 million or 14.2% of the Group's revenue, for the year ended December 31, 2012. The Group's raw material and consumable costs are mostly variable costs because they fluctuate in line with demand for the Group's services.

The primary energy sources the Group uses in its operations are gas and electricity. The Group also uses gasoline in its service vehicles. Gas and electricity costs for laundry facilities in the Group's processing centers and the cost of running its vehicles on gasoline fluctuate based on events beyond the Group's control. Energy prices have been highly volatile in recent years. The Group entered into several fixed-rate gas supply contracts for 2011 and 2012, but did not renew its contracts for 2013. The Group has entered into a new fixed-rate gas supply contract for 2014 and 2015.

Price fluctuations in various types of energy have an impact on the cost of the Group's operations. The Group aims to control its raw material and consumable costs tightly to maintain its gross margins. To reduce raw material costs and protect its margins, the Group aims to manage its supply chain cost-effectively, particularly by harnessing its size to achieve economies of scale with central purchasing schemes.

(d) Depreciation and amortization (excluding amortization of customer relationships)

For the year ended December 31, 2013, depreciation and amortization expenses amounted to €188.3 million or 15.4% of the Group's consolidated revenue for this year. This figure includes €114.2 million for textile items and dust mats, €57.7 million for intangible assets and property, plant and equipment, and €16.3 million for other items used to provide rental, laundry and maintenance services. Depreciation and amortization expenses for the year ended December 31, 2012 amounted to €152.0 million or 12.8% of the Group's consolidated revenue for this year. This figure includes €83.5 million for textile items and dust mats, €52.3 million for intangible assets and property, plant and equipment, and €16.2 million for other items used to provide rental, laundry and maintenance services. The depreciation period applied to textile items and dust mats was generally two years for the year ended December 31, 2011. The Group carried out a study of the actual useful life of textiles. This review of the useful life of rented items prompted the Group to extend their useful life for depreciation purposes effective January 1, 2012. As a result, depreciation and amortization expenses declined by €40.2 million for the year ended December 31, 2012 and by €9.7 million for the year ended December 31, 2013. Flat linen was the main beneficiary of this extension, with its average estimated useful life rising from two to three years. Moreover, the depreciation period for buildings was extended from 30 to 50 years effective January 1, 2012. The impact of this change in the accounting estimate on processing costs for the year ended December 31, 2012 was €2.0 million.

9.1.2.6 Capital expenditure

The cost of the textiles used by the Group depends largely on the time needed to manufacture them (the flat linen manufacturing cycle requires less production time than the workwear production cycle) and, to a lesser extent, on cotton and polyester prices. Cotton and polyester are commodities subject to significant price volatility. Their price varies as a function of supply and demand, suppliers' capacity utilization, industry and consumer trends, and the prices for crude oil, natural gas and other raw materials. For example, in 2011, cotton prices soared by approximately 50%, driving up the cost of the Group's textile purchases in 2011. As a result, the Group's aggregate operating costs increased significantly and so it subsequently introduced major price increases for its services.

Since 2011, the Group has begun sourcing each link in its supply chain separately and on a global basis to mitigate the impact on its results of operations of any increase in the manufacturing costs of textiles and of price increases for cotton and polyester, as well as of any weakening of the euro against the U.S. dollar, because it carries out a portion of its purchases in U.S. dollars while generating its sales in euros. Fluctuations in the price of raw materials and textiles will continue to have a positive or negative impact on the Group's future profitability. The Group purchases its textiles based on service quality and cost (see section 6.8 – "*Suppliers*" of this *document de base*). The Group's policy of sourcing each link in its supply chain separately gives it a tighter grip on its cost drivers and better prices and also allows it to cope with changing raw material and textile prices more effectively. To this end, the Group has also shortened the length of its contracts with suppliers in recent years, which has allowed it to handle raw material and textile price fluctuations more effectively.

The Group's investment spending during the six-month period ended June 30, 2014 consisted of €30.0 million in gross capital expenditure, or 4.7% of the Group's consolidated revenue during this period, and €85.5 million in linen purchases, or 13.3% of the Group's revenue during this period.

The Group's investment spending during the year ended December 31, 2013 consisted of €88.8 million in gross capital expenditure, or 7.2% of the Group's consolidated revenue during this period, and of €126.0 million in linen purchases, or 10.3% of the Group's consolidated revenue during this period.

For the year ended December 31, 2013, capital expenditure consisted of:

- purchases of property, plant and equipment (excluding washroom appliances), which totaled €60.4 million or 4.9% of the Group's consolidated revenue during this period. The bulk of these investments was devoted to major projects, including the construction of new processing centers in Toulouse and Pantin and maintenance capital expenditure (servicing of production facilities, replacement of production equipment and maintenance of plants' general services);

- purchases of intangible assets, primarily for IT systems, which amounted to €12.3 million or 1.0% of the Group's consolidated revenue during this period; and

- purchases of washroom appliances, which amounted to €16.1 million or 1.3% of the Group's consolidated revenue during this period.

The Group's investment spending during the year ended December 31, 2012 consisted of €109.6 million in gross capital expenditure, or 9.2% of the Group's consolidated revenue during this period, and €128.1 million in linen purchases, or 10.8% of the Group's consolidated revenue during this period.

For the year ended December 31, 2012, capital expenditure consisted of:

- purchases of property, plant and equipment (excluding washroom appliances), which totaled €74.3 million or 6.3% of the Group's consolidated revenue for this year. The bulk of these investments was devoted to major projects, including the construction of the Nice Carros, Toulouse and Pantin 2 processing centers and maintenance capital expenditure (servicing of production facilities, replacement of production equipment and maintenance of plants' general services);

- purchases of intangible assets, mainly for IT systems, which amounted to €19.2 million or 1.6% of the Group's consolidated revenue for this year; and

- purchases of washroom appliances, which amounted to €16.1 million or 1.4% of the Group's consolidated revenue for this year.

The Group's investment spending during the year ended December 31, 2011 consisted of €88.5 million in gross capital expenditure, or 7.7% of the Group's consolidated revenue for this year, and €133.7 million in linen purchases, or 11.6% of the Group's consolidated revenue for this year.

For the year ended December 31, 2011, capital expenditure consisted of:

- purchases of property, plant and equipment (excluding washroom appliances), which totaled €54.3 million or 4.7% of the Group's consolidated revenue for this year. The bulk of these investments was devoted to major projects, including the start of construction of the Nice Carros and Toulouse processing centers, improvements at the Bordeaux processing center and enhancements to the Pantin 2 processing center, as well as the acquisition of the site, and maintenance capital expenditure (servicing of production facilities, replacement of production equipment and maintenance of plants' general services);

- purchases of intangible assets, primarily for IT systems, which amounted to €17.6 million or 1.5% of the Group's consolidated revenue for this year; and

- purchases of washroom appliances, which amounted to €16.6 million or 1.4% of the Group's consolidated revenue for this year.

9.1.2.7 Operational efficiency

The Group's results of operations are affected by its ability to conduct its activities efficiently. The Group endeavors to maintain or improve its operational efficiency by simultaneously achieving growth in sales volumes, passing on higher costs to its customers and reducing its costs.

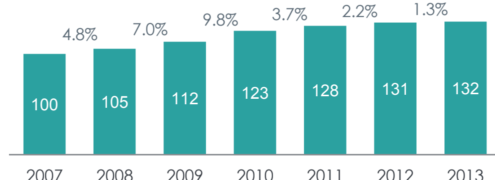
To boost its sales volumes, the Group seeks to secure new contracts and cross-sell services to existing customers by incentivizing its sales and Field Agents with bonuses for generating new customer relationships and cross-selling its services to its existing customer base (see section 6.6.1 – "*Sales*" of this *document de base*).

To generate cost efficiencies, the Group strives to improve its operational productivity by constantly increasing the linen laundry capacity of its existing facilities, by strictly controlling operating costs (in particular consumption of energy, water and laundry products) and by optimizing its textile consumption through a reduced flat linen replacement rate and making greater use of second-hand workwear.

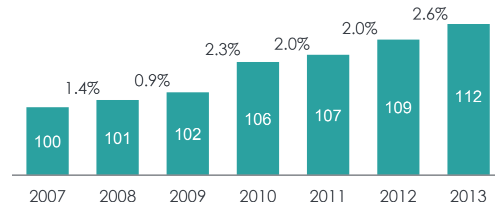
Since 2010 the Group has implemented various cost reduction plans and has focused relentlessly on optimizing its operational efficiency. It uses more than 25 performance indicators to monitor and improve its operational efficiency. For example, the Group uses performance indicators measuring processing productivity for flat linen and workwear based on labor and on water, laundry product and energy consumption.

The charts below show trends between 2007 and 2013 in these performance indicators at the Group's processing centers in France and flat linen and workwear processing productivity.

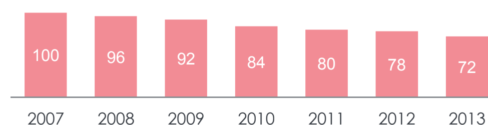
Workwear productivity in units per hour (100 basis in 2007)*



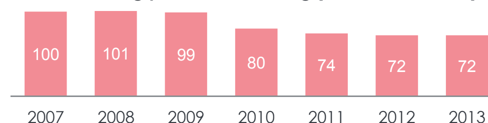
Flat linen productivity in kg per hour (100 basis in 2007)**



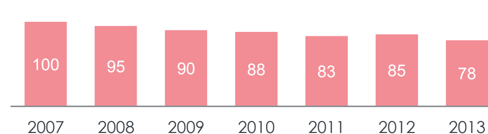
Water consumption in l/kg (100 basis in 2007)***



Cost of washing products in €ct/kg (100 basis in 2007)****



Energy consumption in kWh/kg (100 basis in 2007)*****



* Workwear productivity corresponds to the quantity of items of workwear handled by hour worked, 100 being the level witnessed in 2007.

** Flat linen productivity corresponds to the quantity of items of workwear handled by hour worked, 100 being the level witnessed in 2007.

*** Water consumption represents the amount of water used (in liters) to handle 1 kg of laundry, 100 being the level witnessed in 2007. The first material decrease between 2009 and 2010 arose from a change in the Group's detergent supplier.

**** Consumption of washing products represents the cost of washing products (in cents of euros) used to handle 1 kg of laundry, 100 being the level witnessed in 2007.

***** Energy consumption represents the amount of energy (in Kw per hour) used to handle 1 kg of laundry, 100 being the level witnessed in 2007.

9.1.2.8 Changes in laws and regulations

The Group's activities in France are subject to various laws and regulations related to employment, health and safety, and the environment (see section 6.9 – "*Regulations applicable to the Group*" of this *document de base*), which may have an impact on its results of operations. In particular, owing to the size of the Group's workforce, which consisted of around 11,640 employees in France for the six-month period ended June 30, 2014, the significant amount of its personnel costs in France (32.7% of the Group's consolidated revenue for the year ended December 31, 2013) and the importance of the French market to its business activities, the recent changes in the French legislation governing the tax and labor-related framework may

have an impact on the Group's results of operations (see section 6.9.1 – "*Recent and forthcoming changes in the tax and social provisions applicable to the Group*" of this *document de base*).

9.1.2.9 Cost of debt

At June 30, 2014, the Group's adjusted net debt totaled €1,996.0 million. The Group intends to repay and refinance part of its debt in connection with the admission of the Company's shares to trading on Euronext's regulated market in Paris. Even so, the Group will still have a significant debt burden following its initial public offering (see section 10.6.2 – "*Financial liabilities*" of this *document de base*).

At June 30, 2014, the Group's floating rate debt totaled €1,548.0 million and its fixed rate debt €507.4 million. The Group's ability to manage appropriately its exposure to fluctuations in interest rates in the future or to continue to do so at a reasonable cost may have an influence on its results of operations (see section 4.5.3 – "*Interest-rate risk*" of this *document de base*).

During the year ended December 31, 2013 and the six-month period ended June 30, 2014, interest expenses on borrowings and the loan from the employee profit-sharing fund amounted to €154.6 million and €76.8 million (see Note 20 to the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 in section 20.1.1 – "*IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013*" of this *document de base* and Note 8 to the condensed consolidated interim financial statements for the six-month period ended June 30, 2014 in section 20.1.3 – "*Condensed IFRS consolidated interim financial statements for the six months ended June 30, 2014*" of this *document de base*).

9.1.3 Key income statement items

Below is a summary description of the key elements of the line items of the Group's consolidated income statement under IFRS as adopted by the European Union. This description refers to the Group's consolidated income statement presented by function, included in the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 contained in section 20.1.1 – "*IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013*" of this *document de base*.

9.1.3.1 Revenue

The Group is organized in four main operating segments:

- France, representing the original rental and laundry services business in France;
- Europe, representing the same activities across the rest of Europe;
- Brazil; and
- Manufacturing entities, regrouping operations of cash generating units (CGUs) Le Jacquard Français, Kennedy Hygiene Products and Molinel until its disposal in April 2013.

In addition, the Group's two main operating segments, France (for the rental and laundry market) and Europe, are themselves divided up by sector in the case of France and by country in the case of Europe.

Revenue is recognized only when it is probable that future economic benefits will flow to the Group and that the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding any trade discounts, volume rebates and other sales reductions.

An analysis by end market in France is performed using the APE code of the entity entering into a contract with one of the Group's companies (the APE code reflects the main business activity using the French national statistics classification).

In addition to this analysis by sector and sub-sector, revenue is also analyzed taking into account the analysis of the impact of “major acquisitions” and “major disposals” (see section 9.1.2.2 – “*Acquisitions*” of this *document de base*) and the impact of exchange rate fluctuations. The impact of exchange rate fluctuations on the Group’s revenue growth is the difference between (i) revenue recorded in period n, and (ii) revenue recorded in period n-1 calculated using the exchange rates applicable in period n. Exchange rates applicable to a period are calculated using the average of the daily rates in this period.

9.1.3.2 Cost of linen, equipment and other consumables

Cost of linen, appliance and other consumables mainly consists of depreciation expenses for linen, workwear and HWB appliances that the Group rents to customers. It also includes the cost of consumables used by the Group’s customers, such as toilet paper, soap and hand towels and, to a lesser extent, personnel costs.

9.1.3.3 Processing costs

Processing costs mainly consist of personnel costs at the Group’s processing and dispatching centers, the cost of consumables used by the Group’s customers, such as detergent, laundry products, packaging materials and hangers, depreciation of buildings and machines, and water, electricity and gas costs.

9.1.3.4 Distribution costs

Distribution costs mainly consist of personnel costs at dispatching centers, vehicle maintenance costs and other transport-related costs, such as gasoline, vehicle insurance, vehicle depreciation and vehicle rental costs associated with the delivery of the Group’s services and products to its customers.

9.1.3.5 Selling, general and administrative expenses

Selling, general and administrative expenses mainly consist of sales force and sales administration costs, including associated personnel costs, administrative costs, central and local management wages, headquarters costs and the costs of mandatory employee profit-sharing (*participation des salariés*). The costs related to voluntary employee profit-sharing (*intéressement*) are accounted for by function, which is consistent with the treatment of other personnel costs.

9.1.3.6 Amortization of customer relationships

Amortization of customer relationships consists of the amortization of the customer relationships that the Group acquires through the purchase of companies and businesses. The Group amortizes customer relationships over periods of four to eleven years, from the date the relevant company or business is acquired.

9.1.3.7 Goodwill impairment

Goodwill impairment consists of impairment losses on goodwill recorded in connection with the Group’s acquisitions of rental and laundry companies and businesses. The Group recognizes goodwill impairment losses in accordance with IAS 36 “Impairment of Assets”.

9.1.3.8 Other income and expense

Other income and expenses consist mainly of restructuring costs, expenses related to free shares, acquisition costs and other non-recurring items.

9.1.3.9 Net financial expense

Net financial expense consists mainly of cash and non-cash interest expenses on debt, including the PIK Proceeds Loan, the Senior Subordinated Notes, Senior Secured Notes, Senior Credit Facilities, finance leases, deemed interest on mandatory and voluntary employee profit-sharing plans, which the Group

recognizes as debt prior to maturity, and the ineffective portion of the derivatives recognized in its income statement.

9.1.3.10 Income tax benefit (expense)

Income tax benefit (expense) consists mainly of corporate tax paid in each country where the Group operates, including CVAE (for French entities) and current and deferred taxes.

9.1.3.11 Share of net income of equity-accounted companies

Share of net income of equity-accounted companies method consists of the share of the profit of entities over which the Group exercises significant influence but not control.

9.2 ANALYSIS OF THE RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	Six-month period ended June 30,			
	2013	2014	Change €	Change %
	(millions of euros)			
Revenue	**600.0**	**644.3**	**44.3**	**7.4%**
Cost of linen, equipment and other consumables	(93.3)	(107.2)	(13.9)	14.9%
Processing costs	(202.6)	(223.6)	(21.0)	10.4%
Distribution costs	(97.6)	(103.9)	(6.3)	6.5%
Gross margin	**206.6**	**209.6**	**3.0**	**1.5%**
Selling, general and administrative expenses	(106.6)	(106.1)	0.5	(0.5)%
Operating income before other income and expense and amortization of customer relationships	**100.0**	**103.5**	**3.5**	**3.5%**
Amortization of customer relationships	(19.7)	(20.5)	(0.8)	4.1%
Goodwill impairment	0.0	0.0	0.0	0.0%
Other income and expense	(10.9)	(16.1)	(5.2)	47.7%
Operating income	**69.4**	**67.0**	**(2.4)**	**(3.5)%**
Net financial expense	(76.2)	(79.2)	(3.0)	3.9%
Income (loss) before tax	**(6.8)**	**(12.2)**	**(5.4)**	**79.4%**
Income tax benefit (expense)	(4.3)	(5.3)	(1.0)	23.3%
Share of net income of equity-accounted companies	0.1	0.0	—	—
Net income (loss)	**(11.1)**	**(17.5)**	**(6.4)**	**57.7%**

Revenue, recurring operating income and all operating indicators are subject to seasonal fluctuations, particularly summer vacation periods, the annualization of working time and the higher revenue in the Hospitality end market during July and August, which impact activity at certain plants. The extent of the seasonal impact varies in the countries in which the Group operates. Consequently, the interim results for the six-month period ended June 30, 2014 are not necessarily representative of those that may be expected for full-year 2014.

9.2.1 Revenue

The Group's consolidated revenue increased by €44.3 million, or 7.4%, from €600.0 million for the six-month period ended June 30, 2013 to €644.3 million for the six-month period ended June 30, 2014.

This revenue increase was primarily attributable to the impact of changes in the scope of consolidation of 5.5% associated with several "major acquisitions," namely that of the Atmosfera group, Brazil's leading industrial laundry group, and of Reig Marti and Explotadora de Lavanderias (Majorca – Balearic Islands) in Spain, which respectively contributed €36.2 million and €2.4 million to the Group's consolidated revenue for the six-month period ended June 30, 2014 (see section 9.1.2.2 – "*Acquisitions*" of this *document de base*). This increase was offset partially by the sale of Molinel in April 2013, which had a negative impact of €5.4 million during the same period. The Group's organic growth derived to a large extent from France (1.4%), Germany (6.8%), Italy (5.0%), Switzerland (3.8%), Portugal (5.5%) and Spain (9.7%).

The table below presents a breakdown of revenue by operating segment for the six-month periods ended June 30, 2013 and June 30, 2014.

	Six-month period ended June 30,			
	2013	2014	Change €	Change %
	(millions of euros)			
France	461.8	468.0	6.2	1.3%
Europe	124.1	131.9	7.8	6.3%
Brazil	--	36.2	36.2	--
Manufacturing entities	14.2	8.2	(6.0)	(42.3)%
Revenue	**600.0**	**644.3**	**44.3**	**7.4%**

9.2.2 Cost of linen, equipment and other consumables

Cost of linen, appliance and other consumables increased by €13.9 million or 14.9% from €93.3 million for the six-month period ended June 30, 2013 to €107.2 million for the six-month period ended June 30, 2014. This increase resulted mainly from the end of the positive impact from extending the average estimated useful life of linen from two to three years effective January 1, 2012, which had a positive impact of €8.3 million for the six-month period ended June 30, 2013 but no further impact in 2014. In addition, the first-time consolidation of the Atmosfera group, which was purchased in Brazil, contributed €3.9 million to the increase.

9.2.3 Processing costs

Processing costs increased by €21.0 million or 10.4% from €202.6 million for the six-month period ended June 30, 2013 to €223.6 million for the six-month period ended June 30, 2014. Of this increase, €19.4 million reflected the first-time consolidation of the Atmosfera group, which was purchased in Brazil, €2.0 million in rental costs arising from the sale of part of the Group's real estate portfolio in France, offset partially by the positive impact of €1.4 million linked to the increase in the CICE rate.

9.2.4 Distribution costs

Distribution costs increased by €6.3 million or 6.5% from €97.6 million for the six-month period ended June 30, 2013 to €103.9 million for the six-month period ended June 30, 2014. Of this increase, €6.8 million reflected the first-time consolidation of the Atmosfera group, which was purchased in Brazil, offset partially by the positive impact of €1.0 million linked to the increase in the CICE rate.

9.2.5 Gross margin

Gross margin increased by €3.0 million or 1.5% from €206.6 million for the six-month period ended June 30, 2013 to €209.6 million for the six-month period ended June 30, 2014. Gross margin expressed as a percentage of consolidated revenue decreased by 190 basis points from 34.4% for the six-month period ended June 30, 2013 to 32.5% for the six-month period ended June 30, 2014. This increase in gross margin resulted principally from an increase of €13.9 million or 14.9% in linen, appliance and other consumables costs, which rose from €93.3 million for the six-month period ended June 30, 2013 to €107.2 million for the six-month period ended June 30, 2014, reflecting the €8.3 million increase in depreciation expense for the six-month period ended June 30, 2013 following the change in accounting method effective January 1, 2012. Restated for this item, gross margin expressed as a percentage of consolidated revenue decreased by 50 basis points between the six-month periods ended June 30, 2013 and 2014 owing primarily to the first-time consolidation of the Atmosfera group, which was purchased in Brazil.

9.2.6 Selling, general and administrative expenses

Selling, general and administrative expenses decreased by €0.5 million or 0.5% from €106.6 million for the six-month period ended June 30, 2013 to €106.1 million for the six-month period ended June 30, 2014. This decrease primarily reflected certain reversals of provisions, productivity gains in business prospecting

unlocked by introducing tablets (higher number of contracts signed in proportion to the number of sales representatives achieved by facilitating access to business information) and a tighter grip on central management and headquarters costs, partially offset by a €4.9 million increase attributable to the first-time consolidation of the Atmosfera group, which was purchased in Brazil.

9.2.7 Operating income before other income and expense and amortization of customer relationships

Operating income before other income and expense and amortization of customer relationships increased by €3.5 million or 3.5% from €100.0 million for the six-month period ended June 30, 2013 to €103.5 million for the six-month period ended June 30, 2014. This change reflected trends in the gross margin. Restated for linen depreciation, operating income before other income and expense and amortization of customer relationships increased by €11.8 million.

9.2.8 Amortization of customer relationships

Amortization of customer relationships increased by €0.8 million or 4.1% from €19.7 million for the six-month period ended June 30, 2013 to €20.5 million for the six-month period ended June 30, 2014. This increase was mainly the result of the first-time consolidation of the Atmosfera group, which was purchased in Brazil. Customer relationships are amortized on a straight-line basis over a period of 11 years. The carrying amount of customer relationships was €190.6 million for the six-month period ended June 30, 2014, with the most part due to be amortized by 2018.

9.2.9 Goodwill impairment

No goodwill impairment were recorded during the six-month periods ended June 30, 2013 and 2014.

9.2.10 Other income and expenses

Other income and expense represented a net expense of €16.1 million for the six-month period ended June 30, 2014, or a €5.2 million increase on the six-month period ended June 30, 2013. For the six-month period ended June 30, 2014, other income and expense mainly consisted of: (i) €9.7 million in costs not eligible for capitalization and an impairment loss arising from the change in IT system, (ii) €5.0 million in expenses arising from sales of facilities offset partially by a net capital gain of €3.7 million recorded on the site disposals, and (iii) €3.6 million in acquisition expenses, primarily related to the first-time consolidation of the Atmosfera group, which was purchased in Brazil. For the six-month period ended June 30, 2013, other income and expense represented a net expense of €10.9 million owing in particular to €9.1 million in expenses not eligible for capitalization related to the change in the IT system.

9.2.11 Net financial expense

Net financial expense increased by €3.0 million or 3.9% from €76.2 million for the six-month period ended June 30, 2013 to €79.2 million for the six-month period ended June 30, 2014. This increase primarily reflected the change in borrowing conditions during June 2013, as the new financing arranged carried less favorable terms (see sections 10.6.2.1 – "*Private PIK Notes and PIK Proceeds Loan*," 10.6.2.2 – "*Senior Subordinated Notes*," section 10.6.2.3 – "*Senior Secured Notes*" and 10.6.2.4 – "*Sernio Credit Facilities Agreement*" of this *document de base*).

9.2.12 Income tax benefit (expense)

Income tax benefit (expense) increased by €1.0 million from €4.3 million for the six-month period ended June 30, 2013 to €5.3 million for the six-month period ended June 30, 2014. This increase was mainly attributable to the increase from 15% to 25% for the non-deductible portion of financial expenses (see section 6.9.1.1 – "*Limitation on the deductibility of interest expenses*" of this *document de base*).

9.2.13 Net income (loss)

The net loss increased by €6.4 million or 57.7% from €11.1 million for the six-month period ended June 30, 2013 to €17.5 million for the six-month period ended June 30, 2014 for the aforementioned reasons.

9.3 ANALYSIS OF THE RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012

The following table shows certain line items from the income statement for the years ended December 31, 2013 and December 31, 2012.

	Year ended December 31,			
	2012	2013	Change €	Change %
	(millions of euros)			
Revenue	**1,185.2**	**1,225.4**	**40.2**	**3.4%**
Costs of linen, equipment and other consumables	(172.1)	(195.8)	(23.7)	13.8%
Processing costs	(391.6)	(413.3)	(21.7)	5.5%
Distribution costs	(191.7)	(195.5)	(3.8)	2.0%
Gross margin	**429.8**	**420.8**	**(9.0)**	**(2.1)%**
Selling, general and administrative expenses	(205.8)	(209.1)	(3.3)	1.6%
Operating income before other income and expense and amortization of customer relationships	**224.0**	**211.7**	**(12.3)**	**(5.5)%**
Amortization of customer relationships	(38.6)	(39.6)	(1.0)	2.6%
Goodwill impairment	(37.6)	(4.0)	33.6	(89.4)%
Other income and expense	(18.5)	(49.2)	(30.7)	165.9%
Operating income	**129.3**	**118.9**	**(10.4)**	**(8.0)%**
Net financial expense	(154.4)	(164.2)	(9.8)	6.3%
Income (loss)before tax	**(25.0)**	**(45.3)**	**(20.3)**	**81.2%**
Income tax benefit (expense)	(21.6)	1.2	22.8	(105.6)%
Share of net income of equity-accounted companies	0.2	0.1	(0.1)	(50.0)%
Net income (loss)	**(46.4)**	**(44.1)**	**2.3**	**(5.0)%**

9.3.1 Revenue

The Group's consolidated revenue increased by €40.2 million or 3.4% from €1,185.2 million for the year ended December 31, 2012 to €1,225.4 million for the year ended December 31, 2013.

This revenue growth derived from a 1.8% impact of changes in the scope of consolidation as a result of four "major acquisitions" made by the Group during the year ended December 31, 2013 (see section 9.1.2.2 – "*Acquisitions*" of this *document de base*). The Group's organic growth derived predominantly from France (2.0%) and Germany (6.0%), primarily in the Hospitality and Healthcare end markets in France and from flat linen rental and laundry services in the Hospitality end market in Germany.

The table below presents a breakdown of revenue by operating segment for the years ended December 31, 2013 and December 31, 2012.

	Year ended December 31,			
	2012	2013	Change €	Change %
	(millions of euros)			
France	923.4	941.9	18.5	2.0%
Europe	218.2	260.1	41.9	19.2%
Brazil	--	--	--	--
Manufacturing entities	43.6	23.4	(20.2)	(46.3)%
Revenue	**1,185.2**	**1,225.4**	**40.2**	3.4%

9.3.2 Cost of linen, equipment and other consumables

Linen, appliance and other consumables costs increased by €23.7 million or 13.8% from €172.1 million for the year ended December 31, 2012 to €195.8 million for the year ended December 31, 2013. This increase was primarily the result of an extension in the average estimated useful life of linen from two to three years effective January 1, 2012, which had a positive impact of €40.2 million for the year ended December 31, 2012 and a positive impact of €9.7 million for the year ended December 31, 2013. The change in accounting estimate had a negative impact of €30.5 million, calculated as the difference between these two years. Restated for linen depreciation, the cost of linen, appliance and other consumables decreased by 3.2% owing in particular to measures taken to optimize linen purchases in 2012 and 2013 and efforts concerning purchases of consumables in 2013.

9.3.3 Processing costs

Processing costs increased by €21.7 million or 5.5% from €391.6 million for the year ended December 31, 2012 to €413.3 million for the year ended December 31, 2013. This increase was largely attributable to a €10.7 million increase in personnel costs, higher municipal taxes on wastewater treatment in France, a €2.5 million increase in the cost of gas in France and the depreciation of costs incurred on major projects, such as the construction of the new Pantin and Nice processing centers, which contributed €2.2 million to this increase.

9.3.4 Distribution costs

Distribution costs increased by €3.8 million or 2.0% from €191.7 million for the year ended December 31, 2012 to €195.5 million for the year ended December 31, 2013. The increase in distribution costs was smaller than that in revenue, primarily as a result of productivity enhancement measures. For example, fuel costs decreased by €0.3 million in France during the year ended December 31, 2013.

9.3.5 Gross margin

Gross margin decreased by €9.0 million or 2.1% from €429.8 million for the year ended December 31, 2012 to €420.8 million for the year ended December 31, 2013. Gross margin expressed as a percentage of consolidated revenue decreased by 200 basis points from 36.3% for the year ended December 31, 2012 to 34.3% for the year ended December 31, 2013. This gross margin contraction resulted principally from an increase of €23.7 million or 13.8% in linen, appliance and other consumables costs, which rose from €172.1 million for the year ended December 31, 2012 to €195.8 million for the year ended December 31, 2013, reflecting the increase in depreciation expense in the second year following the change in accounting method effective January 1, 2012. Restated for this item, gross margin increased by €21.5 million between the years ended December 31, 2012 and 2013 and increased by 68 basis points more than consolidated revenue, primarily as a result of productivity enhancement measures.

9.3.6 Selling, general and administrative expenses

Selling, general and administrative expenses increased by €3.3 million or 1.6% from €205.8 million for the year ended December 31, 2012 to €209.1 million for the year ended December 31, 2013. The automatic impact of inflation was offset partially by productivity gains in business prospecting unlocked by introducing tablets (higher number of contracts signed in proportion to the number of sales representatives achieved by facilitating access to business information) and a tighter grip on central management and headquarters costs.

9.3.7 Operating income before other income and expense and amortization of customer relationships

Operating income before other income and expense and amortization of customer relationships decreased by €12.3 million or 5.5% from €224.0 million for the year ended December 31, 2012 to €211.7 million for the year ended December 31, 2013. This change reflected trends in the gross margin. Restated for linen depreciation, operating income before other income and expense and amortization of customer

relationships increased 98 basis points more than the Group's consolidated revenue owing mainly to productivity enhancement measures.

9.3.8 Amortization of customer relationships

Amortization of customer relationships increased by €1.0 million or 2.6% from €38.6 million for the year ended December 31, 2012 to €39.6 million for the year ended December 31, 2013. This increase stemmed from the full-year impact of the acquisitions made during the year ended December 31, 2012. Customer relationships are amortized on a straight-line basis over a period of 11 years. The carrying amount of customer relationships was to €191.5 million for the year ended December 31, 2013, with the most part due to be amortized by 2018.

9.3.9 Goodwill impairment

Goodwill impairment decreased by €33.6 million or 89.4% from €37.6 million for the year ended December 31, 2012 to €4.0 million for the year ended December 31, 2013. For the year ended December 31, 2013, the Group recognized €4.0 million in impairment losses on the goodwill of the Kennedy CGU as a result of the downward revision of its future cash flow projections.

9.3.10 Other income and expense

Other income and expense increased by €30.7 million or 165.9% from a net expense of €18.5 million for the year ended December 31, 2012 to a net expense of €49.2 million for the year ended December 31, 2013. For the year ended December 31, 2013, other income and expense primarily consisted of: (i) €14.5 million in costs not eligible for capitalization and a €26.5 million impairment loss arising from the change in IT system, (ii) €3.4 million in expenses and provisions for restructuring related to the shutdown of processing centers in France and Southern Europe, and (iii) €1.5 million in expenses arising from sales of facilities. For the year ended December 31, 2012, other income and expense represented a net expense of €18.5 million owing to restructuring costs incurred in France, Spain and Portugal as a result of the economic crisis that hit these countries (€5.8 million) and the impairment of the "Le Jacquard Français" brand (€5.9 million). See Note 19 to the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 contained in section 20.1.1 – "*IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013*" of this *document de base*.

9.3.11 Net financial expense

Net financial expense decreased by €9.8 million or -6.3% from €-154.4 million for the year ended December 31, 2012 to €-164.2 million for the year ended December 31, 2013. This decrease was mainly due to the €6.4 million increase in interest on the Group's borrowings and €4.4 million in amortization of the effective interest rate in 2013 following the recognition of financing costs and fees, partly offset by the €1.0 million increase in financial income resulting from derivatives trading.

In April 2013, the Group extended the maturity date of its interest-rate swap from October 2014 to October 2017 and reduced the fixed rate of interest paid under the swap agreement from 1.85% to 1.42%, with the interest-rate swaps still eligible for hedge accounting after this restructuring.

9.3.12 Income tax benefit (expense)

Income tax benefit (expense) improved by €22.8 million from an expense of €21.6 million for the year ended December 31, 2012 to a benefit of €1.2 million for the year ended December 31, 2013. Of this amount, €10.5 million reflects the CVAE in France and the IRAP regional tax on productive activity in Italy. Various factors including the recognition in 2013 of the CICE as an untaxable gain and goodwill impairment not deductible for tax purposes in 2012 account for the change between these two years.

9.3.13 Net income (loss)

The net loss decreased by €2.3 million or 5.0% from €46.4 million for the year ended December 31, 2012 to €44.1 million for the year ended December 31, 2013 for the aforementioned reasons.

9.4 ANALYSIS OF THE RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

The following table shows certain line items from the income statement for the years ended December 31, 2012 and December 31, 2011.

	Year ended December 31,			
	2011	2012	Change €	Change %
	(millions of euros)			
Revenue	**1,148.8**	**1,185.2**	**36.4**	**3.2%**
Cost of linen, equipment and other consumables	(199.3)	(172.1)	27.2	(13.6)%
Processing costs	(372.3)	(391.6)	(19.3)	5.2%
Distribution costs	(186.2)	(191.7)	(5.5)	3.0%
Gross margin	**390.9**	**429.8**	**38.9**	**10.0%**
Selling, general and administrative expenses	(199.1)	(205.8)	(6.7)	3.4%
Operating income before other income and expense and amortization of customer relationships	**191.8**	**224.0**	**32.2**	**16.8 %**
Amortization of customer relationships	(60.3)	(38.6)	21.7	(36.0)%
Goodwill impairment	(33.0)	(37.6)	(4.6)	13.9%
Other income and expense	(4.2)	(18.5)	(14.3)	340.5%
Operating income	**94.4**	**129.3**	**34.9**	**37.0%**
Net financial expense	(165.2)	(154.4)	10.8	(6.5)%
Income (loss) before tax	**(70.8)**	**(25.0)**	**45.8**	**(64.7)%**
Income tax benefit (expense)	1.4	(21.6)	(23.0)	—
Share of net income of equity-accounted companies	0.1	0.2	0.1	—
Net income (loss)	**(69.3)**	**(46.4)**	**22.9**	**(33.0)%**

9.4.1 Revenue

The Group’s consolidated revenue increased by €36.4 million or 3.2% from €1,148.8 million for the year ended December 31, 2011 to €1,185.2 million for the year ended December 31, 2012. Organic growth was strong at 1.8%, owing to an increase in revenue generated in France of 2.7%, partly offset by a decrease in revenue generated in countries other than France of 2.0%, resulting from a downbeat economic environment in Southern Europe.

The table below presents a breakdown of revenue by operating segment for the years ended December 31, 2012 and December 31, 2011.

	Year ended December 31,			
	2011	2012	Change €	Change %
	(millions of euros)			
France	899.2	923.4	24.2	2.7%
Europe	203.7	218.2	14.5	7.1%
Brazil	--	0.0	--	-- %
Manufacturing entities	45.9	43.6	(2.3)	(5.0)%
Revenue	**1148.8**	**1,185.2**	**36.4**	**3.2%**

9.4.2 Cost of linen, equipment and other consumables

Cost of linen, equipment and other consumables decreased by €27.2 million or 13.6% from €199.3 million for the year ended December 31, 2011 to €172.1 million for the year ended December 31, 2012. This decrease was primarily the result of an extension in the average estimated useful life of linen from two to three years effective January 1, 2012, which had a positive impact of €40.2 million for the year ended December 31, 2012. It was partially offset by higher linen purchase costs for the year ended December 31, 2012 compared with the year ended December 31, 2011, resulting from an increase in linen volumes, itself partly offset by a slight fall in textile prices (cotton prices decreased in 2012 after peaking in 2011) and by

cost savings primarily deriving from productivity enhancement measures rolled out for the year ended December 31, 2012.

9.4.3 Processing costs

Processing costs increased by €19.3 million or 5.2% from €372.3 million for the year ended December 31, 2011 to €391.6 million for the year ended December 31, 2012. This increase was primarily attributable to an increase in personnel costs of €5.0 million, resulting from an increase in the French statutory minimum wage (*salaire minimum interprofessionnel de croissance* – SMIC), a €1.6 million increase in energy and water costs in France, resulting primarily from the opening of two new processing centers in France and the corresponding production overlap in the start-up phase, with one existing processing center, and the acquisitions of Blanchâtel, Papritz, Blycolin and Domeisen, which contributed €10.4 million for the year ended December 31, 2012.

9.4.4 Distribution costs

Distribution costs increased by €5.5 million or 3.0% from €186.2 million for the year ended December 31, 2011 to €191.7 million for the year ended December 31, 2012. This increase was primarily attributable to a €4.1 million increase in distribution costs in France resulting from an increase in personnel costs of €2.8 million owing to the increase in the French statutory minimum wage, an increase of €0.9 million in gasoline costs and of €1.1 million resulting from the acquisitions of Blanchâtel, Papritz, Blycolin and Domeisen for the year ended December 31, 2012.

9.4.5 Gross margin

Gross margin increased by €38.9 million or 10.0% from €390.9 million for the year ended December 31, 2011 to €429.8 million for the year ended December 31, 2012. Gross margin expressed as a percentage of consolidated revenue increased by 230 basis points from 34.0% for the year ended December 31, 2011 to 36.3% for the year ended December 31, 2012. The increase in gross margin was primarily attributable to a decrease of €27.2 million or 13.6% in linen, appliance and other consumables costs from €199.3 million or 17.3% of consolidated revenue for the year ended December 31, 2011, to €172.1 million, or 14.5% of consolidated revenue for the year ended December 31, 2012, resulting primarily from an extension from two to three years, on average, in the depreciation period for flat linen effective January 1, 2012. The decease was partly offset by an increase in processing costs of €19.3 million, or 5.2%, from €372.3 million, or 32.4% of consolidated revenue for the year ended December 31, 2011 to €391.6 million, or 33.0% of consolidated revenue for the year ended December 31, 2012, resulting primarily from an increase in personnel costs following the increase in the French statutory minimum wage.

9.4.6 Selling, general and administrative expenses

Selling, general and administrative expenses increased by €6.7 million or 3.4% from €199.1 million for the year ended December 31, 2011 to €205.8 million for the year ended December 31, 2012. This increase was primarily attributable to a €2.5 million increase in local management costs, resulting from a €1.5 million increase in gross salaries and severance payments and from a €1.2 million increase in central management and headquarters costs owing to an increase of €1.0 million in gross salaries for the year ended December 31, 2012. In addition, the costs related to the profit-sharing agreement in France increased by €0.8 million, and the acquisitions of Blanchâtel, Papritz, Blycolin and Domeisen generated an increase of €1.7 million for the year ended December 31, 2012.

9.4.7 Operating income before other income and expense and amortization of customer relationships

Operating income before other income and expense and amortization of customer relationships increased by €32.2 million or 16.8% from €191.8 million for the year ended December 31, 2011 to €224.0 million for the year ended December 31, 2012. This change reflected trends in the gross margin. Restated for linen depreciation, operating income before other income and expense and amortization of customer relationships decreased 120 basis points more than revenue owing mainly to productivity enhancement measures.

9.4.8 Amortization of customer relationships

Amortization of customer relationships fell back €21.7 million or 36.0% from €60.3 million for the year ended December 31, 2011 to €38.6 million for the year ended December 31, 2012. This decrease was primarily attributable to the end of the four-year amortization period for the customer relationships recognized in 2007 following the acquisition of the Group by Eurazeo (on December 31, 2011). Accordingly, no amortization expense was recorded for the year ended December 31, 2012 in relation to these customer relationships.

9.4.9 Goodwill impairment

Goodwill impairment increased by €4.6 million or 13.9% from €33.0 million for the year ended December 31, 2011 to €37.6 million for the year ended December 31, 2012. This increase was primarily attributable to the additional goodwill impairment allocated to the Group's Portuguese business and Le Jacquard Français, resulting from the continuing economic crisis, and to Molinel, based on the sale price stated in the purchase agreement in relation to the sale of Molinel in April 2013, in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) for the year ended December 31, 2012.

9.4.10 Other income and expense

Other income and expense increased by €14.3 million or 340.5% from net income of €4.2 million for the year ended December 31, 2011 to €18.5 million for the year ended December 31, 2012. This increase was primarily attributable to the impairment of the "Le Jacquard Français" brand (€5.9 million) and restructuring costs (€5.8 million) resulting from the implementation of restructuring plans in Spain and Portugal owing to the continuing economic crisis affecting those countries. A €1.3 million provision for environmental costs was recognized during the year ended December 31, 2012, and in 2011 the Group recognized a €2.5 million gain on the sale of the former processing center in Pantin, France. In addition, the Group recognized non-cash expenses of €3.5 million and €3.3 million in connection with the grant of free shares to key members of management in late 2010.

9.4.11 Net financial expense

Net financial expense decreased by €10.8 million or 6.5% from €165.2 million for the year ended December 31, 2011 to €154.4 million for the year ended December 31, 2012. The Group uses derivatives to partly hedge the floating rate interest expenses on its Senior Credit Facilities based on three-month and six-month Euribor. The decrease in Euribor during the year ended December 31, 2012 also had a favorable impact on the interest expenses paid in relation to the floating rate debt that is not hedged. At December 31, 2012, an aggregate principal amount of €1,975.2 million of the Senior Credit Facilities was outstanding, of which €1,100.0 million was hedged through interest rate swaps maturing in 2014.

In April 2012, the Group extended the maturity of its interest-rate swap from October 2012 to October 2014 and reduced the fixed rate of interest paid under the swap agreement from 4.32% to 1.85%, with the interest-rate swaps still eligible for hedge accounting after this restructuring.

9.4.12 Income tax benefit (expense)

This item changed by €23.0 million, from an income tax benefit of €1.4 million for the year ended December 31, 2011 to an income tax benefit (expense) of €21.6 million for the year ended December 31, 2012. This change was primarily attributable to the non-deductibility of 15% of the financing costs incurred for the year ended December 31, 2012 and to the hike in income tax benefit (expense) resulting from the increase in operating income.

9.4.13 Net income (loss)

Te net loss decreased by €22.9 million or 33.0% from €69.3 million for the year ended December 31, 2011 to €46.4 million for the year ended December 31, 2012 for the aforementioned reasons.

9.5 ANALYSIS OF REVENUE AND EBITDA BY OPERATING SEGMENT FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

This document contains EBIT and EBITDA metrics and ratios, as these indicators are defined by the Group. The Group has included these metrics because management uses them to assess operating performance, for presentations to members of the Board of Directors, as the basis for strategic planning and projections and to monitor certain aspects of its cash flow and liquidity in tandem with its operating activities. The Group defines these metrics as follows:

- EBIT is defined as net income/(loss) before net financial income or expense, tax expense, share of net income or loss of equity-accounted companies, amortization of customer relationships, goodwill impairment, other income and expense and miscellaneous financial expenses (bank services and recurring dividends recognized in operating expenses). For a reconciliation of EBIT with the consolidated income statement, see Note 16 to the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 in section 20.1.1 – "*IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013*" of this *document de base* and Note 5 to the condensed consolidated interim financial statements for the six-month period ended June 30, 2014 in section 20.1.3 – "*Condensed IFRS consolidated interim financial statements for the six months ended June 30, 2014*" of this *document de base*.

- EBITDA is defined as EBIT before additions to/(reversals from) depreciation and amortization net of the share of subsidies transferred to the income statement. For a reconciliation of EBITDA with EBIT, see Note 16 to the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 in section 20.1.1 – "*IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013*" of this *document de base* and Note 5 to the condensed consolidated interim financial statements for the six-month period ended June 30, 2014 in section 20.1.3 – "*Condensed IFRS consolidated interim financial statements for the six months ended June 30, 2014*" of this *document de base*.

Insofar as participants and rivals in the end markets in which the Group operates do not all calculate EBIT and EBITDA in the same way, the EBIT and EBITDA presented by the Group may not be comparable with the figures published by other companies under the same heading.

The table below presents a breakdown of revenue and EBITDA by operating segment for the years ended December 31, 2013, December 31, 2012 and December 31, 2011.

	Year ended December 31,		
	2011	**2012**	**2013**
	(millions of euros)		
France			
Revenue	899.2	923.4	941.9
Inter-segment[1]	1.8	1.8	2.1
Revenue including inter-segment	901.0	925.2	944.0
EBITDA	320.9	325.7	339.0
As a % of revenue including inter-segment [2]	35.6%	35.2%	35.9%
Europe			
Revenue	203.7	218.2	260.1
Inter-segment[1]	0.6	0.8	1.1
Revenue including inter-segment	204.3	219.0	261.2
EBITDA	43.1	46.4	60.5
As a % of revenue including inter-segment [2]	21.1%	21.2%	23.2%
Brazil			
Revenue	--	--	0.0
Inter-segment[1]	--	--	(0.0)
Revenue including inter-segment	--	--	0.0
EBITDA	--	--	(0.8)
As a % of revenue including inter-segment[2]	--	--	--
Manufacturing entities			
Revenue	45.9	43.6	23.4
Inter-segment[1]	12.1	10.3	8.4
Revenue including inter-segment	58.0	53.9	31.8
EBITDA	8.3	5.9	3.4
As a % of revenue including inter-segment[2]	14.3%	10.9%	10.7%
Eliminations & Holding companies			
Revenue	--	--	--
Inter-segment[1]	(14.5)	(12.9)	(11.6)
Revenue including inter-segment	(14.5)	(12.9)	(11.6)
EBITDA[3]	(0.8)	(1.3)	(1.4)
As a % of revenue including inter-segment[2]	--	--	--
Total			
Consolidated revenue	**1,148.8**	**1,185.2**	**1,225.4**
EBITDA	**371.4**	**376.7**	**400.7**
As a % of consolidated revenue	**32.3%**	**31.8%**	**32.7%**

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(1) Inter-segment reflects intercompany sales between operating segments dedicated to rental, laundry and maintenance services and to sales of goods by the manufacturing entities to the other operating segments. It does not represent sales to external customers. Accordingly, these sales are eliminated for the purpose of calculating the Group's revenue. Intercompany sales are not material in relation to sales to external customers for the France and Europe operating segments. Conversely, these intercompany sales account for a material portion of the manufacturing entities' revenue. For the year ended December 31, 2013, intercompany sales recorded by the manufacturing entities amounted to €8.4 million, €4.8 million of which was generated by Kennedy Hygiene Products and €3.4 million by Le Jacquard Français.

(2) The EBITDA margin is calculated as a percentage of revenue including inter-segment because the expenses related to these intercompany sales are captured in the calculation of each operating segment's EBITDA.

(3) The Eliminations & Holding companies EBITDA shows the EBITDA of the Group's holding companies. These companies incur certain administrative costs that are not allocated to the operating segments.

9.5.1 France

The table below presents (i) a breakdown of the revenue generated in France by end market, and (ii) the EBITDA generated in France by the Group for the financial years ended December 31, 2013, December 31, 2012 and December 31, 2011.

	Year ended December 31,		Change € between 2011 and 2012	Change % between 2011 and 2012	Year ended December 31,		Change € between 2012 and 2013	Change % between 2012 and 2013
	2011	2012			2012	2013		
	(millions of euros)							
Hospitality	266.4	276.1	9.7	3.6%	276.1	282.5	6.4	2.3%
Industry	180.3	184.5	4.2	2.3%	184.5	187.7	3.2	1.7%
Trade and Services	338.2	341.1	2.9	0.9%	341.1	340.5	(0.6)	(0.2)%
Healthcare	130.0	137.6	7.6	5.8%	137.6	144.7	7.1	5.2%
Miscellaneous*	(15.8)	(15.9)	(0.1)	0.6%	(15.9)	(13.4)	2.5	(15.7)%
Revenue	**899.2**	**923.4**	**24.2**	**2.7%**	**923.4**	**941.9**	**18.5**	**2.0%**
EBITDA	**320.9**	**325.7**	**4.8**	**1.5%**	**325.7**	**339.0**	**13.3**	**4.1%**

* Miscellaneous means discounts, rebates or refunds.

9.5.1.1 Revenue

(a) Analysis of the Group's revenue in France for the years ended December 31, 2013 and December 31, 2012

Between 2012 and 2013, consolidated revenue in France increased by €18.5 million or 2.0% from €923.4 million for the year ended December 31, 2012 to €941.9 million for the year ended December 31, 2013. This increase was driven by the growth in the Group's revenue in France in the Hospitality, Industry and Healthcare end markets. Growth in France during the period stemmed solely from organic growth.

Between 2012 and 2013, the Group's consolidated revenue generated by:

- the Hospitality end market in France increased by €6.4 million or 2.3% from €276.1 million for the year ended December 31, 2012 to €282.5 million for the year ended December 31, 2013 owing to the expansion in hotels owing to its strong positions with hotel chains and high-end hotels and the improvement in the products rented by the Group to hotels, such as a switch from bedsheets to duvet covers, while the Group withdrew from traditional restaurants owing to the general downturn in the sector;
- the Industry end market in France increased by €3.2 million or 1.7% from €184.5 million for the year ended December 31, 2012 to €187.7 million for the year ended December 31, 2013. This increase resulted from the signature of large contracts, the effects of the reorganization of the major account sales department and rental, laundry and maintenance services for non-soiling industries despite the contraction in services provided by the Group to the food industries owing to the widespread crisis in this sector;
- the Industry and Services end market in France decreased by €0.6 million or 0.2% from €341.1 million for the year ended December 31, 2012 to €340.5 million for the year ended December 31, 2013 owing to weaker demand in transport services and automotive networks following the lapse of a service agreement with SNCF at the beginning of 2013;
- the Healthcare end market in France increased by €7.1 million or 5.2% from €137.6 million for the year ended December 31, 2012 to €144.7 million for the year ended December 31, 2013, owing primarily to demand for flat linen for short hospital stays and long stays in retirement homes.

(b) Analysis of the Group's revenue in France for the years ended December 31, 2012 and December 31, 2011

Between 2011 and 2012, the Group's consolidated revenue in France increased by €24.2 million or 2.7% from €899.2 million for the year ended December 31, 2011 to €923.4 million for the year ended December 31, 2012. This increase was mainly attributable to the growth in the Group's revenue in France from the Hospitality, Industry, Trade and Services, and Healthcare end markets. Growth in France during the period stemmed solely from organic growth.

Between 2011 and 2012, the Group's consolidated revenue generated by:

- the Hospitality end market in France increased by €9.7 million or 3.6% from €266.4 million for the year ended December 31, 2011 to €276.1 million for the year ended December 31, 2012, with strong growth in revenue from hotel customers and moderate revenue growth from restaurant customers as a result of a general downturn in the sector;

- the Industry end market in France increased by €4.2 million or 2.3% from €180.3 million for the year ended December 31, 2011 to €184.5 million for the year ended December 31, 2012, with revenue growth deriving from all customer categories in the Industry end market;

- the Trade and Services end market in France increased by €2.9 million or 0.9% from €338.2 million for the year ended December 31, 2011 to €341.1 million for the year ended December 31, 2012 supported by an increase in workwear rental and laundry services for customer-facing employees (e.g., reception staff);

- the Healthcare end market in France increased by €7.6 million or 5.8% from €130.0 million for the year ended December 31, 2011 to €137.6 million for the year ended December 31, 2012, driven by all sectors and in particular demand for flat linen for short hospital stays and long stays in retirement homes.

9.5.1.2 EBITDA

Constant productivity gains boosted to the Group's consolidated EBITDA in France. Between 2012 and 2013, the Group's consolidated EBITDA in France increased by €13.3 million or 4.1% from €325.7 million for the year ended December 31, 2012 to €339.0 million for the year ended December 31, 2013. The Group's consolidated EBITDA in France increased by €4.8 million or 1.5% between 2011 and 2012 from €320.9 million for the year ended December 31, 2011 to €325.7 million for the year ended December 31, 2012.

The Group's EBITDA margin in France remained stable at 35.9% for the year ended December 31, 2013, 35.2% for the year ended December 31, 2012 and 35.6% for the year ended December 31, 2011 as a result of constant productivity gains.

9.5.2 Europe

The table below presents (i) a breakdown of the revenue generated by country or group of countries in Europe, and (ii) EBITDA generated in Europe for the financial years ended December 31, 2011, December 31, 2012 and December 31, 2013.

	Year ended December 31,		Change € between 2011 and 2012	Change % between 2011 and 2012	Year ended December 31,		Change € between 2012 and 2013	Change % between 2012 and 2013
	2011	2012			2012	2013		
	(millions of euros)							
Germany	32.5	35.7	3.2	9.8%	35.7	41.7	6.0	16.8%
Belgium and Luxembourg	26.9	28.0	1.1	4.1%	28.0	32.3	4.3	15.4%
Spain and Andorra	49.3	50.2	0.9	1.8%	50.2	51.1	0.9	1.8%
Italy	25.2	25.2	0.0	0.0%	25.2	24.7	(0.5)	(2.0)%
Portugal	34.9	36.8	1.9	5.4%	36.8	37.0	0.2	0.5%
Switzerland	34.2	41.1	6.9	20.2%	41.1	72.0	30.9	75.2%
Czech Republic	0.7	1.2	0.5	71.4%	1.2	1.2	0.0	0.0%
Revenue	**203.7**	**218.2**	**14.5**	**7.1%**	**218.2**	**260.1**	**41.9**	**19.2%**
EBITDA	**43.1**	**46.4**	**3.3**	**7.7%**	**46.4**	**60.5**	**14.1**	**30.4%**

9.5.2.1 Revenue

Between 2012 and 2013, the Group's consolidated revenue in Europe increased by €41.9 million or 19.2% from €218.2 million for the year ended December 31, 2012 to €260.1 million for the year ended December 31, 2013. Of this increase, 0.6% was the result of the Group's organic growth and 19.0% of the impact of changes in scope attributable to various acquisitions.

Between 2011 and 2012, the Group's consolidated revenue in Europe increased by €14.5 million or 7.1%, with an organic revenue contraction of 1.1% offset by an impact of 7.9% from changes in the scope of consolidation attributable to various acquisitions, from €203.7 million for the year ended December 31, 2011 to €218.2 million for the year ended December 31, 2012.

(a) Germany

Between 2012 and 2013, the revenue generated in Germany increased by €6.0 million or 16.8% from €35.7 million for the year ended December 31, 2012 to €41.7 million for the year ended December 31, 2013. Of this growth in Germany, 6.0% was attributable to organic growth primarily in flat linen rental and laundry services in hotels and the remainder to an impact of 10.9% from changes in the scope of consolidation following the acquisition of Cleantex (Potsdam) on January 14, 2013.

Between 2011 and 2012, the revenue generated in Germany increased by €3.2 million or 9.8% from €32.5 million for the year ended December 31, 2011 to €35.7 million for the year ended December 31, 2012. This increase derived solely from organic growth of 9.8% on the back of the major new contracts signed.

(b) Belgium and Luxembourg

Between 2012 and 2013, the revenue generated in Belgium and Luxembourg increased by €4.3 million or 15.4% from €28.0 million for the year ended December 31, 2012 to €32.3 million for the year ended December 31, 2013. Of the growth in Belgium and Luxembourg, 2.3% was attributable to organic growth primarily in HWB appliance rental and maintenance services and the Trade and Services end market and the remainder to an impact of 13.1% from changes in the scope of consolidation following the acquisition of ISS' washroom service activities in these countries in November 2012.

Between 2011 and 2012, the Group's revenue in Belgium and Luxembourg increased by €1.1 million or 4.1% from €26.9 million for the year ended December 31, 2011 to €28 million for the year ended

December 31, 2012. This increase was principally attributable to the contribution from ISS' washroom service activities in Belgium and Luxembourg.

(c) Spain and Andorra

Between 2012 and 2013, the revenue generated in Spain and Andorra increased by €0.9 million or 1.8% from €50.2 million for the year ended December 31, 2012 to €51.1 million for the year ended December 31, 2013. This increase primarily reflected the acquisition of the rental, laundry and maintenance services business of Reig Marti and of Explotadora de Lavanderias (Majorca – Balearic Islands), equivalent to an impact of 6.4% from changes in the scope of consolidation. However, revenue contracted 4.6% o an organic basis owing to the crisis that struck the Industry and the Trade and Services end markets (these sectors use HWB appliance and workwear rental, laundry and maintenance services in particular).

Between 2011 and 2012, the revenue generated in Spain and Andorra increased by €0.9 million or 1.8% from €49.3 million for the year ended December 31, 2011 to €50.2 million for the year ended December 31, 2012. This increase was mainly attributable to the 6.6% impact of changes in scope resulting from acquisitions of the Blycolin group's Spanish subsidiaries in December 2011 despite an organic contraction of 4.9% during the period owing to the crisis that struck the Industry, and the Trade and Services end markets.

(d) Italy

Between 2012 and 2013, revenue in Italy declined by €0.5 million or 2.0% from €25.2 million for the year ended December 31, 2012 to €24.7 million for the year ended December 31, 2013. This slight decline in the Group's revenue from Italy was caused almost exclusively by an organic contraction of 1.8% as a result of the Group's decision to discontinue business relationships with customers that had defaulted on payments.

Between 2011 and 2012, the Group's revenue in Italy was stable at €25.2 million for the years ended December 31, 2011 and 2012. The challenging economic conditions prevailing in Italy were the main factor to blame for the lack of revenue growth for the year ended December 31, 2012.

(e) Portugal

Between 2012 and 2013, the Group's revenue in Portugal increased by €0.2 million or 0.5% from €36.8 million for the year ended December 31, 2012 to €37.0 million for the year ended December 31, 2013. The key factor behind this growth was the contracts sealed with major new customers in the Hospitality end market, which offset the impact of the crisis in the Industry and the Trade and Services end markets (these sectors use HWB appliance and workwear rental, laundry and maintenance services in particular).

Between 2011 and 2012, the revenue generated in Portugal increased by €1.9 million or 5.4% from €34.9 million for the year ended December 31, 2011 to €36.8 million for the year ended December 31, 2012. This increase was mainly attributable to the 10.3% impact of changes in scope resulting from the acquisition of a Blycolin group subsidiary in Portugal during December 2011, offset partially by an organic contraction of 4.8%.

(f) Switzerland

Between 2012 and 2013, the revenue generated in Switzerland increased by €30.9 million or 75.2% from €41.1 million for the year ended December 31, 2012 to €72.0 million for the year ended December 31, 2013. This increase derived mainly from the impact of changes in the scope of consolidation (excluding exchange rate fluctuations) of 74.5% following very carefully selected acquisitions, including InoTex, Domeisen and Kunz and organic growth of 2.8% resulting from the improvement in the productivity of the newly-acquired plants.

Between 2011 and 2012, the Group's revenue in Switzerland increased by €6.9 million or 20.2% from €34.2 million for the year ended December 31, 2011 to €41.1 million for the year ended December 31, 2012. This increase derived mainly from the impact of changes in the scope of consolidation

(excluding exchange rate fluctuations) of 24.6% following the acquisition of Blanchâtel and Papritz despite an organic contraction of 6.6% due to the ending of the Group's commercial relationships with certain customers that only use the Group's laundry services.

(g) Czech Republic

Between 2012 and 2013, the Group's revenue in the Czech Republic was stable at €1.2 million for the years ended December 31, 2012 and 2013. Between 2011 and 2012, it increased by €0.5 million or 71.4%, from €0.7 million for the year ended December 31, 2011 to €1.2 million for the year ended December 31, 2012.

9.5.2.2 EBITDA

Between 2012 and 2013, the Group's consolidated EBITDA in Europe increased by €14.1 million or 30.4% from €46.4 million for the year ended December 31, 2012 to €60.5 million for the year ended December 31, 2013. The Group's EBITDA margin in Europe increased from 21.2% for the year ended December 31, 2012 to 23.2% for the year ended December 31, 2013, backing up the Group's strategy of raising European margins in line with the level of margins in France by expanding network coverage and passing on commercial expertise. In 2013, EBITDA margins improved on their 2012 level across all countries except for Belgium, Luxembourg and Germany.

The Group's consolidated EBITDA in Europe increased by €3.3 million between 2011 and 2012 or 7.7%, moving up from €43.1 million for the year ended December 31, 2011, with an EBITDA margin of 21.1%, to €46.4 million for the year ended December 31, 2012, with an EBITDA margin of 21.2%. In 2012, EBITDA margins improved compared with 2011 in Spain, Belgium, Luxembourg and Portugal.

9.5.3 Brazil

The Group's activities in Brazil were not material prior to the acquisition of the Atmosfera group in February 2014. The €0.8 million in negative EBITDA for the year ended December 31, 2013 was attributable to start-up expenses for the São Paulo (Brazil) sales office in December 2012.

9.5.4 Manufacturing entities

The table below presents (i) a breakdown of the revenue generated by the manufacturing entities, and (ii) EBITDA generated by the manufacturing entities for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,		Change € between 2011 and 2012	Change % between 2011 and 2012	Year ended December 31,		Change € between 2012 and 2013	Change % between 2012 and 2013
	2011	2012			2012	2013		
	(millions of euros)							
Revenue	45.9	43.6	(2.3)	(5.0)%	43.6	23.4	(20.2)	(46.3)%
Inter-segment	12.1	10.3	—	—	10.3	8.4	—	—
Total revenue	**58.0**	**53.9**	**(4.1)**	**(7.1)%**	**53.9**	**31.8**	**(22.1)**	**(41.0)%**
EBITDA	**8.3**	**5.9**	**(2.4)**	**(28.9)%**	**5.9**	**3.4**	**(2.5)**	**(42.4)%**

9.5.4.1 Revenue

Between 2012 and 2013, revenue (including inter-segment) generated by the manufacturing entities declined by €22.1 million or 41.0% from €53.9 million for the year ended December 31, 2012 to €31.8 million for the year ended December 31, 2013.

This revenue contraction derived primarily from the sale in April 2013 of Molinel, the subsidiary designing and marketing workwear in France, which had a negative impact of €5.5 million, after this subsidiary had contributed €25.5 million in revenue for the year ended December 31, 2012.

Between 2011 and 2012, revenue (including inter-segment) generated by the manufacturing entities declined by €4.1 million or 7.1% from €58.0 million for the year ended December 31, 2011 to €53.9 million for the year ended December 31, 2012. This decrease was primarily attributable to the revenue contraction experienced by Le Jacquard Français as a result of the decline in internal orders.

9.5.4.2 EBITDA

Between 2012 and 2013, the EBITDA generated by the manufacturing entities declined by €2.5 million or 42.4% from €5.9 million for the year ended December 31, 2012 to €3.4 million for the year ended December 31, 2013. This EBITDA decline was predominantly attributable to the sale of Molinel in April 2013. The EBITDA margin generated by the manufacturing entities remained stable, edging down from 10.9% for the year ended December 31, 2012 to 10.7% for the year ended December 31, 2013.

EBITDA generated by the manufacturing entities decreased by €2.4 million between 2011 and 2012 or 28.9%, slipping from €8.3 million for the year ended December 31, 2011, with an EBITDA margin of 14.3%, to €5.9 million for the year ended December 31, 2012, with an EBITDA margin of 10.9%, owing in particular to the revenue contraction at Le Jacquard Français, which absorbed a smaller amount of fixed costs.

9.6 ANALYSIS OF REVENUE AND EBITDA BY OPERATING SEGMENT FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2013 AND 2014

Revenue, recurring operating income and all operating indicators are subject to seasonal fluctuations, particularly summer vacation periods, the annualization of working time and the higher revenue in the Hospitality end market during July and August, which impact activity at certain plants. The extent of the seasonal impact varies in the countries in which the Group operates. Consequently, the interim results for the six months ended June 30, 2014 are not necessarily representative of those that may be expected for full-year 2014.

The following table shows a breakdown of revenue and EBITDA by operating segment for the six-month periods ended June 30, 2013 and June 30, 2014.

	Six-month period ended June 30,	
	2013	2014
	(millions of euros)	
France		
Revenue	461.8	468.0
Inter-segment[1]	1.1	1.2
Revenue including inter-segment	462.9	469.2
EBITDA	161.4	169.1
As a % of revenue including inter-segment[2]	34.9%	36.0%
Europe		
Revenue	124.1	131.9
Inter-segment[1]	0.8	0.2
Revenue including inter-segment	124.9	132.1
EBITDA	28.2	31.8
As a % of revenue including inter-segment[2]	22.6%	24.1%
Brazil		
Revenue	--	36.2
Inter-segment[1]	--	(0.0)
Revenue including inter-segment	--	36.2
EBITDA	(0.3)	7.0
As a % of revenue including inter-segment[2]	--	19.3%
Manufacturing entities		
Revenue	14.2	8.2
Inter-segment[1]	4.3	4.1
Revenue including inter-segment	18.5	12.3
EBITDA	1.8	1.6
As a % of revenue including inter-segment[2]	9.7%	13.0%
Eliminations & Holding companies		
Consolidated revenue	--	--
Inter-segment[1]	(6.3)	(5.5)
Revenue including inter-segment	(6.3)	(5.5)
EBITDA[3]	(0.8)	(0.5)
As a % of revenue including inter-segment[2]	--	--
Total		
Revenue	**600.0**	**644.3**
EBITDA	**190.3**	**209.1**
As a % of consolidated revenue	**31.7%**	**32.5%**

(1) Inter-segment reflects intercompany sales between operating segments dedicated to rental, laundry and maintenance services and to sales of goods by the manufacturing entities to the other operating segments. It does not represent sales to external customers. Accordingly, these sales are eliminated for the purpose of calculating the Group's revenue. Intercompany sales are not material in relation to sales to external customers for the France and Europe operating segments. Conversely, these intercompany sales account for a material portion of the manufacturing entities' revenue.

(2) The EBITDA margin is calculated as a percentage of revenue including inter-segment because the expenses related to these intercompany sales are captured in the calculation of each operating segment's EBITDA.

(3) The Eliminations & Holding companies EBITDA shows the EBITDA of the Group's holding companies. These companies incur certain administrative costs that are not allocated to the operating segments.

9.6.1 France

The table below presents (i) a breakdown of the revenue generated in France by end market, and (ii) EBITDA generated in France during the six-month periods ended June 30, 2013 and 2014.

	Six-month period ended June 30,		Change € between 2013 and 2014	Change % between 2013 and 2014
	2013	2014		
Hospitality	134.2	136.5	2.3	1.7%
Industry	93.1	93.3	0.2	0.2%
Trade and Services	169.0	170.2	1.2	0.7%
Healthcare	71.4	76.1	4.7	6.6%
Miscellaneous*	(6.0)	(8.1)	(2.1)	35.0%
Revenue	**461.8**	**468.0**	**6.2**	**1.3%**
EBITDA	**161.4**	**169.1**	**7.7**	**4.8%**

* Miscellaneous means discounts, rebates or refunds.

9.6.1.1 Revenue

Between the six-month periods ended June 30, 2013 and June 30, 2014, consolidated revenue in France increased by €6.2 million or 1.3% from €461.8 million for the six-month period ended June 30, 2013 to €468.0 million for the six-month period ended June 30, 2014. This increase was driven solely by the organic growth in the Group's revenue in France across each of the Group's end markets.

Between the six-month periods ended June 30, 2013 and 2014, the Group's consolidated revenue generated by:

- the Hospitality end market in France increased by €2.3 million or 1.7% from €134.2 million for the six-month period ended June 30, 2013 to €136.5 million for the six-month period ended June 30, 2014 owing to the expansion in the Hotel end market with hotel chains and high-end hotels and the improvement in the products rented by the Group to hotels, such as a switch from bedsheets to duvet covers;

- the Industry end market in France increased by €0.2 million or 0.2% from €93.1 million for the six-month period ended June 30, 2013 to €93.3 million for the six-month period ended June 30, 2014. This increase resulted mainly from the signature of major contracts and the effects of the reorganization of the major account sales department;

- the Healthcare end market in France increased by €4.7 million or 6.6% from €71.4 million for the six-month period ended June 30, 2013 to €76.1 million for the six-month period ended June 30, 2014, owing primarily to demand for flat linen for short hospital stays and long stays in retirement homes and the signature of a major new contract;

- the Trade and Services end market in France increased by €1.2 million or 0.7% from €169.0 million for the six-month period ended June 30, 2013 to €170.2 million for the six-month period ended June 30, 2014, owing to the effects of the reorganization of the major account sales department and the signature of two major new contracts.

9.6.1.2 EBITDA

Constant productivity gains and reversals of one-off provisions boosted to the Group's consolidated EBITDA in France. Between the six-month periods ended June 30, 2013 and 2014, the Group's consolidated EBITDA in France increased by €7.7 million or 4.8% from €161.4 million for the six-month period ended June 30, 2013 to €169.1 million for the six-month period ended June 30, 2014.

The Group's EBITDA margin in France increased from 34.9% for the six-month period ended June 30, 2013 to 36.0% for the six-month period ended June 30, 2014.

9.6.2 Europe

The table below presents (i) a breakdown of the revenue generated in Europe by country or group of countries, and (ii) EBITDA generated in Europe during the six-month periods ended June 30, 2013 and 2014.

	Six-month period ended June 30,		Change € between 2013 and 2014	Change % between 2013 and 2014
	2013	2014		
Germany	19.6	20.9	1.3	6.6%
Belgium and Luxembourg	16.5	15.0	(1.5)	(9.1)%
Spain and Andorra	23.3	28.0	4.7	20.2%
Italy	12.4	13.0	0.6	4.8%
Portugal	17.3	18.3	1.0	5.8%
Switzerland	34.4	35.9	1.5	4.4%
Czech Republic	0.6	0.7	0.1	16.7%
Revenue	**124.1**	**131.9**	**7.8**	**6.3%**
EBITDA	**28.2**	**31.8**	**3.6**	**12.8%**

9.6.2.1 Revenue

Between the six-month periods ended June 30, 2013 and 2014, consolidated revenue in Europe increased by €7.8 million or 6.3% from €124.1 million for the six-month period ended June 30, 2013 to €131.9 million for the six-month period ended June 30, 2014. Of this increase, 4.2% was the result of the Group's organic growth in Europe and 1.9% of the impact of changes in scope attributable to miscellaneous acquisitions.

(a) Germany

Between the six-month periods ended June 30, 2013 and 2014, consolidated revenue in Germany increased by €1.3 million or 6.6% from €19.6 million for the six-month period ended June 30, 2013 to €20.9 million for the six-month period ended June 30, 2014. This growth in Germany was attributable solely to organic growth primarily in flat linen rental and laundry services in hotels and the new contracts won.

(b) Belgium and Luxembourg

Between the six-month periods ended June 30, 2013 and 2014, consolidated revenue in Belgium and Luxembourg decreased by €1.5 million or 9.1% from €16.5 million for the six-month period ended June 30, 2013 to €15.0 million for the six-month period ended June 30, 2014. The decline in the Group's revenue in Belgium and Luxembourg was solely attributable to an organic contraction caused by the loss of two major contracts.

(c) Spain and Andorra

Between the six-month periods ended June 30, 2013 and 2014, consolidated revenue in Spain and Andorra increased by €4.7 million or 20.2% from €23.3 million for the six-month period ended June 30, 2013 to €28.0 million for the six-month period ended June 30, 2014. This revenue growth was attributable for 10.4% to changes in the scope of consolidation reflecting the acquisitions of Reig Marti and Explotadora de Lavanderias (Majorca – Balearic Islands) and for 9.7% to organic growth on the back of the economic upswing in Spain and Andorra, an end to the losses in HWB appliance rental and maintenance services, the signature of a major new contract in the Hospitality end market and the development of workwear rental and laundry services.

(d) Italy

Between the six-month periods ended June 30, 2013 and 2014, consolidated revenue in Italy increased by €0.6 million or 4.8% from €12.4 million for the six-month period ended June 30, 2013 to €13.0 million for the six-month period ended June 30, 2014. This increase was solely attributable to organic growth deriving from the signature of new contracts in workwear rental and maintenance services.

(e) Portugal

Between the six-month periods ended June 30, 2013 and 2014, consolidated revenue in Portugal increased by €1.0 million or 5.8% from €17.3 million for the six-month period ended June 30, 2013 to €18.3 million for the six-month period ended June 30, 2014. The increase in the Group's revenue in Portugal derived solely from organic growth on the back of the economic upswing in Portugal, an end to the losses in HWB appliance rental and maintenance services, the development of the 3D prevention service and the contracts won with major new customers in the Hospitality and Industry end markets.

(f) Switzerland

Between the six-month periods ended June 30, 2013 and 2014, consolidated revenue in Switzerland increased by €1.5 million or 4.4% from €34.4 million for the six-month period ended June 30, 2013 to €35.9 million for the six-month period ended June 30, 2014. This increase was mainly attributable to the purchase of Kunz, with annual revenue estimated at €2.4 million.

(g) Czech Republic

Between the six-month periods ended June 30, 2013 and 2014, consolidated revenue in the Czech Republic increased by €0.1 million or 16.7% from €0.6 million for the six-month period ended June 30, 2013 to €0.7 million for the six-month period ended June 30, 2014.

9.6.2.2 EBITDA

Between the six-month periods ended June 30, 2013 and 2014, the Group's consolidated EBITDA in Europe increased by €3.6 million or 12.8% from €28.2 million for the six-month period ended June 30, 2013 to €31.8 million for the six-month period ended June 30, 2014. The Group's EBITDA margin in Europe increased from 22.6% for the six-month period ended June 30, 2013 to 24.1% for the six-month period ended June 30, 2014, backing up the Group's strategy of raising European margins in line with the level of margins in France by expanding network coverage and passing on commercial expertise. During the first half of 2014, EBITDA margins improved on their first-half 2013 level across all countries except for Belgium, Luxembourg and Germany where margins remained stable.

9.6.3 Brazil

9.6.3.1 Revenue

During the six-month period ended June 30, 2014, the Group generated €36.2 million in consolidated revenue in Brazil with the February 2014 acquisition of the Atmosfera group. For further information about the Group's business activities in Brazil, see section 6.5.1.3 – "*Brazil*" of this *document de base*.

9.6.3.2 EBITDA

During the six-month period ended June 30, 2014, the Group generated EBITDA of €7.0 million in Brazil. The Group's EBITDA margin in Brazil stood at 19.3% for the six-month period ended June 30, 2014.

9.6.4 Manufacturing entities

The table below presents (i) a breakdown of the revenue generated by the manufacturing entities, and (ii) EBITDA generated by the manufacturing entities during the six-month periods ended June 30, 2013 and 2014.

	Six-month period ended June 30,		Change € between 2013 and 2014	Change % between 2013 and 2014
	2013	2014		
Revenue	14.2	8.2	(6.0)	(42.3)%
Inter-segment	4.3	4.1	-	-
Total revenue	**18.5**	**12.3**	**(6.2)**	**(33.5)%**
EBITDA	**1.8**	**1.6**	**(0.2)**	**(11.1)%**

9.6.4.1 Revenue

Between the six-month periods ended June 30, 2013 and 2014, the revenue (including inter-segment) generated by the manufacturing entities decreased by €6.2 million or 33.5% from €18.5 million for the six-month period ended June 30, 2013 to €12.3 million for the six-month period ended June 30, 2014. Of this decline, €5.4 million was attributable to the April 2013 sale of Molinel.

9.6.4.2 EBITDA

Between the six-month periods ended June 30, 2013 and 2014, the EBITDA generated by the manufacturing entities decreased by €0.2 million or 11.1% from €1.8 million for the six-month period ended June 30, 2013 to €1.6 million for the six-month period ended June 30, 2014. The EBITDA margin generated by the manufacturing entities declined from 13.0% for the six-month period ended June 30, 2013 to 9.7% for the six-month period ended June 30, 2014.

CHAPTER 10
CAPITAL RESOURCES

10.1 GENERAL PRESENTATION

The Group's financing needs arise mainly from its working capital requirement, capital expenditure (including acquisitions and purchases of linen), interest payments on borrowings, and the repayment of borrowings.

The Group's main regular source of liquidity is cash flow from operating activities. Its ability to generate cash from operating activities in the future depends on its future operating performance. To some extent, that performance depends in turn on economic, financial, competition, market, regulatory and other factors, most of which are not under the Group's control (see chapter 4 – *"Risk factors"* of this *document de base*). The Group uses its cash and cash equivalents to cover its ordinary financing needs. The cash position is denominated in euros.

In 2013, the Group restructured the borrowings it initially took out in October 2007, extending the maturity of part of its debt (for more information about the description of the Group's financial liabilities and their maturity dates, see sections 10.6.2 – "*Financial liabilities*" and 4.5.4 – "*Liquidity risks*" of this *document de base*). It carried out several bond issuances (Private PIK Notes, Senior Subordinated Notes and Senior Secured Notes) and amended the terms of the senior bank debt taken out in October 2007 (see sections 10.6.2.1 – *"Private PIK Notes and PIK Proceeds Loan*," 10.6.2.2 – *"Senior Subordinated Notes*," 10.6.2.3 – *"Senior Secured Notes"* and 10.6.2.4 – *"Senior Credit Facilities Agreement"* of this *document de base*).

As part of the Company's initial public offering, the Group intends to significantly reduce its debt levels, to redeem some of the bonds it issued in June 2013 and to fully refinance the Senior Credit Facilities Agreement (after repaying it in full) arranged in 2007 and amended in June 2013, as of the settlement date for the shares issued as part of the Company's admission to trading on Euronext's regulated market in Paris (see section 10.6.2.4 – *"Senior Credit Facilities Agreement"* of this *document de base*).

As for the years ended December 31, 2011, 2012 and 2013 and the six-month period ended June 30, 2014, the Group expects its financing requirements in the second half of 2014 to arise mainly from capital expenditure, payments of interest on borrowings and the repayment of borrowings. As described in chapter 13 – *"Earnings forecasts or estimates"* of this *document de base* and based on the latest treasury forecasts as of the date of this *document de base*, the Group expects to be able to cover its liquidity requirements in the 12 months following the date of this *document de base*, and to cover interest payments and debt repayments due over the same period.

10.2 PRESENTATION AND ANALYSIS OF THE MAIN WAYS IN WHICH THE GROUP USES CASH

10.2.1 Capital expenditure

Part of the Group's cash flow is allocated to financing its capital expenditure, which break down into the following categories:

- Industrial capital expenditure, including expenditure on property, plant and equipment (mainly major project investments and industrial maintenance expenditure), intangible assets (mainly technology and information systems) and washroom appliances; and
- Expenditure on linen, which varies according to the schedule for providing linen in bulk to the Group's customers.

The Group's capital expenditure totaled €222.2 million for the year ended December 31, 2011, €237.8 million for the year ended December 31, 2012, €214.9 million for the year ended December 31, 2013 and €115.4 million for the six-month period ended June 30, 2014. For more information about the Group's past, current and future capital expenditure, see also sections 5.2 – *"Investments"* and 9.1.2.2 – *"Acquisitions"* of this *document de base*.

10.2.2 Payment of interest and repayment of loans

A large proportion of the Group's cash flow is allocated to the servicing and repayment of its debt. The Group paid interests (net of financial income) amounting to €116.6 million for the year ended December 31, 2011, €105.9 million for the year ended December 31, 2012, €120.0 million for the year ended December 31, 2013 and €58.4 million in the first half of 2014. Debt repayments amounted to €371.5 million in 2011, €652.1 million in 2012, €2,121.6 million in 2013 and €717.4 million for the six-month period ended June 30, 2014.

10.2.3 Financing of the working capital requirement

The Group finances its working capital requirement through cash flow from operating activities. If that cash flow is not sufficient, the Group's current financing arrangements include a revolving credit facility, from which it can draw up to €143.3 million. As part of the New Senior Credit Facilities Agreement, the Group will have a new €200.0 million revolving credit facility, as of the settlement date for the shares issued as part of the Company’s admission to trading.

10.3 CONSOLIDATED CASH FLOWS

The following table summarizes the Group's cash flows for the years ended in December 31, 2012 and December 31, 2013, and for the six-month periods ended June 30, 2013 and 2014:

	As of December 31,		As of June 30,	
(€ million)	**2012**	**2013**	**2013**	**2014**
Net cash flow from operating activities	342.8	367.8	156.9	174.8
Net cash flow from investing activities	(248.7)	(230.8)	(117.8)	(112.5)
Net cash flow from financing activities	(60.4)	(142.4)	(51.9)	(50.0)
Net change in cash position	**33.7**	**(5.4)**	**(12.9)**	**12.3**

10.3.1 Cash flow from operating activities

The following table breaks down the Group's cash flow from operating activities for the years ended in December 31, 2012 and December 31, 2013, and for the six-month periods ended June 30, 2013 and 2014:

	As of December 31,		As of June 30,	
(€ million)	**2012**	**2013**	**2013**	**2014**
Consolidated net income	(46.4)	(44.1)	(11.1)	(17.5)
Cash flow after net interest and taxes	196.0	215.1	97.1	102.9
Cash flow before net interest and taxes	371.0	376.7	176.6	186.1
Tax paid	(16.1)	(23.1)	(14.4)	(3.1)
Change in inventories	3.2	(6.5)	(8.6)	(7.2)
Change in trade receivables	(7.0)	(2.2)	(26.0)	(19.6)
Change in trade and other payables	(6.3)	24.0	31.7	15.3
Change in other items	(2.0)	(0.2)	(2.2)	3.5
Employee benefits	(0.1)	(0.9)	(0.2)	(0.2)
Net cash flow from operating activities	**342.8**	**367.8**	**156.9**	**174.8**

In the first half of 2014, net cash flow from operating activities amounted to €174.8 million, a 11.4% increase when compared to the first half of 2013. Part of the change was due to a €9.4 million increase in cash flow before net interest and taxes. That increase came despite a €6.4 million decrease in consolidated net income, due to the increase in operating income before other income and expense and before amortization of customer relationships, arising particularly from the impact of the acquisition of Atmosfera in February 2014 on the Group’s scope of consolidation. At the same time, €3.1 million of taxes were paid, as opposed to €14.4 million in the first half of 2013. The operating working capital requirement (change in

inventories, trade receivables, trade and other payables) increased by €11.5 million. Part of that change was due to a €19.6 million increase in trade receivables, resulting from rising monthly revenue throughout the first half. The Group experienced the same trend in 2013, when trade receivables rose by €26 million. Inventories increased by €7.2 million after the Group decided to increase buffer inventories of textiles, in order to reduce supply times as part of the "5-star" program to enhance customer service. These adverse developments were partly offset by a €15.3 million increase in trade and other payables.

Net cash flow from operating activities totaled €367.8 million in 2013, representing a 7.3% increase when compared to 2012. Part of that change was due to a €5.7 million increase in cash flow before net interest and taxes, which was caused mainly by an increase in consolidated net income, driven by growth in operating income before other income and expense and before amortization of customer relationships. Cash outflows relating to operating activities decreased in 2013, which improved the working capital requirement by €15.3 million as opposed to a €10.1 million negative impact for the year ended December 31, 2012. The 2013 improvement was due to a €24.0 million increase in trade and other payables arising from an adjustment to supplier payment times, and a limited increase in trade receivables after major Group efforts to improve collection of trade receivables. These positive factors were partly offset by tax payments, which rose by 43.5% to €23.1 million compared to 2012. The increase in tax payments resulted from higher taxable income, driven in particular by growth in operating income before other income and expense and before amortization of customer relationships, along with the reduction in the amount of interest expenses that were tax-deductible.

10.3.2 Cash flow from investing activities

The following table breaks down the Group's cash flow from investing activities for the years ended in December 31, 2012 and December 31, 2013, and for the six-month periods ended June 30, 2013 and 2014:

	As of December 31		**As of June 30**	
(€ million)	**2012**	**2013**	**2013**	**2014**
Outflows related to acquisitions of intangible assets	(19.2)	(12.3)	(7.6)	(1.8)
Inflows related to disposals of intangible assets	0.0	0.2	0.0	0.0
Outflows related to acquisitions of property, plant and equipment	(218.7)	(202.6)	(92.9)	(113.6)
Inflows related to disposal of property, plant and equipment	3.0	8.4	0.1	92.3
Acquisitions of subsidiaries net of cash acquired	(14.0)	(39.1)	(31.2)	(90.5)
Inflows related to disposal of subsidiaries net of cash disposed	0.0	14.7	13.5	1.0
Change in loans and advances granted	(0.3)	0.0	0.1	0.1
Dividends received from an associate company	0.2	0.0	0.0	0.0
Investment grants	0.1	0.0	0.1	0.0
Net cash flow from investing activities	**(248.7)**	**(230.8)**	**(117.8)**	**(112.5)**

In the first half of 2014, net cash outflows relating to investing activities totaled €112.5 million, as opposed to €117.8 million in the first half of 2013. Capital expenditure totaled €115.4 million, but was to a large extent offset by inflows related to the disposal of property, plant and equipment totaling €92.3 million, relating to the sale of 22 industrial sites (see section 8.1.1 – *"Real estate properties"* of this *document de base*). Cash outflows relating to acquisitions of subsidiaries rose from €31.2 million in the first half of 2013 to €90.5 million in the first half of 2014, mainly because of the acquisition of Atmosfera.

Cash used in investing activities decreased from €248.7 million for the year ended December 31, 2012 to €230.8 million for the year ended December 31, 2013. Capital expenditure totaled €214.9 million for the year ended December 31, 2013, a decrease from €237.9 million for the year ended December 31, 2012, due to the sharp reduction in payments relating to the construction of new production centers in Pantin and Nice. Most of those payments occurred in 2012 and previous years. Acquisitions of subsidiaries resulted in outflows of €39.1 million in 2013 versus €14.0 million in 2012, due in particular to the purchase of InoTex in January 2013. That increase was offset by €14.7 million of inflows related to the disposal of subsidiaries, relating to the sale of Molinel in April 2013.

The Group's main investments during the period are described in sections 5.2 – *"Investments"* and 9.1.2.2 – *"Acquisitions"* of this *document de base*.

10.3.3 Cash flow from financing activities

The following table breaks down the Group's cash flow from financing activities for the years ended in December 31, 2012 and December 31, 2013, and for the six-month periods ended June 30, 2013 and 2014:

	As of December 31,		As of June 30,	
(€ million)	2012	2013	2013	2014
Capital increase	-	-	-	43.0
Dividends paid during the financial year	-	-	-	-
Change in debt arising from ordinary operations[(1)]	45.5	(22.4)	(2.3)	(34.6)
Inflows relating to new borrowings	697.5	2,099.2	1,488.3	682.8
Repayments of borrowings	(652.1)	(2,121.6)	(1490.6)	(717.4)
Net interest paid	(105.9)	(120.0)	(49.7)	(58.4)
Net cash flow from financing activities	**(60.4)**	**(142.4)**	**(51.9)**	**(50.0)**

(1) Net change in credit facilities for the financing of ordinary operations

In the first half of 2014, the amount of cash used in financing activities totaled €50 million as opposed to €51.9 million in the first half of 2013. Debt related to ordinary operations decreased by €34.6 million in 2014, mainly due to the repayment of a large portion of Atmosfera's debt after that company was acquired. This reduction was offset by proceeds from a €43.0 million capital increase carried out by the Company. Net interest payments totaled €58.4 million as opposed to €49.7 million in the first half of 2013, due to the refinancing of Group debt on June 14, 2013 at a higher overall cost.

The amount of cash used in financing activities totaled €142.4 million for the year ended December 31, 2013, as opposed to €60.4 million for the year ended December 31, 2012. The increase arose mainly from a €22.4 million reduction in debt relating to ordinary operations as opposed to a €45.5 million increase in 2012. This reduction was due to a lesser use of the Group's short-term revolving credit facility (amounting to €40.3 million) along with the net proceeds from Group refinancing operations as mentioned above. The decrease was also driven by a €14.1 million increase in net interest payments to €120.0 million after Group debt was refinanced at a higher overall cost.

The Group's financial resources and liabilities in the period are described in section 10.6 – *"Financial resources and liabilities"* of this *document de base*.

10.3.4 Borrowings and debt

The breakdown of the Group's financial liabilities as of June 30, 2014, according to their date of maturity, is shown in section 4.5.4 – "*Liquidity risk*" of this *document de base*.

10.4 EQUITY

Equity totaled -€6.0 million at December 31, 2011, -€39.9 million at December 31, 2012 and €347.4 million at December 31, 2013. Equity totaled €380.9 million at June 30, 2014. Movements in the Group's equity during those periods arose mainly from its recapitalization in 2013 (see section 21.1.6 – "*Changes in share capital in last three years*" of this *document de base*) and the capital increase in the first half of 2014 (see section 10.3.3 – "*Cash flow from financing activities*" of this *document de base*).

10.5 OFF-BALANCE SHEET COMMITMENTS

The Group's off-balance sheet commitments are presented in Note 28 to the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013, as included in section 20.1.1 – *"IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013"* of this *document de base*.

10.6 FINANCIAL RESOURCES AND LIABILITIES

10.6.1 Overview

The Group's main financing sources are as follows:

- *Net cash flow from operating activities*, which totaled €342.8 million for the year ended December 31, 2012, €367.8 million for the year ended December 31, 2013, €156.9 million in the first half of 2013 and €174.8 million in the first half of 2014;

- *Available cash and cash equivalents*, amounting to €54.7 million at December 31, 2012 and €48.6 million at December 31, 2013 (see Note 7 to the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 included in section 20.1.1 – *"IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013"* of this *document de base*). Cash and cash equivalents amounted to €61.6 million at June 30, 2014, as opposed to €48.6 million at June 30, 2013; and

- *Debt*, including the PIK Proceeds Loan, the Senior Subordinated Notes, the Senior Secured Notes, the Senior Credit Facilities Agreement, the loan from employee profit-sharing fund and finance leases (see Note 12 to the Group's consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 included in section 20.1.1 – *"IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013"* of this *document de base*). Debt will also include the New Senior Credit Facilities Agreement (see section 10.6.3 – *"New Senior Credit Facilities Agreement"* of this *document de base*).

10.6.2 Financial liabilities

The Group's financial liabilities amounted to €2,340.1 million at December 31, 2011, €2,424.4 million at December 31, 2012, €2,026.7 million at December 31, 2013 and €2,055.3 million at June 30, 2014 (versus €2,432.9 million at June 30, 2013). The change in the Group's financial liabilities over the period resulted mainly from the cash it generated, the sale-and-leaseback of the first 17 industrial sites in the first half of 2014 and the drawing on the senior credit facility in order to finance the Atmosfera acquisition.

The table below breaks down the Group's debt at December 31, 2012, December 31, 2013 and at June 30, 2014:

	As of December 31,			As of June 30,
(€ million)	**2011**	**2012**	**2013**	**2014**
Bonds subscribed by Eurazeo/ECIP	359.6	388.4	0.0	0.0
PIK Proceeds Loan	-	-	183.9	193.9
Senior Subordinated Notes	0.0	-	381.4	381.3
Senior Secured Notes	0.0	-	451.5	451.2
Senior Credit Facilities Agreement of which:	1,930.9	1,984.8	1,007.1	1,014.6
A1 Tranche	50.0	50.0	27.3	26.4
A2 Tranche	365.0	477.9	291.4	297.7
B Tranche	365.0	365.0	273.0	278.9
C Tranche	476.9	365.0	303.2	309.8
Debt issuance costs spread using the effective interest-rate method	-14.5	-9.6	-48.0	-41.9
Loan from employee profit-sharing fund	39.6	44.5	33.6	39.6
Finance leases	6.6	5.9	6.3	6.1
Other	16.9	9.3	10.1	10.5
Overdrafts	1.0	0.9	0.9	0.0
Debt	**2,340.1**	**2,424.4**	**2,026.7**	**2,055.3**

For the Group, net debt consists of non-current debt, current debt and cash and cash equivalents.

The Group's adjusted net debt/EBITDA ratio was 5.2x at December 31, 2011, 5.2 at December 31, 2012 and 5.0x at December 31, 2013.

Adjusted net debt is calculated as follows:

(€ million)	December 31		
	2011	2012	2013
Net debt (book basis)	**2,318.0**	**2,368.8**	**1,977.3**
Debt issuance costs spread using the effective interest-rate method	14.5	9.6	48.0
Loan from employee profit-sharing fund	(39.6)	(44.5)	(33.6)
Bonds subscribed by Eurazeo/ECIP including accrued interest	(359.6)	(388.4)	0.0
Adjusted net debt	**1,933.4**	**1,945.5**	**1,991.7**
EBITDA	**371.4**	**376.7**	**400.7**
Adjusted net debt/EBITDA ratio	*5.2*	*5.2*	*5.0*

As indicated above, the Group intends to repay and refinance part of its debt as part of the admission of the Company's shares to trading on Euronext's regulated market in Paris. The Group's adjusted net debt/EBITDA ratio would be lower than 3.0x after that repayment and refinancing.

The above ratios are calculated on the basis of EBITDA defined as EBIT before net amortization of the portion of subsidies taken to income. The EBITDA-EBIT reconciliation is shown in Note 16 to the consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 included in section 20.1.1 – *"IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013"* of this *document de base*.

The table below shows the projected breakdown of financial liabilities at June 30, 2014 before and after the refinancing as part of the Company's initial public offering:

(€ thousand)	Total as of June 30, 2014[1] (before refinancing)	Increase	Decrease	Total as of June 30, 2014 (after refinancing)
PIK Proceeds Loan	193,9	0,0	- 193,9[2]	0,0
Senior Subordinated Notes	381,3	0,0	- 152,5[3]	228,8
Senior Secured Notes	451,2	0,0	0,0	451,1
Senior Credit Facilities Agreement	1 014,6	0,0	- 1 014,6[4]	0,0
Debt issuance costs spread using the effective interest rate method	-41,9	0 ,0	28,0	-13,9
New Senior Credit Facilities Agreement	0,0	650,0	0,0	650,0
Loan from employee profit-sharing fund	39,6	0,0	0,0	39,6
Finance leases	6,1	0,0	0,0	6,1
Other	10,5	0,0	0,0	8,9
Overdrafts	0,013	0,0	0,0	0,013
Debt	**2 055,3**	**697,7**	**-1 403,1**	**1 349,9**

(1) Includes accrued interest not matured calculated at June 30, 2014.

(2) Repayment and capitalization of the PIK Proceeds Loan (including accrued interest at the repayment date with respect to the PIK Proceeds Loan) as part of the refinancing that will take place at the time of the Company's initial public offering.

(3) Repayment of 40% of the principal and interest due on the Senior Subordinated Notes on the repayment date, using the proceeds from the capital increase carried out at the time of the Company's initial public offering.

(4) Repayment of the Senior Credit Facilities Agreement (and interest due on the repayment date) as part of the refinancing transactions that will take place at the time of the Company's initial public offering.

When the refinancing transactions have been carried out, they may have a positive impact on the Group's financial position (see section 12.2.2 – "*Financial objectives of the Group for 2015-2017*" of this *document de base*).

The main items of the Group's financial liabilities at December 31, 2013 are detailed below.

10.6.2.1 Private PIK Notes and PIK Proceeds Loan

Legendre Holding 27, which directly owns more than 90% of the Company's equity, issued Private PIK Notes on June 14, 2013 with a principal amount of €173.0 million, bearing interest at a floating interest rate equal to 12-month Euribor (with a floor of 1.0% per year) plus 10.35% per year, maturing in June 2019. The Private PIK Notes were subscribed by funds managed by Goldman Sachs International. Interest on the Private PIK Notes is payable annually through the allotment of additional Private PIK Notes. Proceeds from the Private PIK Notes have been reconveyed by Legendre Holding 27 to the Company through a loan that reproduces the financial terms of the Private PIK Notes (the "**PIK Proceeds Loan**").

The Company intends to redeem the PIK Proceeds Loan and pay all sums due in respect of it as part of the Company's initial public offering. This redemption will be paid for partly in cash (with the proceeds of the capital increase carried out in connection with the admission of the Company's shares on Euronext's regulated market in Paris), to enable Legendre Holding 27 to carry out the early redemption of 40% of the Private PIK Notes (plus capitalized interest on the date of the contemplated early redemption). The remainder of the PIK Proceeds Loan will be repaid by offsetting debts, including through the subscription of new shares issued by the Company prior to this initial public offering (see section 18.6 – "*Description of reorganization transactions*" of this *document de base*). The portion of the PIK Proceeds Loan repaid in cash will be calculated to match the amount payable by Legendre Holding 27 as part of the early redemption of 40% of the Private PIK Notes, i.e., the sum of (i) 40% of the nominal amount of the Private PIK Notes (plus capitalized interest), (ii) the amount of penalties payable in respect of that redemption, applying the interest rate applicable to the PIK Proceeds Loan (i.e., the higher of 3-month Euribor or 1% (x) plus 10.35% (y)) to the amount redeemed, and (iii) accrued but unpaid interest on the amount redeemed. After the transaction, Legendre Holding 27 will still be liable to repay 60% of the Private PIK Notes.

10.6.2.2 Senior Subordinated Notes

The Company issued Senior Subordinated Notes on June 14, 2013 in a principal amount of €380.0 million, bearing interest at a floating interest rate equal to 3-month Euribor (with a floor of 1.00% per year) plus 7.0% per year, maturing in December 2018. Interest on the Senior Subordinated Notes is payable quarterly. The Senior Subordinated Notes were subscribed by funds managed by Goldman Sachs International.

Before June 15, 2016, the early redemption (or repurchase) of some or all of the Senior Subordinated Notes may take place in accordance with a make-whole clause under which the Company must pay, in addition to the nominal amount of the bonds redeemed (or repurchased) and accrued interest at the redemption date, a make-whole premium equal to the higher of (i) 1% of the amount redeemed early and (ii) any difference (if positive) between (a) 105% of the nominal value of bonds redeemed or repurchased plus the amount of interest payable on the bonds redeemed or repurchased between the redemption or repurchase date and June 15, 2016 (calculated by applying a discount rate equal to the Bund yield on the redemption date plus 50 basis points) and (b) the amount of principal remaining due with respect to the Senior Subordinated Notes. The Bund yield is equal to the yield to maturity of bonds issued by the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) for a period comparable to the period between the date on which the Senior Subordinated Notes are redeemed and June 15, 2016.

As an exception to the foregoing, the Company may, before June 15, 2016, redeem or repurchase early up to 40% of the principal amount of the Senior Subordinated Notes initially issued in an amount equal to the nominal value of the securities plus (i) early redemption compensation calculated by applying the interest rate on the early redemption date (i.e., the higher of 3-month Euribor or 1% (x) plus 7% (y)) and (ii) accrued but unpaid interest on the amount redeemed. Payment will be made from the proceeds from an issuance of capital securities carried out at least 180 days before the redemption or repurchase date. In that event, the Company will be exempt from paying the aforementioned make-whole premium.

From June 15, 2016, the Company may redeem or repurchase some or all of the Senior Subordinated Notes early, at their nominal value (plus accrued interest) subject to paying an early redemption premium equal to 5.0% of par if the redemption takes place on or after June 15, 2016 and before June 15, 2017 or 2.5% of par if the redemption takes place on or after June 15, 2017.

If a change in tax regulations results in the introduction of a withholding tax or any other taxes on the amounts due in respect of the Senior Subordinated Notes and if the Company is required to compensate a bondholder subject to such regulations for the amount of that withholding tax (or these other taxes), the Company will be exempt from any early redemption penalty if it redeems or repurchases all of the Senior Subordinated Notes held by that bondholder.

If the Company undergoes a "change of control," defined as a third party coming to own more than 50% of the Company's voting rights or the sale of all or a substantial portion of the Group's assets to a third party, the Company must offer to repurchase the Senior Subordinated Notes at 101% of their nominal value (plus accrued interest).

The Senior Subordinated Notes are guaranteed by the following first-ranking security interests:

- A pledge given by Eurazeo S.A. and ECIP Elis S.à.r.l and a pledge given by Legendre Holding 27 of securities accounts open in the Company's books in the name of the constituents in which shares in the Company owned by the constituents are held; and

- A pledge given by Eurazeo S.A., ECIP Elis S.à.r.l and Legendre Holding 27 of receivables resulting from shareholder loans made to the Company (including the PIK Proceeds Loan); those receivables will be capitalized in connection with the admission of the Company's shares on Euronext's regulated market in Paris.

The Senior Subordinated Notes are also guaranteed by a second-ranking pledge granted by the Company of the securities account open in the books of Novalis S.A.S. in the Company's name, and in which the Company's shares in Novalis S.A.S. are held. The first-ranking pledge on that account guarantees the credit facilities granted under the Senior Credit Facilities Agreement.

The Indenture provides for commitments towards holders of Senior Subordinated Notes, partly intended to limit the ability of the Company and some of its subsidiaries to:

- Take out additional debt;

- Pay dividends or make any other distribution;

- Carry out certain payments or investments;

- Provide collateral or guarantees;

- Sell assets or shares;

- Carry out transactions with affiliated companies; and

- Merge or combine with other entities.

These limitations are subject to various conditions and exceptions. The exceptions applicable for dividends distributions are currently being renegotiated in order to extend their scope.

The Senior Subordinated Notes also require compliance with financial commitments, including a leverage ratio defined in substance as the ratio between the Group's total net debt and consolidated EBITDA, with maximum levels set at each testing date and ranging between 6.00 and 6.40. This ratio is tested every quarter.

The Senior Subordinated Notes are governed by the laws of the State of New York.

The Group intends to repay around 40% of the principal and interest due with respect to the Senior Subordinated Notes on the date of repayment, out of the proceeds of the capital increase carried out in

connection with the admission of the Company's shares to trading on Euronext's regulated market in Paris, without paying the make-whole premium in accordance with the third paragraph of this section 10.6.2.2.

10.6.2.3 Senior Secured Notes

On June 14, 2013, Novalis, a wholly-owned subsidiary of the Company, issued bonds with a principal amount of €450 million and paying interest at an annual rate of 6%, maturing in June 2018 (the "**High Yield Bonds**"). Interest is payable every six months. The Group used the proceeds from the High Yield Bonds to redeem part of the debt it took out in October 2007. The High Yield Bonds are listed for trading on the Global Exchange Market of the Irish Stock Exchange (organized multilateral trading facility within the meaning of European Parliament and Council Directive 2004/39/EC of April 21, 2004 as amended).

Before June 15, 2015, the early redemption (or repurchase) of some or all of the High Yield Bonds may take place in accordance with a make-whole clause under which Novalis must pay, in addition to the nominal amount of the bonds redeemed or repurchased and accrued interest on the redemption (or repurchase) date, a make-whole premium equal to the higher of (i) 1% of the amount redeemed (or repurchased) early and (ii) any difference (if positive) between (a) 103% of the nominal value of bonds redeemed or repurchased plus the amount of interest payable on the bonds redeemed or repurchased between the redemption or repurchase date and June 15, 2015 (calculated by applying a discount rate equal to the Bund yield on the redemption date plus 50 basis points) and (b) the amount of principal remaining due with respect to the High Yield Bonds. The Bund yield is equal to the yield to maturity of bonds issued by the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) for a period comparable to the period between the date on which the High Yield Bonds were redeemed and June 15, 2015.

As an exception to the foregoing, Novalis may, before June 15, 2015, redeem (or repurchase) early up to 40% of the principal amount of the High Yield Bonds initially issued at a price equal to 106% of their nominal value (plus accrued interest), with the proceeds of an issuance of capital securities carried out at least 180 days before the redemption or repurchase date. In that event, Novalis will be exempt from paying the aforementioned make-whole premium.

From June 15, 2015, Novalis may redeem (or repurchase) some or all of the High Yield Bonds early, at their nominal value (plus accrued interest) subject to paying an early redemption premium equal to 3.0% of par if the redemption takes place on or after June 15, 2015 and before June 15, 2016 or 1.5% of par if the redemption takes place on or after June 15, 2016 and before June 15, 2017. The Group intends to exercise this right and refinance the High Yield Bonds using the most adapted financial instruments given the conditions existing at the time of early redemption (see section 12.2.2 – "*Financial objectives of the Group for 2015-2017*" of this *document de base*).

If a change in tax regulations results in the introduction of a withholding tax or any other taxes on the amounts due in respect of the High Yield Bonds and if Novalis is required to compensate a bondholder subject to such regulations for the amount of that withholding tax (or these other taxes), Novalis will be exempt from any early redemption penalty if it redeems or repurchases all of the High Yield Bonds held by that bondholder.

If Novalis undergoes a "change of control," defined as a third party coming to own more than 50% of the Novalis voting rights or the sale of all or a substantial portion of the Group's assets to a third party, Novalis must offer to repurchase the High Yield Bonds at 101% of their nominal value (plus accrued interest).

The Indenture on the High Yield Bonds provides for some relatively common accelerated maturity situations, including payment default, violation of other obligations in the Indenture, certain bankruptcy and insolvency events, and court orders to pay sums of money.

The Indenture provides for commitments towards holders of High Yield Bonds, partly intended to limit the ability of the Company and some of its subsidiaries to:

- Take out additional debt;

- Pay dividends or make any other distribution;
- Carry out certain payments or investments;
- Provide collateral or guarantees;
- Sell assets or shares;
- Carry out transactions with affiliated companies; and
- Merge or combine with other entities.

These limitations are subject to various conditions and exceptions. In particular, the High Yield Bonds restrict the Company's ability to make distributions by requiring compliance with the following three conditions:

(1) There must be no accelerated maturity situation on the contemplated distribution date;

(2) The debt service coverage ratio (consolidated EBITDA / financial expense) must be (and remain) less than 3.00 and the leverage ratio (Group gross debt / consolidated EBITDA) must be (and remain) higher than or equal to 3.75 (if the contemplated distribution date is before December 14, 2014) or 3.25 (if the contemplated distribution date is after December 14, 2014), in each case after taking into account the contemplated distribution; and

(3) The contemplated distribution must equal less than 50% of the consolidated net revenue generated by the Group since July 1, 2013.

As an exception to the foregoing, the Company is nevertheless authorized to distribute dividends even if conditions (2) or (3) are not met:

- If the total amount distributed by the Company since the High Yield Bonds were issued is less than the higher of the following amounts: €35.0 million and 1.2% of the total consolidated assets (for information, on the basis of the consolidated assets of the Group at June 30, 2014, this would amount to €37.7 million); and/or

- If the total amount distributed during a financial year is less than 5% of the market capitalization (if the leverage ratio taking into account the contemplated distribution is less than or equal to 3.25 but higher than 3.00) or 7% of the market capitalization (if the leverage ratio is less than or equal to 3.00).

The High Yield Bonds are guaranteed by the Company, Novalis, M.A.J., Société de Participation Commerciales et Industrielles (“**SPCI**”) and Elis Brasil Serviços e Higienizaçao de têcteis Ltda. (“**Elis Brasil**”). These guarantees are subject to various limitations taking into account rules related to the protection of the corporate interest, and rules relating to financial assistance and any other equivalent rule applicable to the companies under consideration.

In addition, as regards the Indenture, holders of the High Yield Bonds benefit from the following first-ranking pledges:

Constituent	Pledge granted
Holdelis	Securities account in which the shares of Novalis are held by Holdelis
Holdelis	Balance of bank account
Holdelis	Any amounts receivable from the authors of the financial audit reports relating to the

Constituent	Pledge granted
	Company's acquisition of the Group on October 4, 2007
Holdelis	Any amounts receivable from the sellers under the share sale agreement relating to the Company's acquisition of the Group on October 4, 2007
Novalis	Balance of bank account
Novalis	Amounts receivable with respect to the "Dailly assignment" of intragroup loans to lender banks under the existing Senior Credit Facilities Agreement
Novalis	Securities account in which the shares of M.A.J. are held by Novalis
Novalis	Securities account in which the shares of Hadès S.A. are held by Novalis
Novalis	Shares of SPCI
M.A.J.	Balance of bank account
M.A.J.	Securities account in which the shares of Grenelle Service are held by M.A.J.
M.A.J.	Securities account in which the shares of Les Lavandières are held by M.A.J.
M.A.J.	Securities account in which the shares of Pierrette – T.B.A. are held by M.A.J.
M.A.J.	Securities account in which the shares of Régionale de Location et Services Textiles (R.L.S.T.) are held by M.A.J.
M.A.J.	Shares of Kennedy Hygiene Products
M.A.J.	Shares of Hadès S.A.
M.A.J.	Amounts receivable under the cash management agreement of March 31, 2011
M.A.J.	Amounts receivable with respect to the "Dailly assignment" of intragroup loans to lender banks under the existing Senior Credit Facilities Agreement
M.A.J.	Amounts receivable with respect to the "Dailly assignment" of trade receivables to lender banks under the existing Senior Credit Facilities Agreement
M.A.J.	Certain brands owned by M.A.J. (including the "Elis" and "SNDI" brands)
M.A.J.	Shares of Hedena S.A.
M.A.J.	Shares of Lavotel
M.A.J.	Any amounts receivable from the sellers under the share sale agreement relating to M.A.J.'s acquisitions of Hedena S.A. et Lavotel
M.A.J.	Shares of Elis Brasil
SPCI	Any amounts receivable under the Molinel share sale agreement
Elis Brasil	Any amounts receivable from the sellers under the share sale agreement relating to Elis Brasil's acquisition of Atmosfera and any amounts receivable under intragroup loans
Elis Brasil	Balance of bank account

Constituent	Pledge granted
Elis Brasil	Shares of Atmo
Elis Brasil	Shares of Leudeville

The High Yield Bonds are governed by the laws of the State of New York.

On the date this *document de base* was registered, Novalis – the Group company that issued the High Yield Bonds – had a financial rating of B2 from Moody's and B+ from Standard & Poor's.

10.6.2.4 Senior Credit Facilities Agreement

On October 4, 2007, the Company, Novalis and M.A.J. entered into a Senior Credit Facilities Agreement with BNP Paribas (as Mandated Lead Arranger, Facility Agent, Security Agent and Original Senior Lender). The Senior Credit Facilities Agreement was amended on June 14, 2013. The Company, Novalis and M.A.J. are the borrowers and the Company, Novalis, M.A.J, SPCI and Elis Brasil are the guarantors. Those companies granted, on a pari passu basis, the same security interests as those granted to holders of the High Yield Bonds (see section 10.6.2.3 – "*Senior Secured Notes*" of this *document de base*), with the exception of guarantees relating to trade receivables from certain Group companies, which have been assigned through a "Dailly assignment" to lender banks, with the holders of the High Yield Bonds receiving a pledge of any amount receivable from the lender banks if the amount of receivables assigned should exceed the amount of the debt guaranteed. The margin on the Senior Credit Facilities Agreement is currently 425 base points.

On the date this *document de base* was registered, the total amount available under the Senior Credit Facilities Agreement was 1,056.1 million, of which €1,002.8 million was drawn at the date of registration of this *document de base*. The Senior Credit Facilities Agreement will be paid off and the guarantees will be terminated on the settlement date of the shares offered as part of the admission of the Company's shares on Euronext's regulated market in Paris, concomitantly with said settlement, provided that the New Senior Credit Facilities Agreement described in section 10.6.3 of this chapter has been signed and that the conditions for the agreement to come into force and for its performance have been met.

10.6.3 New Senior Credit Facilities Agreement

As part of the initial public offering, the Group intends to pay off all loans granted under the Senior Credit Facilities Agreement, effective on the settlement date of the shares that will be offered in connection with the admission of the Company's shares to trading on Euronext's regulated market in Paris (see section 10.6.2.4 – *"Senior Credit Facilities Agreement"* of this *document de base*).

The redemption will be partly financed by new borrowings ("**New Senior Credit Facilities**") under a Senior Term and Revolving Facilities Agreement (the "**New Senior Credit Facilities Agreement**"). The agreement was formed on September 2, 2014 by the Company, Novalis, M.A.J. and others with a syndicate of international banks (the "**Lenders**"), including BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Luxembourg S.A., Goldman Sachs International (as Lead Arranger only), Goldman Sachs Bank International (as Lender only), HSBC France, Morgan Stanley Bank International Limited and Société Générale (as Mandated Lead Arrangers, Bookrunners and Lenders).

With respect to the New Senior Credit Facilities Agreement, the Lenders undertook, subject to certain conditions, to make the New Senior Credit Facilities available for Novalis and M.A.J. Most of those conditions will be lifted by the date on which the price of the Company's shares is definitively set as part of their listing on Euronext's regulated market in Paris.

The main terms and conditions of the New Senior Credit Facilities Agreement are as follows:

10.6.3.1 Credit facilities

The New Senior Credit Facilities Agreement will include two credit facilities with a total principal amount of €850.0 million, breaking down as follows:

- A medium-term facility (Senior Term Loan Facility) with a principal amount of €650.0 million and a maturity of five years from the settlement date of shares offered in connection with the initial public offering; and

- A revolving credit facility with a principal amount of €200.0 million and a maturity of five years from the settlement date of shares offered in connection with the initial public offering.

The Senior Term Loan Facility is intended to finance (i) the partial redemption of loans granted under the existing Senior Credit Facilities Agreement (the remainder being redeemed with the proceeds of the capital increase carried out at the time of the initial public offering) and (ii) the costs, fees and expenses relating to these transactions.

The revolving credit facility is intended to finance the Group's working capital requirement, investments and future acquisitions.

10.6.3.2 Interest and fees

Borrowings under the New Senior Credit Facilities Agreement will bear interest at a floating rate equal to Euribor (over the relevant term) in the case of advances denominated in euros, or Libor in the case of advances denominated in Swiss francs, plus the applicable margin.

Initial margins will be 2.125% and may be raised or lowered depending on the leverage ratio (i.e., the ratio of the Group's adjusted net debt to its consolidated EBITDA), in accordance with the table below:

Leverage ratio (adjusted net debt/EBITDA)	Revolving credit facility	Senior Term Loan Facility
>3.75x	2.625%	2.625%
≤3.75x and >3.25x	2.375%	2.375%
≤3.25x and >2.75x	2.125%	2.125%
≤2.75x and >2.25x	1.875%	1.875%
<2.25x	1.625%	1.625%

10.6.3.3 Security interests

Until the High Yield Bonds are redeemed in full, the financial parties to the New Senior Credit Facilities Agreement will benefit from the same security interests (personal and real) as the holders of the High Yield Bonds.

As a result, during that period, obligations under the New Senior Credit Facilities Agreement will be guaranteed, pari passu with the High Yield Bonds, by the Company, Novalis, M.A.J., SPCI and Elis Brasil (subject to the limitations set out above), and will benefit pari passu from the same real security interests as those guaranteeing the High Yield Bonds (see section 10.6.2.3 – "*Senior Secured Notes*" of this *document de base*).

Once the High Yield Bonds have been fully redeemed, (i) obligations under the New Senior Credit Facilities Agreement will be guaranteed by the Company, Novalis, M.A.J. (guaranteeing any debts of its

subsidiaries), Spast, Lavotel, Atmosfera and any other Group company that may borrow money under the revolving credit facility (subject to local laws limiting the extent of those guarantees) and (ii) all real security interests will be terminated.

However, if the Group takes out further debt involving guarantees or real security interests, for example in order to refinance the High Yield Bonds or Senior Subordinated Notes, the Group will be required to grant the same guarantees to the financial parties to the New Senior Credit Facilities Agreement and, as to any refinancing debt to the High Yield Bonds, to grant them the same real security interests as those granted under that further debt (on at least a *pari passu* basis).

10.6.3.4 Undertakings and restrictive covenants

The New Senior Credit Facilities Agreement will include the following restrictions:

- No change in the nature of the Group's activity (except for complementary activities);
- No mergers or partial asset transfers involving the disappearance of a borrower or the transfer of assets from a borrower;
- No acquisitions unless they involve a company (or group of companies) whose activity is identical or complementary to that of the Group and, if the acquisition is financed by drawing on credit facilities under the New Senior Credit Facilities Agreement, unless certain other conditions are complied with, including maximum leverage ratio levels for one year following the acquisition if the target has an enterprise value of over €50,000,000 and the grant of a pledge of shares in the target if it has an enterprise value of over €30,000,000; and
- No disposal of assets that are not specifically authorized, with authorized transactions including (i) the disposal of moveable assets carried out in the normal course of business in order to allow the continuation of commercial relations, (ii) any transfer of shares to executives in order to comply with statutory or legal requirements, (iii) any transfer of shares to another member of the Group subject to limitations applicable to pledged shares, (iv) the disposal of non-current assets where those assets are replaced, within 12 months of the disposal, by non-current assets acquired for the purposes of the Group's activity or where the net proceeds from the disposal are reinvested in an acquisition that is authorized under the New Senior Credit Facilities Agreement, (v) the disposal of non-current assets (other than those mentioned above) up to a total of €30,000,000 per financial year, (vi) the disposal of surplus or obsolete assets, (vii) the transfer of cash or cash equivalents in exchange for other cash or cash equivalents, (viii) sale and leaseback transactions relating to the Group's automobile fleet, (ix) any disposal authorized in writing by lenders representing over two thirds of commitments under the New Senior Credit Facilities Agreement and (x) subject to provisions relating to the early redemption of loans, the disposal of securities (excluding negotiable securities that constitute cash equivalents), trade receivables (as part of securitization programs or factoring transactions) and the Group's real-estate assets.

  Each of these authorizations is subject to the following additional limits: (i) the total amount of real-estate disposals is limited to €100,000,000 over the life of the loans, (ii) the total amount of disposals of securities during a financial year must not represent more than 5% of the Group's consolidated EBITDA and (iii) the "Elis" and "SNDI" brands may not be sold.

The New Senior Credit Facilities Agreement will also contain the usual undertakings, such as maintaining insurance policies, paying applicable taxes and duties, complying with applicable laws, maintaining borrowings at the same ranking or ensuring that the Group's major subsidiaries make commitments as guarantors under the New Senior Credit Facilities Agreement.

Finally, the New Senior Credit Facilities Agreement will require compliance with financial undertakings, such as maintaining certain financial ratios, which will make the amount of debt that can be incurred by Group entities dependent on increases in Group EBITDA. In particular, the Group will be required to comply with a leverage ratio limit (ratio of total adjusted net debt to EBITDA) of 4.00 up to and including

December 31, 2015, 3.75 up to and including December 31, 2016 and 3.50 subsequently. The leverage ratio will be calculated every six months taking into account total adjusted net debt at the relevant date and EBITDA recorded over a continuous 12-month period.

10.6.3.5 Mandatory early redemption situations

The debt incurred under the New Senior Credit Facilities Agreement will become automatically due for repayment (subject to certain exceptions) in part or in full in certain situations, such as a change of control, the sale of all of the Group's assets or a substantial portion thereof and, to the extent that the net leverage ratio would be over 3.25 and the net proceeds would be over 50% of consolidated Group EBITDA (the "**Surplus**"), the issuance of bonds or similar debt securities by a Group member (in which case the repayment would equal 75% of the Surplus).

The portion of proceeds from disposals of real-estate assets (excluding sale and leasebacks of certain pre-identified assets) or of Group subsidiaries that the Group does not reinvest during the 365 days following the disposal (the "**Reinvestment Period"**) – or, in the case of a project authorized by the management board that would take more than 6 months to implement from the end of the Reinvestment Period, within nine months of the end of the Reinvestment Period – that exceeds €50,000,000 during a financial year or €150,000,000 from the start of the New Senior Credit Facilities Agreement, must be allocated to the early redemption of debts arising under the New Senior Credit Facilities Agreement. In addition, any income from the assignment of trade receivables exceeding €100,000,000 must be allocated to the early redemption of debt under the New Senior Credit Facilities Agreement.

For the purposes of the New Senior Credit Facilities Agreement, "change of control" will mean:

- One or more persons acting in concert other than the "Authorized Shareholders" (i.e., Eurazeo and its affiliated companies or funds, the Group's executives and employees who own shares in any company mutual fund), underwriting banks with respect to the Company's initial public offering and, with the agreement of lenders representing over two thirds of commitments under the New Senior Credit Facilities Agreement, any other person, owning, directly or indirectly, over 50% of the Company's voting rights; or

- The Company ceasing to own, directly or indirectly, 100% of the borrowers' capital.

The debt incurred under the New Senior Credit Facilities Agreement may also be voluntarily repaid early by the borrowers, in part or in full, without penalty.

10.6.3.6 Accelerated maturity situations

The New Senior Credit Facilities Agreement will include certain accelerated maturity situations that are relatively common for this kind of financing, including payment defaults, cessation of activity, non-compliance with financial undertakings or any other obligation or commitment, cross-defaults, insolvency procedures, significant litigation or the existence of reservations among the Group's Statutory Auditors about the Group's status as a going concern.

10.6.3.7 Supplementary agreements and dispensations

Any amendment or exemption relative to the terms of the New Senior Credit Facilities Agreement or stipulations in other documents relating thereto may in principle only take place with the consent of lenders representing over two thirds of the commitments. Notwithstanding, certain situations (such as a reduction in margin or in the amount of any payment of principal, interest or fees) will require unanimous consent from the lenders.

10.6.3.8 Applicable law

The New Senior Credit Facilities Agreement will be governed by French law.

CHAPTER 11
RESEARCH & DEVELOPMENT, PATENTS AND LICENSES

Please refer to sections 6.4.4 – "*Introducing new products and services at limited marginal cost*" and 6.5.3 – "*Intellectual property*" of this *document de base*.

CHAPTER 12
INFORMATION ON TRENDS AND OBJECTIVES

12.1 BUSINESS TRENDS

A detailed description of the Group's results for the year ended December 31, 2013 and the six-month period ended June 30, 2014 is contained in chapter 9 – "*Operating and financial review*" of this *document de base*.

12.2 MEDIUM-TERM OUTLOOK

The objectives and trends presented below are based on data, assumptions and estimates that the Group regarded as reasonable on the date this *document de base* was registered.

The outlook and objectives result from the Group's strategy and do not represent forecasts or estimates of the Group's earnings. The data and assumptions set out below may change or be adjusted, particularly as a result of changes in the economic, financial, competitive, regulatory or tax environment or as a result of other factors of which the Group was not aware on the date this *document de base* was registered.

Were certain risks described in chapter 4 – "*Risk factors*" of this *document de base* to materialize, they could have an impact on the Group's activities, financial position, results or outlook, and therefore threaten its ability to attain the objectives set out below.

The attainment of objectives also assumes that the Group's strategy will be successful. As a result, the Group makes no representation and gives no warranty regarding the attainment of objectives presented in this section.

12.2.1 Outlook for the Group's activities between 2015 and 2017

The Group has set a target of growing revenue at an average annual rate of over 6% between 2015 and 2017 (slightly more in 2015 because of the high level of commercial activity in 2014).

That growth will be partly organic, and the Group has set an average organic growth target of around 4% over the period. To achieve this, the Group is aiming to generate average annual growth of around 3% in France, around 4% in Europe and in the double digits in Brazil between 2015 and 2017.

In addition, the Group intends to achieve additional growth through its acquisitions strategy, as described in section 9.1.2.2 – "*Acquisitions*" of this *document de base*. Between 2015 and 2017, the Group is planning to make acquisitions with an enterprise value of around €100 million excluding transformative transactions, i.e., a transaction that would materially alter the Group's position in a market.

12.2.2 Financial objectives of the Group for 2015-2017

The Group intends to continue streamlining costs in each of its operating segments in order to increase EBITDA margin by 2017 by around 50 basis points relative to the estimated 2014 level (see section 13.2 – "*Group forecasts for the year ended December 31, 2014*" of this *document de base*). The improvement is intended to come in particular from higher margins in Europe and Brazil.

The Group also expects EBIT margin to increase over the 2015-2017 period relative to the projected 2014 figure (see section 13.2 – "*Group forecasts for the year ended December 31, 2014*" of this *document de base*). It is aiming for EBIT to equal around 16.5% of Group's consolidated revenue by 2017. Amortization of intangible assets consisting of customer relationships – which has temporarily risen to a high level because of the Group's acquisition by Eurazeo – should remain around €40 million per year between 2015 and 2017, before decreasing to €30 million in 2018 and around €2 million per year (not including acquisitions) from 2019. The Group does not expect other income and expense to be significant in 2015-2017, excluding acquisition-related costs mentioned in section 12.2.1 – "*Outlook for the Group's activities between 2015 and 2017*", since those costs are included in the €100 million figure mentioned in that section.

The Group expects capital expenditure excluding financial investments in acquisitions, i.e., expenditures on property, plant, equipment and linen, to equal around 17% of the Group's consolidated revenue in 2015-2017. In addition, there will be capital expenditure related to structural improvements on the site of Puteaux and the planned relocation of the processing center to Nanterre in 2015 (around €14 million), although that expenditure should be more than offset by the sale of the land in Puteaux (15,000 m²) in 2016 (see section 8.1.1 – "*Real estate properties*" of this *document de base*).

The Group expects its standard tax rate to be around 30% in 2015-17, based on EBIT net of financial result.

The Group also intends to continue adjusting its debt structure after the Company's initial public offering.

From June 15, 2015, the Group may, depending on market conditions, redeem early (or repurchase) some or all of the High Yield Bonds, issued in a principal amount of €450 million, at their nominal value (plus accrued interest) subject to paying an early redemption premium equal to 3.0% of par if the redemption takes place on or after June 15, 2015 and before June 15, 2016 (see section 10.6.2.3 – "*Senior Secured Notes*" of this *document de base*). The Group would then refinance the High Yield Bonds using the most appropriate financial instruments available given conditions at the time of refinancing.

Similarly, from June 15, 2016, the Group may, depending on market conditions, redeem early (or repurchase) some or all of the Senior Subordinated Notes issued in a principal amount of €380 million. In any event, the Group intends to redeem around 40% of the Senior Subordinated Notes before June 15, 2016 – leaving the principal amount of Senior Subordinated Notes in issue after redemption at around €228 million – by using the proceeds of the capital increase carried out at the time of the initial public offering (see section 10.6.2.2 – "*Senior Subordinated Notes*" of this *document de base*). The early redemption of some or all of the Senior Subordinated Notes from June 15, 2016 would take place at their nominal value (plus accrued interest) subject to paying an early redemption premium equal to 5.0% of par if the redemption takes place on or after June 15, 2016 and before June 15, 2017 (see section 10.6.2.2 – "*Senior Subordinated Loan*" of this *document de base*). The Group would then refinance the Senior Subordinated Notes using the most appropriate financial instruments available given conditions at the time of refinancing.

Those refinancing transactions should reduce the average cost of the Group's debt from 5% in late 2014 to less than 4% in 2017. Unless it carries out one or more acquisitions that alter its debt structure, the Group intends to maintain an adjusted net debt/EBITDA ratio of between 2.0 and 2.5 from 2017.

During that period, the Group does not expect any material change in its working capital requirement.

To achieve these objectives, the Group will rely on its strategy (see section 6.4 – "*The Group's strategy*" of this *document de base*) and its competitive advantages (see section 6.3 – "*Competitive strengths and advantages*" of this *document de base*) to take full advantage of market opportunities.

12.2.3 Outlook for the dividend policy

The Company's aim is to pay annual dividends equal to around 40% of its consolidated net income before amortization of intangible assets consisting of customer relationships with respect to the years ended December 31, 2015, 2016 and 2017, subject to approval by the Company's shareholders in general shareholders' meetings on the basis of management board proposals and reports. However, that dividend distribution target in no way represents an undertaking by the Group. The actual amounts of future dividends will be determined on the basis of various factors, including the Company's general business conditions and in particular its strategic objectives, financial position, the opportunities it wishes to take and statutory provisions (see section 20.2.2 – "*Dividend policy*" of this *document de base*).

As regards dividends to be paid with respect to 2014, the Company's aim, subject to approval by the Company's shareholders in the general shareholders' meeting on the basis of the management board's proposals and report, is to pay a dividend of around €40 million (by using reserves available for distribution if necessary).

For more information about clauses in the Senior Credit Facilities Agreement, the New Senior Credit Facilities Agreement and documentation relating to the Senior Subordinated Notes and High Yield Bonds that restrict the distribution of dividends, see section 4.3.2 – "*Risks relating to the Group's indebtedness and restrictive clauses in financing agreements*" of this *document de base*.

CHAPTER 13
PROFIT FORECASTS OR ESTIMATES

13.1 ASSUMPTIONS

The forecasts presented below are based on data, assumptions and estimates that the Group regarded as reasonable on the date this *document de base* was registered. Those data and assumptions may change or be adjusted as a result of uncertainties relating particularly to the economic, financial, competitive, regulatory or tax environment or as a result of other factors of which the Group was not aware on the date this *document de base* was registered. Were certain risks described in chapter 4 – "*Risk factors*" of this *document de base* to materialize, they could have an impact on the Group's activities, financial position, results or outlook, and therefore threaten these forecasts. The attainment of forecasts also assumes that the Group's strategy will be successful. As a result, the Group makes no representation and gives no warranty regarding the attainment of forecasts presented in this section.

The Group's forecasts for 2014 were prepared:

(i) On the basis of the Group's consolidated financial statements for the year ended December 31, 2013 and condensed interim consolidated financial statements for the six-month period ended June 30, 2014; and

(ii) Taking into account the consequences during 2014 of the real-estate divestment program (see section 8.1.1 – "*Real estate properties*" of this *document de base*).

Those forecasts are based mainly on the following assumptions:

(i) No material change in the scope of consolidation relative to June 30, 2014;

(ii) The continuation of the Group's positive performance achieved in the first half of 2014;

(iii) Capital expenditure remaining at the level seen in the first half of 2014, with the ratio of capital expenditure to revenue in full-year 2014 being broadly in line with that seen in 2013;

(iv) An adjusted net debt/EBITDA ratio of less than 3x at end-2014, following the redemption and refinancing of part of the Group's debt in connection with the Company's initial public offering, with the Company planning to carry out a capital increase of around €700 million as part of the initial public offering and expecting initial public offering-related costs of around €30 million (see section 10.6.2 – "*Financial liabilities*" of this *document de base*);

(v) Consolidated Group revenue in France and Europe driven in particular by:

- very strong expected performance, particularly in Southern Europe, where an economic upturn has been taking shape since the start of 2014; and
- recent acquisitions in France and Europe, which are generating additional growth;

(vi) Consolidated Group revenue in Brazil, driven in particular by:

- the gradual implementation of the Group's plan to integrate Atmosfera, which has been consolidated since February 1, 2014; and
- recent acquisitions in Brazil, i.e., Brazilian companies Santa Clara and L'Acqua, which are generating additional growth.

13.2 GROUP FORECASTS FOR THE YEAR ENDED DECEMBER 31, 2014

Based on the assumptions set out above, the Group believes that it will be able to achieve the following results for the year ended December 31, 2014:

(i) (i) Consolidated revenue growth of around 9% compared with the €1,225.4 million achieved for the year ended December 31, 2013, driven by growth of around 1.5% in France and around 4.5% in Europe; and

(ii) (ii) EBITDA margin of around 32%, with a decline in France due to the implementation of the real-estate divestment program and a 100 basis points improvement in Europe, resulting in an EBIT margin of around 16%.

13.3 STATUTORY AUDITORS' REPORT ON MANAGEMENT'S EARNINGS FORECASTS

[INTENTIONALLY OMITTED]

CHAPTER 14
ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT

14.1 MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT

The Company is a joint-stock corporation (*société anonyme*) with a management board (*directoire*) and a supervisory board (*conseil de surveillance*), governed by the laws and regulations in force as well as by its by-laws. A description of the principal provisions of the by-laws that will enter into force subject to the condition precedent that the shares will be listed on the regulated market of Euronext Paris, and in particular its means of operation and its powers, and a summary description of the principal provisions of the rules of the supervisory board and of the supervisory board's special committees that the Company intends to put into place, with effect on the date on which the shares are listed on the regulated market of Euronext Paris, are set forth in chapter 16 – "*Functioning of the Company's Administrative and Management Bodies*" and in section 21.2 – "*By-laws*" of this *document de base*.

On the date on which the Company's shares are listed on the regulated market of Euronext Paris, the Company's management will be entrusted to a management board, which will have three members, and the control of the Company's management bodies will be entrusted to a supervisory board, which will have eight members, four of which will be independent members.

14.1.1 Management board

14.1.1.1 Composition of the management board

The table below presents the composition of the management board on the date of this *document de base* and the principal offices and positions held by the members of the management board outside the Company (within or outside the Group) over the last five years. This composition will remain intact on the date of the listing of the Company on the stock exchange.

First and last name	Age	Nationality	Date of first appointment	Expiration date of term of office	Principal position held in the Company	Principal offices and positions held outside the Company (within or outside the Group) over the last five years
Xavier Martiré	43	French	September 5, 2014	September 5, 2018	President of the management board	Offices and positions held on the registration date of this *document de base* (within the Group): – CEO of Elis Services S.A. – CEO of M.A.J. S.A. – President of Novalis S.A.S – Director of Pierrette-T.B.A. S.A. – President of Elis Luxembourg S.A. (Luxembourg) – Director of Elis Manomatic S.A. (Spain) – Director of Elis Italia SpA (Italy) – Director of S.P.A.S.T. S.A. (Spain)

First and last name	Age	Nationality	Date of first appointment	Expiration date of term of office	Principal position held in the Company	Principal offices and positions held outside the Company (within or outside the Group) over the last five years
						– Director of Gafides S.A. (Portugal) – Director of Blanchatel S.A. (Switzerland) – Director of Wäscherei Papritz AG (Switzerland) – Director of Grosswäscherei Domeisen AG (Switzerland) Offices and positions held on the registration date of this *document de base* (outside the Group): – President of Quasarelis S.A.S Offices and positions held over the last five years and which are no longer held (outside the Group): – N/A
Louis Guyot	42	French	September 5, 2014	September 5, 2018	Member of the management board and CFO	Offices and positions held on the registration date of this *document de base* (within the Group): – President of Pro Services Environnement S.A.S. – Director of Elis Services S.A. – Director of HADES S.A. (Belgium) – Director of Elis Manomatic S.A. (Spain) – Director of Elis Italia S.A. (Italy) – Director of Elis Luxembourg S.A. (Luxembourg) – Director of S.P.A.S.T S.A. (Portugal) – Director of InoTex AG (Switzerland) Offices and positions held on the registration date of this *document de base* (outside the Group): – N/A Offices and positions held over the last five years and which are no longer held (outside the Group):

First and last name	**Age**	**Nationality**	**Date of first appointment**	**Expiration date of term of office**	**Principal position held in the Company**	**Principal offices and positions held outside the Company (within or outside the Group) over the last five years**
						– Member of the management board and Managing Director of Korian S.A.* – Director of Segesta SpA (Italy) – Permanent representative of Korian S.A. on the Board of Directors of Holding Austruy Burel – Permanent representative of Korian S.A. on the Board of Directors of La Bastide de la Tourne – Permanent representative of Korian S.A. on the Board of Directors of Le Brevent – Permanent representative of Korian S.A. on the Board of Directors of CFR Siouville – Director of Steriservice – Director of Dalkia India (Inde) – Director of Litesko UAB (Lithuania) – Director of Vilniaus Energija UAB (Lithuania) – Director of Dalkia Vostok (Russia) – Director of Neva Energia S.A. (Russia) – Manager of Compagnie FoncièreVermeille S.A.R.L – Manager of Bonaparte S.A.R.L – Manager of Le Belvedere Dune S.A.R.L
Matthieu Lecharny	44	French	September 5, 2014	September 5, 2018	Member of the management board and Deputy Managing Director in Marketing and Business Development	Offices and positions held on the registration date of this *document de base* (within the Group): – Manager of Le Jacquard Français S.A.R.L – President/Sole Director of G.I.E.

First and last name	Age	Nationality	Date of first appointment	Expiration date of term of office	Principal position held in the Company	Principal offices and positions held outside the Company (within or outside the Group) over the last five years
						Eurocall Partners – President of Kennedy Hygiene Products Limited (England) – President of Kennedy Exports Limited (England) Offices and positions held on the registration date of this *document de base* (outside the Group): – N/A Offices and positions held over the last five years and which are no longer held (outside the Group): – N/A

* Listed company

For the purposes of their corporate office, the members of the management board are domiciled at the company's registered office.

14.1.1.2 Personal information pertaining to the members of the management board

Appointed President of the management board on September 5, 2014, **Xavier Martiré**, 43, was the Company's President and a Director since 2008, before the Company was transformed into a joint-stock corporation (*société anonyme*) with a management board and supervisory board.

Xavier Martiré began his career at the SNCF in 1997 as the TGV (high-speed trains) maintenance workshop foreman. He then joined the Group in 1999 as Director of Profit Center and subsequently held positions as Regional Manager and Deputy Managing Director in charge of business in France, before being appointed the Company's President.

Xavier Martiré holds degrees from the Ecole Nationale des Ponts et Chaussées and from the Ecole Polytechnique.

Louis Guyot, 42, is a member of the management board and CFO of the Company, which he joined in 2013.

Louis Guyot began his career in 1998 in the Treasury department as deputy head of the housing and local government financing office. Subsequently, he was CFO and Chief Information Officer of Medica France from 2001 to 2004, Development and Strategy Director of Compagnie des Alpes from 2004 to 2007, and CFO and Operations Director in Dalkia's Development Department from 2007 to 2010. Before joining the Group, he was CFO and Chief International Officer at Korian.

Louis Guyot holds degrees from the Ecole Polytechnique, the Ecole Nationale des Ponts et Chaussées and from the Collège des Ingénieurs.

Matthieu Lecharny, 44, is a member of the management board, Deputy Managing Director in Marketing and Business Development, and, specifically, he is in charge of acquisitions and operations in Brazil. He joined the Company in 2009.

Matthieu Lecharny began his career at Procter & Gamble in sales. He then joined Unilever, where, from 1996 to 2009, he held various senior positions in the Marketing Department, both in France and abroad. In particular, he was the Brand Director Oral Care for Europe from 2001 to 2003 and Marketing Director Personal Care for France from 2003 to 2005. Before joining the Group, he was Global Marketing Director for the Cif brand.

Matthieu Lecharny holds a degree from the Ecole Supérieure de Commerce in Paris (ESCP Europe).

14.1.2 Supervisory board

14.1.2.1 Composition of the supervisory board

The table below presents the composition of the supervisory board on the date of this *document de base* and the principal offices and positions held by the members of the supervisory board outside the Group over the last five years.

First and last name	Age	Nationality	Date of first appointment	Expiration date of term of office	Principal position held in the Company	Principal offices and positions held outside the Company (within or outside the Group) over the last five years
Philippe Audouin	57	French	September 5, 2014	Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2016	Member of the supervisory board	Offices and positions held on the registration date of this *document de base* (within the Group): – N/A Offices and positions held on the registration date of this *document de base* (outside the Group): – Member of the management board of Eurazeo* – Member of the supervisory board of ANF Immobilier* – Director of Europcar Groupe – Vice-President of the supervisory board of APCOA Parking AG (Germany) – Managing Director of Perpetuum MEP Verwaltung GmbH (Germany) – Member of the Advisory Board of APCOA Parking Holdings GmbH (Germany) – President of Ray France Investment, LH APCOA, Legendre Holding 19, Legendre Holding 21, Legendre Holding 27, Legendre Holding 29, Legendre Holding 30, and Legendre Holding 36 – Managing Director of

First and last name	Age	Nationality	Date of first appointment	Expiration date of term of office	Principal position held in the Company	Principal offices and positions held outside the Company (within or outside the Group) over the last five years
						Legendre Holding 25, La Mothe and of Eurazeo Capital Investissement (formerly Eurazeo Partners) – Deputy Director of Eurazeo Services Lux (Luxembourg) – Permanent representative of Eurazeo on the Board of Directors of SFGI Offices and positions held over the last five years and which are no longer held (outside the Group): – Vice-President of the supervisory board of B&B Hotels – Managing Director of Catroux – President of Legendre Holding 22, Legendre Holding 28, Legendre Holding 23, Legendre Holding 11, Legendre Holding 26, Legendre Holding 24, Immobilière Bingen, Legendre Holding 8, Rue Impériale Immobilier, Legendre Holding 25 – President of Les Amis d'Asmodée and Asmodée II – Director of Eurazeo Italia (Italy) – Managing Director of Legendre Holding 33
Michel Datchary	62	French	September 5, 2014	Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2015	Member of the supervisory board Independent member	Offices and positions held on the registration date of this *document de base* (within the Group): – N/A Offices and positions held on the registration date of this *document de base* (outside the Group): – Manager of Staminea – Investment Director of the fund Fa Dièse – Director of Linkéo Offices and positions held within the last five years

First and last name	Age	Nationality	Date of first appointment	Expiration date of term of office	Principal position held in the Company	Principal offices and positions held outside the Company (within or outside the Group) over the last five years
						and which are no longer held (outside the Group): – CEO of PagesJaunes Groupe* – Director of Local.ch (Switzerland) – Director of Swisscom Directories (Switzerland) – Director of LTV Gelbe Seiten (Switzerland) – Director of CCA International – Director of European Directories
Marc Frappier	41	French	September 5, 2014	Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2015	Member of the supervisory board Vice-President of the supervisory board	Offices and positions held on the registration date of this *document de base* (within the Group): – N/A Offices and positions held on the registration date of this *document de base* (outside the Group): – Deputy Director of Eurazeo* – Member of the supervisory board of APCOA Parking AG (Germany) – Member of the supervisory board of Legendre Holding 33 – Vice-President of the Advisory Board of APCOA Parking Holdings GmbH – Vice-President of the supervisory board of Foncia Holding – Director of RES 1 S.A., RES 2 S.A., ManFoncia 1 and ManFoncia 2 – Manager of Shynx S.à.r.l (Luxembourg) – Manager of Shynx 1 S.à.r.l (Luxembourg) – Manager of Shynx 2 S.à.r.l (Luxembourg) Offices and positions held over the last five years and which are no longer held (outside the Group): – Director of Eurazeo Management Lux

First and last name	Age	Nationality	Date of first appointment	Expiration date of term of office	Principal position held in the Company	Principal offices and positions held outside the Company (within or outside the Group) over the last five years
						– Vice-President of the supervisory board of Foncia Groupe – Representative of Eurozeo on the Board of Rexel SA – Manager of ECIP Elis S.à.r.l. – Manager of ECIP Agree S.à.r.l.
Virginie Morgon	44	French	September 5, 2014	Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2014	Member of the supervisory board President of the supervisory board	Offices and positions held on the registration date of this *document de base* (within the Group): – N/A Offices and positions held on the registration date of this *document de base* (outside the Group): – Member of the management board and Managing Director of Eurazeo* – President of the supervisory board of APCOA Parking AG (Germany) – President of the Advisory Board of APCOA Parking Holdings GmbH (Germany) – Managing Director of APCOA Group GmbH (Germany) – President of the supervisory board of Eurazeo PME – Managing Director of LH APCOA – President of the Board of Directors of Broletto 1 Srl (Italy) – Director of Euraleo Srl (Italy) – President of the supervisory board of Legendre Holding 33 – Director of L'Oréal * – Director of Accor * – Member of the supervisory board of Vivendi* – Member of the Board of Directors of Women's Forum (WEFCOS)

First and last name	Age	Nationality	Date of first appointment	Expiration date of term of office	Principal position held in the Company	Principal offices and positions held outside the Company (within or outside the Group) over the last five years
						– Director of Intercos SpA (Italy) – Vice-President of the Board of Directors of Moncler SpA *(Italy) Offices and positions held over the last five years and which are no longer held (outside the Group): – Director of Edenred – Director of Sportswear Industries Srl (Italy) – President of the supervisory board of Groupe B&B Hotels – President of the supervisory board of OFI Private Equity Capital (now Eurazeo PME Capital) – President of Legendre Holding 33 – Permanent representative of Eurazeo on the Board of Directors of LT Participations
Thierry Morin	62	French	September 5, 2014	Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2014	Member of the supervisory board Independent member	Offices and positions held on the registration date of this *document de base* (within the Group): – N/A Offices and positions held on the registration date of this *document de base* (outside the Group): – Director of Arkema* – President of Thierry Morin Consulting (TMC) – President of the supervisory board of *Université Technologique de Compiègne* – Manager of TM France – President of TMPARFI SA (Luxembourg) Offices and positions held over the last five years and which are no longer held (outside the Group): – N/A

First and last name	Age	Nationality	Date of first appointment	Expiration date of term of office	Principal position held in the Company	Principal offices and positions held outside the Company (within or outside the Group) over the last five years
Florence Noblot	51	French	September 5, 2014	Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2016	Member of the supervisory board Independent member	Offices and positions held on the registration date of this *document de base* (within the Group): – N/A Offices and positions held on the registration date of this *document de base* (outside the Group): – Senior Vice President Technology Sector EMEA of the group DPDHL Offices and positions held over the last five years and which are no longer held (outside the Group): – Managing Director Commercial Projects of DHL Express – President of DHL Express France SAS
Eric Schaefer	32	French	September 5, 2014	Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2017	Member of the supervisory board	Offices and positions held on the registration date of this *document de base* (within the Group): – N/A Offices and positions held on the registration date of this *document de base* (outside the Group): – Director of Eurazeo* – Member of the supervisory board of Legendre Holding 33 – Member of the Board of Directors of the AX Offices and positions held over the last five years and which are no longer held (outside the Group): – Member of the Administration and Selections Committee of Europcar Groupe

* Listed company

For the purposes of their corporate office, the new members of the supervisory board are domiciled at the company's registered office.

Within the framework of the project pertaining to the listing of the Company's shares on the regulated market of Euronext Paris, the Company appointed Mr. Michel Datchary, Mr. Thierry Morin and Mrs.

Florence Noblot as independent members of the supervisory board, based on the criteria adopted by the Company, in order to increase the proportion of independent members to one third, at the minimum, of the members of the supervisory board.

It is expected that the composition of the supervisory board will be supplemented by the appointment of an additional independent member, so that, on the date of the listing of the Company's shares on the regulated market of Euronext Paris, the supervisory board of the Company will be composed of eight members, four of which will be independent.

Assuming that at the outcome of the assignment (divestiture), within the framework of the listing of the Company on the stock exchange, on the part of Eurazeo and Legendre Holding 27 of a portion of the shares they hold or will be holding following the restructuring activities as described in section 18.6 of this *document de base*, Eurazeo and Legendre Holding 27 would jointly hold, directly or indirectly an interest of around 40% of the Company's capital, the composition of the supervisory board would be supplemented by the appointment of an additional independent member. In this case, the supervisory board would be composed of nine members, five of which would be independent, i.e., at least half of the members of the supervisory board.

It is expected that Thierry Morin will be appointed as president of the supervisory board, subject to the condition precedent that the Company's shares will be listed on the regulated market of Euronext in Paris.

14.1.2.2 Personal information pertaining to the members of the supervisory board

The information set forth below pertains to the current members of the supervisory board.

Philippe Audouin, 57, is a member of the management board and CFO of Eurazeo, which he joined in 2002. From 2007 to the Company's transformation into a joint-stock corporation (*société anonyme)* with a management board and a supervisory board, he was a director of the Company.

He began his career by founding and developing his own company for 10 years. After selling it, Philippe Audouin was the CFO and authorized signatory (*Prokurist*) in Germany of the first joint venture between France Telecom and Deutsche Telekom. From 1996 to 2000, Philippe Audouin held the position of CFO and Human Resources Director of the Multimedia division of France Telecom. He was also a member of the supervisory board of PagesJaunes. From April 2000 to February 2002, Philippe Audouin was the CFO of Europ@Web. He also taught for 5 years as a lecturer then as associate professor for the third year at the Ecole des Hautes Etudes Commerciales (HEC).

Philippe Audouin is also a director of Europcar Groupe and Vice-President of the supervisory board of APCOA Parking AG (Germany).

Philippe Audouin holds a degree from the Ecole des Hautes Etudes Commerciales. He is a member of the AMF's Issuers Commission, member of the Consultative Committee of the Accounting Standards Authority (ANC) and Vice-President of the Association of Chief Financial Officers and Management Control Directors (DFCG).

Michel Datchary, 62, has since 2010 developed a consulting business through his company Staminea in various European companies, focusing on media, the internet and services. He has also been advising a seed capital fund regarding the selection of innovative companies. After starting his career with Havas, he joined PagesJaunes as head of marketing and was CEO between 1996 and 2009 – which were 13 years of growth for the company. He transformed the group, making it France's leading online advertising medium through the success of pagesjaunes.fr, and led the group's initial public offering in 2004.

In addition to his experience within the Company, Michel Datchary has been a director at PagesJaunes, the Swisscom group (Local.ch, Swisscom Directories, LTV), Linkéo and European Directories, and at start-ups.

He has a degree from the Institut de Promotion Commerciale and Chamber of Commerce in Pau.

Marc Frappier, 41, is Deputy Director of Eurazeo, which he joined in 2006. He has notably participated in making investments or in monitoring investments in Accor/Edenred, Apcoa, the Company, Foncia, Rexel and Asmodée. Since 2013, and until the Company's transformation into a joint-stock corporation (*société anonyme*) with a management board and a supervisory board, he was a director of the Company.

He began his career in 1996 as a financial auditor at Deloitte et Touche. From 1999 to 2006, he worked at the Boston Consulting Group (BCG) in Paris and Singapore, where he performed many assignments involving strategy and operational efficiency in the industrial goods and services, energy and media and telecommunications sectors.

Marc Frappier is a civil engineer and a graduate of the Ecole des Mines. He holds a degree in accounting and financial studies (DECF).

Virginie Morgon, 44, is a member of the management board, Managing Director and Chief Investment Officer of Eurazeo, the controlling shareholder of the Company, which she joined in 2008. Since, 2013, and until the Company's transformation into a joint-stock corporation (*société anonyme)* with a management board and a supervisory board, she was President of the Company's Board of Directors (*conseil d'administration*).

From 2000 to 2007, Virginie Morgon was Managing Partner of Lazard Frères et Cie in Paris, after having worked as an investment banker at Lazard Frères et Cie in New York and London since 1992. Virginie Morgon was notably in charge of the European food, distribution and consumer goods sector. During her 15 years at Lazard Frères et Cie, she advised many companies, such as Air Liquide, Danone, Kingfisher/Castorama, Kesa/Darty and Publicis, and established close relationships with their senior executives.

Virginie Morgon is notably President of the supervisory board of Eurazeo PME, Vice-President of the Board of Directors of Moncler SpA, Director of Accor and L'Oréal and a member of Vivendi's supervisory board. She is a member of the Board of Directors of Women's Forum for the Economy & Society (WEFCOS) and a member of the Human Rights Watch support committee in Paris.

Virginie Morgon holds a degree from the Institut d'Etudes Politiques in Paris (economy and finance section) and a Master's degree in Economy and Management (MIEM) from the Università Commerciale Luigi Bocconi (Milan, Italy).

Thierry Morin, 62, has been chairman of Thierry Morin Consulting, manager of TM France and a member of Arkema's board of directors since 2006.

He started his career in 1977 as an engineer in the sales department of Burroughs. Between 1978 and 1986, he worked as an account manager, financial controller, accounting officer and then financial controller for EMEA (Europe, Middle East and Africa) within the Schlumberger group. In 1986, he joined the Thomson Electronics group as deputy managing director IT systems, and then financial officer for the Audio department. In 1989, Mr Morin joined the Valeo group as deputy CFO. At Valeo, he then became CFO, head of strategy, deputy CEO and then CEO in 2000. In March 2001, he became chairman and CEO of the Valeo group. Since 2009, Thierry Morin has managed seed-capital investments in new technologies, as well as an industrial consultancy company. In 2013, he acquired Sintertech, France's leading producer of metal powders for industrial markets, and restructured the company.

Thierry Morin is an Officier de l'Ordre National du Mérite, Chevalier de la Légion d'Honneur and Chevalier des Arts et des Lettres. He is also chairman of the board at the Université de Technologies de Compiègne (UTC) and former chairman of the board of directors at INPI (Institut National de la Propriété Industrielle).

Mr Morin has a masters' degree in management from Université Paris IX-Dauphine.

Florence Noblot, 51, is Vice-President EMEA (Europe, Middle East and Africa) for DHL Express, a company she joined in 1993.

She started her career in 1987 as an account manager for Rank Xerox France. In 1993, she joined DHL Express as an account manager and was then head of sales and senior vice-president of Global Customer Solutions (GCS) for the Pacific Asia region between 2003 and 2006. Between 2008 and 2012, she was President of DHL Express France and was also member of the management committee for DHL Express Europe. In 2012, she became director for sales projects in Europe for DHL Express Europe and was appointed senior vice-president of the High Tech EMEA (Europe, Middle East and Africa) sector in 2013, covering all activities of the group Deutsche Post DHL.

Florence Noblot studied economic sciences at Université Paris II Panthéon Assas and took part in the General Management Program of Harvard University in the United States in 2011.

Eric Schaefer, 32, is Director of Eurazeo, which he joined in 2004. Since then, he has participated in the analysis of several investment opportunities and the monitoring of stakes in various industrial and services sectors, including the making and monitoring of investments in Eutelsat, B&B Hotels, Europcar, Apcoa and Asmodée. Since 2013, and until the Company's transformation into a joint-stock corporation (*société anonyme*) with a management board and a supervisory board, he was a director of the Company.

Eric Schaefer holds degrees from the Ecole Polytechnique and the Ecole des Hautes Etudes Commerciales (HEC).

14.1.2.3 Balance in the supervisory board's composition

As indicated in the above section 14.1.2.1 – "*Composition of the supervisory board*" of this *document de base*, the Company has appointed Michel Datchary, Thierry Morin and Florence Noblot as independent members of the supervisory board, based on the criteria adopted by the Company (regarding the notion of independence, see section 21.2.2.2.2 – "*Composition and duration of duties (Article 17 of the by-laws and Article 1 of the supervisory board's rules)*" of this *document de base*.

The supervisory board ensures that the selection of the Board's members permits it to ensure diversity in expertise and equal representation between men and women, in proportions that comply with the requirements of the provisions of Act no. 2011-103 of January 27, 2011, relating to the equal representation between women and men on boards of directors and supervisory boards and workplace equality.

On the date of this *document de base*, in addition to the 4 members of the supervisory board which were appointed based on Eurazeo's proposal, there are 3 independent members, i.e., more than one-third of the members considered to be independent by the supervisory board based on the criteria set forth in section 21.2.2.2.2 – "*Composition and duration of duties (Article 17 of the by-laws and Article 1 of the supervisory board's rules)*" of this *document de base*.

14.1.3 Other members of management

14.1.3.1 Composition of the Executive Board

The Executive Board is composed of the following persons:

Xavier Martiré, President of the management board

Alain Bonin, Deputy Managing Director in charge of operations

Arthur de Roquefeuil, Deputy Managing Director in charge of operations

Frédéric Deletombe, Industrial and Information Services Director

Louis Guyot, member of the management board and CFO

Didier Lachaud, Human Resources Director

Matthieu Lecharny, member of the management board, Deputy Managing Director in Marketing and Business Development

Pascal Servy, Director of Purchasing and Procurement

14.1.3.2 Personal information pertaining to the members of the Executive Board

Xavier Martiré, President of the management board (see section 14.1.1.2 – "*Personal information pertaining to the members of the management board*" of this *document de base* for a description of his biography).

Alain Bonin, 50, has been Deputy Managing Director since 2012, in charge of operations since 2009. He is in charge of the commercial operations on the ospitality and Healthcare markets and of the Group's operations over one-half of the operational regions in France, as well as in Switzerland, Italy and Germany. Alain Bonin has been in the Group for 28 years and has held various managerial positions, including as head of several profit centers and a regional department. He holds a *Diplôme d'études universitaires* (DUT) in marketing techniques.

Arthur de Roquefeuil, 42, has been Deputy Managing Director since 2012, in charge of operations since 2009. He is in charge of the commercial operations on the industrial, retail and services markets and of the Group's operations in one-half of the operational regions in France, as well as in Belgium, Luxembourg, Spain and Portugal. Arthur de Roquefeuil has been in the Group for 10 years and has held various operational positions. Before joining the Group, he previously held various managerial positions at Saint-Gobain for 9 years. He is a graduate of INSEEC Bordeaux and holds a Master's degree in Business Administration (MBA) from the Ecole Supérieure des Sciences Economiques and Commerciales (ESSEC).

Frédéric Deletombe, 42, has been Engineering Director and CIO since 2009. He joined the Group in 2006 and has held various managerial positions. Previously, Frédéric Deletombe held managerial positions in various operational and engineering departments at IBM Microelectronics then at Altis Semiconductors. He is a graduate of the Ecole Polytechnique and of the Ecole Nationale Supérieure de Techniques Avancées (ENSTA). He also holds a *Diplôme d'études approfondies* (DEA) in Corporate and Production Organization (ENPC).

Louis Guyot, is a member of the management board and CFO (see section 14.1.1.2 – "*Personal information pertaining to the members of the management board*" for a description of his biography).

Didier Lachaud, 54, has been Human Resources Director since 2010. Before joining the Group, he held various positions in the Human Resources Departments at Schlumberger and Air Liquide and was Human Resources Director of the Fives group and of Gemplus (now Gemalto). Didier Lachaud was also a consultant at Vacoas Management and Neumann International. He is a graduate of the Institut d'Etudes Politiques in Paris and also holds a Master's degree in Private Law.

Matthieu Lecharny is a member of the management board, Deputy Managing Director in Marketing and Business Development (see section 14.1.1.2 – "*Personal information pertaining to the members of the management board*" of this *document de base* for a description of his biography).

Pascal Servy, 47, has been Director of Purchasing and Procurement since 2000 and has been in the Group for 14 years. Before joining the Group, he worked in the purchasing departments at Faurecia, Valéo and Nexter. He holds a Master's degree in Purchasing from the Institut d'Administration des Entreprises in Grenoble and is a graduate of the Institut d'Etudes Politiques in Grenoble (finance and tax law).

14.1.3.3 Meetings

The executive board meets every two weeks to discuss the Group's operational and financial performance and to exchange views on the Group's strategic projects and management.

14.2 STATEMENTS ON THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

To the Company's knowledge, there is no family relationship between the members of the Company's management board and supervisory board as identified above.

In the last five years, none of the members of the Company's management board or supervisory board identified above:

- has been found guilty of fraud, been the subject of criminal charges or of an official public sanction asserted against him by the statutory or regulatory authorities;

- has been involved in a bankruptcy, receivership or liquidation proceeding as a senior executive or corporate officer;

- has been prevented by a court to act as a member of an administrative, management or supervisory body or to be involved in the management or conducting of an issuer's business.

14.3 CONFLICTS OF INTEREST IN THE ADMINISTRATIVE BODIES AND IN GENERAL MANAGEMENT

On the date of registration of this *document de base* and to the Company's knowledge, and subject to the relationships described in section 18.3 – "*Control of the Company*," no current or potential conflicts currently exist between duties, vis-a-vis the Company, of the persons mentioned in sections 14.1.1 – "*Management board*" and 14.1.2 – "*Supervisory board*" of this *document de base* and their private interests and other duties.

To the Company's knowledge, there is no pact or agreement entered into with the shareholders, customers, suppliers or other persons pursuant to which one of the members of the supervisory board or management board has been appointed to such position.

On the date of registration of this *document de base*, with the exception of the provisions of the shareholders' agreement mentioned in section 18.4 – "*Shareholder agreement, ownership undertakings and concert parties*" of this *document de base*, which will be automatically terminated following the listing of the Company's shares on the regulated market of Euronext Paris, there is no restriction accepted by the members of the Company's management board or supervisory board pertaining to the sale of their stake in the Company's share capital, with the exception of the rules relating to preventing insider trading and the recommendations of the AFEP-MEDEF Code imposing an obligation to retain shares.

CHAPTER 15
COMPENSATION AND BENEFITS

15.1 COMPENSATION AND BENEFITS OF SENIOR EXECUTIVES AND CORPORATE OFFICERS

Within the framework of the listing of the Company's shares on the regulated market of Euronext in Paris, the Company intends to refer to the AFEP and MEDEF's Code of Corporate Governance of Listed Companies ("AFEP-MEDEF Code").

The charts inserted in the sections below present a summary of the compensation and benefits of all types awarded to the members of the management board and the supervisory board by (i) the Company, (ii) companies controlled by the Company, within the meaning of Article L. 233-16 of the French Commercial Code, (iii) the controlled companies by companies that control the Company, within meaning of Article L. 233-16 of the French Commercial Code, and (iv) the company(ies) that control(s) the Company.

The remuneration arrangements of executives and corporate officers following the listing of the Company's shares on the regulated market of Euronext in Paris will be presented in the prospectus that will be prepared for the purposes of the Company's initial public offering.

15.1.1 Summary of the Management Board members' compensation in financial years 2012 and 2013

The following table presents a summary of the compensation and options and shares attributed to Mr. Xavier Martiré, Mr. Louis Guyot and Matthieu Lecharny in the years 2012 and 2013.

Table 1 – Summary table of compensation and options and shares attributed to each Management Board member		
(In euros)	Year ended on December 31, 2012	Year ended on December 31, 2013
Xavier Martiré, President of the Management Board		
Compensation due for the year (*itemized in Table 2*)	767,017	1,019,696
Valuation of multi-year variable compensation attributed in the year	-	-
Valuation of options attributed in the year (*itemized in Table 4*)	-	-
Valuation of shares attributed free of charge (*itemized in Table 6*)	-	-
Total	**767,017**	**1,019,696**
Louis Guyot, member of the Management Board		
Compensation due for the year (*itemized in Table 2*)	-	43,334
Valuation of multi-year variable compensation attributed in the year	-	-
Valuation of options attributed in the year (*itemized in Table 4*)	-	-
Valuation of shares attributed free of charge (*itemized in Table 6*)	-	-
Total	-	**43,334**
Matthieu Lecharny, member of the Management Board		
Compensation due for the year (*itemized in Table 2*)	272,667	303,356
Valuation of multi-year variable compensation attributed in the year	-	-

Table 1 – Summary table of compensation and options and shares attributed to each Management Board member		
(In euros)	Year ended on December 31, 2012	Year ended on December 31, 2013
Valuation of options attributed in the year (*itemized in Table 4*)	-	-
Valuation of shares attributed free of charge (*itemized in Table 6*)	-	-
Total	**272,667**	**303,356**

15.1.2 Compensation of each member of the Management Board in years 2012 and 2013

The table below presents the breakdown of fixed and variable compensation and other benefits granted to Mr. Xavier Martiré, Mr. Louis Guyot and Mr. Matthieu Lecharny for the years ended December 31, 2012 and 2013. During the years ended on December 31, 2012 and 2013, the Company was a simplified limited company (*société par actions simplifiée*) with a board of directors (*conseil d'administration*). Mr. Xavier Martiré was the Company's President and Mr. Louis Guyot and Mr. Matthieu Lecharny held no corporate offices.

Table 2 – Summary table of compensation of each member of the Management Board				
(In euros)	Year ended on December 31, 2012		Year ended on December 31, 2013	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Xavier Martiré, President of the Management Board(1)				
Fixed compensation	400,008	400,008	400,008	400,008
Performance-based compensation(2)	363,862(3)	298,579(4)	396,114(5)	355,733(6)]
Multi-year performance-based compensation	-	-	-	-
Exceptional compensation	-	-	220,000(7)	-
Directors' fees	-	-	-	-
Benefits in kind	3,147(8)	3,147(8)	3,574(8)	3,574(9)
Total	**767,017**	**701,734**	**1,019,696**	**759,315**
Louis Guyot, member of the Management Board(9)				
Fixed compensation	-	-	33,334	33,334
Performance-based compensation	-	-	10,000	-
Multi-year performance-based compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	-	-	-	-
Total	-	-	43,334	33,334
Matthieu Lecharny, member of the Management Board(10)				
Fixed compensation	194,400	194,400	200,004	200,004
Performance-based compensation(11)	74,087(12)	58,677(13)	69,172(14)	69,874(15)

Table 2 – Summary table of compensation of each member of the Management Board				
(In euros)	Year ended on December 31, 2012		Year ended on December 31, 2013	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Multi-year performance-based compensation	-	-	-	-
Exceptional compensation	-	-	30,000[(7)]	30,000[(7)]
Directors' fees	-	-	-	-
Benefits in kind	4,180[(8)]	4,180[(8)]	4,180[(8)]	4,180[(8)]
Total	**272,667**	**257,257**	**303,356**	**304,058**

[(1)] Compensation paid in respect of his role as president of the Company before the Company's transformation into a joint-stock corporation (*société anonyme*) governed by a management board and a supervisory board.

[(2)] Adjustable compensation based on objectives. For financial years 2012 and 2013, the adjustable compensation (the amount of which was determined by the board of directors upon proposal from the compensation committee) was based on (i) for 75% of the compensation, the achievement of economic objectives relating to organic performance and Group's debt reduction (exclusively based on a change in the Goup's revenue for EBITDA and the Group's net debt, respectively, as well as the ratio net debt / EBITDA of the Group) and (ii) for 25% of the compensation, the achievement of personal objectives.

[(3)] Of which (i) €34,026 of compensation bonus relating to profit-sharing and stakeholding and (ii) €329,836 of adjustable compensation relating to objectives.

[(4)] Of which (i) €34,481 of compensation bonus relating to profit-sharing and stakeholding and (ii) €264,098 of adjustable compensation relating to objectives for financial year 2011.

[(5)] Of which (i) €22,314 of compensation bonus relating to profit-sharing and stakeholding and (ii) €373,800 of adjustable compensation relating to objectives.

[(6)] Of which (i) €25,897 of compensation bonus relating to profit-sharing and stakeholding and (ii) €329,836 of adjustable compensation relating to objectives for financial year 2012.

[(7)] Bonus following proposal from the compensation committee dated February 13, 2014 and approval of the board of directors on March 3, 2014 in relation to the refinancing of the Group's debt.

[(8)] Company car.

[(9)] Compensation paid in respect of his contract of employment. Because Louis Guyot joined the Company on November 1, 2013, compensation has been calculated pro rata, based on the amount of time he spent with the Company during financial year 2013. The method was also used to calculate the adjustable compensation due for financial year 2013, which corresponds to the pro rata amount due in case of achievement of 100% of the objectives over a year.

[(10)] Compensation paid in respect of his contract of employment.

[(11)] Adjustable compensation based on objectives. For financial years 2012 and 2013, the adjustable compensation was based on (i) for 75% of the compensation, the achievement of economic objectives relating to organic performance and Group's debt reduction (exclusively based on a change in the Goup's revenue for EBITDA and the Group's net debt, respectively, as well as the ratio net debt / EBITDA of the Group) and (ii) for 25% of the compensation, the achievement of personal objectives.

[(12)] Of which (i) €17,650 of compensation bonus relating to profit-sharing and stakeholding and (ii) €56,437 of adjustable compensation relating to objectives.

[(13)] Of which (i) €17,883 of compensation bonus relating to profit-sharing and stakeholding and (ii) €40,794 of adjustable compensation relating to objectives for financial year 2011.

[(14)] Of which (i) €14,652 of compensation bonus relating to profit-sharing and stakeholding and (ii) €54,520 of adjustable compensation relating to objectives.

[(15)] Of which (i) €13,437 of compensation bonus relating to profit-sharing and stakeholding and (ii) €56,437 of adjustable compensation relating to objectives for financial year 2012.

15.1.3 Compensation and benefits of all types attributed to the members of the Supervisory Board

The table below presents the directors' fees and other types of compensation received by the members of the supervisory board. During the years ended on December 31, 2012 and 2013, the Company was a simplified limited company (*société par actions simplifiée*) with a board of directors (*conseil d'administration*), of which Mrs. Virginie Morgon, Mr. Philippe Audouin, Mr. Michel Datchary, Mr. Marc Frappier and Mr. Eric Schaefer were members.

Table 3 – Table on directors' fees and other compensation received by the members of the Supervisory Board		
Non-senior executive corporate officers	Amounts paid in year ended on December 31, 2012	Amounts paid in year ended on December 31, 2013
Philippe Audouin		
Directors' fees	-	-
Other compensation	-	-
Michel Datchary		
Directors' fees	25,000	25,000
Other compensation	-	-
Marc Frappier		
Directors' fees	-	-
Other compensation	-	-
Virginie Morgon		
Directors' fees	-	-
Other compensation	-	-
Thierry Morin		
Directors' fees	-	-
Other compensation	-	-
Florence Noblot		
Directors' fees	-	-
Other compensation	-	-
Eric Schaefer		
Directors' fees	-	-
Other compensation	-	-

15.1.4 Subscription and purchase options of shares attributed during the 2013 financial year to each member of the Company's Management Board or by any company of the Group

No attributions of share subscription or purchase options to the members of the management board occurred in the 2013 financial year.

Table 4 – Subscription and purchase options of shares attributed during the 2013 financial year to each member of the Management Board by the issuer and by any company of the Group						
Name of the corporate officer senior executive	No. of Plan and date	Type of options (purchase or subscription)	Valuation of options according to method used for consolidated financial statements	Number of options attributed during the year	Exercise price	Exercise period
Xavier Martiré	N/A					
Louis Guyot						
Matthieu Lecharny						

15.1.5 Subscription and purchase options of shares exercised during the 2013 financial year by each member of the Management Board

N/A.

Table 5 – Subscription and purchase options of shares exercised during the 2013 financial year by each member of the Management Board			
Name of the corporate officer senior executive	No. of Plan and date	Number of options exercised during the year	Exercise price
Xavier Martiré	N/A		
Louis Guyot			
Matthieu Lecharny			

15.1.6 Performance shares attributed to corporate officers during the 2013 financial year

No attributions of performance shares took place to the members of the management board occurred in the 2013 financial year.

Table 6 – Performance shares attributed to each corporate officer						
Name of the corporate officer	No. of Plan and date	Number of shares attributed during the year	Valuation of shares according to method used for consolidated financial statements	Date of acquisition	Date of availability	Performance conditions
Xavier Martiré	N/A					
Louis Guyot						
Matthieu Lecharny						
Philippe Audouin						
Michel Datchary						
Marc Frappier						
Virginie Morgon						
Thierry Morin						
Florence Noblot						
Eric Schaefer						

15.1.7 Performance shares that became available during the 2013 financial year for each corporate officer

N/A.

Table 7 – Performance shares that became available during the 2013 financial year for each corporate officer			
Name of the corporate officer	No. of Plan and date	Number of shares that became available during the year	Terms of acquisition
Xavier Martiré	N/A		
Louis Guyot			
Matthieu Lecharny			
Philippe Audouin			
Michel Datchary			
Marc Frappier			
Virginie Morgon			
Thierry Morin			
Florence Noblot			
Eric Schaefer			

15.1.8 History of subscriptions and acquisitions of share purchase warrants

The table below presents the subscriptions and acquisitions of share purchase warrants that occurred during the years ended on December 31, 2013, 2012 and 2011. For additional information on share purchase warrants, see section 18.1.2 – "*Direct and indirect principal shareholders*" of this *document de base*.

Table 8 – History of attributions of share purchase warrants	
	Plan
Date of meeting	October 4, 2007
Date of meeting of management board (*conseil d'administration* or *directoire*, whichever is the case)	—
Total number of shares that can be purchased, including the number that can be purchased by:	160 000 000(1)
Corporate officers	
Xavier Martiré	1 759 992
Louis Guyot	—(2)
Matthieu Lecharny	—(3)
Philippe Audouin	—
Michel Datchary	—
Marc Frappier	—
Virginie Morgon	—
Thierry Morin	—
Florence Noblot	—
Eric Schaefer	—
Departure date for exercising share purchase warrants	(4)
Expiration date	October 4, 2027(5)
Exercise price	€5(6)
Terms of exercise (when the plan has several tranches)	—

Table 8 – History of attributions of share purchase warrants	
	Plan
Number of shares	—
Cumulative number of share purchase warrants cancelled or null and void	—
Share purchase warrants remaining at end of year	16 000 000

(1) Each share purchase warrant gives a right to purchase 10 of the Company's shares with a par value of €0.50 each. The share purchase warrants give the right of a maximum of 160,000,000 new shares on the basis of the existing capital on the date of the registration of this *document de base*, representing 15,8% of the capital of the Company. The exact number of the share purchase warrants to be exercised will depend on the offering price. Following the exercise of the reorganization transactions, see section 18.6 – "*Description of the reorganization transactions"* of this *document de base*, the shares originated by the exercise of the warrants should not represent more than 14% of the Company's share capital.

(2) Louis Guyot holds 300,000 shares in Quasarelis, representing about 6 % of capital, which holds 7,940,771 share purchase warrants (for more information, see section 18.1.2 – "*Main direct and indirect shareholders*" of this *document de base*).

(3) Matthieu Lecharny holds 190,000 shares in Quasarelis, representing about 3.8 % of its capital, which holds 7,940,771 share purchase warrants (for more information, see section 18.1.2 – "*Main direct and indirect shareholders*" of this *document de base*).

(4) The share purchase warrants may be exercised only at the time an exercise event occurs. The listing of the Company's shares on the Euronext exchange in Paris constitutes an exercise event.

(5) Share purchase warrants that are not exercisable or not exercised at the time of an exercise event will become null and void by operation of law and can no longer be exercised.

(6) The purchase price is €0.50 per share, i.e., €5 per share purchase warrant.

15.1.9 Share purchase warrants granted to the first ten non-corporate officer employees

No attributions of share purchase warrants occurred during the years ended on December 31, 2013, 2012 and 2011.

Table 9 – Share purchase warrants granted to the first ten non-corporate officer employees to whom they were attributed and warrants exercised by them			
	Total number of share purchase warrants attributed/of shares purchased	**Average weighted price**	**Plan**
Share financial purchase warrants granted during the year by the issuer and any company included in the scope of attribution of the share purchase warrants, to the ten employees of the issuer and of any company included in this scope, which is the highest number of share purchase warrants thus granted of (overall information)	N/A		
Share purchase warrants held against the issuer and the companies previously mentioned, exercised during the year, by the ten employees of the issuer and of these companies, which is the highest number of share purchase warrants thus purchased (overall information)			

15.1.10 History of attributions of free shares

Table 10 – History of attributions of free shares – Information on shares attributed free of charge[(1)]	
Date of meeting	December 23, 2010
Date of decision of the President	December 23, 2010
Total number of shares (1) attributed free of charge, including the number attributed to:	
Corporate officers (2)	
Xavier Martiré	1,511,768
Matthieu Lecharny	137,434
Louis Guyot	-
Philippe Audouin	-
Michel Datchary	-
Marc Frappier	-
Virginie Morgon	-
Thierry Morin	-
Florence Noblot	-
Eric Schaefer	-
Date of acquisition of shares	-
Date of end of retention period	-
Number of shares	-
Cumulative number of shares cancelled or null and void	-
Shares attributed free of charge remaining at end of year	-

(1) The Company's general meeting held on December 23, 2010, authorized the President to implement a free share attribution plan, to benefit some of the Company's senior executives and employees of the Group; this plan was established by the President on the same date. Pursuant to the provisions of this plan, the acquisition of free shares by some of the Company's senior executives and employees of the Group was made subject to the conditions precedent (i) of the Company's initial public offering, and (ii) that on the date of the Company's initial public offering, certain conditions, notably performance conditions, be satisfied. If these performance conditions cannot be satisfied, the rights resulting from the attribution of free shares subject to the conditions precedent will be permanently lost.

15.1.11 Details on the terms of compensation and other benefits granted to the members of the Management Board

Members of the Management Board	Employment contract		Complementary pension plan		Compensation or advantages due in respect of a change of duties or termination of employment		Compensation due in respect of a non compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Xavier Martiré President of the management board Start of Office : 09/05/2014 Term of Office : 09/04/2018	✓[1]			✓		✓	✓	
Louis Guyot Member of the management board Start of Office : 09/05/2014 Term of Office : 09/04/2018	✓			✓		✓	✓	
Matthieu Lecharny Member of the management board Start of Office : 09/05/2014 Term of Office : 09/04/2018	✓			✓		✓	✓	

(1) Mr. Xavier Martiré is part to an employment contract with the Company, which was adjourned when he was appointed as president of the Company in 2008. Pursuant to the AFEP-MEDEF Code, such employment contract will terminate as of the date of the listing of the Company's shares on the Euronext exchange in Paris.

Complementary pension plan

No member of the management board benefits from a complementary pension plan.

Compensation or advantages due in respect of a change of duties or termination of employment

No member of the management board benefits from compensation or advantages due in respect of a change of duties or termination of employment.

Compensation due in respect of a non compete clause

All members of the management board benefit from specific compensation relating to a non compete clause, in respect of each member's employment contract. This monthly fixed specific compensation is paid for for the entire duration of the non compete obligation, i.e., 12 months, and is equal to 20% of the last monthly gross salary, or 15% in case of resignation (except for Louis Guyot, for whom there is no reduction of the monthly fixed specific compensation in case of resignation).

15.2 AMOUNTS PLACED IN RESERVES BY THE GROUP TO PAY PENSIONS, RETIREMENTS OR OTHER BENEFITS TO SENIOR EXECUTIVES

No member of the management board benefits from a specific retirement plan. Therefore, the Company did not reserve any specific amounts to pay pensions, retirements or other similar benefits to the members of the management board.

CHAPTER 16
FUNCTIONING OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

The functioning of the Company's supervisory board and management board is determined by the statutory and regulatory provisions, by the Company's by-laws and by the supervisory board's rules, the principal provisions of which are set forth in this chapter 16 and in section 21.2 – "*By-laws*" of this *document de base*.

The by-laws and the supervisory board's rules described in this *document de base* are the exact same as they will be entered into force on the date of the listing of the Company's shares on the Euronext exchange in Paris.

16.1 TERMS OF OFFICE OF THE MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

See section 14.1 – "*Members of the administrative, management and supervisory bodies and general management*" of this *document de base*.

16.2 SERVICE AGREEMENTS AMONG THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES AND THE COMPANY OR ITS SUBSIDIARIES

To the Company's knowledge, on the date of registration of this *document de base*, no service agreements have been reached between the Company or its subsidiaries and one of the members of the management board or the supervisory board.

16.3 SUPERVISORY BOARD'S COMMITTEES

Pursuant to Article 20 of the Company's by-laws and Article 9 of its rules, the Company's supervisory board may decide to create committees in charge of assessing the questions that the Board or its chairman submits for examination.

The supervisory board has decided to create two permanent committees: an Audit Committee and an Appointments and Compensation Committee. These committees are in charge of assessing the questions that the supervisory board or its chairman submits for examination and to issue proposals, recommendations and opinion, whichever are applicable, in their field of expertise. The rules governing how they function and their powers are set forth in the rules of each committee and approved by the supervisory board.

The rules of the supervisory board and the committees were adopted, with effect on the date on which the Company's shares are listed on the Euronext exchange in Paris, at the supervisory board's meeting on September 5, 2014. The descriptions below reflect the committees' rules as applicable on the date on which the Company's shares are listed on the Euronext exchange in Paris (see section 21.2 – "*By-laws*" of this *document de base* with respect to the provisions of the supervisory board's rules).

16.3.1 Audit Committee

The Company's supervisory board has decided to put into place an Audit Committee and has established its rules as follows.

16.3.1.1 Composition (Article 9 of the Supervisory Board's rules)

The Audit Committee is comprised of from three up to seven members, appointed personally, and they may not be substituted for. The supervisory board is free to choose them from among its members and the supervisory board ensures that it includes independent members based on the criteria adopted by the Company (regarding the notion of "independence," see section 21.2.2.2.2 – "*Composition and duration of duties (Article 17 of the by-laws and Article 1 of the Supervisory Board's rules)*" of this *document de base*).

The term of office of a member of the Audit Committee is equal to the term of office of a member of the supervisory board, with the understanding that the supervisory board may at any time modify the composition of the Audit Committee and, consequently, end the office of a committee member.

When they are appointed, all members of the Audit Committee must receive training on the Company's accounting, financial and operational specificities.

The members of the Audit Committee, which will initiate its operations on the date on which the Company's shares are listed on the Euronext exchange in Paris, will be presented in the prospectus that will be prepared for the Company's initial public offering.

The secretarial duties of the Audit Committee's work will be provided by any person appointed by the Committee's President.

16.3.1.2 Powers (Article 1 of the Audit Committee's rules)

The Audit Committee's undertaking is to ensure the follow-up of questions regarding the preparation and auditing of accounting and financial information and to ensure that the risks monitoring and operational internal auditing processes are efficient, in order to assist the supervisory board's exercise of its auditing and verification duties in this area.

Within this framework, the Audit Committee notably performs the following principal duties:

- monitoring of the process for preparing financial information;
- monitoring of the efficiency of the internal control, internal auditing and risks management systems relating to financial and accounting information;
- monitoring of the legal auditing of corporate and consolidated financial statements by the Company's statutory auditors; and
- monitoring of the statutory auditors' independence.

16.3.1.3 Functioning (Article 2 of the Audit Committee's rules)

The Audit Committee may duly deliberate either during physical meetings or by telephone or video conference, on the same terms as the board, upon a call to a meeting by its President or the Committee's secretary, provided that at least one-half of the members participate in the meeting. The Committee's members cannot give a proxy to another member to represent them.

The recommendations issued by the Audit Committee are adopted by a simple majority of the members present. In case of a tie, the Committee's President will cast the deciding vote.

Calls to meetings must include an agenda and may be transmitted orally or by any other means.

The Audit Committee meets as often as needed and, in any event, at least two times per year when the annual financial statements and the bi-annual financial statements are being prepared.

Meetings take place before the supervisory board's meeting and, to the extent possible, at least two days before such meeting when the Audit Committee's agenda pertains to examining the bi-annual and annual accounts before they are examined by the supervisory board.

16.3.2 Appointments and Compensation Committee

16.3.2.1 Composition (Article 9 of the Supervisory Board's rules)

The Appointments and Compensation Committee is comprised of from three up to seven members, appointed personally, and they may not be substituted for. The supervisory board is free to choose them from among its members and the supervisory board ensures that it includes independent members based on the independence criteria adopted by the Company (regarding the notion of "independence," see section 21.2.2.2.2 – "*Composition and duration of duties (Article 17 of the by-laws and Article 1 of the Supervisory Board's rules)*" of this *document de base*).

The term of office of a member of the Appointments and Compensation Committee is equal to the office of a member of the supervisory board, with the understanding that he supervisory board may at any time modify the composition of the Audit Committee and, consequently, end the term of office of a committee member.

When they are appointed, all members of the Appointments and Compensation Committee must receive training on the Company's accounting, financial and operational specificities.

The members of the Appointments and Compensation Committee, which will initiate its operations on the date on which the Company's shares are listed on the Euronext exchange in Paris, will be presented in the prospectus that will be prepared for the Company's initial public offering.

The secretarial duties of the Appointments and Compensation Committee's work will be provided by any person appointed by the Committee's President.

16.3.2.2 Powers of the Appointments and Compensation Committee (Article 1 of the Appointments and Compensation Committee's rules)

The Appointments and Compensation Committee is a specialized committee of the supervisory board whose principal duties are to assist the supervisory board in forming the Company's senior management bodies and in determining and regularly assessing all the compensation and benefits of the members of the management board, including all deferred benefits or severance pay for voluntary or forced departure from the Group.

Within this framework, the Appointments and Compensation Committee notably performs the following duties:

- proposals for appointments of independent members of the supervisory board, of the management board and of the Board's committees, and analysis of the candidacy of the non-independent members of the supervisory board;

- annual evaluation of the independence and of the multiple offices held by the members of the supervisory board;

- examination and proposals to the supervisory board pertaining to all the compensation items and terms of the members of the management board;

- examination and proposals to the supervisory board pertaining to the method for allocating directors' fees; and

- special tasks pertaining to special compensation relating to special tasks that may be assigned, if applicable, by the supervisory board to some of its members.

16.3.2.3 *Functioning of the Appointments and Compensation Committee (Article 3 of the Appointments and Compensation Committee's rules)*

The Appointments and Compensation Committee may duly deliberate either during physical meetings or by telephone or video conference, on the same terms as the board, upon a call to a meeting by its President or the Committee's secretary, provided that at least one-half of the members participate in the meeting. The Committee's members cannot give a proxy to another member to represent them.

Calls to meetings must include an agenda and may be transmitted orally or by any other means.

The Appointments and Compensation Committee meets as often as needed and, in any event, at least one time per year before the supervisory board's meeting vote on the situation of the supervisory board's members based on the independence criteria adopted by the Company (regarding the notion of "independence," see section 21.2.2.2.2 – "*Composition and duration of duties (Article 17 of the by-laws and Article 1 of the Supervisory Board's rules)*" of this *document de base*) and, in any event, before any meeting of the supervisory board voting on setting the compensation of the members of the management board or on the allocation of directors' fees.

16.4 STATEMENT ON CORPORATE GOVERNANCE

For the sake of transparency and to inform the public, as of the initial public offering, the Company wishes to comply with the principles of corporate governance, as defined by the recommendations issued by the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF) in the AFEP-MEDEF Code.

The Company notably wishes to ensure the presence of independent members on its supervisory board, to endow the supervisory board with specialized committees in charge of providing it with recommendations in the field of strategy on financial statements auditing and senior executives' compensation, and to make a certain number of decisions, which may have significant consequences on the Company's business or the business of one of the Companies in the Group, its assets and its earnings, subject to the supervisory board's prior approval.

Within this framework, the supervisory board adopted rules on September 5, 2014, establishing the terms of composition, organization and functioning of the supervisory board and the committees created within the supervisory board, as well as the rights and obligations of the supervisory board's members, with the principal terms of the rules being described in this chapter and in section 21.2 – "*By-laws*" of this *document de base*.

The AFEP-MEDEF Code to which the Company wishes to refer may be viewed on the Internet at the following address: http://www.medef.com/. The Company makes copies of this code available to the members of its corporate bodies.

16.5 INTERNAL CONTROL

As the Company's shares are not listed on a regulated market on the date of registration of this *document de base*, the supervisory board is not required to establish a relative report on the composition of the board and the application of the principle of equal representation between women and men on the board, on the conditions of preparation and organization of the board's services and on the internal control and risks management procedures implemented by the Company, pursuant to Article L. 225-68 of the French Commercial Code.

As of the date on which the Company's shares are listed on the regulated market Euronext in Paris, the Company intends to implement the statutory and regulatory provisions applicable to listed companies for internal control procedures, and these steps are part of our effort to comply with the principles of corporate governance. In particular, pursuant to Article L. 225-68 of the French Commercial Code, the supervisory board will establish the report on internal control mentioned above.

CHAPTER 17
EMPLOYEES

17.1 PRESENTATION

17.1.1 Number and distribution of employees

On December 31, 2013, the Group employed 15,071 persons, as opposed to 14,644 persons on December 31, 2012, and 14,761 persons on December 31, 2011.

For the 2013 financial year, wages, including the Group's charges, were €488.5 million, as opposed to €466.6 million for the 2012 financial year and €450.2 million for the 2011 financial year.

On December 31, 2013, the Group's workforce was located in metropolitan France, Germany, Belgium, Spain, the United Kingdom, Italy, Luxembourg, Portugal, the Czech Republic, Switzerland and Brazil.

On June 30, 2014, the Group employed 19,540 persons after it strengthened its presence in Brazil with the acquisition of Atmosfera (see section 5.2.2 – "*Investments in progress*" of this *document de base*). The Group's average workforce during the first six months of the 2014 financial year was around 18,500 persons.

The table below presents the distribution, in the last three years and in the first six months of 2014, of the Group's workforce by geographic zones:

	December 31,			**June 30,**
Country	**2011**	**2012**	**2013**	**2014**
France	**11 545**	**11 458**	**11 667**	**12 445**
Germany	516	547	654	678
Belgium & Luxembourg	299	320	305	299
Spain & Andorra	766	772	785	971
Italy	267	259	265	282
Portugal	733	635	637	758
Switzerland	357	383	570	564
Other European countries	13	17	24	23
Europe	**2 951**	**2 933**	**3 240**	**3 575**
Brazil				**3 354**
Manufacturing Entities	**265**	**253**	**164**	**166**
Total	**14 761**	**14 644**	**15 071**	**19 540**

The table below presents the distribution of the workforce by socio-professional categories on December 31, 2013 and on June 30, 2014:

Geographic zone	December 31, 2013			June 30, 2014		
	Personnel of Manufacturing Entities and drivers	Sales employees	Executives and engineers	Personnel of Manufacturing Entities and drivers	Sales employees	Managers and engineers
France	**8 462**	**2 037**	**1 168**	**9 192**	**2 075**	**1 178**
Germany	513	111	30	543	98	37
Belgium & Luxembourg	212	60	33	209	59	31
Spain & Andorra	564	202	19	737	212	22
Italy	184	70	11	194	77	11
Portugal	477	153	7	583	168	7
Switzerland	467	71	32	465	65	34
Other European countries	20	2	2	19	2	2
Europe	**2 437**	**669**	**134**	**2 750**	**681**	**144**
Brazil				**2 996**	**325**	**33**
Manufacturing Entities	**55**	**82**	**27**	**56**	**80**	**30**
Total	**10 954**	**2 788**	**1 329**	**14 994**	**3 161**	**1 385**

The table below presents the evolution, in the last three years and in the first six months of 2014, of the share of women in the Group's workforce:

	December 31,			June 30,
Share of women	**2011**	**2012**	**2013**	**2014**
Share of women in workforce	53.2 %	52.8 %	52.6 %	52.2 %

The table below presents the evolution, in the last three years and in the first six months of 2014, of the distribution of the workforce by type of contract (the category "Other" includes temporary contracts that are of a different nature depending on the country):

	December 31,			June 30,
Share of types of contracts	**2011**	**2012**	**2013**	**2014**
Open-term contracts	12,368	12,400	12,676	16,043
Other	2,393	2,244	2,395	3,497

The table below presents the evolution of the age pyramid in the last three years in France (excluding Molinel):

	December 31,		
Age pyramid	**2011 (excl. Molinel)**	**2012 (excl. Molinel)**	**2013 (excl. Molinel)**
- de 20	231	197	221
20 - 30	2,713	2,673	2,770
31 - 40	3,079	2,923	2,917
41 - 50	3,334	3,345	3,327
51 - 60	2,202	2,317	2,407
> 60	129	135	147

17.1.2 Employment and work conditions

The following table presents the evolution of absenteeism in the last three years:

	December 31,		
Work conditions	**2011**	**2012**	**2013**
Absenteeism rate[(1)]...................	7.3 %	7.6 %	

(1) Number of hours absent out of theoretical total number of work hours (i.e., the number of working hours that is projected in the relative period with reference to contractual hour obligations of the employees).

The following table presents the evolution of the turnover rate in France (excluding AD3) in the last three years and the first six months of the 2014 year*:

	December 31,			June 30,
Work conditions	**2011**	**2012**	**2013**	**2014**
Turnover rate[(1)]	8.6 %	9.2 %	10.3 %	5.6 %

(1) The turnover rate is defined as follows (total number of new employees under open-term employment contracts in year n + total number of departures of employees under open-term employment contracts in year n)/average number of employees in year n.

Employees' loyalty and exemplary work are strong values that are specifically acknowledged in the Group. The "Stripes Club" was created in 1987 to reward the most meritorious production and maintenance employees. A trip, organized by the Human Resources Department, awards around 100 "Stripes" every year. More than 1,000 employees have been distinguished with the award since 1987. The Group plans on extending the "Stripes Club" to all countries where it operates.

Furthermore, the Group has implemented a legal and social support program to benefit its employees. Two social workers, who are Group employees, are at the disposal of the Group's employees. Each year, they go to all production and distribution centers. The Group also bears the cost of the fees (annual fixed amount) of a legal advisor who can be consulted by all the Group's employees.

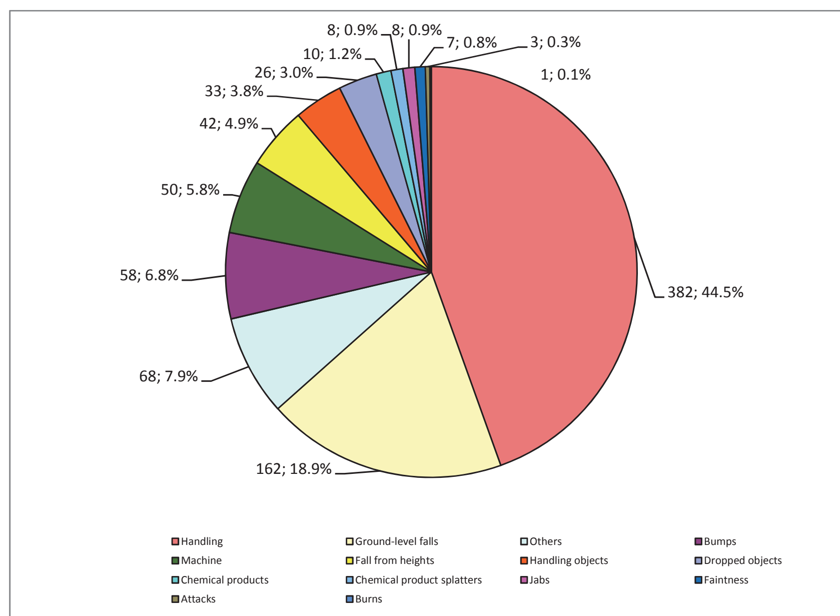
The following table presents the evolution of workplace safety in the last three years:

Workplace safety	**2011**	**2012**	**2013**
Number of fatal accidents..	1	0	0
Frequency rate*	36	33	32
Number of accidents with sick leave	888	908	889

* Number of accidents that brought about one day of sick leave per million hours worked.

The following graph presents the distribution with or without sick leave per type of accident in France for the year ended on December 31, 2013:

Breakdown of work-related incidents with or without leave per type of incidents in 2013 in France
Total number France = 858



The Group strongly promotes safe work conditions and invests about €2 million each year to continuously improve safety. The Group's objective is to:

- Decrease, as much as possible, workplace accidents and workplace illnesses by evaluating risks, analyzing accidents and incidents and implementing related corrective action;
- promote preventive action related to the behavior of the Group's employees vis-à-vis risks; and
- involve all personnel so that each employee is aware of his role and his personal responsibility in terms of prevention.

The Group conducts training on safety beginning when employees are hired and for the entire term of employment contracts, notably for maintenance managers. In addition, specific training is provided for HR assistants. Lastly, in 2013, the Group conducted a specific campaign for safety awareness.

The Safety Department is in charge of the follow-up on indicators and provides support for rolling out the safety policy, which is steered locally by the facility (*établissement*) directors and maintenance managers. Every year, each facility establishes its action plan to be implemented. The "Recruiting an employee" and "Human resources pact" trainings that are tought to operative employees have been revised to make these trainings more sensitive to the concerns of having a balanced distribution between men and women.

In 2013, the Group implemented in France measures provided by the agreements on prevention of hard physical labor concluded between the Group's Senior Management and the representative syndicates of employees, following a consultative opinion of the Committee on Health, Safety and Work Conditions (CHSCT): hooding and insulation of radiators (heat), installation of air-conditioned break rooms and organization of retirements.

The Group also implemented the Gest'Elis project on ergonomically adapting work stations so as to improve its production operators' work conditions. Hence, each sector is assessed to define efficient

practices in terms of movement and the possibility of adapting the work station to improve comfort. This project, launched in 2012, will be fully rolled out by the end of 2014.

The Group uses a nearly equivalent share of men and women. As the Company is aware that professional diversity is a factor of collective enrichment, social cohesion and economic efficiency, it has negotiated agreements with employee representatives to take measures to promote professional equality between men and women. These provisions go beyond the obligations of the French Labor Code. Measures on balancing between employees' jobs and their family responsibilities, provided in these agreements, are notably implemented.

Furthermore, the Group has a policy that promotes employing handicapped persons in an ordinary environment, notably via subcontracting agreements with centers who employee handicapped persons (*Établissements ou Services d'Aide par le Travail* or "*ESAT*"). The Group has founded partnerships with adapted companies to respond jointly to calls for tenders. The service is then performed in part by the Group and in part by the adapted company. Hence, for one of its major account customers, the Group entered into a water fountain services agreement for which maintenance and kit changes are performed by an adapted company. This type of partnership promotes the employment of handicapped persons and it also meets certain customers' expectations.

In addition, the Group has put into place an ethics code whose purpose is to federate all of the Group's employees around common values and beliefs, such as integration, respect for differences, responsibility and exemplary mentality within the commercial environment of the Group and employees of the Group, environmental protection and the diminution of the Group environment impact or even business ethics and the continuing improvement of the Group performance. These principles apply to all of the Company's actions, whether it be with its employees or conducting business with its suppliers, its customers or any other third-party actors. The Group has equally formalized its engagements against corruption within the framework of this ethics code.

Lastly, the Group has strengthened its commitment to promoting human rights with its suppliers thanks to the publication in 2013 of a Sustainable Development Purchases charter. In cooperation with outside parties (including partners such as Max Havelaar), the Group reasserts its desire to ensure that its direct and indirect suppliers comply with proper work conditions and the conventions of the (ILO). In order to guarantee the compliance of work conditions and the respect of the conventions of the ILO, 10 of the Group's centers were subjected to a labor audit in 2013, in France, Belgium and Luxembourg.

17.1.3 Training

In France, the Group ensures its new managers' success by offering training classes in operating business lines. In addition, the Group offers French classes to foreign employees for the best possible social integration.

The Group organizes several training programs, including "FED Elis", "Jeunes talents" and a program specifically for young Spanish engineers:

- "FED Elis" is a program aimed at around 10 service representatives per year, selected from across all regions on the basis of excellence criteria, i.e., sales development performance, expertise and inter-personal skills. The program involves block-release theoretical study and practical on-the-ground application working alongside advisors.
- "Jeunes talents" is a program that aims to identify the Group's future managers, provide them with essential knowledge, share best practice, develop their sense of belonging to the Group and enhance their loyalty. Twelve executives per class take part in the program, after spending 9-15 months in their jobs.
- The program for young Spanish engineers takes place in France, Spain and Andorra. It aims to pass on Group expertise to its units in Spain and Andorra, and to make the Group's engineering and sales team more international. In 2013, for example, 10 recent graduates recruited in Spain were seconded to France to take part in a training program for one year, involving practical application of learnings in sales development and production positions.

Furthermore, within the Group, all French-speaking operating managers in charge of environmental subjects receive water/energy/environment training. Moreover, operating directors receive awareness training on environmental topics when they are integrated into the Group.

This evolution shows the Group's desire to strengthen its employees' skills.

The following table presents the total number of hours of training offered to the Group's employees in the last two years:

	Financial year	
Training	**2012**	**2013**
Total number of hours of training	79,979	88,903

17.1.4 Compensation policy

Within the Group in France, wage negotiations take place every year with the employee representatives to raise its non-managers' wages with regards to promoting internal fairness and external competitiveness.

Managers' fixed compensation is re-assessed individually each year in the entire Group.

For sales representatives and managers, performance-based compensation schedules are established each year by taking into account targets set by business line and by profit center.

17.1.5 Labor relations

Within the Group IPG, there are employee representation bodies in Group 186.

In France, all the centers (except AD3's centers) have elected or appointed employee representatives.

These representatives are informed and consulted on the mandatory subjects and on the company's or facility's (*établissement*) plans. Negotiations are organized periodically. In addition to the mandatory annual negotiations, the specific collective bargaining agreements for 2013 pertained to generation agreements (*contrat de generation*), an amendment to the provisional management of managers' employment (GPEC), mobility and the stakeholding (*participation*) and working hours agreements. 120 agreements were signed in 2013.

17.2 STAKEHOLDING AND SUBSCRIPTION AND PURCHASE OPTIONS ON SHARES HELD BY THE MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD AND CERTAIN GROUP EMPLOYEES

17.2.1 Direct and indirect stakeholding of the members of the Management Board and the Supervisory Board in the Company's capital

On the date of registration of this *document de base*, the direct and indirect stakeholding of the members of the management board and supervisory board in the Company's capital is as follows, with the understanding that the company through which some of them hold their indirect stakeholding will be absorbed in merger transactions as described in section 18.6 – "*Description of reorganization transactions*" of this *document de base*:

Corporate officers	Number of ordinary shares with single voting rights	Percentage of share capital	Percentage of voting rights
Members of the Management Board			
Xavier Martiré	733,332	0.074 %	0.074 %
Louis Guyot	—[1]	—[1]	—[1]
Matthieu Lecharny	—[2]	—[2]	—[2]

Corporate officers	Number of ordinary shares with single voting rights	Percentage of share capital	Percentage of voting rights
Members of the Supervisory Board			
Philippe Audouin	—	—	—
Marc Frappier	—	—	—
Virginie Morgon	—	—	—
Eric Schaefer......................	—	—	—
Total	733,332	0.074 %	0.074 %

(1) Louis Guyot holds 300,000 shares in Quasarelis, representing about 6 % of its capital, which holds 3,308,653 share ordinary shares in the Company, representing about 0.332% of its capital and voting rights (see section 18.1 – "*Group organization before restructuring transactions*" of this *document de base*).

(2) Matthieu Lecharny holds 190,000 shares in Quasarelis, representing about 3.8% of its capital, which holds 3,308,653 ordinary shares in the Company, representing about 0.332% of its capital and voting rights (see section 18.1 – "*Group organization before restructuring transactions*" of this *document de base*).

17.2.2 Share subscription or purchase options and attribution of free shares

On the date of registration of this *document de base*, no members of the management board or the supervisory board had any share subscription or purchase options (for more information, see section 15.1.10 – "*History of attributions of free shares*" of this *document de base*).

17.2.3 Share purchase warrants

On the date of registration of this *document de base*, the members of the management board directly and indirectly hold share purchase warrants issued on October 4, 2007, by the Company (see sections 15.1.8 – "*History of attributions of free shares*," 18.1 – "*Group organization before restructuring transactions*" and 18.6 – "*Description of reorganization transactions*" of this *document de base* for more information). No members of the supervisory board hold any share purchase warrants.

17.3 EMPLOYEE SHAREHOLDING AND PROFIT SHARING AGREEMENTS

17.3.1 Employee stakeholding agreement

Employee stakeholding agreements were concluded with the Group's principal French subsidiaries.

17.3.2 Employee profit-sharing agreements

Profit-sharing is an optional scheme whose purpose is to allow the company to involve employees more closely, based on a calculation formula, in the company's operations and, more specifically, in its earnings and performance. On such basis, profit-sharing agreements were concluded with a majority of the Group's French entities.

17.3.3 Group's employee savings plan

An employee savings plan was effectuated in all of the Group's French entities (except Berrogain). This plan offers the Group's employees with more than 3 years of seniority the possibility of immediately allocation and in full the amounts paid to them for stakeholding or profit-sharing or the amounts voluntarily paid by employees to buy shares in employee shareholding mutual funds (FCPE). The amounts invested in the employee savings plan are not available for five years, except in case the law allows their release on an anticipatory basis.

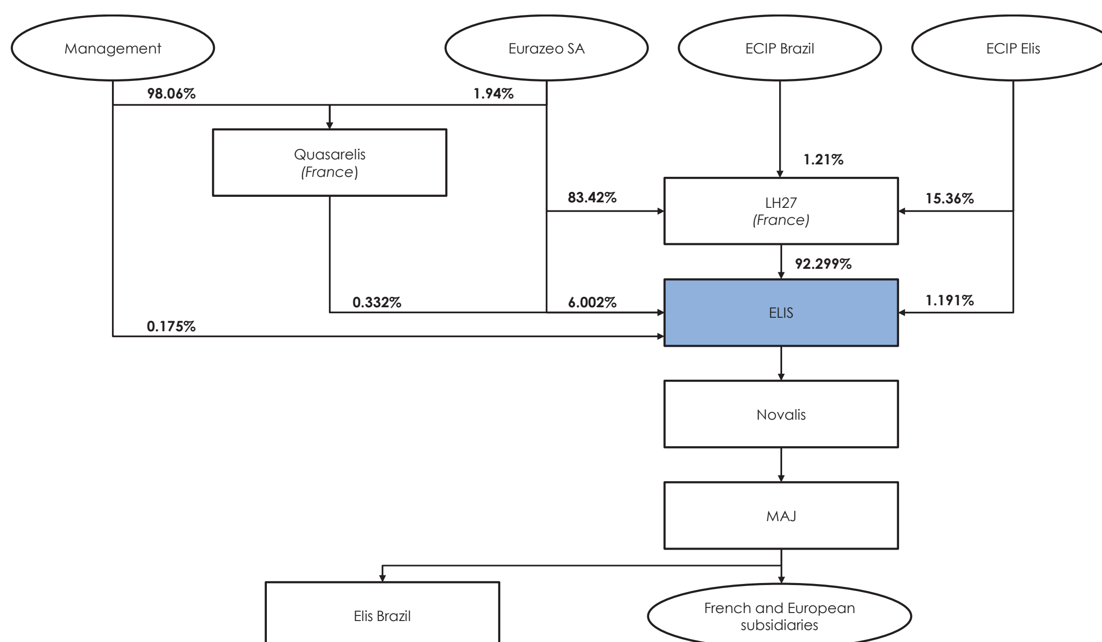
CHAPTER 18
BOARD PRACTICES

18.1 GROUP ORGANIZATION BEFORE RESTRUCTURING TRANSACTIONS

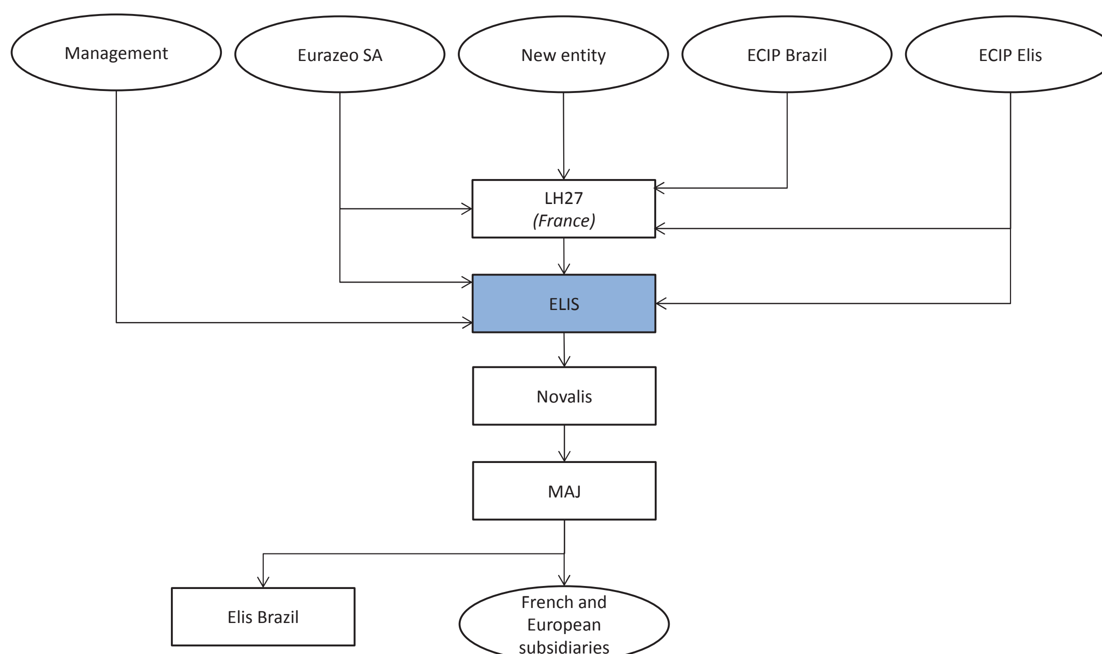
18.1.1 Simplified organizational structure

The organizational structure below sets out the Company's simplified ownership structure on the date this document was registered and before the restructuring transactions described in section 18.6 – *"Description of reorganization transactions"* of this *document de base*.

Ownership percentages are expressed as percentages of the share capital. For further information on the Company's ownership structure as of the date this document was registered, see section 18.1.3 – *"Ownership of shares and voting rights"* of this *document de base*.



The organizational structure below sets out the Company's simplified ownership structure after the restructuring transactions described in section 18.6 – "*Description of reorganization transactions*" of this *document de base*.



18.1.2 Direct and indirect principal shareholders

Ownership by Eurazeo

As of the date of this document, Eurazeo directly owned 6.002% of the Company's capital and controlled Legendre Holding 27 ("LH 27"). LH 27 is a holding company that has the form of a simplified joint-stock corporation (*société par actions simplifiée*) and its main asset is its 92.299% stake in the Company. Prior to the listing of the Company's shares for trading on Euronext's regulated market in Paris, Eurazeo will sell a 0.64% stake in LH 27 to a simplified joint-stock corporation that Eurazeo controls.

As of the date of this document, Eurazeo also owns 24.22% of the 16,000,000 warrants to subscribe shares in the Company issued on October 4, 2007 (the "**warrants**").

Eurazeo was created through the 2001 merger of Gaz and Eaux, founded in 1881, and Eurafrance, founded in 1969. With almost €5 billion of diversified assets, Eurazeo is one of Europe's leading investment companies. Eurazeo operates in various segments of the private equity market through its four divisions: Eurazeo Capital, Eurazeo Croissance, Eurazeo PME and Eurazeo Patrimoine.

It is the majority or largest shareholder in Accor, ANF Immobilier, Asmodée, Europcar, Foncia, Moncler, Rexel and smaller companies including IES Synergy and Fonroche Energie, along with Eurazeo PME's investee companies.

Shares owned by executives and employees

Certain Group executives and employees own stakes in the Company, either directly or via the simplified limited company (société par actions simplifiée) Quasarelis.

Direct ownership. Certain executives and employees directly own ordinary shares and warrants issued on October 4, 2007 at a unit price of €0.20 and subscribed in cash or through contributions in kind to the Company. The terms of the warrants were amended on December 18, 2013 and July 31, 2014. Each

warrant gives the right to subscribe 10 ordinary shares with a nominal value of €0.50 each, with the subscription price being equal to nominal value. Under the terms of the warrants, the Company's initial public offering is an event triggering exercise of the warrants. However, the number of warrants that can be exercised if the Company floats will be determined by the initial public offering price of the Company's shares. Warrants owned directly by executives and employees will be tendered to Quasarelis on the day the initial public offering price is set definitively (see section 18.6 – *"Description of reorganization transactions"* of this *document de base*).

Indirect ownership. Shares held indirectly by the Company's executives and employees are held through Quasarelis, a simplified limited company incorporated under French law, with its registered office at 33 rue Voltaire, Puteaux (92800) and registered at the Nanterre Trade and Companies Register under number 483 341 632. It has capital of €5,007,000, divided into 5,007,000 shares with nominal value of €1 each. Its sole assets consist of 3,308,653 shares in the Company – representing around 0.332% of the Company's capital as of the date of this *document de base* – along with 7,940,971 warrants.

Eurazeo owns 1.94% of Quasarelis, in the form of 60,000 A-category shares and 37,000 B-category shares, while certain Group executives and employees own 98.06% of Quasarelis, holding 4,910,000 A-category shares.

The plan is for Quasarelis to be absorbed by the Company when the Company's shares are listed for trading on Euronext's regulated market in Paris (see section 18.6 – *"Description of reorganization transactions"* of this *document de base*). After that merger transaction, the Company's executives and employees stake should not exceed 6% of the Company's capital and voting rights.

18.1.3 Ownership of shares and voting rights

As of the date on which this document was registered, ownership of the Company's capital and voting rights broke down as follows:

Ownership structure	Number of shares	% of capital and voting rights
Legendre Holding 27 SAS	918,577,476	92.299%
Eurazeo SA	59,734,388	6.002%
ECIP Elis SARL	11,856,982	1.191%
Quasarelis	3,308,653	0.332%
Executives and employees	1,743,319	0.175%
Total	995,220,818	100%

The Company's share ownership structure will change as a result of (i) the exercise of warrants held by Eurazeo and Quasarelis and (ii) the merger of Quasarelis and the Company.

Changes to the Company's ownership structure in the last three years are not material and refer to the following points:

- on July 23, 2014, Quasarelis acquired 535,321 shares in the Company and 1,284,771 warrants from Eurazeo;
- on May 28, 2014, Eurazeo acquired 316,663 shares in the Company and 759,976 warrants from a former Group manager;
- on January 31, 2014, LH 27 subscribed to a capital increase by the Company in a nominal amount of €36,433,132, involving the issue of 72,866,264 shares for a total subscription price of €42,999,999.98 in cash;
- on December 17, 2013, Eurazeo tendered 541,257,220 shares in the Company to LH 27;

- on December 17, 2013, ECIP Elis tendered 108,251,444 shares in the Company to LH 27;
- on December 17, 2013, Eurazeo and ECIP Elis subscribed to a capital increase by the Company in a nominal amount of €353,845,494.50, involving the issue of 707,690,989 shares for a total subscription price of €417,624,162.97 through the offsetting of amounts receivable by Eurazeo and ECIP Elis with respect to the early redemption of the Company's ordinary bonds;
- on November 4, 2013, Company shareholders in the shareholders' general meeting voted in favor of a reduction in the Company's capital, not due to losses, by reducing the nominal value of each existing share from €1 to €0.50;
- on October 18, 2013, Eurazeo acquired 588,235 shares of the Company from a former manager of the Group (via a non-trading company);
- on June 14, 2013, Eurazeo tendered 163,702,493 shares of the Company to LH 27;
- on June 14, 2013, ECIP Elis tendered 32,500,055 shares of the Company to LH 27;
- on October 5, 2011, Eurazeo acquired 1,751,566 shares from five former managers of the Company;
- on August 2, 2011, Quasarelis acquired 33,333 shares of the Company and 80,000 warrants from Eurazeo;
- on May 31, 2011, Eurazeo sold 83,333 shares of the Company and 200,000 warrants to a manager;
- on April 11, 2011, Quasarelis acquired 66,666 shares of the Company and 160,000 warrants from Eurazeo; and
- in March 2011, Eurazeo sold 56,665 shares of the Company and 142,000 warrants to three managers.

18.2 VOTING RIGHTS

The Company's by-laws, which will come into force on the date on which the Company's shares are listed for trading on Euronext's regulated market in Paris, will not include an exemption – allowed by article L. 225-123 paragraph 3 of the French Commercial Code – from the allotment of double voting rights. As a result, double voting rights compared to those granted in respect of other ordinary shares will be granted to all fully paid-up shares that have been held in registered form by the same holder for at least two years.

In accordance with article L. 225-123 paragraph 2 of the French Commercial Code, in the event of a capital increase through the capitalization of reserves, earnings or issuance premiums, double voting rights are granted in respect of new shares allotted free of charge to a shareholder, in proportion to the shareholder's existing shares that already carry double voting rights.

Double voting rights may be used in any general meeting.

Any share converted into bearer form or transferred to a new owner shall lose its double voting rights. However, a transfer of ownership arising from succession rights, the liquidation of the joint property of spouses, or inter vivos gifts to a spouse or relative entitled to inherit shall not result in the loss of double voting rights and shall not represent a break in the aforementioned minimum holding period.

18.3 CONTROL OF THE COMPANY

On the date of the registration of this *document de base*, the Company is controlled by Eurazeo, which directly holds 59,734,388 shares in the Company, representing 6.002% of the Company's capital and voting

rights, and controls LH 27, which owns 918,577,476 shares in the Company, representing 92.299% of the Company's capital and voting rights.

After the shares are listed for trading on Euronext's regulated market in Paris, the Company can remain in the control of Eurazeo. However in this hypothetical case, the Company believes that there is no risk of control being exerted in an improper manner. In this respect it is expected that at least one third of its supervisory board is comprised of independent members, and that each of the two specialist committees, i.e., the audit committee and the appointments and compensation committee are comprised of at least two thirds and a majority of independent members, and that both of those committees will be chaired by an independent member of the supervisory board.

18.4 SHAREHOLDER AGREEMENT, OWNERSHIP UNDERTAKINGS AND CONCERT PARTIES

On October 30, 2007, Eurazeo, Quasarelis and certain Company executives and shareholders signed a shareholder agreement, amended by supplementary agreements on December 13, 2007, February 10, 2009, June 14, 2013, December 17, 2013 and July 16, 2014. The purpose of the agreement was to govern their relations as shareholders of the Company and the operating methods of the Company's management bodies for as long as the Company's shares were not listed for trading on a regulated market. This shareholder agreement will be automatically terminated by operation of law once the Company's shares are listed for trading on Euronext's regulated market in Paris.

18.5 AGREEMENTS THAT MAY CAUSE A CHANGE IN CONTROL OF THE COMPANY

To the Company’s knowledge, there was no agreement as of the date on which this document was registered whose implementation might, at a later date, lead to a change in its control.

18.6 DESCRIPTION OF REORGANIZATION TRANSACTIONS

Various transactions are planned in order to simplify the Company's ownership structure on the day on which the initial public offering price is set definitively, according to the terms summarized below.

Initially, executives and affected employees will tender all warrants of the Company that they own directly, i.e., 4,138,970 in all, to Quasarelis. The transfer value of those warrants must be equal to the value of exercisable warrants, the number of which will be determined by the initial public offering price of the Company's shares. Each exercisable warrant will be tendered for a value equal to the difference between (i) the initial public offering price of the Company shares to which the warrant entitles its holder and (ii) the warrant exercise price, i.e., €5 per warrant (€0.50 per new share).

Subsequently, LH 27 will tender a proportion of the amount receivable by it from the Company under the intragroup loan granted on June 14, 2013. That transfer will be remunerated by ordinary shares issued by Quasarelis to LH 27.

Then, Quasarelis and Eurazeo will exercise their respective exercisable warrants. Quasarelis will pay the warrant subscription price by offsetting it against the amount receivable by it from the Company following the contribution as stated above, and Eurazeo will pay it in cash. As stated above, the number of exercisable warrants will be determined by the initial public offering price of the Company's shares and may not exceed 16,000,000, allowing holders to subscribe a maximum of 160,000,000 ordinary shares in the Company. At that stage, Quasarelis' only assets will consist of shares in the Company following the exercise of warrants.

The Company will then absorb Quasarelis. The merger ratio will be determined on the basis of the real value of the two companies. That value will be established with reference to the initial public offering price of the Company's shares, after taking into account the dilution resulting from the exercise of warrants. The exchange ratio will therefore be determined transparently on the basis of the initial public offering price of the Company's shares.

Finally, the Company will carry out a capital increase through an issue of new ordinary shares reserved for LH 27. LH 27 will subscribe that capital increase and pay the subscription price for the new shares by offsetting it against the remaining amount receivable by it from the Company under the intragroup loan

granted on June 14, 2013. The amount of the capital increase will equal the amount receivable by LH 27 at that date and the subscription price for the new shares will equal the initial public offering price for the Company's shares.

As a result, the Company's exact ownership structure will not be known until after the initial public offering price of the Company's shares has been set definitively. All of the reorganization transactions summarized above depend on that price. The impact of those reorganization transactions on the Company's ownership structure will be disclosed on the basis of the price range adopted for the initial public offering in the *note d'opération*, and also when the initial public offering price of the Company's shares is set.

CHAPTER 19
RELATED-PARTY TRANSACTIONS

19.1 MAIN TRANSACTIONS WITH RELATED PARTIES

Since January 1, 2011, the substantial transactions which were concluded or continued between the Company and related parties refer to the following operations:

– *Loan agreement between LH 27 and the Company:*

LH 27 granted a loan to the Company on June 14, 2013 for a principal amount of €173 million. The interest rate applicable to that intragroup loan agreement is equal to the interest rate on the Private PIK Notes issued by LH 27 after taking into account any hedging agreement relating to the Private PIK Notes, plus 0.1%. The Company paid a commission of around €4 million when the loan was made available.

– *Reciprocal current-account advance between Novalis and the Company:*

From June 15, 2009, Novalis and the Company arranged a reciprocal current-account advance of up to €100 million, increased to €200 million through a supplementary agreement on June 28, 2010 and €300 million through a supplementary agreement on January 2, 2012, bearing interest at the legally accepted rate among related companies, to allow optimal management of their cash positions.

– *Assistance agreement between the Company and Elis Services*

On October 4, 2007, the Company formed an assistance agreement with Elis Services that was amended on January 2, 2009. The agreement was for a one-year term renewable by tacit agreement for successive periods of one year, providing that the Company furnishes Elis Services with general management services on the basis of actual costs incurred. In 2013, the Company invoiced Elis Services for €1.5 million under the agreement.

– *Service agreement between the Company and Elis Services*

On December 6, 2011, the Company signed a service agreement with Elis Services that was amended on December 17, 2013, for a term of 21 months renewable by tacit agreement for successive periods of one year. The agreement involves Elis Services providing the Company with central services such as management of human resources, accounting, legal affairs and marketing. In 2013, the Company paid Elis Services a total of €110,289 under the agreement.

– *Services provided by Eurazeo to the Company within the framework of operations concerning the refinancing of the Group's debt in June 2013*

In order to provide compensation for the assistance to Company within the framework of the Group's debt refinancing carried out in June 2013, the management board of the Company approved in December 2013 the funding on behalf of the Company in the amount of €1 million to Eurazeo.

19.2 STATUTORY AUDITORS' SPECIAL REPORTS ON RELATED-PARTY AGREEMENTS

19.2.1 Statutory auditors' special report on related party agreements for the year ended December 31, 2011

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS

(Annual general meeting for the approval of the financial statements for the year ended December 31, 2011)

Holdelis
33, rue Voltaire
92800 Puteaux

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby report to you on related party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. It is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements.

AGREEMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

We were not informed of any new agreement entered into during the year to be submitted for approval at the annual general meeting pursuant to the provisions of article L.227-10 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, March 2, 2012

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Bruno Tesnière	Isabelle Massa

19.2.2 Statutory auditors' special report on related party agreements for the year ended December 31, 2012

(Annual general meeting for the approval of the financial statements for the year ended December 31, 2012)

Holdelis
33, rue Voltaire
92800 Puteaux

To the shareholders,

In our capacity as Statutory Auditors of your company, we hereby report to you on related party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. It is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements.

AGREEMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

We were not informed of any agreement entered into during the year to be submitted for approval at the annual general meeting pursuant to the provisions of under article L.227-10 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, April 29, 2013

The Statutory Auditors

PricewaterhouseCoopers Audit — Mazars

Bruno Tesnière — Isabelle Massa

19.2.3 Statutory auditors' special report on related party agreements for the year ended December 31, 2013

Statutory auditors’ special report on related party agreements

(Annual general meeting for the approval of the financial statements for the year ended December 31, 2013)

Holdelis
33, rue Voltaire
92800 Puteaux

To the shareholders,

In our capacity as Statutory Auditors of your company, we hereby report to you on related party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. It is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements.

AGREEMENTS TO BE SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

Agreements entered into during the year

In accordance with article 15 of the articles of association, we have been informed of the following agreements governed by article L.227-10 of the French Commercial Code that were entered into during the year.

With Legendre Holding 27: shareholder owning over 10% of the voting rights

Intragroup loan agreement starting on June 14, 2013, in a total principal amount of €173,000,000. The applicable interest rate will be equal to the interest rate applicable to the senior subordinated PIK notes issued by Legendre Holding 27 on the same day (the "**Senior PIK Notes"**) under the English-language Senior PIK Notes Indenture after taking into account any hedging agreement relating to the Senior PIK Notes, plus a margin of 0.1%.

A commission of €4,065,000 was paid by Holdelis when the loan was made available.

The credit balance relating to the intragroup loan agreement in Holdelis' books at December 31, 2013 was €173,000,000.

The interest expense recognized by Holdelis in respect of the agreement was zero in 2013.

Neuilly-sur-Seine and Courbevoie, March 10, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit | Mazars

Bruno Tesnière | Isabelle Massa

CHAPTER 20
FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND RESULTS

20.1 IFRS FINANCIAL REPORTING

20.1.1 IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013

The IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 are reproduced in Appendix I to this *document de base*.

20.1.2 Statutory auditors' report on the IFRS consolidated financial statements for the years ended December 31, 2011, 2012 and 2013

Statutory Auditors' report on the consolidated financial statements prepared under IFRS as adopted by the European Union for the years ended December 31, 2011, 2012 and 2013

To the President,

In our capacity as Statutory Auditors of Holdelis and in accordance with Commission Regulation (EC) No 809/2004, in view of the planned public offering and listing of the Company's shares on the regulated market of Euronext Paris, we have conducted an audit of the accompanying consolidated financial statements of Holdelis for the years ended December 31, 2011, 2012 and 2013, presented in accordance with IFRS as adopted by the European Union.

These consolidated financial statements are the responsibility of the President. Our role is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements prepared in view of the planned public offering and the listing of the Company's shares on the regulated market of Euronext Paris and for the purposes of the document de base submitted for approval to the French financial markets authority (Autorité des marchés financiers – AMF), give a true and fair view, in all material respects and in accordance with IFRS as adopted by the European Union, of the assets and liabilities and of the financial position of the Company at December 31, 2011, 2012 and 2013 and of the results of its operations for the years then ended.

Neuilly-sur-Seine and Courbevoie, September 4, 2014,

The Statutory Auditors,

French original signed by

PRICEWATERHOUSE COOPERS AUDIT

Bruno TESNIERE

MAZARS

Isabelle MASSA

20.1.3 Condensed IFRS consolidated interim financial statements for the six months ended June 30, 2014

The IFRS consolidated interim financial statements for the six months ended June 30, 2014 are reproduced in Appendix II to this *document de base*.

20.1.4 Statutory auditors' report on the condensed IFRS consolidated interim financial statements for the six months ended June 30, 2014

Statutory Auditors' review report on the condensed consolidated interim financial statements

To the President,

In our capacity as Statutory Auditors of Holdelis and in response to your request in view of the planned public offering and listing of the Company's shares on the regulated market of Euronext Paris, we have conducted a review of the accompanying condensed consolidated interim financial statements of the Company for the period from January 1 to June 30, 2014.

As this is the first time that Holdelis has prepared condensed consolidated interim financial statements approved by the President at June 30, 2014, information for the period from January 1 to June 30, 2013, presented for the purposes of comparison, has not been subject to an audit or review.

These condensed consolidated interim financial statements are the responsibility of the President. Our role is to express a conclusion on these condensed consolidated interim financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with IAS 34 – "Interim Financial Reporting", as adopted by the European Union.

Neuilly-sur-Seine and Courbevoie, September 4, 2014,

The Statutory Auditors,

French original signed by

PRICEWATERHOUSE COOPERS AUDIT

Bruno TESNIERE

MAZARS

Isabelle MASSA

20.2 DIVIDENDS

20.2.1 Dividends paid in the last three financial years

The Company did not pay any dividends in the three financial years ended December 31, 2011, 2012 and 2013.

20.2.2 Dividend policy

For further information on the Company's dividend payment policy, see section 12.2.3 – "*Outlook for the dividend policy*" of this *document de base*. For further information on the provisions of the Senior Credit Facilities Agreement and the New Senior Credit Facilities Agreement and documentation relating to the Senior Subordinated Notes and High Yield Bonds restricting the payment of dividends, see section 4.3.2 – "*Risks relating to the Group's indebtedness and restrictive clauses in financing agreements*" of this *document de base*.

20.2.3 Timeframe for claiming dividends

Dividends not claimed within five years from the payment date are time-barred and must be paid over to the French government.

20.3 LEGAL AND ARBITRATION PROCEEDINGS

In the normal course of its business, the Group is involved or may be involved in a certain number of administrative, court or arbitration proceedings. In some of these proceedings, the amounts claimed or potentially claimed from the Company are significant, and penalties, including administrative and criminal penalties, may be handed down against the Group.

Group companies set aside provisions based on management's assessment of the risk and the probability of it being realized. Provisions for tax, commercial and staff-related disputes to which the Group is exposed amounted to €5.2 million at December 31, 2013 and €18.0 million at June 30, 2014. The increase in those provisions between December 31, 2013 and June 30, 2014 was mainly due to the Atmosfera group, acquired in February 2014, joining the Group's scope of consolidation.

The Group was recently informed of the launch of an inquiry by the *Direction régionale des entreprises de la concurrence, de la consommation, du travail et de l'emploi (DIRECCTE)* of the Ile-de-France region following a complaint registered with the Pays de Loire DIRECCTE by a cottage house, a customer of the Group, relating to certain of the Group's pricing practices.

As of the date on which this document was registered, and aside from the proceedings described in this section 20.3, the Group had no knowledge of any administrative, legal or arbitration proceedings outstanding or with which the Group had been threatened that were capable of having or had in the previous 12 months a material impact on the Group's financial position or profitability.

20.3.1 Proceedings against Atmosfera Gestão e Higienização de Texteis S.A. ("Atmosfera")

20.3.1.1 Proceedings related to the practices of one of Atmosfera's subcontractors

In its workwear rental and laundry business, Atmosfera uses a certain number of suppliers and subcontractors that make workwear. Accordingly, in March 2012, Atmosfera entered into a subcontracting agreement with Brazilian company S.A. Maiguá Confecções ("**Maiguá**"), under which the latter would make a small portion of the workwear used in the Atmosfera group's workwear rental and laundry business. In 2013, the amount paid by Atmosfera to Maiguá equalled around 1% of the total amount paid by Atmosfera to external suppliers and textile subcontractors.

In February 2014, the Brazilian media reported that two Bolivian children had been sold by Maiguá's CEO. The report claimed that the CEO had paid for the two children to travel to Brazil, put them to work at Maiguá and offered their services to other workwear factories in Sao Paulo.

The Brazilian federal police then carried out an inspection of Maiguá's premises, during which uniforms bearing Atmosfera's logo were found. On that basis, Brazil's ministry of work and employment is claiming that Atmosfera and Maiguá constitute a single economic entity, and that people employed by Maiguá were in fact employees of Atmosfera.

In the inspection conducted by the Brazilian federal police, 12 breaches of statutory and regulatory provisions were discovered. They included the employment of two people who had no social security registration (*Carteira de Trabalho e Previdência Social*), the employment of two people who had not been properly recorded in a register, the employment of people who had not undertaken a medical visit, the provision of a rest area that failed to give employees adequate privacy, the housing of several employees' families in a single dwelling, the failure to provide enough meal tables for the number of employees, the installation of a gas cylinder in a location that was not permanently ventilated, and more generally a failure to comply with certain provisions of Brazilian labor law.

As a result of the alleged breaches uncovered during the inspection and based on the argument that Maiguá and Atmosfera were part of a single economic entity, which Atmosfera disputes, Atmosfera is involved in two sets of proceedings, one initiated by the national prosecuting authority and the other by the ministry of work and employment.

(a) Proceedings initiated by the national prosecuting authority

These proceedings are against Atmosfera and result from the findings of the February 2014 inspection. They relate to alleged degrading working conditions and the trafficking of staff. Atmosfera is waiting for a hearing date. As a result of these proceedings, Atmosfera could have to pay damages and interest for non-material damage to the community.

(b) Proceedings initiated by the ministry of work and employment

These proceedings are based on the 12 alleged breaches mentioned above. The main penalty that could be inflicted on Atmosfera as a result of these proceedings is its inclusion for six months on a "black list" of companies not authorized to provide services to public-sector entities, and a fine of around BRL40,000.

Atmosfera believes that its arguments with respect to these proceedings, particularly regarding the non-existence of a single economic entity comprising S.A. Maiguá Confecções and Atmosfera, are solid, and it believes that it is unlikely to be included on the "black list".

In addition, Atmosfera has strengthened its process for checking suppliers, carrying out new audits of all suppliers and subcontractors and ensuring that they sign up to a charter through which they undertake to comply with best practice in terms of work and employment. In order to eliminate any similar future risk related to the practices of its suppliers and subcontractors, Atmosfera also plans to open its own workwear production and cutting factory in the fourth quarter of 2014. That factory should handle all of Atmosfera's requirements in terms of these activities, except at peak times.

At June 30, 2014, Atmosfera set aside a provision of BRL 1.5 million to cover risks related to the aforementioned proceedings, particularly the risk of being ordered to pay damages and interest or a fine.

20.3.1.2 Proceedings relating to alleged breaches of labor regulations

Atmosfera is involved in a material number of contentious proceedings relating to alleged breaches of labor regulations, mostly brought by former employees. Those proceedings are based *inter alia* on allegations that the company failed to comply with working time regulations, and a provision of BRL 14.8 million (around €4.9 million) had been set aside in respect of them at June 30, 2014. Although the Group currently implements strict procedures, particularly regarding working hours, at Atmosfera sites, the Group cannot rule out further contentious proceedings of this type arising.

20.3.2 Proceedings against Sociedade Portuguesa de Aluguer E Serviços Texteis S.A. ("SPAST")

On April 22, 2014, SPAST, a company incorporated under Portuguese law and indirectly wholly-owned by the Company, was notified by IGAMAOT (*Inspeção-Geral da Agricultura, do Mar, do Ambiente e do Ordenamento do Território*) that it had been fined €500,000 for non-compliance with standards regarding the disposal of industrial effluent.

On May 22, 2014, SPAST appealed against that decision before the court of first instance. The appeal suspends the payment of the fine, and so it had not been paid by SPAST as of the date of this document.

At June 30, 2014, SPAST set aside a provision of €200,000 to cover the risk that the court of first instance might uphold the fine.

20.4 SIGNIFICANT CHANGE IN THE FINANCIAL OR TRADING POSITION

To the Company's knowledge, no significant change in the Group's financial or trading position has taken place since June 30, 2014.

On July 1, 2014 the Group acquired Pro Services Environnement (PSE), based in Vignieu, France. Pro Services Environnement provides insect control, rodent control and disinfection services. It has 18 employees, serves around 2,000 customers and has total annual revenue of €2.2 million.

On July 2, 2014, the Group acquired Brazilian company L'Acqua, which generates annual revenue of BRL 14million (around €4.6 million) in the healthcare sector. L'Acqua is based in Ponta Grossa (Paraná state) and has around 200 employees.

20.5 FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

	Mazars		PricewaterhouseCoopers Audit	
	(€ thousands)			
	2013	**2012**	**2013**	**2012**
Statutory audit • Statutory audit, certification, examination of individual and consolidated financial statements				
- Company	164	131	185	197
- Fully consolidated subsidiaries	375	331	426	357
Other work related to the statutory audit • Other work and services related directly to the statutory audit assignment				
- Company	151	-	148	-
- Fully consolidated subsidiaries	279	-	228	64
Sub-total	968	462	988	618
Other services provided by the networks • Other services provided by the networks to fully consolidated subsidiaries				
- Legal, tax, employee-related	18	23	-	-
- Other	-	6	5	6
Sub-total	18	29	5	6
TOTAL	**986**	**491**	**992**	**624**

CHAPTER 21
ADDITIONAL INFORMATION

On the date of registration of this *document de base*, the Company is a joint-stock corporation (*société anonyme*) with a management board (*directoire*) and a supervisory board (*conseil de surveillance*), governed by French law by the laws and regulations in force and by its by-laws.

A Company general shareholders' meeting met on September 5, 2014, to adopt the by-laws that will be applicable to the Company as of the listing of the Company's shares on the Euronext exchange in Paris.

This chapter presents the information pertaining to the by-laws as they will exist as of the date on which the Company's shares will be listed on the Euronext exchange in Paris.

21.1 SHARE CAPITAL

21.1.1 Subscribed share capital and authorized but unissued share capital

On the date of registration of this *document de base*, the Company's share capital was €497,610,409, divided into 995,220,818 shares with a par value of €0.50 each, fully subscribed, fully paid in and all in the same class.

21.1.2 Securities not representing share capital

On the date of registration of this *document de base*, the Company has not issued any securities not representing share capital.

21.1.3 Company's self-controlling and self-held shares and acquisition of its own shares

On the date of this *document de base*, the Company does not directly or indirectly hold any of its own shares.

21.1.4 Other securities giving access to the share capital

As of the date of registration of this *document de base*, the Company issued 16,000,000 share subscription warrants on October 4, 2007 (for a description of the share subscription warrants, see sections 18.1 – "*Group organization before restructuring transactions*" and 18.6 – "*Description of reorganization transactions*" of this *document de base*).

21.1.5 Information on the share capital of the Company or its subsidiaries subject to options or a conditional or unconditional agreement providing for options and details of these options (including the identity of those persons to whom such options relate)

N/A

21.1.6 Changes in share capital over the last three years

Date	**Type of operation**	**Share capital before operation** (in euros)	**Number of shares before operation**	**Number of shares after operation**	**Par value after operation** (in euros)	**Share capital after operation** (in euros)
04/11/2013	Capital decrease by dividing par value	214,663,565	214,663,565	214,663,565	0.50	107,331,782.50
17/12/2013	Capital increase	107,331,782.50	214,663,565	922,354,554	0.50	461,177,277
29/01/2014	Capital increase	461,177,277	922,354,554	995,220,818	0.50	497,610,409

21.2 BY-LAWS

The by-laws were prepared pursuant to the statutory and regulatory provisions applicable to public limited companies (*sociétés anonymes*) with a management board and a supervisory board governed by French law. The principal stipulations of the by-laws described below are from the Company's by-laws, which will be applicable on the date on which the Company's shares are listed on the Euronext exchange in Paris.

21.2.1 Corporate purpose (Article 3 of the by-laws)

The Company's corporate purpose is, directly or indirectly, in France and abroad:

- the acquisition of stakes, through contributions, purchase, subscription or otherwise, in any companies, regardless of the corporate form and corporate purpose;
- any services to companies in terms of management, and notably in the administrative, accounting, financial, IT and sales fields;
- the exploitation of any patents and brand, notably under licenses;
- the renting of any materials and equipment of any type;
- the ownership, through acquisition or otherwise, and the management, notably through rentals, of any properties and assets or real estate rights;
- the direct or indirect participation in any operations that may be directly or indirectly related to the corporate purpose through the creation of new companies, contributions, subscriptions or purchases of securities or shares and related rights, mergers, alliances, (joint) investments and by any other means and in any forms used in France and abroad;
- and, more generally, all commercial, financial, industrial, personal property or real estate transactions that may be directly or indirectly related to the aforementioned corporate purpose and to any similar or related purposes or purposes that promote carrying out the corporate purpose.

21.2.2 Administrative, management and supervisory bodies (Articles 12 to 22 of the by-laws)

21.2.2.1 Management Board

21.2.2.1.1 Appointment (Article 12 of the by-laws)

The Company is directed by a management board, composed of three and up to seven members, appointed by the supervisory board. The management board shall perform its duties under the supervisory board's control, pursuant to law and to these by-laws.

The members of the management board may be chosen from outside the shareholders. They must be individuals. They are always re-electable. No members of the supervisory board may be part of the management board.

The age limit for performing duties as a member of the management board is set at sixty-eight (68) years old. All members of the management board shall be deemed to have resigned from their office after the general shareholders' meeting voting on the financial statements of the year in which they turn sixty-eight (68).

Each member of the management board may have an employment contract with the Company that stays in effect for his entire term of office, and after expiration of his term of office.

Each member of the management board shall be subject to the legislative and regulatory provisions applicable to holding multiple offices.

The members of the management board shall be appointed for four (4) years. In case of a vacancy of a seat, pursuant to law, the supervisory board shall appoint a replacement member for the remaining duration of his predecessor's term of office.

21.2.2.1.2 Removal (Article 12 of the by-laws)

All members of the management board may be removed, either by the supervisory board or by the general shareholders' meeting based on a proposal of the supervisory board. If the removal is decided without just cause, it may give rise to damages.

The removal of a member of the management board shall not bring about the termination of his employment contract, if he has an employment contract with the Company.

21.2.2.1.3 President of the management board and managing directors (Article 13 of the by-laws)

The supervisory board shall appoint one of the members of the management board as President. He shall perform his duties for his term of office as a member of the management board. He shall represent the Company in its relations with third parties.

The supervisory board may attribute the same representation powers to one or more members of the management board, who shall then have the title of managing director.

The supervisory board may remove members of the management board from the position of President, and, if applicable, managing director, at any time.

Vis-a-vis third parties, all acts that are binding on the Company shall be duly performed by the President of the management board or by any member having received the title of managing director from the supervisory board.

21.2.2.1.4 Meetings of the management board (Article 14 of the by-laws)

The management board shall meet as often as the Company's interests require it to do so, upon a call to a meeting from its President or by one half of its members, either at the registered office or at any other place stated in the call to the meeting. The agenda may be completed at the time of the meeting. Calls to meetings may be provided by any means, and even orally.

A member of the management board may be represented at a meeting by another member of the management board, who shall not be able to hold more than one office. The President of the management board shall chair meetings. In case the President is absent, the management board shall appoint one of its members to serve as President of that meeting.

The deliberations of the management board shall be valid only if at least one-half of its members are present or represented. Decisions shall be made by a majority of the votes of members who are present or represented. In case of a tie, the meeting's President shall cast the deciding vote.

Members of the management board may participate in the management board's meetings via video conference or telecommunications on the terms authorized by the regulations in force that are applicable to the supervisory board's meetings. They shall then be deemed present to calculate the quorum and a majority.

Deliberations shall be recorded in minutes established in a special register held at the registered office and signed by the President and by the secretary or another member of the management board. Copies or extracts of these minutes shall be duly certified by the President, secretary or a member of the management board.

21.2.2.1.5 Management board's powers and obligations (Article 15 of the by-laws)

The management board shall be vested with the broadest powers to act in all circumstances in the Company's name, within the limits of the corporate purpose and subject to the powers expressly attributed by law and the by-laws to the supervisory board and the shareholders' meetings.

No restrictions on its powers shall be enforceable vis-a-vis third parties, and third parties may make claims against the Company to perform the commitments undertaken in its name by the management board's President or a managing director, if their appointments have been duly published.

The members of the management board may, with the supervisory board's authorization, allocate management tasks among themselves. In no event shall such allocation release the management board from meeting and deliberating on the most important issues for the Company's management. Nor shall such allocation be asserted as a cause for releasing the management board and each of its members from joint and several liability.

The management board may assign one or more of its members or any person chosen outside the management board special permanent or temporary duties, which it shall determine, and delegate to them for one or more pre-determined purposes, with or without the possibility of subdelegating, the powers it deems necessary.

The management board shall establish, and present to the supervisory board, the reports, budgets and quarterly, bi-annual and annual financial statements, on the terms provided by law and section 20.1 of the by-laws.

The management board shall call all general shareholders' meetings, set their agenda and execute their decisions.

The members of the management board shall be liable vis-a-vis the Company or vis-a-vis third parties, individually or jointly and severally, whichever is applicable, either for violations of the statutory provisions governing public limited companies (*sociétés anonymes*) or violations of these by-laws or for breaches of duty committed in their management, all on the terms and subject to the penalties provided by the legislation in force.

21.2.2.1.6 Compensation of the members of the management board (Article 16 of the by-laws)

The supervisory board shall set the means and amount of compensation of the members of the management board, and shall set the numbers and terms of share subscription and purchase options possibly attributed to them.

21.2.2.2 Supervisory Board

21.2.2.2.1 Supervisory board's rules

The supervisory board shall be given rules to define how it functions.

21.2.2.2.2 Composition and duration of duties (Article 17 of the by-laws and Article 1 of the supervisory board's rules)

The supervisory board shall be composed of three (3) and up to eighteen (18) members (subject to the exemptions provided by law), appointed by the general shareholders' meeting.

The members of the supervisory board shall be appointed by the ordinary general shareholders' meeting, subject to the possibility for the Board, in the case of a vacancy of one or more positions, to co-opt replacement members, each for the remaining duration of his predecessor's term of office, subject to ratification by the next ordinary general shareholders' meeting.

The number of members of the supervisory board who have reached the age of seventy (70) cannot exceed one-third of the members of the supervisory board in office. If such proportion is exceeded, the eldest member of the supervisory board, excepting the President, shall cease to hold his office after the next ordinary general shareholders' meeting.

The term of office of the members of the supervisory board shall be four (4) years. They may be re-elected. The term of office of a member of the supervisory board shall end after the ordinary general shareholders' meeting voting on the past year's financial statements, held in the year during which his term of office expires. The supervisory board shall ensure that staggered renewal is put into place and maintained for its members, in fractions as equal as possible. As an exception, the general shareholders' meeting may provide, at the time of the appointment of certain members of the supervisory board, that their term of office is less than four (4) years so as to permit the staggered renewal of the terms of office of the members of the supervisory board.

No member of the supervisory board may be part of the management board. If a member of the supervisory board is appointed to the management board, his office on the supervisory board shall end as of the date on which he takes his office on the management board.

When the report presented by the management board to the general shareholders' meeting pursuant to Article L. 225-102 of the French Commercial Code establishes that the shares held by the Company's personnel and by the companies related to it, within the meaning of Article L. 225-180 of such code, represent more than three percent (3%) of the share capital, a member of the supervisory board representing shareholder employees shall be appointed by the ordinary general shareholders' meeting on the terms set by the legislative and regulatory provisions in force and by the Company's by-laws, insofar as the supervisory board does not already have among its members one or more member(s) appointed among the members of the supervisory boards of the employee shareholding mutual fund (FCPE) representing employees, or one or more employees elected pursuant to Article L. 225-79 of the French Commercial Code if the by-laws have used this provision.

Before the ordinary general shareholders' meeting that is to appoint the member of the supervisory board representing shareholder employees, the President of the supervisory board shall refer the matter to the employee shareholding mutual fund created within the framework of the employee savings plan of the Company and of the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code (collectively, the "Group") and which are mainly endowed with the Company's shares, and shall proceed with the consultation of the shareholder employees on the terms set by these by-laws.

The candidates for appointments shall be nominated on the following terms:

- voting rights on shares held by employees are exercised by members of the supervisory board of an employee shareholding mutual fund, such supervisory board may appoint two candidates chosen among its members in office who represent employees. When there are several employee shareholding mutual funds, the supervisory boards of such funds may agree, through identical deliberations, to present two common candidates, chosen among all the members in office that represent employees;

- when the voting rights on shares held by employees are directly exercised by the employees, candidates may be appointed when the consultations organized by the Company take place. Such consultations, preceded by calls for candidates, shall be organized by the Company by any technical means that provide a reliable vote, including by electronic voting or by mail. To be accepted, the candidacies must be presented by a group of shareholders representing at least five percent (5%) of the shares held by employees who exercise their voting rights individually.

An ad hoc electoral commission, formed by the Company, may be in charge of controlling the regularity of the voting process.

Only the two candidacies presented, either by the supervisory boards of employee shareholding mutual funds or by groups of shareholder employees, shall be submitted to the ordinary general shareholders' meeting.

The minutes established by the supervisory board(s) of the employee shareholding mutual funds or by the ad hoc electoral commission presenting candidacies shall be transmitted to the supervisory board within eight (8) days before the date of the supervisory board's meeting in charge of adopting the resolutions of the general shareholders' meeting on the appointments of members of the supervisory board representing shareholder employees.

To be accepted, each candidacy must present a principal and an alternate candidate. The alternate, who shall satisfy the same terms of eligibility as the principal, shall be co-opted by the supervisory board to succeed the representative appointed by the general shareholders' meeting, in case the representative cannot hold his term of office until the scheduled end. The supervisory board's co-optation of the alternate shall be subject to ratification by the next general shareholders' meeting.

So as to ensure the continuity of representation for shareholder employees until the representative's term of office ends, and if the alternate also cannot hold the office until its end, the President of the supervisory board shall refer the matter to the body that initially appointed the candidate (supervisory board of employee shareholding mutual fund or group of shareholder employees), so that such body nominates a new candidate, whose appointment shall be submitted to the next general shareholders' meeting.

The terms for nominating candidates not defined by the legislative and regulatory provisions in force or by the Company's by-laws shall be determined by the President of the supervisory board, notably as regards the schedule for nominating candidates.

The member of the supervisory board representing shareholder employees shall be appointed by the ordinary general shareholders' meeting on the terms applicable to all appointments of members of the supervisory board.

Such members shall not be counted for calculating the minimum and maximum number of members of the supervisory board provided by the first paragraph of this section.

The term of office of the member of the supervisory board representing employee shareholders shall be four (4) years. His term of office shall end after the ordinary general shareholders' meeting called to vote on the financial statements of the last year and which is held in the year during which his term of office expires. However, his term of office shall end by operation of law and the member of the supervisory board representing shareholder employees shall automatically be deemed to have resigned if he loses his status as an employee of the Company (or of a company or economic interest group related to it within the meaning of Article L. 225-180 of the French Commercial Code), or as a shareholder (or member of an employee shareholding mutual fund holding the Company's shares).

In case of a vacancy of the position as a member of the supervisory board representing shareholder employees for any reason, he shall be replaced on the terms provided above, with the new member of the supervisory board being appointed by the ordinary general shareholders' meeting for the remaining duration of his predecessor's term of office.

Until the date of replacement of the member (or, if applicable, of the members) representing shareholder employees, the supervisory board may meet and duly deliberate.

The above provisions shall cease to apply when, at the end of a year, the percentage of share capital held by the personnel of the Company and of the companies related to it within the meaning of Article L. 225-180, cited *supra*, within the framework provided by the provisions of Article L. 225-102, cited *supra*, represents less than three percent (3%) of the share capital, with the understanding that the term of office of any member appointed and currently in office shall expire at the end of its term.

The provisions relating to the number of shares that have to be held by a member of the supervisory board shall not be applicable to the members representing shareholder employees. Nonetheless, each member of

the supervisory board representing shareholder employees shall hold, either individually or through an employee shareholding mutual fund created within the framework of the Group's employee savings plan, at least one share or a number of members' shares in such fund equal to at least one share.

With each renewal of appointment of a member of the supervisory board and at least once every year before publication of the Company's annual report, the supervisory board shall assess the independence of each of its members (or candidates). During such assessment, the supervisory board, after an opinion from the Appointments and Compensation Committee, shall assess, on a case-by-case basis, the qualifications of each of its members (or candidates) based on the criteria mentioned below, the relevant party's particular circumstances and situation vis-a-vis the Company. The shareholders shall be informed of the conclusions of such assessment in the annual report and, if applicable, at the general shareholders' meeting when the members of the supervisory board are elected.

The assessment of the independence of each member of the supervisory board shall notably take into account the following criteria. The member shall not:

(i) be an employee or corporate officer of the Company, an employee or member of the board of directors or supervisory board of any company that consolidates it, or of any company that it consolidates, and must not have held any such positions within the last five (5) years;

(ii) be a corporate officer of a company in which the Company directly or indirectly holds an office as a member of the board of directors or supervisory board or in which an employee nominated as such or a corporate officer of the Company (current or who has been in the last five (5) years) holds an office as director or member of the supervisory board;

(iii) be a major customer, supplier, business banker or investment banker of the Company or of one of its subsidiaries or for which the Company or one of its subsidiaries represent a significant share of business (nor be directly or indirectly connected to such person);

(iv) have any close family relationship with a corporate officer of the Company;

(v) have been a statutory auditor of the Company in the last five (5) years; and

(vi) have been a member of the Company's supervisory board in the last twelve (12) years on the date on which his current office was conferred on him.

For members of the supervisory board holding ten percent (10%) or more of the share capital or of the Company's voting rights, or representing a legal entity holding such stake, upon a report by the Appointments and Compensation Committee, the supervisory board shall make a decision on whether the member is independent by specifically taking into account the composition of the Company's share capital and the existence of potential conflicts of interest.

The supervisory board may consider that a member of the supervisory board, although he satisfies the above criteria, must not be deemed independent given his particular situation or the Company's situation, vis-a-vis its shareholders or for any other reason. Conversely, the supervisory board may consider that a member of the supervisory board who does not satisfy the above criteria is nevertheless independent.

Each member who is deemed independent shall inform the President, as soon as he becomes aware of it, of any change in his personal situation with respect to these same criteria.

21.2.2.2.3 Removal (Article 17 of the by-laws)

The members of the supervisory board may be removed at any time by the Ordinary general shareholders' meeting.

21.2.2.2.4 Bureau of the supervisory board (Article 18 of the by-laws and Article 1.3 of the supervisory board's rules)

The supervisory board elects among its members a President and a Vice-President, for their term of office, pursuant to the provisions of its rules.

21.2.2.2.5 Supervisory board's powers and obligations (Articles 17 and 20 of the by-laws and Articles 1.4, 2.8, 2.9 and 3 of the supervisory board's rules)

The supervisory board shall exercise permanent control over the Company's management by the management board.

At any time of the year, it shall perform verifications and the controls it deems useful and can have the management board communicate to it all documents that it deems useful for performing its duties.

The management board shall present a report at least once per quarter, retracing the Company's principal management actions or facts, with all information to permit the Board to be fully informed of the evolution of corporate business, and the bi-annual financial statements and quarterly accounting information.

The management board shall present to the supervisory board the budget and investment plans once every six months.

After the end of each year, within the regulatory periods, the management board shall present to it, for verification and control, the annual financial statements, the consolidated financial statements and its report to the shareholders' meeting. The supervisory board shall present to the Annual general shareholders' meeting its observations on the management board's report and the annual corporate and consolidated financial statements.

Such supervision shall in no event give rise to management acts being directly or indirectly performed by the supervisory board or its members.

The supervisory board shall appoint and may remove members of the management board on the terms provided by law and by Article 12 of the by-laws.

The supervisory board shall determine the draft resolution proposing to the general shareholders' meeting to appoint Statutory Auditors, on the terms provided by law.

The following transactions shall be subject to the supervisory board's prior authorization:

a. By the statutory and regulatory provisions in force:

   - the sale of real estate (by nature),
   - the full or partial sale of shareholding, and
   - the granting of security interests, collateral, backing and guarantees.

b. By the by-laws, for carrying out the following transactions, in the Company or its controlled subsidiaries within the meaning of Article L. 233-3 of the French Commercial Code (collectively, the "Group"):

   - proposals to the general shareholders' meeting of any by-law modification;
   - any proposal of resolutions to the general shareholders' meeting on the issuance or redemption of shares or securities giving access, immediately or in the future, to the Company's share capital;

- any transaction that may lead, immediately or in the future, to an increase or decrease in share capital, by issuance of securities or cancellation of securities (*titres*);

- any proposal to the general shareholders' meeting to allocate earnings, distribute dividends and any distribution of interim dividends;

- any implementation of options plans or a free share attribution plan, and any attribution of share subscription or purchase options or any attribution of free shares;

- the appointment, renewal or removal of the Statutory Auditors;

- significant transactions that may affect the Group's strategy and modify its financial structure or its business scope, and which may have an impact of 5% or more on the Group's EBITDA;

- the adoption of the Company's annual budget and investment plan;

- any debt agreement, financing or partnership, and any issuance of non-convertible bonds if the amount of the transaction or agreement, whether occurring at a single time or several times, exceeds €100 million;

- acquisitions, extensions or sales of shareholding in any companies formed or to be formed in an amount greater than €20 million in company value;

- any transaction plan whose investment or divestment amount is greater than €20 million if such transaction is not included in the budget or in the investment plan;

- any decision to perform a merger, demerger, partial asset contribution or transactions deemed as such involving the Company;

- in case of disputes, settlement agreements or concessions greater than €5 million;

- any significant change in the accounting principles applied by the Company other than based on modification of the IAS/IFRS standards.

c. Any agreement subject to Article L. 225-86 of the French Commercial Code.

Within the limit of the amounts that it shall determine, on the terms and for the term that it sets, the supervisory board may authorize the management board in advance to perform one or more transactions mentioned in a. and b. above.

Each member of the supervisory board must comply with the applicable regulations in terms of market abuses and privileged information and the stock market ethics code. In addition, each member must declare to the Company any transaction performed on the Company's securities pursuant to the applicable legislative and regulatory provisions. These provisions shall be reiterated annually to all of the members of the supervisory board and occasional information shall be provided in the event of significant changes.

For their entire terms of office, all members of the supervisory board must own 500 of the Company's shares. When they commence their duties, the members of the supervisory board must register in their name the securities they hold. Any securities acquired subsequently must also be registered in their name.

21.2.2.2.6 Informing the supervisory board (Article 4.4 of the supervisory board's rules)

The supervisory board shall be regularly informed by the management board of the evolution of the business and of financial earnings, of the cash position and of the Company's and the Group's

commitments, pursuant to the statutory and by-law provisions and to these rules and the rules of the supervisory board's committees.

The management board shall notably communicate to the supervisory board the following information:

(i) generally, the management board must communicate to the supervisory board any document or information regarding the Company or the Group whose preparation by the management board or whose publication is necessary pursuant to the applicable regulations or to properly inform the market, at the time they are prepared and prior to publication;

(ii) within ninety (90) days of the closing of the Company's annual financial statements, the certified consolidated financial statements, notably including a statement of financial position, an income statement, a statement of cash flows and explanatory notes, and the Company's certified corporate financial statements, notably including a balance sheet, an income statement and explanatory notes, accompanied by the Statutory Auditors' reports;

(iii) twice per year, a summary table of the distribution of the Company's securities;

(iv) on a quarterly basis, all other information, notably financial and accounting information, sent by the Company to the lending banks based on the loan agreements concluded within the framework of the acquisition of Novalis by the Company, at the same time they are sent to the banks;

(v) once per month, a summary of the most important financial and operational information regarding the Company and the Group;

(vi) at least once per quarter and, in any event, each time the supervisory board asks it to do so or when it deems it useful, the management board shall present a business review for the Company and the Group;

(vii) within two months of the end of each 6-month period, the management board shall present to the Audit Committee, then to the supervisory board, for the verification and auditing work, the Company's corporate financial statements and consolidated financial statements and the related management report;

(viii) the management board shall communicate to the Audit Committee, then to the supervisory board, the forecast management documents and the analysis report on such documents mentioned in Articles L. 232-2 and L. 232-3 of the French Commercial Code, within eight (8) days of their establishment;

(ix) to obtain its approval, the management board shall present to the supervisory board, the Company's and the Group's annual budget and mid- and long-term investment and financial plan, and the supervisory board shall have the right to request that the management board communicate a monthly monitoring statement pertaining to them;

(x) the management board shall inform the Audit Committee of any significant modification provided in the chain of shareholding control or in the rates or means of exercising control over the Company's subsidiaries and/or consolidated entities;

(xi) pursuant to the Audit Committee's rules and at least one time per year, the management board shall present to the Audit Committee its policy for controlling and monitoring risks of all types to which the Company and the Group are exposed, and the programs and resources implemented, with the monitoring statement pertaining to the efficiency of the internal control, internal auditing and risk management systems in the Group; and

(xii) pursuant to the rules of the Appointments and Compensation Committee and at least once per year, the management board shall communicate to the Appointments and Compensation Committee so that it is reported to the supervisory board and, if applicable for the supervisory

board's prior authorization, all information regarding compensation and benefits, fixed and performance-based, including deferred or conditional, of the compensation of the members of the management board, and the corresponding policies; on the same terms, the management board shall ensure that the Appointments and Compensation Committee is duly informed about the plan for the succession of the members of the management board and the members of the Executive Board.

The management board must provide to the supervisory board all other information and all other documents that it deems useful for the supervisory board to perform its duties; in particular, the management board shall communicate to the supervisory board, at any time and promptly, all information regarding the Company or the Group, if its importance or urgency so requires.

Each member of the supervisory board shall have the possibility of meeting the members of the Executive Board, without the members of the management board being present, provided that they have previously so informed one of the members of the management board. Such meetings shall be purely for informational purposes and shall not call into question the hierarchical relationship to which the senior executives being heard may be subject.

21.2.2.2.7 Deliberations of the supervisory board (Article 19 of the by-laws and Articles 5 and 6 of the supervisory board's rules)

The members of the supervisory board shall be called to its meetings by any means, even orally.

Meetings shall be held at the Company's registered office or at any other place stated in the call to the meeting. The President of the supervisory board shall chair meetings. If the President is absent, the Vice-President shall chair the meeting.

The deliberations of the supervisory board shall be valid only if at least one-half of its members are present or represented. Decisions shall be made by a majority of the votes of members who are present or represented. In case of a tie, the supervisory board's President shall cast the deciding vote, as the meeting's President shall not have a deciding vote if he is not the supervisory board's President.

Members participating in the supervisory board's meetings by video conference or telecommunication systems allowing to identify them and to guarantee their effective participation, shall be deemed to be present, on the terms provided by the applicable statutory and regulatory provisions.

The minutes of the supervisory board's meetings shall be prepared, and copies or extracts of them shall be provided and certified pursuant to law.

21.2.2.2.8 Compensation of the members of the supervisory board (Article 21 of the by-laws and Article 7 of the supervisory board's rules)

The general shareholders' meeting may allocate to the members of the supervisory board, as compensation for their duties, a fixed annual amount, for directors' fees.

Upon a recommendation of the Appointments and Compensation Committee, the supervisory board:

- shall allocate freely among its members the directors' fees allocated to the supervisory board by the general shareholders' meeting. A share set by the supervisory board and deducted from the amount of the directors' fees allocated to the supervisory board shall be paid to the members of the committees, notably based on their attendance at such committees' meetings;

- shall determine the amount of the President's and Vice-President's compensation;

- may, in addition, allocate to certain members one-off compensation for assignments or powers entrusted to them.

21.2.3 Rights, privileges, restrictions and obligations attached to the shares (Articles 6 to 10 of the by-laws)

Fully paid in shares shall be registered or to the bearer, at the shareholder's choice.

The ownership of a share shall carry with it by operation of law adhesion to these by-laws and to the decisions of the general shareholders' meetings.

In addition to the voting right attributed to it by law, each share shall create a right to the ownership of the corporate assets and the liquidation surpluses, at a fraction equal to that of the share capital it represents.

Each time it is necessary to possess several old shares to exercise any right, or in case of an exchange or attribution of securities giving the right to a new security in exchange for several old securities, isolated securities or fewer securities than the number required shall not create any rights for their bearers vis-a-vis the Company, as shareholders shall be personally responsible for grouping together and, possibly, purchasing or selling the number of securities necessary.

Shares shall be indivisible vis-à-vis the Company, such that undivided co-owners shall be required to be represented vis-a-vis the Company by one of the co-owners or by a single proxy, appointed by a court of law in the event of a disagreement.

21.2.4 Modification of shareholders' rights

Shareholders' rights may be modified on the terms provided by the statutory and regulatory provisions. There are no specific provisions governing the modification of shareholders' rights that are stricter than the law.

21.2.5 General shareholders' meetings (Articles 23 and 24 of the by-laws)

Shareholders' meetings shall be called and shall deliberate on the terms provided by law.

Meetings shall be held either at the registered office or at another place stated in the notice of the call to a meeting.

Shareholders shall prove they have the right to participate in the Company's general shareholders' meetings on the terms provided by law.

All shareholders may participate in meetings either personally or by a proxy. They may also participate in any meeting by voting by mail on the terms provided by the statutory and regulatory provisions in force.

The management board shall have the option of authorizing proxy and vote-by-mail forms to be sent to the Company by remote transmission (including electronic means) on the statutory and regulatory terms in force.

When used, electronic signatures may take the form of a process that satisfies the terms defined in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code.

Upon a decision of the management board to use such telecommunications means, published in the meeting notice or in the notice of a call to a meeting, shareholders who participate in the meeting by video conference or by telecommunications means permitting to identify them on the terms provided by the regulations in force are deemed to be present for the calculation of the quorum and majority.

The President of the supervisory board or, if he is absent, the Vice-President, shall chair meetings. Otherwise, the President shall be elected by the meeting.

The minutes of meetings shall be prepared and copies or extracts of them shall be provided and certified pursuant to law.

21.2.6 By-law provisions with a potential incidence on the occurrence of a change of control

N/A

21.2.7 Exceeding of threshold (Article 8 of the by-laws)

Any individual or legal entity, acting alone or in cooperation, who comes to hold, or ceases to hold, directly or indirectly, a fraction equal to or greater than one percent (1%) of the Company's share capital or voting rights, or any multiple of such percentage, including beyond the declaration thresholds provided by the statutory and regulatory provisions, must inform the Company of the total number of shares and voting rights they possess and the securities giving access to the share capital and voting rights potentially attached to them by registered letter with acknowledgment of receipt, sent to the registered office no later than by the closing of the fourth trading day after the day on which the threshold is exceeded.

For the determination of the thresholds mentioned above, the shares or voting rights held indirectly and the shares or voting rights deemed as shares or voting rights held, as defined by the provisions of Articles L. 233-7 et seq. of the French Commercial Code, shall also be taken into account.

In case the provisions provided above are not respected, the penalties provided by law where the obligation to declare the exceeding of the statutory thresholds has not been respected shall apply to the by-law thresholds only upon a request, recorded in the minutes of the general shareholders' meeting, by one or more shareholders holding at least one percent (1%) of the Company's share capital or voting rights.

The Company reserves the right to give notice to the public and shareholders of either the information of which it was given notice or the fact that the relevant person or legal entity has not respected the aforementioned obligation.

21.2.8 Identification of bearers of securities (Article 7 of the by-laws)

The Company shall have the right, on the statutory and regulatory terms in force, to ask at any time, at its expense, for the centralized depository of financial instruments, as applicable, for the name or corporate name, nationality, year of birth or year of formation, and the address of the holders of securities to the bearer conferring immediately or in the future a voting right in its own shareholders' meetings, and the quantity of securities held by each of them and, if applicable, any restrictions on such securities. In view of the list transmitted by the aforementioned organization, the Company shall have the right to ask the persons on such list, and whom the Company believes to be registered on behalf of third parties, for the above information pertaining to the owners of the securities.

When the person subject to a request for information has not transmitted the information within the time periods provided by the legislative and regulatory provisions in force or has transmitted incomplete or incorrect information related either to its status or to the owners of the securities, the shares or securities giving access immediately or in the future to the share capital and for which such person has been registered as the owner shall be deprived of voting rights for all shareholders' meetings that may be held until the date on which the actual owner is identified, and the payment of the corresponding dividends shall be deferred until such date.

21.2.9 Particular stipulations governing modifications of the share capital

If the by-laws do not provide any specific stipulations, the share capital may be increased, decreased or amortized by any methods or means authorized by law.

21.2.10 Financial year (Article 25 of the by-laws)

The financial year shall commence on January first (1st) and shall end on December thirty-first (31st) of each year.

21.2.11 Allocation of profits (Article 26 of the by-laws)

The earnings of each financial year shall be determined pursuant to the statutory and regulatory provisions in force.

If the earnings of the financial year so permit, after deduction of an amount to be placed in the statutory reserve or to be added to the statutory reserve, upon a proposal by the management board, the shareholders' meeting may deduct any amounts it may set at its discretion, either to be carried forward to the following year or to be allocated to one or more general or special reserves or to be allocated among shareholders.

The general shareholders' meeting shall have the right to grant to shareholders, for all or part of the dividends distributed or of the interim dividends, an option between payment in cash and payment in shares on the terms set by the regulations in force. In addition, the general shareholders' meeting may decide, for all or part of the dividends, the interim dividends, the reserves or premiums distributed, or for any capital decrease, that such distribution of dividends, reserves or premiums or such capital decrease shall be performed in kind by providing securities from the Company's portfolio or assets.

Each shareholder's share in the profits and his contribution to losses shall be proportionate to his share in the share capital.

CHAPTER 22
MATERIAL CONTRACTS

Please refer to section 10.6.2 – "*Financial liabilities"* of this *document de base*.

CHAPTER 23
THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST

The information related to the market presented in this document de base *were obtained from various sources, including a KPMG report dated August 27, 2014, prepared at the Company's request for the Group's Senior Management. The work performed by KPMG to prepare this report was limited to obtaining and analyzing information and data related to the Group's key markets from certain public such as the ETSA (European Textile Services Association), the INSEE (Institut National de la Statistique et des Etudes Economiques) and the IMF (International Monetary Fund) and non-public sources. KPMG did not perform any auditing or valuation work and did not make any recommendations regarding any potential market opportunities for the Company or related to an initial public offering. In addition, some information contained in this* document de base *is publicly available information the Company deems reliable, but which an independent expert has not verified. The Group provides no guarantee that a third party using other methods to gather, analyze or compile the market data would reach the same result. Furthermore, the Group's competitors may define the geographic zones and categories in a different manner.*

CHAPTER 24
DOCUMENTS ON DISPLAY

Copies of this *document de base* are available at no cost at Elis's registered office (33, rue Voltaire in Puteaux (92800)), and on the Company's website (www.elis.com) and on the Autorité des Marchés Financiers' website (www.amf-france.org).

During the period in which this *document de base* is valid, the following documents (or a copy of these documents) may be consulted:

- the Company's by-laws;
- all reports, correspondence and other documents, historical financial information, evaluations and declarations established by an expert at the Company's request, of which a part is included or mentioned in this *document de base*; and
- the historical financial information included in this *document de base*.

All of these legal and financial documents relating to the Company and made available to shareholders according to the regulations in force may be consulted at the Company's registered office, and it should be noted that the Company's updated by-laws are available on its website (www.elis.com).

As of the admission of the Company's shares to trading on the Euronext Paris regulated market, the regulated information in accordance with the provisions of the AMF's general regulation shall also be available on the Company's website.

CHAPTER 25
INFORMATION ON HOLDINGS

The information about the companies in which the Company holds a stake of the share capital likely to have a significant impact on the assessment of its net worth, financial position or results appears in chapter 7 – "*Organization chart*" of this *document de base*.

EXHIBITS

EXHIBIT I – CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013, DECEMBER 31, 2012 AND DECEMBER 31, 2011 I-1

EXHIBIT II – CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2014 II-2

* The Company's corporate name was changed to "Elis" on September 5, 2014 (see Section 5.1.4 – "*Headquarters, legal form and applicable legislation*" of this *document de base*).

HOLDELIS, S.A.S.

33, rue Voltaire - Puteaux, France

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2013, December 31, 2012 and December 31, 2011

Consolidated financial statements

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Consolidated statement of financial position – assets

(In thousands of euros)	Notes	December 31, 2013 net	December 31, 2012 net	December 31, 2011 net
Goodwill	1	1,454,707	1,439,859	1,466,675
Intangible assets	2	428,258	472,562	506,607
Property, plant and equipment	3	631,141	699,165	623,109
Equity-accounted companies	4	0	0	723
Available-for-sale financial assets		137	152	182
Other non-current assets	13	7,971	2,956	2,692
Deferred tax assets	21	8,672	9,897	10,347
TOTAL NON-CURRENT ASSETS		2,530,886	2,624,590	2,610,334
Inventories	5	44,424	37,610	49,590
Trade and other receivables	6	297,092	274,616	273,005
Current tax assets		4,170	515	453
Other assets	15	3,468	4,458	5,913
Cash and cash equivalents	7	49,454	55,152	21,924
TOTAL CURRENT ASSETS		398,608	372,350	350,885
Assets held for sale	29	88,879	26,712	0
TOTAL ASSETS		**3,018,373**	**3,023,652**	**2,961,220**

Consolidated statement of financial position – equity and liabilities

(In thousands of euros)	Notes	December 31, 2013	December 31, 2012	December 31, 2011
Share capital	8	461,177	214,664	214,664
Additional paid-in capital		169,286	4,271	4,271
Other reserves		7,224	7,224	7,224
Retained earnings (accumulated deficit)		(287,758)	(249,533)	(203,080)
Other components of equity		(1,654)	(16,499)	(29,163)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		348,276	(39,874)	(6,085)
NON-CONTROLLING INTERESTS		(847)	122	89
TOTAL EQUITY		347,429	(39,752)	(5,996)
Non-current provisions	10	15,729	15,356	15,504
Employee benefit liabilities	11	46,104	37,991	33,245
Non-current borrowings	12	1,908,735	2,307,287	2,269,747
Deferred tax liabilities	21	202,711	218,606	213,273
Other non-current liabilities	13	21,293	40,011	49,742
TOTAL NON-CURRENT LIABILITIES		2,194,571	2,619,252	2,581,511
Current provisions	10	6,154	7,992	4,025
Current tax liabilities		522	5,303	1,939
Trade and other payables	14	118,288	98,421	96,070
Other liabilities	15	224,756	209,731	213,357
Bank overdrafts and current borrowings	12	118,013	117,134	70,314
TOTAL CURRENT LIABILITIES		467,732	438,581	385,705
Liabilities directly associated with assets held for sale	29	8,641	5,571	0
TOTAL EQUITY AND LIABILITIES		**3,018,373**	**3,023,652**	**2,961,220**

Consolidated financial statements

Consolidated income statement

(In thousands of euros)	Notes	2013	2012	2011 (1)
Revenue	16	1,225,421	1,185,232	1,148,769
Cost of linen, equipment and other consumables		(195,840)	(172,138)	(199,332)
Processing costs		(413,297)	(391,587)	(372,290)
Distribution costs		(195,529)	(191,688)	(186,225)
Gross margin		420,756	429,820	390,922
Selling, general and administrative expenses		(209,067)	(205,842)	(199,127)
Operating income before other income and expense and amortization of customer relationships	16	211,689	223,978	191,795
Amortization of customer relationships		(39,644)	(38,558)	(60,268)
Goodwill impairment	1	(4,000)	(37,583)	(32,958)
Other income and expense	19	(49,167)	(18,529)	(4,197)
Operating income		118,879	129,308	94,372
Net financial expense	20	(164,198)	(154,355)	(165,181)
Income (loss) before tax		(45,320)	(25,046)	(70,809)
Income tax benefit (expense)	21	1,171	(21,567)	1,380
Share of net income of equity-accounted companies		68	197	116
Net income (loss)		(44,081)	(46,416)	(69,314)
Attributable to:				
- owners of the parent		(44,334)	(46,449)	(71,793)
- non-controlling interests		253	33	2,479

(1) Restated for the change in accounting policy in accordance with IAS 8 (see note Change in accounting policy)

Earnings (loss) per share:				
- basic, attributable to owners of the parent	22	-€0.18	-€0.22	-€0.33
- diluted, attributable to owners of the parent	22	-€0.18	-€0.22	-€0.33

Consolidated statement of comprehensive income

(In thousands of euros)	Notes	2013	2012	2011
NET INCOME (LOSS)		**(44,081)**	**(46,416)**	**(69,314)**
Gains (losses) on change in fair value of hedging instruments	13	8,047	8,067	31,230
Hedging reserve reclassified to income	13	10,627	9,230	0
Total change in hedging reserve		**18,674**	**17,297**	**31,230**
Related tax		(6,429)	(5,955)	(10,752)
Hedging reserve - net (may be subsequently reclassified to income)		12,245	11,342	20,478
Actuarial gains and losses recognized in equity		**5,728**	**(3,891)**	**(269)**
Related tax		(878)	1,015	93
Actuarial gains and losses, net (may not be reclassified to income)		4,850	(2,876)	(176)
Translation reserve (may be subsequently reclassified to income)		(1,801)	664	1,826
Other comprehensive income		**15,294**	**9,130**	**22,127**
TOTAL COMPREHENSIVE INCOME (LOSS)		**(28,786)**	**(37,286)**	**(47,187)**
Attributable to:				
- owners of the parent		**(29,541)**	**(37,319)**	**(49,666)**
- non-controlling interests		**755**	**33**	**2,479**

The change in hedging reserve reflects the change in fair value of derivatives eligible for hedge accounting. The fair value of derivatives has decreased due to the decline in the forward yield curve, with a negative impact on the hedging reserve. However, it has not affected hedge effectiveness. The fair value of derivatives is presented in Note 13 – Derivatives and other non-current assets and liabilities.

Actuarial gains and losses arising on the remeasurement of employee benefits reflect the effect of changes in assumptions (obligation discount rate, salary increase rate, retirement benefit increase rate and expected return on plan assets) used to measure defined benefit plan obligations.

Consolidated statement of changes in equity

(In thousands of euros)	Share capital	Additional paid-in capital	Other reserves	Retained earnings (accumulated deficit)	Hedging reserve (1)	Translation reserve	Share-based payment reserve	Actuarial gains and losses	Deferred taxes	Owners of the parent	Non-controlling interests	Total equity
Balance as at December 31, 2010	**214,664**	**4,271**		**(124,055)**	**(77,797)**	**(3,811)**		**355**	**26,662**	**40,289**	**2,804**	**43,093**
Increase in share capital												
Decrease in share capital												
Dividends paid			7,224	(7,224)							(5,194)	(5,194)
Effect of changes in consolidation scope												
Other changes				(8)			3,300			3,292		3,292
Net income (loss) for the period				(71,793)						(71,793)	2,479	(69,314)
Gains (losses) recognized directly in equity (OCI)					31,230	1,826		(269)	(10,660)	22,127		22,127
Total comprehensive income				(71,793)	31,230	1,826		(269)	(10,660)	(49,666)	2,479	(47,187)
Balance as at December 31, 2011	**214,664**	**4,271**	**7,224**	**(203,080)**	**(46,567)**	**(1,985)**	**3,300**	**87**	**16,002**	**(6,085)**	**89**	**(5,996)**
Increase in share capital												
Decrease in share capital												
Dividends paid												
Effect of changes in consolidation scope												
Other changes				(4)			3,534			3,530		3,530
Net income (loss) for the period				(46,449)						(46,449)	33	(46,416)
Other comprehensive income					17,297	664		(3,891)	(4,941)	9,130		9,130
Total comprehensive income				(46,449)	17,297	664		(3,891)	(4,941)	(37,319)	33	(37,286)
Balance as at December 31, 2012	**214,664**	**4,271**	**7,224**	**(249,533)**	**(29,270)**	**(1,321)**	**6,834**	**(3,804)**	**11,062**	**(39,874)**	**122**	**(39,752)**
Increase in share capital	246,514	171,110								417,624		417,624
Decrease in share capital												
Dividends paid												
Effect of changes in consolidation scope (2)								81	(28)	53	(1,724)	(1,671)
Other changes		(6,095)		6,110						14		14
Net income (loss) for the period				(44,334)						(44,334)	253	(44,081)
Other comprehensive income					18,674	(1,827)		5,122	(7,176)	14,793	502	15,294
Total comprehensive income				(44,334)	18,674	(1,827)		5,122	(7,176)	(29,541)	755	(28,786)
Balance as at December 31, 2013	**461,177**	**169,286**	**7,224**	**(287,758)**	**(10,596)**	**(3,148)**	**6,834**	**1,399**	**3,857**	**348,276**	**(847)**	**347,429**
							(1,654)					

(1) See Notes 13 and 15

(2) See Note 1 - 2013 acquisitions

Consolidated statement of cash flows

(In thousands of euros)	Note	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
CONSOLIDATED NET INCOME (LOSS)		**(44,081)**	**(46,416)**	**(69,314)**
Adjustments for:				
Depreciation, amortization and provisions		256,364	238,108	271,794
Portion of grants transferred to income		(119)	(151)	(155)
Share-based payments		0	3,534	3,300
Discounting adjustment on provisions and retirement benefits	20	1,262	1,214	1,222
Net gains and losses on disposal of assets		1,777	(55)	(2,970)
Share of net income of equity-accounted companies	4	(68)	(197)	(116)
Dividends received (from non-consolidated entities)		(12)	(12)	(11)
CASH FLOWS AFTER FINANCE COSTS AND TAX		**215,123**	**196,025**	**203,750**
Net finance costs	20	162,703	153,365	163,349
Income tax expense	21	(1,171)	21,567	(1,380)
CASH FLOWS BEFORE FINANCE COSTS AND TAX		**376,655**	**370,956**	**365,719**
Income tax paid		(23,069)	(16,125)	(12,617)
Change in inventories		(6,528)	3,210	(5,749)
Change in trade receivables		(2,194)	(6,995)	(9,799)
Change in trade and other payables (excluding borrowings)		24,035	(6,343)	13,229
Other changes		(191)	(1,991)	1,360
Employee benefits		(942)	92	(749)
NET CASH FROM OPERATING ACTIVITIES		**367,766**	**342,804**	**351,394**
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of intangible assets		(12,259)	(19,151)	(17,663)
Proceeds from sale of intangible assets		160	0	0
Acquisition of property, plant and equipment		(202,638)	(218,672)	(204,552)
Proceeds from sale of property, plant and equipment		8,371	3,054	10,249
Acquisition of subsidiaries, net of cash acquired	1	(39,112)	(13,961)	(13,368)
Proceeds from disposal of subsidiaries, net of cash transferred		14,708	0	0
Changes in loans and advances		(22)	(283)	(525)
Dividends from equity-accounted investments		12	212	194
Investment grants		0	120	78
NET CASH USED IN INVESTING ACTIVITIES		**(230,780)**	**(248,681)**	**(225,588)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid				
'- to owners of the parent				
- to non-controlling interests		(20)	(11)	(5,194)
Change in borrowings related to operations (1)		(22,378)	45,470	(8,786)
- Proceeds from new borrowings		*2,099,206*	*697,537*	*362,674*
- Repayment of borrowings		*(2,121,584)*	*(652,067)*	*(371,459)*
Net interest paid		(119,967)	(105,875)	(116,587)
NET CASH USED IN FINANCING ACTIVITIES		**(142,365)**	**(60,416)**	**(130,567)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,379)**	**33,707**	**(4,760)**
Cash and cash equivalents at beginning of year		54,678	20,943	25,566
Effect of changes in foreign exchange rates on cash and cash equivalents		(702)	28	137
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**48,598**	**54,678**	**20,943**

Consolidated financial statements

General context and conditions in which the consolidated financial statements were prepared

The Holdelis Group is the leader of textile rental and laundering and hygiene services in Continental Europe.

I – Basis of preparation

The IFRS consolidated financial statements of the Holdelis Group for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 have been prepared as part of the process of issuing shares on the regulated market of Euronext Paris and for the *document de base* submitted for approval by the French financial markets authority (*Autorité des marchés financiers* – AMF). They have been prepared on the basis of the consolidated financial statements previously adopted by shareholders at their annual general meetings of June 23, 2014, June 26, 2013 and June 29, 2012 respectively, to which additional explanatory notes on operating segments and earnings per share have been added.

The IFRS consolidated financial statements for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 were reviewed again by the Audit Committee on July 17, 2014 and by the Board of Directors on July 25, 2014 and have been approved for issue by the President of Holdelis.

Only the events that occurred between December 31, 2013 and the approval date of the financial statements on July 25, 2014 have been accounted for in accordance with IAS 10 "Events after the Reporting Period". These events are described in **Note 26 – Subsequent events**, which describes the significant events of the period.

II – Accounting policies

The consolidated financial statements of the Holdelis Group for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The financial statements are presented in thousands of euros, unless otherwise stated.

Accounting policies

Basis of measurement for the preparation of the consolidated financial statements

The accounting policies used to prepare the consolidated financial statements comply with the IFRS and IFRIC interpretations as adopted by the European Union at December 31, 2013 and available on the website:
ec.europa.eu/internal_market/accounting/ias/

These accounting policies are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2012, with the following exceptions:

- IAS 1 “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income” effective for annual periods beginning on or after July 1, 2012;
- IAS 12 “Income Taxes – Recovery of Underlying Assets” effective for annual periods beginning on or after January 1, 2013;
- Amendments to IAS 19 “Employee Benefits” effective for annual periods beginning on or after January 1, 2013;
- Amendments to IFRS 1 “Government Loans” effective for annual periods beginning on or after January 1, 2013;
- Amendments to IFRS 7 “Disclosures – Offsetting Financial Assets and Financial Liabilities” effective for annual periods beginning on or after January 1, 2013;
- IFRS 13 “Fair Value Measurement” effective for annual periods beginning on or after January 1, 2013;
- 2009-2011 Annual Improvements effective for annual periods beginning on or after January 1, 2013;

These new standards and amendments to existing standards did not have a material impact on the consolidated financial statements of Holdelis.

The Group has not opted for the early adoption of the following standards, which are not mandatory as at December 31, 2013:

- IAS 27 “Separate Financial Statements” (revised 2011) effective for annual periods beginning on or after January 1, 2014;
- IAS 28 “Investments in Associates and Joint Ventures” (revised 2011) effective for annual periods beginning on or after January 1, 2014;
- IFRS 9 “Financial instruments - Recognition and Measurement” effective for annual periods beginning on or after January 1, 2015;
- IFRS 10 “Consolidated Financial Statements” effective for annual periods beginning on or after January 1, 2014;
- IFRS 11 “Joint Arrangements” effective for annual periods beginning on or after January 1, 2014;
- IFRS 12 “Disclosure of Interests in Other Entities” effective for annual periods beginning on or after January 1, 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities” effective for annual periods beginning on or after January 1, 2014;

- Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities” effective for annual periods beginning on or after January 1, 2014;
- Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets” effective for annual periods beginning on or after January 1, 2014;
- Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting” effective for annual periods beginning on or after January 1, 2014;
- Interpretation IFRIC 21 “Levies” effective for annual periods beginning on or after January 1, 2014.

Holdelis is currently assessing the potential effect of these new standards, interpretations and amendments to existing standards on the Group's consolidated financial statements.

Critical accounting estimates and judgments

The preparation of consolidated financial statements requires Holdelis to make estimates and assumptions that affect the carrying amount of assets, liabilities, income and expenses and related disclosures. Holdelis reviews these estimates and judgments on a regular basis, taking into consideration past experience and other factors deemed relevant in light of economic conditions.

Amounts reported in future financial statements may differ from current estimates due to changes in assumptions or if conditions vary from those anticipated.

<u>Critical accounting estimates and assumptions</u>

- *The recoverable amount of goodwill and intangible assets with indefinite useful lives*

The Group performs annual impairment tests on goodwill and intangible assets with indefinite useful lives (brands), in accordance with IAS 36 "Impairment of Assets". The recoverable amount of cash-generating units is calculated on the basis of their value in use. These calculations require the use of estimates. The estimates used, together with an analysis of assumption sensitivity are presented in Note 1 – Business combinations and goodwill.

- *Employee benefit liabilities*

The present value of employee benefit obligations is computed on an actuarial basis using various assumptions. The discount rate is one of the assumptions used to calculate the net cost of pensions. Any change in the assumptions affects the carrying amount of the net retirement benefit liability.

The Group sets the appropriate discount rate at the end of each reporting period. This is the interest rate applied to calculate the present value of future disbursements necessary to meet retirement benefit obligations. To determine the appropriate rate, the Group takes into account the interest rates on high-quality corporate bonds (Iboxx € Corporate AA 10+ for France) in the currencies in which benefits are to be paid and with a term comparable to the estimated average maturity of the corresponding obligation.

Note 11 – Employee benefit liabilities provides further details on the matter.

<u>Critical judgments in applying accounting policies</u>

- *Recognition of assets related to rental and laundry services*

Rental-laundering service agreements are not deemed to transfer substantially all the risks and rewards incident to ownership of the assets (linen, equipment, etc.) associated with the service agreements to the lessee. Accordingly, items subject to rental and laundry services agreements are recognized as non-current assets.

- *Accounting classification of French business tax (*Cotisation sur la Valeur Ajoutée des Entreprises – *CVAE)*

According to the Group's analysis, French business tax (CVAE) meets the definition of income tax under IAS 12.2 ("Income taxes based on taxable profits"). Total current and deferred amounts of CVAE are therefore presented in the line item "Income tax".

Change in accounting policy

Management has decided to present its consolidated income statement by function from 2012 onward in order to better reflect operating activity and performance, in line with the presentation of operating results reviewed on a monthly basis by Group management. The consolidated income statement restated by function for 2011 and the consolidated income statements by function for 2013 and 2012 are presented on page 6.

Consolidation methods

- Fully consolidated companies

Companies controlled by the Group, generally as a result of the Group holding a majority interest, are fully consolidated. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Non-controlling interests (previously referred to as "minority interests") are presented separately on the face of the statement of financial position within equity. The portion of net income attributable to non-controlling interests is presented separately on the face of the income statement.

The income and expenses of subsidiaries acquired or sold during the year are included in the consolidated income statement from the acquisition date or up to the disposal date, respectively.

- Associates and joint ventures

Investments in companies over which the Group has significant influence over financial and operating decisions but does not exercise control and joint ventures are accounted for using the equity method.

Business combinations

- Business combinations from July 1, 2009

Business combinations are accounted for using the acquisition method. Accordingly, when the Group acquires a business, its assets, liabilities and contingent liabilities are measured at fair value. Moreover, for each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at the Group's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred (see **Note 19 – Other income and expense**).

At the acquisition date, the Group recognizes goodwill as the difference between the consideration transferred plus any non-controlling interests in the entity acquired and the net identifiable assets acquired and liabilities assumed.

In a step acquisition where control is obtained in stages, the Group measures the previously-held equity interest in the acquiree at the acquisition-date fair value and recognizes any gain or loss in income.

- Business combinations prior to June 30, 2009

The different accounting treatments applicable to these business combinations are as follows:

- transaction costs directly attributable to the acquisition were included in the acquisition cost;
- non-controlling interests (previously referred to as "minority interests") were measured at the share of net assets acquired;
- step acquisitions were recognized separately and did not affect subsequently recognized goodwill.

Foreign currency translation

Foreign currency transactions by Group companies are translated into the functional currency using the exchange rates effective at the transaction dates. Assets and liabilities denominated in foreign currencies are translated using the exchange rate effective at the reporting date. Foreign exchange gains and losses are recognized in the income statement, except for those concerning monetary items associated with a net investment in a foreign operation. For the latter translation differences are recognized directly in equity until the net investment is sold, when they are reclassified to the income statement.

For consolidation purposes, the assets and liabilities of Group entities denominated in foreign currencies are translated using the exchange rate effective at the reporting date. Income statement items are translated using the average exchange rate for the reporting period. Resulting foreign currency differences are recognized directly in equity and presented in a separate line item "Foreign currency translation reserve".

Intangible assets (other than brands)

Intangible assets (other than brands) are measured at acquisition cost less accumulated amortization and impairment. Intangible assets have finite useful lives. Amortization is recognized as an expense generally on a straight-line basis over the estimated useful lives of the assets:

- Textile patterns: 3 years
- Software: 5 years
- ERP: 15 years
- Acquired customer contracts: 4 years and associated customer relationships: 11 years

Amortization is recognized from the date on which the asset is first used.

Brands

Brands acquired in a business combination are recognized at fair value at the acquisition date. Costs incurred to create a new brand or to develop an existing one are recognized as expenses.

Brands with finite useful lives are amortized over their useful lives. Brands with indefinite useful lives are not amortized but are tested for impairment on an annual basis or whenever there is an indication of impairment.

The following criteria are used to determine whether a brand has a finite or indefinite life:

- overall market positioning of the brand, measured by sales volume, international reach and reputation;
- long-term profitability outlook;
- exposure to fluctuations in the economy;
- major developments in the industry liable to have an impact on the brand's future;
- age of the brand.

Property, plant and equipment

Items of property, plant and equipment are carried in the statement of financial position at their historical cost for the Group, less accumulated depreciation and impairment.

In accordance with IAS 16 "Property, Plant and Equipment" only items whose cost can be measured reliably and from which future economic benefits are expected to flow to the Group are recognized as assets.

Assets financed by leases with purchase options or long-term leases, which transfer substantially all the risks and rewards incident to ownership of the asset to the lessee, are recognized as non-current assets and depreciated in accordance with the accounting principles applicable to property, plant and equipment. The cost of leased assets includes the initial direct costs attributable to negotiating and arranging the lease, including professional and legal fees. The financial commitments arising under leases are recognized as financial liabilities.

Assets leased out under agreements that do not transfer substantially all the risks and rewards incident to ownership of the assets to the lessee (operating leases) are recognized as non-current assets. Assets under other leases (finance leases) are recognized as receivables for the amount corresponding to the net investment in the lease.

Depreciation is calculated on a straight-line basis over the following useful lives:

- Buildings: component method
  - Structure, outside walls, roof: 50 years
  - Internal walls, partitions, painting and floor coverings: 10 years
- Industrial equipment: 10, 15 or 30 years
- Vehicles: 4 to 8 years
- Office equipment and furniture: 5 or 10 years

- IT equipment: 5 years
- Items related to rental and laundry service agreements (textiles, equipment and other leased items) are initially recognized as inventory and are capitalized when they are allocated to the Group's operating site responsible for their leasing. These items are depreciated over an 18-month to 5-year period from the date they are available for use.

Depreciation is recognized from the date the asset is first used. Land is not depreciated.

Change in accounting estimates

A study on the actual useful life of textiles led to an increase in the depreciation period for rented textile items as from January 1, 2012. This led to a decrease in depreciation expense of €40.2 million for 2012 and €9.7 million for 2013. The lengthening of the depreciation period primarily concerned flat linen, for which the average depreciation period increased from two to three years.

In addition, the depreciation period for buildings was extended from 30 to 50 years as from January 1, 2012. The impact of the change in accounting estimate on the financial statements for the year ended December 31, 2012 amounts to €2.0 million (not material in 2013).

Impairment of non-financial assets

In accordance with IAS 36 "Impairment of Assets", whenever the value of property, plant and equipment is exposed to a risk of impairment due to events or changes in market conditions, they are reviewed to determine whether their carrying amount is less than their recoverable amount, defined as the higher of fair value (less costs to sell) and value in use.

Value in use is calculated by discounting to present value the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal. These calculations are corroborated, where appropriate, with valuation multiples of economic indicators.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized, corresponding to the difference between the two amounts. Impairment of property, plant and equipment may subsequently be reversed (by up to the amount of the initial impairment) if the recoverable amount rises above the carrying amount.

Impairment tests are also systematically performed on goodwill and intangible assets with indefinite useful lives, at the reporting date or whenever there is an indication of impairment. Goodwill impairment may not subsequently be reversed.

To assess impairment, assets are combined in the smallest identifiable group of assets that generates separately identifiable cash flows (cash-generating unit or group of cash-generating units).

Inventories

Inventories are measured at the lower of cost and net realizable value.

Inventories of raw materials, consumables and spare parts are recorded at acquisition cost and have high turnover.

Goods in progress and finished goods (linen, textiles and hygiene equipment) are measured at production cost, which includes:

- the acquisition cost of raw materials;
- direct production costs;
- overheads that can be reasonably linked to the production of the goods.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Non-current assets (or groups of assets) held for sale

Non-current assets (or groups of assets) are considered as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered primarily through a sale rather than continuing use. For this to be the case, an asset (or group of assets) must be available for immediate sale in its current state, subject only to terms that are usual and customary for sales of such assets, and its sale must be deemed highly probable (see **Note 29 – Assets held for sale**).

Financial assets and liabilities

Initial recognition of financial assets and liabilities

Financial instruments are initially recognized in the statement of financial position at the fair value of consideration paid (for assets) or received (for liabilities). Fair value is determined on the basis of the price agreed upon for the transaction or market prices for comparable transactions. In the absence of a market price, fair value is calculated on the basis of the discounted cash flows from the transaction, or by using a model. Discounting is unnecessary if its impact is not material. Similarly, short-term receivables and liabilities arising in the normal operating cycle are not discounted.

Incremental costs that are directly attributable to transactions (costs, commissions, professional fees, taxes, etc.) are added to the amount initially recognized for assets and deducted from liabilities.

Recognition of financial assets

Financial assets are classified in four categories:

- financial assets at fair value through income;
- available-for-sale financial assets;

- held-to-maturity financial assets;
- loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. It is determined at initial recognition.

In the event of the sale of financial assets, the first-in first-out principle is applied to securities of the same company.

  - Available-for-sale financial assets

Available-for-sale financial assets are non-derivative instruments assigned to this category or those that are not assigned to any other category. These financial assets are held for an indefinite period of time and may be sold if there is a need for cash. They are classified as non-current assets, unless the Group intends to hold them for less than 12 months (in which case they are treated as current assets).

If there is no reliable indication of fair value, securities are recognized at cost.

Changes in fair value are recognized directly in equity, net of deferred tax.

  - Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for those with maturity dates of more than 12 months after the reporting date, which are classified as non-current assets.

<u>Recognition of borrowings</u>

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently measured at amortized cost. Any difference between the income (net of transaction costs) and the repayment value is recognized in income over the term of borrowings using the effective interest rate method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer payment of the liability by at least 12 months after the reporting date, in which case the borrowings are classified as non-current liabilities.

<u>Transfers of financial assets and liabilities</u>

The Group derecognizes financial assets whenever the contractual rights to the assets expire or are relinquished by the Company or when the Company transfers or assigns its rights and substantially all of the associated risks and rewards.
The Group derecognizes a financial liability when the liability is extinguished. If a liability is exchanged with a creditor under materially different terms and conditions, a new liability is recognized.

Derivative financial instruments and hedges

Whether used for hedging purposes or not, derivative financial instruments are initially measured at fair value at inception and are subsequently remeasured at their fair value.

The main derivative financial instruments and hedges used by the Group for operational purposes are currency forwards and interest rate swaps (see Note 13 – Derivatives and other non-current assets and liabilities, and Note 15 – Other assets and liabilities).

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates derivatives as:

- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge);
- hedges of the fair value of recognized assets or liabilities (fair value hedge);
- derivative instruments that do not meet hedge accounting criteria.

The impact of changes in fair value of derivative instruments in a fair value hedging relationship and derivative instruments not eligible for hedge accounting during the year is recorded in the income statement. However, the effective portion of changes in the fair value of derivative instruments in a cash flow hedging relationship is recognized directly in equity, with the ineffective portion being recognized in the income statement.

At the inception of the transaction, the Group documents the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and hedging policy. At the inception of the hedge and on an ongoing basis, the Group also documents the effectiveness of derivatives in offsetting changes in fair value or cash flows of hedged items.

The fair value of a derivative hedging instrument is classified as a non-current asset or liability when the residual term of the hedged item is greater than 12 months, and as a current asset or liability when the residual term of the hedged item is less than 12 months. Derivative instruments held for trading are classified as current assets or liabilities.

Derivatives used in cash flow hedges

The effective portion of changes in the fair value of qualifying derivatives that are designated as cash flow hedges is recognized directly in equity. The gain or loss related to the ineffective portion is immediately recognized in the income statement. The cumulative gain or loss reported in equity is reclassified to the income statement when the hedged item affects income.

When a hedging instrument expires or is sold, or when a hedge no longer meets hedge accounting criteria, any cumulative gain or loss in equity at that time remains in equity, and is reclassified to the income statement when the forecast transaction is recognized in income.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately reclassified to the income statement.

Derivatives that do not qualify for hedge accounting

Changes in fair value during the year are recognized immediately in the income statement.

Cash and cash equivalents

"Cash and cash equivalents" includes cash, on-demand bank deposits, other very short-term investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are recognized in the statement of financial position as part of borrowings under current liabilities.

Share-based payments

When a free share scheme enables members to acquire free shares in the Group's parent company, the fair value of the equity instruments is recognized as an expense, with a corresponding increase in equity under other reserves (the free shares are classified as an 'equity-settled transaction') over the vesting period. The expense is calculated by estimating the number of equity instruments that will be awarded in light of the grant terms and conditions.

Employee benefits

Payments by the Group to defined contribution plans are recognized as expenses when incurred.

In the case of defined benefit plans, the cost of benefits is estimated using the projected unit credit method. Under the method, rights to benefits are allocated to service periods using the plan's vesting formula and applying a linear progression when vesting is not uniform over subsequent service periods. Future payments corresponding to benefits granted to employees are estimated on the basis of assumptions regarding salary increase rates, retirement age and mortality, after which their present value is calculated using the interest rate on long-term bonds issued by investment grade issuers.

Actuarial gains and losses relating to obligations arising as a result of defined benefit plans are recognized directly in equity.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other price reductions. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

Revenue from services is recognized as and when the services are rendered.

When services are invoiced as part of a monthly or quarterly subscription, the portion of the invoice corresponding to a service not yet rendered is recognized as unearned revenue (see Note 15 – Other assets and liabilities)

Sales of goods

Revenue is recognized when the material risks and benefits attached to the ownership of the property concerned are transferred to the buyer.

Taxes

Current income tax

Income tax assets or liabilities due for the year or for previous years are measured at the amount expected to be collected or paid to the tax authorities. The tax rates and rules applied to calculate these amounts are the tax rates and rules enacted or substantively enacted at the end of the reporting period. Current tax on items directly recognized outside income or loss is recognized outside income or loss.

Deferred tax

Deferred taxes are recognized using the liability method for all temporary differences existing at the end of the reporting period between the tax base of assets and liabilities and their carrying amount on the statement of financial position.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- when the deferred tax liability is the result of the initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination and which at the time of occurrence, neither affects the accounting income nor the taxable income or loss; and
- for taxable temporary differences related to investments in subsidiaries or associates, when the date on which the temporary difference will be reversed can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards and unused tax credits, to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a

business combination and, at the time of the transaction, it affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are measured at the end of each reporting period and are recognized insofar as it is probable that a future taxable income will be available against which they can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year in which the asset is realized or the liability settled, based on the tax rates (and tax rules) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax on items directly recognized outside income or loss is recognized outside income or loss.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and the deferred taxes relate to the same taxable entity and the same tax authority.

Provisions

Provisions concern liabilities of uncertain timing or amount, resulting from restructuring plans, environmental risks, litigation and other risks.

A provision is recognized whenever the Group has a present contractual, legal or constructive obligation as a result of a past event and when an outflow of resources required to settle the obligation can be reliably estimated.

Liabilities resulting from restructuring plans are recognized when there is an obligation, the related costs have been forecast in detail and it is highly probable that they will be implemented.

Obligations arising from onerous contracts are also recognized as provisions.

Other income and expense

Items of material amounts that are unusual, abnormal and infrequent are disclosed separately in the income statement as “Other income and expense”, in order to better reflect Group performance (see **Note 19 – Other income and expense**).

Non-IFRS indicators

• Earnings before interest and tax (EBIT) is defined as net income (loss) before net financial expense, income tax, share of net income of equity-accounted companies, amortization of customer relationships, goodwill impairment, other income and expense and miscellaneous financial items (bank fees and recurring dividends recognized in operating income). A reconciliation of EBIT and the consolidated income statement is presented in **Note 16 – Operating segments**.

• Earnings before interest, tax, depreciation and amortization (EBITDA) is defined as EBIT before depreciation and amortization net of the portion of grants transferred to income. A reconciliation of EBITDA with the consolidated income statement is presented in **Note 16 – Operating segments**.

Financial risk management

Market risk

The Holdelis Group is exposed to market risk, particularly concerning the cost of its debt, and to a lesser extent as a result of foreign currency transactions. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimize any potentially adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Interest rate risk

Interest rate risk is primarily the risk of future cash flows on floating-rate debt. Changes in interest rates have an impact on net financial income or expense.
At December 31, 2013, 61% of the Group's debt, after taking into account hedging derivatives, was at a fixed rate. The Group has entered into several derivative contracts (swaps), to exchange the floating rate payable on borrowings at given dates, with a fixed rate, based on a given notional amount. The Group's terms of financing are regularly monitored, particularly during monthly financial performance meetings.

In accordance with IFRS 7, a sensitivity analysis of the change in interest rates (100 basis-point increase or decrease: immediate impact across the entire curve occurring on the first day of the financial year and remaining constant thereafter) is presented in Note 13 – Derivatives and other non-current assets and liabilities.

The Group does not have any significant interest-bearing assets.

Currency risk

The majority of sales by the Group's companies are denominated in euros.

Some purchases of supplies payable in USD and GBP may be hedged in order to secure the exchange rate.

The Group also has several investments in foreign operations whose net assets are exposed to foreign currency translation risk.

Liquidity risk

The Holdelis Group needs to ensure that it has sufficient financial resources to meet its operational needs and maintain its investment capacity.
It manages liquidity risk by constantly monitoring the duration of financing, ensuring that credit facilities are always available, and by diversifying resources.
The Group also carefully manages available cash and has set up cash pooling arrangements in its main countries for optimization purposes.

The Group's consolidated net debt as at December 31, 2013 amounted to €1,995.3 million. Some of the debt was contracted under loan agreements containing the usual legal and financial covenants for this kind of transaction and providing for early repayment in the event of non-compliance.

The debt maturity schedule is disclosed in Note 12 – Net debt.

The financial covenants require the Group to maintain certain financial ratios. Based on these consolidated financial statements, the Group was in compliance with all these commitments as at December 31, 2013:

- Consolidated interest cover ratio = 3.74 (must be above 3.01);
- Cash flow cover ratio = 1.78 (must be above 1.00);
- Senior leverage ratio = 3.51 (must be below 4.23);
- Leverage ratio = 4.45 (must be below 5.40);
- Capital expenditure = 88.8 (must be below 110.0).

Credit and counterparty risk

Financial assets that could expose the Group to credit or counterparty risk chiefly correspond to the following:

- trade receivables: Holdelis Group insures against customer risk in France with a reputable insurance company. Outstanding trade receivables are managed in a decentralized manner based on delegation and subsidiary principles. The amounts and age of outstanding trade receivables are monitored closely. They are an integral part of the monthly reporting system. There is no significant concentration of credit risk (significant proportion of one or more counterparties in outstanding receivables).
- investments: the Group's policy is to invest cash in UCITS money market funds with short-term maturities in order to achieve yields close to EONIA, in compliance with diversification and counterparty rules. As at December 31, 2013, the Group's short-term investments, which amounted to €24.2 million (see Note 7 – Cash and cash equivalents) – mainly comprising money market mutual funds (*fonds commun de placement*) managed by one of the world market leaders in asset management. Consequently, these investments do not expose the Group to a significant level of counterparty risk. In addition, as part of its interest rate and foreign exchange risk management strategy, the Group sets up hedges with leading financial institutions for which the counterparty risk is deemed to be negligible.

Notes

Note 1 – Business combinations and goodwill

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Gross value	1,488,500	1,499,632	1,493,264
Accumulated impairment	(48,640)	(32,958)	0
Carrying amount at beginning of year	**1,439,859**	**1,466,675**	**1,493,264**
Acquisitions	19,841	14,425	5,024
Disposals	0	0	0
Translation adjustments	(976)	633	1,015
Reclassification as assets held for sale	0	(26,190)	0
Other changes	54	0	330
Changes in gross carrying amount	**18,920**	**(11,133)**	**6,369**
Impairment	(4,000)	(37,583)	(32,958)
Translation adjustments	(73)	0	0
Reclassification as assets held for sale	0	21,900	0
Changes in impairment	**(4,073)**	**(15,683)**	**0**
Carrying amount at end of year	**1,454,707**	**1,439,859**	**1,466,675**
Gross value	1,507,420	1,488,500	1,499,632
Accumulated impairment	(52,713)	(48,640)	(32,958)

2013 acquisitions

The Group made the following investments during the period:

- acquisition on January 14, 2013 of Cleantex Potsdam Textilpflege GmbH (Potsdam, Germany). Cleantex operates a plant in Potsdam, located 20 kilometers from Berlin. It serves 150 clients in the hospitality and health sectors, has 80 employees and generates annual revenue of €3 million.
- acquisition on January 24, 2013 of the Inotex Group (Bern, Switzerland). Inotex operates a plant in Bern, serves 300 clients (mainly in German-speaking Switzerland), has 190 employees and generates annual revenue of €28 million.
- acquisition on April 2, 2013 of Collectivités Service/Aquaservice (Brest, France). Aquaservice provides water fountain and coffee machine services and generates annual revenue of €2.2 million.
- acquisition of the assets of RLD Sanary-sur-Mer on May 1, 2013 (Toulon, France), which generates annual revenue of €2.4 million mainly in the hospitality and healthcare markets.
- acquisition of the rental business of Reig Marti on June 1, 2013 (Valencia, Spain) which serves hotels throughout the country and generates annual revenue of €3.5 million.

- acquisition on July 10, 2013 of Kunz, located in Hochdorf (canton of Lucerne in Switzerland). With 21 employees, Wäscherei Kunz AG generates revenue of CHF 2.9 million. After the acquisitions of Domeisen and InoTex, this acquisition completes Elis's cover in German-speaking Switzerland.
- acquisition on July 11, 2013 of France Tapis Hygiène Service and its subsidiary Districlean, specialists in corporate cleaning services. With a workforce of 10 employees, F.T.H.S. is located in Northern France and in the Paris area and generates revenue of €1.3 million.
- acquisition on September 24, 2013 of Explotadora de Lavanderias, specialist of flat linen in Majorca (Spain), which mainly serves the hospitality business and generates annual revenue of €4.1 million.

Summary of these acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

(In thousands of euros)	Fair value at the acquisition date
Statement of financial position	
Intangible assets	11,811
Property, plant and equipment	27,447
Available-for-sale financial assets	2
Other non-current assets	9
Deferred tax assets	0
Inventories	435
Trade and other receivables	7,565
Current tax assets	(41)
Other assets	252
Other financial assets	0
Cash and cash equivalents	5,225
Non-current provisions	(139)
Employee benefit liabilities - non-current portion	(13,693)
Non-current borrowings	(3,284)
Deferred tax liabilities	(2,594)
Other non-current liabilities	0
Current provisions	(174)
Employee benefit liabilities - current portion	0
Current tax payables	(163)
Trade and other payables	(3,921)
Other liabilities	(4,500)
Bank overdrafts and current borrowings	(2,591)
IDENTIFIABLE ASSETS AND LIABILITIES (carrying amount)	**21,645**
Non-controlling interests measured at fair value	**1,724**
Goodwill	**19,841**
Purchase price of shares	**43,211**

Cash flows from acquisitions

(In thousands of euros)	December 31, 2013
Net cash acquired	5,225
Amount paid	(44,336)
Net cash flow	**(39,112)**

The total amount of goodwill deductible for tax purposes is zero.

Customer relationships were measured at an aggregate €10,565 thousand using the excess earnings method (level 3 of fair value).

Trade receivables acquired amounted to €8,047 thousand gross, written down by €232 thousand, corresponding to the best estimate at the acquisition date of the cash flows not expected to be collected.

Since the acquisition date, the acquired subsidiaries have contributed €38.3 million in revenue and €3.4 million in operating income. If the acquisitions had taken place at the beginning of the year, additional revenue would have been €7.8 million and additional operating income (before amortization of customer relationships) would have been €0.5 million.

As at December 31, 2013, the initial accounting for the business combinations had not been completed and the amounts recognized were therefore provisional.

Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group’s human capital and the synergies expected to be derived from the acquisitions.

2012 acquisitions

The Group made the following investments during the year:

- acquisition on October 1, 2012 of Grosswäscherei Domeinsen (Endigen, Canton of Aargau, Switzerland). Domeinsen operates an industrial laundry plant in Endingen and serves clients in the hospitality and health sectors. Domeinsen employs around 40 people and generates annual revenue of €3.8 million;
- acquisition of the washroom service activities of ISS on November 1, 2012 in Belgium and Luxembourg. The business generates annual revenue of €5.2 million in the health sector;
- development of health and drink business in Southwest France:
    - acquisition on April 30, 2012 of Pole Services (Ogeu les Bains, France); Pole Services generates annual revenue of €1.5 million and employs 19 people;
    - acquisition on December 3, 2012 of Ser-Konten France (Bayonne, France); Ser-Konten generates annual revenue of €0.2 million and employs four people.

Summary of these acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

(In thousands of euros)	Fair value at the acquisition date (December 31, 2012)
Statement of financial position	
Intangible assets	431
Property, plant and equipment	714
Available-for-sale financial assets	0
Other non-current assets	0
Deferred tax assets	0
Inventories	419
Trade and other receivables	666
Current tax assets	1
Other assets	16
Other financial assets	0
Cash and cash equivalents	323
Non-current provisions	0
Employee benefit liabilities - non-current portion	0
Non-current borrowings	0
Deferred tax liabilities	(147)
Other non-current liabilities	0
Current provisions	0
Employee benefit liabilities - current portion	0
Current tax payables	0
Trade and other payables	(555)
Other liabilities	(1,281)
Bank overdrafts and current borrowings	(68)
IDENTIFIABLE ASSETS AND LIABILITIES (carrying amount)	**519**
Non-controlling interests measured at fair value	**(1,811)**
Goodwill	**14,425**
Purchase price of shares	**13,133**

Cash flows from acquisitions

(In thousands of euros)	December 31, 2012
Net cash acquired	256
Amount paid	(14,216)
Net cash flow	**(13,961)**

The total amount of goodwill deductible for tax purposes amounted to €8.2 million.

Trade receivables amounted to €0.6 million gross, written down by €6 thousand, corresponding to the best estimate at the acquisition date of the cash flows not expected to be collected.

Since the acquisition date, the acquired subsidiaries have contributed €2.8 million in revenue and €0.4 million in operating income for 2012. If the combinations had taken place at the beginning of the year, additional revenue would have been €10.7 million and additional operating income (before amortization of customer relationships) would have been €1.5 million.

Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the expected synergies arising from the acquisitions.

2011 acquisitions

The Group made the following investments in 2011:

- acquisition of the business goodwill of "Clean du Bouquet" (Pontault-Combault, France) on January 1, 2011;
- acquisition of the business goodwill of "Polytex 37" (Tours, France) on February 1, 2011;
- acquisition on June 1, 2011 of Blanchâtel (La Chaux-de-Fonds, Canton of Neuchâtel, Switzerland);
- acquisition on September 30, 2011 of Azelab Productos (Sant Quirze del Vallès, Barcelona, Spain);
- acquisition of the assets of Blanchinet 48 (Morges, Canton of Vaud, Switzerland) on November 25, 2011;
- acquisition on November 30, 2011 of Wäscherei Papritz (Rüdtligen, Canton of Bern, Switzerland);
- acquisition on December 29, 2011 of the Spanish companies Blycolin Servicios Hoteleros and Blycolin Textilrenting in Las Rozas (Madrid, Spain), the Portuguese company Blycolin Textilrenting Unipessoal (Lisbon, Portugal), and the Swiss company Blycolin Textilleasing in Liestal (Canton of Basel, Switzerland).

(In thousands of euros)	Fair value at the acquisition date (December 31, 2011)
Statement of financial position	
Intangible assets	2,953
Property, plant and equipment	11,485
Available-for-sale financial assets	20
Other non-current assets	0
Deferred tax assets	5
Inventories	710
Trade and other receivables	7,344
Current tax assets	1
Other assets	52
Other financial assets	0
Cash and cash equivalents	5,236
Non-current provisions	0
Employee benefit liabilities - non-current portion	(1,184)
Non-current borrowings	(489)
Deferred tax liabilities	(946)
Other non-current liabilities	0
Current provisions	0
Employee benefit liabilities - current portion	0
Current tax payables	(161)
Trade and other payables	(2,173)
Other liabilities	(10,637)
Bank overdrafts and current borrowings	0
IDENTIFIABLE ASSETS AND LIABILITIES (carrying amount)	**12,215**
Non-controlling interests measured at fair value	0
Goodwill	5,024
Purchase price of shares	**17,239**

Cash flows from acquisitions

(In thousands of euros)	December 31, 2011
Net cash acquired	5,236
Amount paid	(18,604)
Net cash flow	**(13,368)**

Impairment tests as at December 31, 2013

In accordance with IAS 36, the Holdelis Group allocates goodwill to its cash generating units (CGUs) for the purposes of conducting impairment tests.

The carrying amount of goodwill is allocated to the cash-generating units as follows:

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
France segment	**1,378,376**	**1,375,263**	**1,373,763**
Germany	1,955	1,465	927
Belgium	18,513	18,513	11,600
Luxembourg	1,275	1,275	0
Spain	1,383	0	458
Italy	1,669	1,669	1,669
Portugal	0	0	9,504
Switzerland	34,217	19,838	15,502
Europe segment	**59,012**	**42,760**	**39,659**
Le Jacquard Français	0	0	5,721
Kennedy	17,318	21,837	21,341
Molinel	0	0	26,190
Manufacturing entities segment	**17,318**	**21,837**	**53,252**
Carrying amount of goodwill	**1,454,707**	**1,439,859**	**1,466,675**

Discounted cash flow method:

1. *Calculating future cash flows*

Goodwill impairment tests are performed by determining the value in use of each cash-generating unit, using the following method for calculating recoverable amounts:

- estimation of projected future cash flows based on the five-year business plans set by the management of each cash-generating unit and validated by the management team of the parent company. Future cash flows are estimated based on conservative growth assumptions;
- cash flows are calculated according to the discounted cash flow method (EBITDA +/- changes in working capital - normative tax - capital expenditure);
- the terminal value is calculated on a perpetual income basis;
- discounted cash flow is calculated on the basis of the weighted average cost of capital (WACC), which in turn is based on inputs for the financial return and industry-specific risks of the market on which it operates.

2. *Method for calculating WACC*

Given the financial crisis, Holdelis used the following inputs for calculating WACC:

- risk-free rate: the average risk-free interest rate (German sovereign bond yield for Europe and US bond yield for the rest of the world) over a two-to-five year observation period, plus a country-specific premium (corresponding to the difference between the sovereign bonds of the country and the benchmark bond yield);
- credit spread: the average over a two-to-five year observation period;
- the levered beta of comparable companies: the observed beta on the WACC calculation date (insofar as the beta is the result of a linear regression over the last two years, it reflects the medium-term sensitivity of the value of the securities of a given company compared to the market);
- gearing ratio (net debt/equity) for comparable companies: ratio calculated on the basis of market capitalizations to net debt, observed on a quarterly basis over the last two years:
    - the average gearing ratio obtained for each comparable company is used to unlever the company's beta,
    - the unlevered beta is representative of industry beta and will be used to calculate WACC (extreme values are excluded from the average),
    - the gearing used to calculate WACC is derived from the average debt to equity ratio calculated on the basis of the quarterly ratios of comparable companies.

Fundamental assumptions for impairment tests

The business plans of each CGU were prepared on the basis of management's best estimate of the impact of the current economic downturn. Projected cash flows are therefore reasonable and reflect, where appropriate, the resilience of the CGU's business.

Overall sensitivity of tests to WACC and the perpetual growth rate

The WACC used for impairment testing on each CGU was as follows:

Country	France	Portugal	Spain	Belgium	Germany	UK	Switzerland	Italy
Risk-free rate	3.18%	9.49%	5.79%	3.74%	2.46%	2.93%	1.43%	5.49%
Credit spread (weighted average of actual debt)	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%
Before-tax cost of debt	**4.02%**	**10.33%**	**6.63%**	**4.58%**	**3.30%**	**3.77%**	**2.27%**	**6.33%**
Tax rate	34.0%	25.0%	30.0%	34.0%	29.5%	24.0%	21.2%	31.4%
After-tax cost of debt	**2.65%**	**7.74%**	**4.64%**	**3.02%**	**2.33%**	**2.86%**	**1.78%**	**4.34%**
Market risk premium	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Levered equity beta	**1.012**	**1.036**	**1.022**	**1.012**	**1.024**	**1.039**	**1.046**	**1.019**
Cost of equity	**8.24%**	**14.67%**	**10.90%**	**8.80%**	**7.58%**	**8.12%**	**6.66%**	**10.58%**
Gearing	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%
WACC	**6.87%**	**12.98%**	**9.37%**	**7.39%**	**6.30%**	**6.83%**	**5.47%**	**9.05%**

The sensitivity of the impairment tests on the France cash-generating unit was as follows (difference between the carrying amount and recoverable amount of the CGU):

As at December 31, 2013 (In millions of euros)		Perpetuity growth rate 1.5%	2.0%	2.5%
WACC	6.37%	638	886	1,198
	6.87%	400	**599**	843
	7.37%	203	365	561

As at December 31, 2012 (In millions of euros)		Perpetuity growth rate 1.5%	2.0%	2.5%
WACC	6.82%	423	635	897
	7.32%	213	**386**	595
	7.82%	36	179	349

As at December 31, 2011 (In millions of euros)		Perpetuity growth rate 1.5%	2.0%	2.5%
WACC	6.85%	266	462	703
	7.35%	71	**231**	424
	7.85%	(93)	40	197

The sensitivity analysis presented above shows that the recoverable amount of the France CGU exceeds the carrying amount. In accordance with IAS 36, impairment testing is required on all the other CGUs.

Recognition of impairment

As at December 31, 2013, the Group recognized an impairment loss of €4.0 million on the Kennedy CGU, reflecting the decline in estimated future cash flows.

As at December 31, 2012, the Group recognized impairment losses of €37.6 million, mainly for the Molinel, Portugal and Le Jacquard Français CGUs (as at December 31, 2011, the Group recognized impairment losses of €33.0 million for the Spain, Portugal and Le Jacquard Français CGUs). This reflected the continuing economic crisis affecting the CGUs and the increase in their WACC. These impairment losses were recorded on the basis of a multi-criteria approach (discounted cash flow valuation and valuation by multiples of economic indicators).

Note 2 – Intangible assets

(In thousands of euros)	Trademarks	Customer relationships	Other	Total
Gross value	221,068	503,949	22,984	748,001
Accumulated amortization and impairment	(556)	(187,899)	(9,069)	(197,525)
Carrying amount as at December 31, 2010	**220,512**	**316,049**	**13,915**	**550,476**
Investments	264	0	17,401	17,665
Changes in consolidation scope	0	2,948	4	2,953
Retirements and disposals	7	0	0	7
Amortization	(267)	(54,442)	(3,844)	(58,553)
Translation adjustments	34	211	0	245
Impairment	0	(5,826)	0	(5,826)
Other	0	0	(360)	(360)
Gross value	221,164	507,122	40,021	768,307
Accumulated amortization and impairment	(615)	(248,181)	(12,905)	(261,700)
Carrying amount at December 31, 2011	**220,550**	**258,941**	**27,116**	**506,607**
Investments	227	0	18,924	19,152
Changes in consolidation scope	0	426	5	431
Retirements and disposals	0	0	0	0
Amortization	(231)	(38,558)	(3,438)	(42,226)
Translation adjustments	31	63	0	94
Impairment	(5,900)	0	0	(5,900)
Reclassification as assets held for sale	(5,300)	0	(303)	(5,603)
Other	0	0	7	7
Gross value	215,979	507,618	58,412	782,008
Accumulated amortization and impairment	(6,602)	(286,746)	(16,099)	(309,447)
Carrying amount at December 31, 2012	**209,377**	**220,873**	**42,313**	**472,562**
Investments	153	0	12,107	12,259
Changes in consolidation scope	(1)	10,565	1,254	11,817
Retirements and disposals	(270)	0	(157)	(427)
Amortization	(233)	(39,644)	(4,710)	(44,587)
Translation adjustments	(28)	(253)	(13)	(293)
Impairment	0	0	(23,173)	(23,173)
Reclassification as assets held for sale	0	0	0	0
Other	59	0	41	100
Gross value	215,920	517,897	71,635	805,452
Accumulated amortization and impairment	(6,864)	(326,356)	(43,974)	(377,194)
Carrying amount at December 31, 2013	**209,056**	**191,540**	**27,661**	**428,258**

Other intangible assets mainly comprise software and include the investments associated with the change in IT systems amounting to €20.0 million as at December 31, 2013 (€43.1 million of which €23.1 million for assets in progress fully written off), €32.7 million as at December 31, 2012 (assets in progress: €23.0 million) and €16.5 million as at December 31, 2011 (recognized under assets in progress).

Impairment tests on intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives comprise brand s. They were tested for impairment at the end of the reporting period.

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011	Amortization
ELIS brands in France	184,700	184,700	184,700	Not amortized
ELIS brands in Europe	21,800	21,800	21,800	Not amortized
Le Jacquard Français brand	*900*	*900*	*6,800*	*Impaired*
Molinel brand	*0*	*0*	*5,300*	*Not amortized*
Kennedy brand	*1,338*	*1,366*	*1,335*	*Not amortized*
Brands of manufacturing entities	2,238	2,266	13,435	
Other	318	611	615	
Total trademarks	**209,056**	**209,377**	**220,550**	

As all the brand s were derived from a business combination, their recoverable amount was determined using the same method as that applied when measuring their fair value for the purpose of allocating goodwill.

The assumptions used for the purposes of impairment testing based on the discounted royalties of Holdelis' brands are as follows:

	Elis	Le Jacquard Français	Kennedy
Discount rate	7.87%	7.87%	7.83%
Growth rate of revenue generated by the trademark over 5 years	3%	1%	2%
Perpetuity growth rate	2%	2%	2%
Royalty rate	2%	4%	2%

The sensitivity of the excess of the recoverable amount of the Elis brand over its carrying amount is as follows:

(In millions of euros)	Perpetuity growth rate		
Discount rate	**1.5%**	**2.0%**	**2.5%**
7.37%	73	94	119
7.87%	51	**69**	89
8.37%	33	48	65

Impairment tests carried out on all of the Holdelis Group's brand s resulted in the recognition of an impairment loss of €5.9 million for the Jacquard Français brand as at December 31, 2012.

Note 3 – Property, plant and equipment

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Owned property, plant and equipment	**624,524**	**689,913**	**613,435**
Leased property, plant and equipment	**6,617**	**9,251**	**9,674**
Total property, plant and equipment	**631,141**	**699,165**	**623,109**

(In thousands of euros)	Land and buildings	Vehicles	Plant & equipment	Rental-cleaning items	Total
Gross value	258,251	51,841	241,273	332,272	883,637
Accumulated depreciation and impairment	(36,839)	(21,427)	(69,479)	(171,866)	(299,612)
Carrying amount as at December 31, 2010	**221,412**	**30,414**	**171,794**	**160,406**	**584,026**
Investments	22,596	7,105	31,946	150,215	211,863
Changes in consolidation scope	4,874	488	3,094	3,029	11,485
Retirements and disposals	(9,199)	(133)	(757)	(105)	(10,194)
Depreciation	(13,186)	(7,824)	(26,947)	(127,056)	(175,014)
Translation adjustments	544	28	280	62	914
Reclassification as assets held for sale	0	0	0	0	0
Other	493	0	(447)	(16)	30
Gross value	276,235	58,733	272,705	381,045	988,718
Accumulated depreciation and impairment	(48,702)	(28,654)	(93,742)	(194,511)	(365,609)
Carrying amount as at December 31, 2011	**227,534**	**30,079**	**178,963**	**186,534**	**623,109**
Investments	35,229	5,453	41,592	144,237	226,511
Changes in consolidation scope	27	18	349	321	714
Retirements and disposals	(89)	(118)	(543)	(836)	(1,585)
Depreciation	(13,603)	(8,217)	(26,854)	(99,758)	(148,432)
Translation adjustments	212	8	126	24	370
Reclassification as assets held for sale	(1,304)	(10)	(180)	(21)	(1,516)
Other	153	7	(241)	75	(7)
Gross value	310,060	63,232	309,720	496,688	1,179,700
Accumulated depreciation and impairment	(61,901)	(36,012)	(116,510)	(266,112)	(480,535)
Carrying amount as at December 31, 2012	**248,158**	**27,220**	**193,211**	**230,576**	**699,165**
Investments	8,284	5,916	34,813	142,245	191,258
Changes in consolidation scope	10,270	704	11,784	4,704	27,463
Retirements and disposals	(8,794)	(134)	(1,327)	(54)	(10,308)
Depreciation	(13,828)	(8,372)	(30,288)	(130,556)	(183,044)
Translation adjustments	(525)	(29)	(360)	(168)	(1,082)
Impairment	0	0	(3,331)	0	(3,331)
Reclassification as assets held for sale	(88,879)	0	0	0	(88,879)
Other	474	1	(781)	207	(100)
Gross value	228,805	69,010	352,421	526,696	1,176,931
Accumulated depreciation and impairment	(73,644)	(43,704)	(148,700)	(279,742)	(545,790)
Carrying amount as at December 31, 2013	**155,161**	**25,307**	**203,721**	**246,953**	**631,141**

Note 4 – Equity-accounted companies

The Group's share of the net income of associates and joint ventures, and their aggregate assets (including goodwill) and liabilities is as follows:

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Share in assets and liabilities of associates and joint ventures:			
Non-current assets	0	0	0
Current assets	0	0	891
Non-current liabilities	0	0	0
Current liabilities	0	0	(168)
Net assets	**0**	**0**	**723**

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Share of net income and expenses of associates and joint ventures:			
Revenue	639	2,916	2,239
Net income	68	197	116

Equity-accounted companies as at December 31, 2011 were reclassified within assets held for sale as at December 31, 2012 (see Note 29 – Assets held for sale).

Note 5 – Inventories

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Raw materials, supplies	10,709	10,413	13,340
Work in progress	263	193	1,071
Intermediate and finished goods	7,258	7,287	12,554
Goods for resale	26,195	19,716	22,625
Inventories	**44,424**	**37,610**	**49,590**
o/w inventories (at cost)	45,083	38,052	51,680
o/w impairment	(659)	(443)	(2,089)

Note 6 – Trade and other receivables

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Trade receivables and notes receivable (gross)	292,983	278,473	273,568
Allowance for bad debts	(27,915)	(23,043)	(21,255)
Trade receivables and notes receivable	**265,069**	**255,430**	**252,313**
Other receivables	32,024	19,186	20,692
Total trade and other receivables	**297,092**	**274,616**	**273,005**
collection expected in less than one year	297,092	274,616	273,005
collection expected in more than one year	-	-	-

Given their short maturities, the fair value of trade and other receivables is the same as their carrying amount.

Credit risk

The management of credit risk is described in detail in the "Financial risk management" section.

The maximum exposure to credit risk is limited to the carrying amount of trade receivables. The due dates of trade and other receivables are as follows:

(In thousands of euros)	December 31, 2013		
	Gross value	Impairment	Net value
Not yet due or less than 120 days overdue	253 954	(702)	**253 252**
Between 120 and 360 days overdue	9 906	(3 749)	**6 157**
More than 360 days overdue	29 124	(23 464)	**5 659**
Trade receivables	**292 983**	**(27 915)**	**265 069**

(In thousands of euros)	December 31, 2012		
	Gross value	Impairment	Net value
Not yet due or less than 120 days overdue	245 513	(403)	**245 110**
Between 120 and 360 days overdue	9 709	(3 658)	**6 052**
More than 360 days overdue	23 251	(18 982)	**4 269**
Trade receivables	**278 473**	**(23 043)**	**255 430**

(In thousands of euros)	December 31, 2011		
	Gross value	Impairment	Net value
Not yet due or less than 120 days overdue	244 818	(1 453)	**243 365**
Between 120 and 360 days overdue	10 132	(4 556)	**5 576**
More than 360 days overdue	18 617	(15 246)	**3 372**
Trade receivables	**273 568**	**(21 255)**	**252 312**

Note 7 – Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Demand deposits	25,223	34,472	20,540
Term deposits and marketable securities	24,231	20,680	1,384
Cash and cash equivalents	**49,454**	**55,152**	**21,924**
Cash and cash equivalents classified as assets held for sale	0	465	0
Bank overdrafts	(856)	(939)	(981)
Cash and cash equivalents, net	**48,598**	**54,678**	**20,943**

Note 8 – Share capital and reserves

Changes in share capital

Number of shares as at December 31, 2010	**214,663,565**
Number of shares as at December 31, 2011	**214,663,565**
Number of shares as at December 31, 2012	**214,663,565**
Number of shares as at December 31, 2013	**922,354,554**
Number of authorized shares	922,354,554
Number of shares issued and fully paid up	922,354,554
Number of shares issued and not fully paid up	-
Par value of shares	0.50
Treasury shares	0
Shares reserved for issue under options and sales agreements	-

During fiscal year 2013:

- At the shareholders’ meeting of December 6, 2013, shareholders approved the €107.3 million reduction in capital, by reducing the par value of shares from €1 to €0.50. The corresponding amount was recorded in the "additional paid-in capital" account;
- At the shareholders' meeting of December 17, 2013, shareholders decided to increase capital by €417.6 million by capitalizing the bonds previously held by Eurazeo and ECIP ELIS;
- As a result of various contributions by Eurazeo and ECIP ELIS to Legendre Holding 27, Legendre Holding 27 (subsidiary of Eurazeo) now holds a 91.7% stake in Holdelis.

Equity warrant plan for executive management

At the time of the acquisition of the Elis Group by Eurazeo, certain senior executives were authorized to subscribe to equity warrants issued by Holdelis via Quasarelis, a special purpose entity created to manage the investments of the senior executives. Eurazeo agreed to share with these senior executives the risks and rewards relating to the investment. The equity warrants were subscribed at fair value for an aggregate €3.2 million and were measured using standard models adapted for the purpose. The characteristics of the equity warrants issued by Holdelis on October 4, 2007 (as amended by decisions of the shareholders on December 17, 2013 with no change in fair value) are as follows:

Number of warrants	Issuance price		Exercise conditions			Maximum increase in share capital	
	Unit	Total	Dates	Unit price	Par value	No. of shares	Value
	EUR	In thousands of euros		EUR	EUR		In thousands of euros
16000000	0.20	3,200	In the event of disposal or IPO of Holdelis	0.50	0.50	160,000,000	80,000

The investment only potentially generates a gain once a certain level of profitability has been reached. Eurazeo's commitment is confined to passing on the gain realized on the shares (beyond a minimum rate of return defined at inception) in the event of a disposal or stock market listing. Accordingly, the impact of the future dilution, which will not be reflected until Eurazeo withdraws from the company's capital, is the capping of the disposal gain at the level of the amount attributable to the senior executives. Further, Eurazeo's undertaking towards the senior executives is only applicable in the event that the company's shares are sold or floated, i.e., decisions which are at the discretion of Eurazeo. Accordingly, these instruments will be recorded in equity in the event that Eurazeo withdraws from the company's capital.

In certain specific cases or in the event of a withdrawal, Eurazeo's potential commitment to buy back the shares in the entity holding the financial instruments from the senior executives is taken into account. Where applicable, a liability will be recognized for the amount of the contractual commitments.

Free share grant plan

On December 23, 2010, Holdelis' shareholders' meeting authorized the President to implement a free share grant plan, under which 9,103,717 shares have been issued to certain key managers and employees of the Group in order to involve them in the Group's development. The shares granted will only vest after a minimum period of two years and under various conditions (performance, presence and IPO of the company within four years).

The fair value of Holdelis' shares is based on multiples of comparable companies applied to income statement indicators. The related expense is disclosed in **Note 19 – Other income and expense**.

Note 9 – Dividends paid and proposed

No dividends have been paid to Holdelis' shareholders during the previous three years. No dividends will be proposed for approval by shareholders at the annual general meeting.

Note 10 – Provisions

(In thousands of euros)	Compliance	Litigation	Other	Total
As at December 31, 2010	15,451	3,281	1,294	**20,025**
Increases/additions for the year	600	1,525	289	2,414
Changes in consolidation scope				
Decreases/reversals of provisions used	(828)	(1,451)	(651)	(2,931)
Decreases/reversals of surplus or unused provisions				
Reclassification as liabilities associated with assets held for sale				
Reclassification/translation adjustments	21		0	21
As at December 31, 2011	15,243	3,354	932	**19,529**
Increases/additions for the year	1,325	2,105	3,827	7,257
Changes in consolidation scope				
Decreases/eversals of provisions used	(1,193)	(1,659)	(394)	(3,247)
Decreases/reversals of surplus or unused provisions				
Reclassification as liabilities associated with assets held for sale	(183)		(14)	(197)
Reclassification/translation adjustments	5		0	5
As at December 31, 2012	15,197	3,800	4,351	**23,348**
Increases/additions for the year	1,623	1,959	303	3,885
Changes in consolidation scope		89	224	313
Decreases/reversals of provisions used	(1,323)	(1,430)	(2,899)	(5,652)
Decreases/reversals of surplus or unused provisions				
Reclassification as liabilities associated with assets held for sale				
Reclassification/translation adjustments	(11)		0	(12)
As at December 31, 2013	15,487	4,418	1,978	**21,883**
Current portion		4,371	1,783	**6,154**
Non-current portion	15,487	47	195	**15,729**

Provisions for environmental compliance

Provisions for environmental compliance are assessed based on experts' reports and the Group's experience. These provisions correspond to the expected costs of studies or work to be undertaken by the Group to comply with its environmental obligations. They relate to sites or categories of work which are to be dealt with in the foreseeable future.

Provisions for litigation

Holdelis recognizes contingent liabilities for disputes and legal proceedings occurring in the ordinary course of its business. It does not expect these liabilities to result in material obligations beyond those for which provisions have already been recognized.

The provisioned amount is the best estimate by management, given the risk, the likelihood of occurrence and the information available at the time the consolidated financial statements were prepared.

Other provisions include provisions for restructuring and provisions for onerous contracts.

Note 11 – Employee benefit liabilities

Defined contribution plans

The Group pays contributions under a range of mandatory systems or on a voluntary basis under contractual agreements. In the case of the latter, the Group's obligation is limited to the payment of contributions.

Defined benefit plans

Holdelis Group's commitments to defined benefit plans and other post-employment benefits are chiefly related to its French subsidiaries and consist of:

- complementary retirement benefits paid to a category of senior executives. All members of the complementary retirement scheme have already retired and the scheme is now closed;
- retirement benefits paid to employees when they retire in accordance with normal French regulations.
- long-service awards, for which the amount paid depends on seniority.

The Swiss subsidiaries of Holdelis have employee benefit liabilities in accordance with Swiss Law on Occupational Benefits.

Employee-related liabilities

The Group's obligations are partially funded by external funds. Unfunded amounts are covered by provisions recognized in the statement of financial position. The following table shows changes in the liability recognized in the Holdelis Group's statement of financial position:

(In thousands of euros)	Obligation	Fair value of plan assets	Liability
As at December 31, 2010	**36,470**	**5,196**	**31,273**
Current service cost	2,019	486	1,533
Interest expense	1,375	153	1,222
Benefits paid	(2,283)		(2,283)
Employee contributions	294	294	
Past service cost			
Plan amendments			
Plan curtailments or settlements			
Actuarial gains and losses	269		269
Changes in consolidation scope	3,976	2,792	1,184
Reclassification as liabilities directly associated with assets held for sale			
Translation adjustments	189	144	45
As at December 31, 2011	**42,309**	**9,065**	**33,245**
Current service cost	2,223		2,223
Interest expense	1,389	168	1,221
Benefits paid	(1,741)		(1,741)
Employee contributions	243	641	(398)
Past service cost			
Impact of plan changes			
Plan curtailments or settlements			
Actuarial gains and losses	1,860	(2,031)	3,891
Changes in consolidation scope			
Reclassification as liabilities directly associated with assets held for sale	(476)		(476)
Translation adjustments	26		26
As at December 31, 2012	**45,834**	**7,843**	**37,991**
Current service cost	3,254		3,254
Interest expense	1,736	473	1,263
Benefits paid	(2,375)		(2,375)
Employee contributions	881	881	
Employer contributions	1	1,133	(1,132)
Past service cost			
Plan amendments	(700)		(700)
Plan curtailments or settlements			
Return on plan assets			
Actuarial gains and losses	(6,662)	(934)	(5,728)
Changes in consolidation scope	34,029	20,321	13,708
Reclassification as liabilities directly associated with assets held for sale			
Translation adjustments	(597)	(420)	(177)
As at December 31, 2013	**75,400**	**29,296**	**46,104**

The corresponding obligations are measured using the projected unit credit method.

Geographic information

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
France	32,276	32,476	28,660
Other countries	13,829	5,515	4,585
Employee benefit liabilities	**46,104**	37,991	**33,245**

The actuarial assumptions used to measure the liability and obligation for France are as follows:

	December 31, 2013	December 31, 2012	December 31, 2011
Discount rate	3.0%	3.0%	4.2%
Expected salary increase rate	2.0% - 3.0%	2.0% - 3.0%	2.0% - 3.0%
Expected retirement benefit increase rate	1.7%	1.7%	2.0%

Funded status of employee benefit obligation

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Present value of unfunded obligations	33,687	34,086	30,340
Present value of fully or partially funded obligations	41,713	11,748	11,969
Unrecognized past service cost (3)			
Total value of defined benefit plan obligations (1)	**75,400**	45,834	**42,309**
Fair value of plan assets (2)	**29,296**	7,843	**9,065**
Total value of defined benefit plan liability (1) - (2) - (3)	**46,104**	37,991	**33,245**

Note 12 – Net debt

Consolidated debt

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Bonds subscribed by Eurazeo/ECIP Elis	0	381,010	352,716
Legendre Holding 27 (PIK Bonds)	173,000	0	0
Other bond debt	830,000	620,509	607,646
Bond debt	1,003,000	1,001,519	960,362
Structured facilities	946,804	1,334,077	1,279,913
Finance lease liabilities	6,335	5,946	6,575
Other loans and overdrafts	10,930	10,260	17,872
Accrued interest	26,053	28,090	35,728
Loan from employee profit-sharing fund	33,626	44,529	39,612
Loans	1,023,748	1,422,902	1,379,700
Borrowings	**2,026,748**	**2,424,421**	**2,340,062**
Of which maturing in less than one year	118,013	117,134	70,314
Of which maturing in more than one year	1,908,735	2,307,287	2,269,747
Cash and cash equivalents	**49,454**	**55,616**	**21,924**
Net debt	**1,977,294**	**2,368,805**	**2,318,138**
Loans and borrowings by currency			
EUR	2,020,404	2,418,335	2,325,033
GBP			
CHF	6,344	6,086	15,029
CZK			
Other			

Breakdown of consolidated debt

As at December 31, 2013, consolidated debt comprised the following:

(In thousands of euros)	December 31, 2013	Fixed	Floating		Maturities
			hedged	unhedged	
Legendre Holding 27 (PIK Bonds) 12-month EURIBOR (*) +10.35%	**183,867**			183,867	June 2019
Senior subordinated bonds 3-month EURIBOR (*) +7%	**381,351**			381,351	December 2018
Senior secured bonds 6%	**451,500**	451,500			June 2018
Other structured financing EURIBOR +4.25%	**959,128**		735,000	224,128	October 2017
Loan from employee profit-sharing fund	**33,626**	33,626			
Finance leases	**6,335**	6,335			
Other	**10,085**	10,085			
Overdrafts	**856**			856	
Borrowings	**2,026,748**	**501,547**	**735,000**	**790,201**	

(* floor at 1%)

In addition, as at December 31, 2013, the Group had an undrawn credit line of €43 million.

As at December 31, 2013, the repayment dates for consolidated debt and related interest are presented hereafter.

The future contractual cash flows are based on the receivables shown in the statement of financial position at the end of the fiscal year, and do not take into account any possible subsequent management decision that could significantly alter the Group's debt structure or hedging policy. The figures for interest payable reflect the cumulative interest payable until the due date or planned repayment date of the related loan. They were estimated on the basis of forward rates calculated from the yield curves at the reporting date.

(In thousands of euros)	Carrying amount Amortized cost	Cash flow 2014 Principal	Contractual fixed rate interest	Hedged floating-rate interest	*Floating-rate interest*	*Hedge impact*	Unhedged floating-rate interest
Legendre Holding 27 (PIK Bonds) 12-month EURIBOR (*) +10.35%	183,867						
Senior subordinated bonds 3-month EURIBOR (*) +7%	381,351						30,991
Senior secured bonds 6%	451,500		27,525				
Other structured financing EURIBOR +4.25%	959,128	100,000		40,197	*31,603*	*8,594*	9,636
Loan from employee profit-sharing fund	33,626	7,585	303				
Finance leases	6,335	1,071	407				0
Other	10,085	3,718	161				0
Overdrafts	856	856					
Total interest-bearing loans and borrowings	**2,026,748**	**113,229**	**28,396**	**40,197**	***31,603***	***8,594***	**40,627**

(In thousands of euros)	Carrying amount Amortized cost	Cash flow 2015-2018 Principal	Contractual fixed rate interest	Hedged floating-rate interest	*Floating-rate interest*	*Hedge impact*	Unhedged floating-rate interest
Legendre Holding 27 (PIK Bonds) 12-month EURIBOR (*) +10.35%	183,867						
Senior subordinated bonds 3-month EURIBOR (*) +7%	381,351	380,000					130,043
Senior secured bonds 6%	451,500	450,000	95,775				
Other structured financing EURIBOR +4.25%	959,128	956,666		118,934	*108,125*	*10,809*	32,967
Loan from employee profit-sharing fund	33,626	26,041	1,042				
Finance leases	6,335	2,156	1,514				0
Other	10,085	6,149	336				0
Overdrafts	856						
Total interest-bearing loans and borrowings	**2,026,748**	**1,821,012**	**98,667**	**118,934**	***108,125***	***10,809***	**163,010**

(In thousands of euros)	Carrying amount Amortized cost	Cash flow 2019 and beyond Principal	Contractual fixed rate interest	Hedged floating-rate interest	*Floating-rate interest*	*Hedge impact*	Unhedged floating-rate interest
Legendre Holding 27 (PIK Bonds) 12-month EURIBOR (*) +10.35%	183,867	173,000					166,874
Senior subordinated bonds 3-month EURIBOR (*) +7%	381,351						
Senior secured bonds 6%	451,500						
Other structured financing EURIBOR +4.25%	959,128						
Loan from employee profit-sharing fund	33,626						
Finance leases	6,335	3,109	5,194				
Other	10,085	218					
Overdrafts	856						
Total interest-bearing loans and borrowings	**2,026,748**	**176,327**	**5,194**	**0**	***0***	***0***	**166,874**

(In thousands of euros)	Carrying amount Amortized cost	Estimate of future cash flows as at December 31, 2013 Principal	Total hedged fixed/floating-rate interest	Total unhedged fixed/floating-rate interest
Legendre Holding 27 (PIK Bonds) 12-month EURIBOR (*) +10.35%	183,867	173,000	0	166,874
Senior subordinated bonds 3-month EURIBOR (*) +7%	381,351	380,000	0	161,034
Senior secured bonds 6%	451,500	450,000	123,300	0
Other structured financing EURIBOR +4.25%	959,128	1,056,666	159,130	42,603
Loan from employee profit-sharing fund	33,626	33,626	1,345	0
Finance leases	6,335	6,335	7,115	0
Other	10,085	10,085	496	0
Overdrafts	856	856	0	0
Total interest-bearing loans and borrowings	**2,026,748**	**2,110,568**	**291,387**	**370,510**

As at December 31, 2012, the repayment dates for consolidated debt and related interest were as follows:

In thousands of euros	Carrying amount	Cash flow 2013					
	Amortized cost	Principal	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Bonds subscribed by Eurazeo/ECIP	388,443						
Other stuctured financing	1,975,234	85,862		55,863	*34,040*	*21,823*	16,687
Loan from employees (profit sharing)	44,529	13,908	834				
Finance leases	5,946	1,148	407				12
Other	9,331	2,343	230				1
Overdrafts	939	939					
Total borrowings	**2,424,421**	**104,200**	**1,472**	**55,863**	***34,040***	***21,823***	**16,701**

In thousands of euros	Carrying amount	Cash flow 2014-2017 (1)					
	Amortized cost	Principal	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Bonds subscribed by Eurazeo/ECIP	388,443						
Other stuctured financing	1,975,234	1,928,977		55,863	*46,567*	*9,296*	87,415
Loan from employees (profit sharing)	44,529	30,621	1,837				
Finance leases	5,946	1,689	1,480				4
Other	9,331	6,601	193				0
Overdrafts	939						
Total borrowings	**2,424,421**	**1,967,888**	**3,511**	**55,863**	***46,567***	***9,296***	**87,419**

In thousands of euros	Carrying amount	Cash flow 2018 and beyond					
	Amortized cost	Principal (*)	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Bonds subscribed by Eurazeo/ECIP	388,443	1,208,384	96,671				
Other stuctured financing	1,975,234						
Loan from employees (profit sharing)	44,529						
Finance leases	5,946	3,109	0				
Other	9,331	386					
Overdrafts	939						
Total borrowings	**2,424,421**	**1,211,879**	**96,671**	**0**	***0***	***0***	**0**

(*) including capitalized interest

In thousands of euros	Carrying amount	Estimate of future cash flows as of 12/31/2012		
	Amortized cost	Principal	Total hedged fixed/variable rate interest	Total non-hedged fixed/variable rate interest
Bonds subscribed by Eurazeo/ECIP	388,443	1,208,384	96,671	0
Other stuctured financing	1,975,234	2,014,839	111,726	104,102
Loan from employees (profit sharing)	44,529	44,529	2,672	0
Finance leases	5,946	5,946	1,888	17
Other	9,331	9,331	423	1
Overdrafts	939	939	0	0
Total borrowings	**2,424,421**	**3,283,967**	**213,380**	**104,120**

(1) of which €527.9 million due in October 2014

As at December 31, 2011, the repayment dates for consolidated debt and related interest were as follows:

In thousands of euros	Carrying amount	Cash flow 2012					
	Amortized cost	Principal	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Bonds subscribed by Eurazeo/ECIP	359,596						
Other stuctured financing	1,916,383	37,529		96,730	*82,078*	*14,651*	3,219
Loan from employees (profit sharing)	39,630	5,785	347				
Finance leases	6,575	1,379	398				16
Other	16,896	4,115	62				386
Overdrafts	981	981					
Total borrowings	**2,340,062**	**49,788**	**808**	**96,730**	***82,078***	***14,651***	**3,621**

In thousands of euros	Carrying amount	Cash flow 2013-2016					
	Amortized cost	Principal	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Bonds subscribed by Eurazeo/ECIP	359,596						
Other stuctured financing	1,916,383	1,552,384		109,371	*86,287*	*23,083*	138,052
Loan from employees (profit sharing)	39,630	33,845	2,031				
Finance leases	6,575	2,087	1,493				5
Other	16,896	12,395	335				1
Overdrafts	981						
Total borrowings	**2,340,062**	**1,600,711**	**3,859**	**109,371**	***86,287***	***23,083***	**138,058**

In thousands of euros	Carrying amount	Cash flow 2017 and beyond					
	Amortized cost	Principal (*)	Contractual fixed rate interest	Hedged variable-rate interest	*Variable-rate interest*	*Hedge impact*	Non-hedged variable-rate interest
Bonds subscribed by Eurazeo/ECIP	359,596	1,208,384	96,671				
Other stuctured financing	1,916,383	358,320					956
Loan from employees (profit sharing)	39,630						
Finance leases	6,575	3,109	0				
Other	16,896	386					
Overdrafts	981						
Total borrowings	**2,340,062**	**1,570,199**	**96,671**	**0**	***0***	***0***	**956**

(*) y compris intérêts capitalisés

In thousands of euros	Carrying amount	Estimate of future cash flows as of 12/31/2011		
	Amortized cost	Principal	Total hedged fixed/variable rate interest	Total non-hedged fixed/variable rate interest
Bonds subscribed by Eurazeo/ECIP	359,596	1,208,384	96,671	0
Other stuctured financing	1,916,383	1,948,233	206,100	142,227
Loan from employees (profit sharing)	39,630	39,630	2,378	0
Finance leases	6,575	6,575	1,891	21
Other	16,896	16,896	397	387
Overdrafts	981	981	0	0
Total borrowings	**2,340,062**	**3,220,699**	**307,438**	**142,635**

Note 13 – Derivatives and other non-current assets and liabilities

Other non-current assets and liabilities

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Non-current asset derivatives	0	0	46
Loans and receivables	7,971	2,956	2,646
Other non-current assets	**7,971**	**2,956**	**2,692**
Non-current liability derivatives	17,693	37,740	49,065
Other non-current liabilities	3,600	2,271	677
Other non-current liabilities	**21,293**	**40,011**	**49,742**

Interest rate derivatives

The Holdelis Group is exposed to interest rate risk, which management actively manages by using a number of derivative financial instruments. The objective is to reduce fluctuations in cash flows arising as a result of changes in interest rates, when appropriate.

The Group uses interest rate swaps to convert part of its floating-rate debt into fixed-rate debt.

Interest rate derivatives are measured on the basis of market data at the reporting date (interest rate curve from which the zero coupon curve is deducted). Their fair value is calculated using the discounted cash flow model.

The table below details the impact of interest rate derivatives on the consolidated financial statements of Holdelis:

(In thousands of euros)	Principal	Fair values as at December 31, 2013	Changes in fair value during the year	Impact on net financial expense (*)	Impact on equity
Interest rate cap 3% maturing in 2013	400,000	0			
Total non-current asset derivatives		**0**			
Interest rate swaps maturing in 2017 1.418% (**)	735,000	(17,693)	3,661	1,005	2,656
Interest rate swaps maturing in 2014 2.738% (***)	365,000	0	7,124	(9,262)	16,386
Total non-current liability derivatives		**(17,693)**			
Total interest-rate derivatives eligible for hedge accounting		**(17,693)**	**10,785**	**(8,257)**	**19,042**

(*) Ineffective portion/impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.
(**) 1.85% Until April 4, 2013
(***) terminated on October 9, 2013 against a balancing cash payment

(In thousands of euros)	Principal	Fair values as at December 31, 2012	Changes in fair value during reporting period	Impact on net financial expense (*)	Impact on equity
Interest rate cap 3% maturing in 2013	400,000	0	(46)	(46)	
Total non-current asset derivatives		**0**			
Interest rate swaps maturing in 2012 4.319%	750,000	**0**	17,606		17,606
Interest rate swaps maturing in 2014 1.85%	735,000	**(21,354)**	(1,970)	(9,230)	7,260
Interest rate swaps maturing in 2014 2.738%	365,000	**(16,386)**	(4,311)	-	(4,311)
Total non-current liability derivatives		**(37,740)**			
Total interest-rate derivatives eligible for hedge accounting		**(37,740)**	**11,279**	**(9,276)**	**20,555**

(*) Ineffective portion/impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.

(In thousands of euros)	Principal	Fair values as at December 31, 2011	Changes in fair value during reporting period	Impact on net financial expense (*)	Impact on equity
Interest rate cap 3% maturing in 2013	400,000	46	(1,400)	(1,400)	
Total non-current asset derivatives		**46**			
Interest rate swaps maturing in 2012 4.319%	750,000	**(17,606)**	20,626	-	20,626
Interest rate swaps maturing in 2014 1.85% (**)	735,000	**(19,384)**	18,441	-	18,441
Interest rate swaps maturing in 2014 2.738%	365,000	**(12,075)**	(10,335)	-	(10,335)
Total non-current liability derivatives		**(49,065)**			
Total interest-rate derivatives eligible for hedge accounting		**(49,019)**	**27,332**	**(1,400)**	**28,732**

(*) Ineffective portion/impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.
(**) 4.319% until April 4, 2012 for a nominal amount of €750 million

Interest rate risk

Interest rate risk management is described in the "Financial risk management" section.

In accordance with IFRS 7, interest rate risk is presented as part of a sensitivity analysis. It reflects the impact of interest rate movements on interest expense, net income and equity.

The interest rate sensitivity analysis is based on the following assumptions:

- changes in the interest rate curve have no impact on fixed-rate financial instruments when they are measured at amortized cost;
- changes in the interest rate curve impact floating-rate financial instruments if they are not designated as hedged items. Interest rate movements have an impact on gross finance costs, and are therefore included when calculating the sensitivity of net income and equity to interest rate risk;
- changes in the interest rate curve impact the fair values of derivatives eligible for cash flow hedge accounting. Changes in the fair value of such derivatives have an impact on the hedging reserve in equity, and are therefore included when calculating the sensitivity of equity to interest rate risk;
- changes in the interest rate curve impact derivatives (interest rate swaps, caps, etc.) that are not eligible for hedge accounting insofar as the changes affect their fair value. These movements are recognized in the income statement. This impact is therefore included when calculating the sensitivity of net income and equity to interest rate risk.

The following table shows the effect on Holdelis Group's results of a 100 basis point increase or decrease in interest rates based on the above-mentioned assumptions and on the basis of an immediate impact across the entire curve occurring on the first day of the financial year and remaining constant thereafter:

2013	+100 bp		-100 bp	
Type	Hedging reserve	Net financial expense	Hedging reserve	Net financial expense
Financial instruments designated as hedging instruments	25,754		(26,965)	
Non-derivative floating-rate financial instruments (unhedged)		(7,902)		7,902
Total derivatives not eligible for hedge accounting	0	0	0	0
Total impact (before tax)	**25,754**	**(7,902)**	**(26,965)**	**7,902**
Sensitivity of equity to interest rate changes	*+100 bp*	***4.9%***	*-100 bp*	***-5.1%***
Sensitivity of consolidated net income to interest rate changes	*+100 bp*	***-11.8%***	*-100 bp*	***11.8%***

2012	+100 bp		-100 bp	
Type	Hedging reserve	Net financial expense	Hedging reserve	Net financial expense
Financial instruments designated as hedging instruments	19,234		(4,522)	
Non-derivative floating-rate financial instruments (unhedged)		(8,754)		8,754
Total derivatives not eligible for hedge accounting	0	0	0	0
Total impact (before tax)	**19,234**	**(8,754)**	**(4,522)**	**8,754**
Sensitivity of equity to interest rate changes	*+100 bp*	***-48.4%***	*-100 bp*	***11.4%***
Sensitivity of consolidated net income to interest rate changes	*+100 bp*	***-12.4%***	*-100 bp*	***12.4%***

2011	+100 bp		-100 bp	
Type	Hedging reserve	Net financial expense	Hedging reserve	Net financial expense
Financial instruments designated as hedging instruments	29,868		(31,056)	
Non-derivative floating-rate financial instruments (unhedged)		(4,197)		4,197
Total derivatives not eligible for hedge accounting	0	0	0	0
Total impact (before tax)	**29,868**	**(4,197)**	**(31,056)**	**4,197**
Sensitivity of equity to interest rate changes	*+100 bp*	***-498.0%***	*-100 bp*	***517.8%***
Sensitivity of consolidated net income to interest rate changes	*+100 bp*	***-4.0%***	*-100 bp*	***4.0%***

Note 14 – Trade and other payables

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Trade payables	106,296	72,988	77,489
Trade payables (fixed assets)	9,081	21,897	15,340
Other payables	2,911	3,536	3,242
Total trade and other payables	**118,288**	**98,421**	**96,070**

Note 15 – Other assets and liabilities

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Prepaid expenses	3,467	4,457	3,622
Other current asset derivatives	0	0	2,291
Other assets	1	1	1
Total other assets	**3,468**	**4,458**	**5,913**
Deposits received	14,778	15,214	15,434
Payroll-related liabilities	95,037	83,871	88,397
Taxes payable	69,002	63,749	64,004
Other current liability derivatives	1,125	506	7
Unearned revenue	44,814	46,390	45,515
Total other liabilities	**224,756**	**209,731**	**213,357**

Unearned revenue primarily consists of services invoiced that will be rendered in the following month.

Currency derivatives

(In thousands of euros)	Nominal (in foreign currencies)	Fair values as at December 31, 2013	Changes in fair value during the year	Impact on net financial expense	Impact on equity
Currency forward USD/EUR		**0**	0	0	0
Currency forward GBP/EUR		**0**	0	0	0
Total current assets derivatives		**0**			
Currency forward USD/EUR	33,750	**(1,125)**	(379)	20	(399)
Currency forward GBP/EUR		**0**	43	12	31
Total current liabilities derivatives		**(1,125)**			
Reclassification as liabilities directly associated with assets held for sale		**0**			
Total other derivatives		**(1,125)**	**(336)**	**32**	**(368)**

(In thousands of euros)	Fair values as at December 31, 2012	Changes in fair value during reporting period	Impact on net financial expense	Impact on equity
Currency forward USD/EUR	0	(2,078)	306	(2,384)
Currency forward GBP/EUR	0	(213)	(101)	(112)
Total current assets derivatives	0			
Currency forward USD/EUR	(746)	(746)	(17)	(729)
Currency forward GBP/EUR	(43)	(43)	(12)	(31)
Currency forward EUR/CHF	0	7	8	0
Total current liabilities derivatives	(789)			
Reclassification as liabilities directly associated with assets held for sale	283			
Total other derivatives	**(506)**	**(3,073)**	**183**	**(3,256)**

(In thousands of euros)	Fair values as at December 31, 2011	Changes in fair value during reporting period	Impact on net financial expense	Impact on equity
Currency forward USD/EUR	2,078	1,577	(809)	2,383
Currency forward GBP/EUR	213	172	57	116
Total current assets derivatives	2,291			
Currency forward USD/EUR	0	69	69	-
Currency forward EUR/CHF	(7)	(7)	(7)	-
Total current liabilities derivatives	(7)			
Total other derivatives	**2,283**	**1,812**	**(690)**	**2,498**

Note 16 – Operating segments

The Group is organized into four main operating segments:

- France: historical rental and cleaning business in France;
- Europe: same business activity in other European countries;
- Brazil;
- Manufacturing entities: the activities of the Le Jacquard Français, Kennedy and Molinel (until its disposal by the Group) CGUs.

To track performance, management monitors each segment's EBITDA. Financing costs and income tax expense are primarily monitored at Group level.

Revenue

(In millions of euros) 2013	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
External customers	941.9	260.1	0.0	23.4		1,225.4
Inter-segment	2.1	1.1	(0.0)	8.4	(11.6)	(0.0)
Segment revenue	**944.0**	**261.2**	**0.0**	**31.8**	**(11.6)**	**1,225.4**

(In millions of euros) 2012	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
External customers	923.4	218.2	0.0	43.6		1,185.2
Inter-segment	1.8	0.8	0.0	10.3	(12.9)	(0.0)
Segment revenue	**925.2**	**219.0**	**0.0**	**53.9**	**(12.9)**	**1,185.2**

(In millions of euros) 2011	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
External customers	899.2	203.7	0.0	45.9		1,148.8
Inter-segment	1.8	0.6	0.0	12.1	(14.5)	0.0
Segment revenue	**901.0**	**204.3**	**0.0**	**58.0**	**(14.5)**	**1,148.8**

Earnings

(In millions of euros) 2013	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**197.6**	**14.3**	**(0.8)**	**2.0**	**(1.4)**	**211.7**
Miscellaneous financial items (*)	*0.6*	*0.2*	*0.0*	*0.1*	*0.0*	*0.9*
EBIT	198.2	14.5	(0.8)	2.1	(1.4)	212.6
Depreciation and amortization net of portion of grants transferred to income	*140.8*	*46.0*	*0.0*	*1.3*	*0.0*	*188.2*
EBITDA	**339.0**	**60.5**	**(0.8)**	**3.4**	**(1.4)**	**400.7**

(In millions of euros) 2012	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**208.5**	**12.6**	**0.0**	**4.3**	**(1.3)**	**224.0**
Miscellaneous financial items (*)	*0.4*	*0.2*	*0.0*	*0.2*	*0.0*	*0.8*
EBIT	208.9	12.8	0.0	4.5	(1.3)	224.8
Depreciation and amortization net of portion of grants transferred to income	*116.8*	*33.6*	*0.0*	*1.4*	*0.0*	*151.9*
EBITDA	**325.7**	**46.4**	**0.0**	**5.9**	**(1.3)**	**376.7**

(In millions of euros) 2011	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**179.6**	**6.1**	**0.0**	**6.9**	**(0.8)**	**191.8**
Miscellaneous financial items (*)	*0.6*	*0.2*	*0.0*	*0.1*	*0.0*	*0.9*
EBIT	180.2	6.3	0.0	7.0	(0.8)	192.7
Depreciation and amortization net of portion of grants transferred to income	*140.7*	*36.7*	*0.0*	*1.3*	*0.0*	*178.8*
EBITDA	**320.9**	**43.1**	**0.0**	**8.3**	**(0.8)**	**371.4**

(*) Bank fees and recurring dividends included in operating income

Information on geographical areas

(In millions of euros)	2013	2012	2011
France	958.9	960.1	938.3
Other countries	266.5	225.1	210.5
Revenue	**1,225.4**	**1,185.2**	**1,148.8**

(In millions of euros)	2013	2012	2011
France	2,216.6	2,331.5	2,327.0
Other countries	324.1	280.1	269.6
Non-current assets	**2,540.6**	**2,611.6**	**2,593.9**

The non-current assets presented above comprise goodwill, property, plant and equipment and intangible assets.

Information on revenue from services

Revenue from services is generated equally by three main activities: hygiene and well-being, flat linen and work wear.

(In millions of euros)	2013	2012	2011
Flat linen	489.9	452.9	428.6
Workwear	392.3	380.4	366.9
Hygiene and well-being	329.0	323.0	322.1
Other	14.2	28.9	31.2
Revenue	**1,225.4**	**1,185.2**	**1,148.8**

These services are rendered to customers who mainly operate in the hospitality, industry, sales and services, and healthcare sectors.

Information on countries and customer segments

(In millions of euros)	2013	2012	2011
Hospitality	*282.5*	*276.1*	*266.4*
Industry	*187.7*	*184.5*	*180.3*
Trade & Services	*340.5*	*341.1*	*338.2*
Healthcare	*144.7*	*137.6*	*130.0*
Other	*(13.4)*	*(15.9)*	*(15.8)*
France (*)	941.9	923.4	899.2
Germany	*41.7*	*35.7*	*32.5*
Belgium & Luxembourg	*32.3*	*28.0*	*26.9*
Spain & Andorra	*51.1*	*50.2*	*49.3*
Italy	*24.7*	*25.2*	*25.2*
Portugal	*37.0*	*36.8*	*34.9*
Switzerland	*72.0*	*41.1*	*34.2*
Czech Republic	*1.2*	*1.2*	*0.7*
Europe	260.1	218.2	203.7
Brazil	0.0	-	-
Manufacturing entities	23.4	43.6	45.9
Revenue	**1,225.4**	**1,185.2**	**1,148.8**

(*) The breakdown by customer segment in France is based on the APE activity code (characterizing the core activity by reference to national statistical nomenclature) of the entity that has contracted with a Group company.

Note 17 – Payroll expenses and average number of employees

Payroll expenses

(In thousands of euros)	2013	2012	2011
Wages and salaries	(360,814)	(345,419)	(332,782)
Social security contributions	(127,686)	(121,134)	(117,382)
Mandatory/optional profit-sharing	(25,486)	(25,667)	(24,496)
Other employee benefits	943	(92)	749
Total payroll expenses	**(513,043)**	**(492,312)**	**(473,911)**

Average number of employees

(In number of employees)	2013	2012	2011
Executives	1,320	1,313	1,261
Supervisory personnel	1,248	1,269	1,174
Office and service employees	4,451	4,213	4,110
Other employees	8,219	8,167	8,283
Total employees per category	**15,238**	**14,962**	**14,829**
France	11,761	11,838	11,793
Other countries	3,477	3,124	3,036
Total employees	**15,238**	**14,962**	**14,829**

Note 18 – Depreciation, amortization and provisions

(In thousands of euros)	2013	2012	2011
Depreciation and amortization			
- included in "Operating income before other income and expense and amortization of customer relationships"			
Property, plant and equipment and intangible assets	(57,724)	(52,273)	(51,858)
Linen and mats	(114,207)	(83,549)	(111,287)
Other leased items	(16,349)	(16,208)	(15,769)
- amortization of customer relationships	(39,644)	(38,558)	(60,268)
Portion of grants transferred to income	119	151	155
Total depreciation and amortization net of portion of grants transferred to income	**(227,805)**	**(190,437)**	**(239,028)**
Additions to or reversal of provisions			
- included in "Operating income before other income and expense and amortization of customer relationships"	20	1,139	515
- included in "Other income and expense"	1,750	(5,148)	2
Total additions to or reversal of provisions	**1,770**	**(4,009)**	**517**

The decrease in the depreciation expense for linen and mats from €111.3 million in 2011 to €83.5 million in 2012 was mainly due to the extension of the depreciation schedule for flat linen from an average of two to three years.

The section entitled "Change in accounting estimates" under "Accounting policies" contains additional information on this matter.

Note 19 – Other income and expense

(In thousands of euros)	2013	2012	2011
Transaction costs	(924)	(754)	(510)
Restructuring costs	(3,421)	(5,804)	(2,799)
- France	(2,523)	(3,701)	(95)
- Southern Europe	(898)	(2,103)	(2,366)
- Other	0	0	(338)
Le Jacquard Français trademark impairment	0	(5,900)	0
Uncapitalizable costs for change in IT system	(14,480)	(679)	0
Impairment of IT system (Note 26)	(26,504)		
Impairment and provision for environmental rehabilitation costs	(145)	(1,325)	0
Expense associated with free shares granted to key managers and employees (Note 8)	0	(3,534)	(3,300)
Income (expense) on disposal of sites	(1,486)	(645)	2,526
Other	(2,207)	110	(114)
Other income and expense	**(49,167)**	**(18,529)**	**(4,197)**

Note 20 – Net financial expense

(In thousands of euros)	2013	2012	2011
Interest expense on borrowings and employee profit-sharing fund	(154,639)	(144,290)	(161,470)
Gross finance costs	**(154,639)**	**(144,290)**	**(161,470)**
Gains (losses) on traded derivatives	(8,225)	(9,093)	(2,090)
Other financial income and expenses	161	19	210
Total financial expense	(8,064)	(9,074)	(1,880)
Net finance costs	**(162,703)**	**(153,365)**	**(163,349)**
Foreign exchange losses	(463)	(336)	(784)
Foreign exchange gains	261	521	144
Interest expense on provisions and retirement benefits	(1,262)	(1,214)	(1,221)
Other	(31)	39	29
Total other financial income and expenses	**(1,495)**	**(990)**	**(1,832)**
Net financial expense	**(164,198)**	**(154,355)**	**(165,181)**

Note 21 – Income tax

(In thousands of euros)	2013	2012	2011
Consolidated net income (loss)	(44,081)	(46,416)	(69,314)
Equity-accounted companies	(68)	(197)	(116)
Current tax	14,476	19,403	13,730
Deferred tax	(15,647)	2,165	(15,110)
Pre-tax income	(45,320)	(25,046)	(70,809)
Theoretical tax rate	34.43%	34.43%	34.43%
Theoretical tax expense	**(15,604)**	**(8,623)**	**(24,380)**
Actual tax expense	**(1,171)**	**21,567**	**(1,380)**
Effect of tax not based on net income*	10,536	10,976	9,975
Difference	**(3,896)**	**(19,214)**	**(13,025)**
Breakdown of difference			
Tax rate differences and transactions taxed at reduced rates	797	333	(849)
Non-taxable (deductible) items	(199)	(7)	1,667
Permanent differences	(8,681)	(9,819)	(2,145)
Unrecognized tax loss carryforwards	(2,517)	(2,253)	(4,739)
Utilization of previously unrecognized tax losses	906	826	0
Goodwill impairment	(1,377)	(12,940)	(11,347)
Other	7,174	4,646	4,388

(*) CVAE in France, IRAP in Italy

The following table shows the sources of deferred tax assets and liabilities:

(In thousands of euros)	December 31, 2012 net	Changes in consolidation scope	IFRS 5 reclassifications	Income	Recognized directly in equity	December 31, 2013 net
Intangible assets	(149,434)	(1,990)	0	21,280	35	(130,109)
Property, plant and equipment	(108,347)	(3,450)	8,641	(9)	45	(103,120)
Other assets	1,015	0	0	224		1,239
Derivative instruments - assets	438	0	0	(438)		0
Provisions	5,675	(108)	0	(328)		5,239
Retirement benefit liabilities	8,977	2,954	0	209	(878)	11,262
Interest-bearing loans and borrowings	(3,262)	0	0	(13,344)		(16,606)
Derivative instruments - liabilities	13,071	203	0	(163)	(6,428)	6,683
Other current liabilities	3,261	0	0	2,282		5,543
Other	7	0	0	1		8
Unused tax losses and tax credits/Consolidated recognized tax losses	19,890	0	0	5,933		25,823
NET DEFERRED TAX ASSETS (LIABILITIES)	**(208,709)**	**(2,391)**	**8,641**	**15,647**	**(7,226)**	**(194,038)**
Deferred tax assets	9,897					8,672
Deferred tax liabilities	(218,606)					(202,711)

(In thousands of euros)	December 31, 2011 net	Changes in consolidation scope	IFRS 5 reclassifications	Income	Recognized directly in equity	December 31, 2012 net
Intangible assets	(166,458)	(147)	1,825	15,346		(149,434)
Property, plant and equipment	(95,459)	0	212	(13,100)		(108,347)
Other assets	1,067	0	(5)	(19)	(28)	1,015
Derivative instruments - assets	(189)	0	0	(495)	1,122	438
Provisions	5,432	0	(82)	325		5,675
Retirement benefit liabilities	7,763	0	(162)	350	1,026	8,977
Interest-bearing loans and borrowings	(4,836)	0	0	1,574		(3,262)
Derivative instruments - liabilities	16,893	0	(97)	3,352	(7,077)	13,071
Other current liabilities	6,295	0	(206)	(2,828)		3,261
Other	7	0	0	0		7
Unused tax losses and tax credits/Consolidated recognized tax losses	26,558	0	0	(6,668)		19,890
NET DEFERRED TAX ASSETS (LIABILITIES)	**(202,927)**	**(147)**	**1,485**	**(2,163)**	**(4,957)**	**(208,709)**
Deferred tax assets	10,347					9,897
Deferred tax liabilities	(213,273)					(218,606)

Deferred tax assets are recognized for tax loss carryforwards when it is probable that they can be utilized against future taxable profit.
The Group has tax losses of €37.6 million (base) for which no deferred tax assets have been recognized. The majority of the tax losses, which are almost all related to foreign subsidiaries, expire after a period of 1 to 18 years.

Note 22 – Earnings per share

Basic

Basic earnings per share is calculated by dividing net income or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year.

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Net income or loss attributable to owners of the parent	**(44,334)**	**(46,449)**	**(71,793)**
Weighted average number of shares	243,746,756	214,663,565	214,663,565

Diluted

Diluted earnings per share is calculated by dividing net income or loss for the period attributable to owners of the parent (adjusted for dividends, interest recognized during the period and any other change in income or expense resulting from the conversion of potentially dilutive ordinary shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares.

The calculation of diluted earnings per share does not assume the conversion, exercise or issue of potential ordinary shares that would have an accretive impact on earnings per share (i.e., that does not increase the loss per share).

Note 23 – Other information on financial assets and liabilities

Fair value and carrying amount of financial assets and liabilities

	December 31, 2013		Breakdown by category of financial instrument				
(In thousands of euros)	Carrying amount	Fair value	Fair value through income	Fair value through equity	Loans and receivables	Liabilities at amortized cost	Derivative instruments
Available-for-sale financial assets (non-current)	137	137		137			
Other non-current assets	7,971	7,971			7,971		0
Trade and other receivables	297,092	297,092			297,092		
Other current assets	3,468	3,468			3,468		0
Cash and cash equivalents	49,454	49,454	49,454				
Financial assets	**358,123**	**358,123**	**49,454**	**137**	**308,531**	**0**	**0**
Loans and borrowings	1,908,735	1,946,390				1,908,735	
Other non-current liabilities	21,293	21,293			3,600		17,693
Trade and other payables	118,288	118,288			118,288		
Other liabilities	224,756	224,756			223,631		1,125
Bank overdrafts and portion of loans due in less than one year	118,013	128,405				118,013	
Financial liabilities	**2,391,084**	**2,439,131**	**0**	**0**	**345,518**	**2,026,748**	**18,818**

	December 31, 2012		Breakdown by category of financial instrument				
(In thousands of euros)	Carrying amount	Fair value	Fair value through income	Fair value through equity	Loans and receivables	Liabilities at amortized cost	Derivative instruments
Available-for-sale financial assets (non-current)	152	152		152			
Other non-current assets	2,956	2,956			2,956		0
Trade and other receivables	274,616	274,616			274,616		
Other current assets	4,458	4,458			4,458		0
Cash and cash equivalents	55,152	55,152	55,152				
Financial assets	**337,333**	**337,333**	**55,152**	**152**	**282,030**	**0**	**0**
Loans and borrowings	2,307,287	2,311,962				2,307,287	
Other non-current liabilities	40,011	40,011			2,271		37,740
Trade and other payables	98,421	98,421			98,421		
Other liabilities	209,731	209,731			209,225		506
Bank overdrafts and portion of loans due in less than one year	117,134	122,094				117,134	
Financial liabilities	**2,772,584**	**2,782,219**	**0**	**0**	**309,917**	**2,424,421**	**38,246**

	December 31, 2011		Breakdown by category of financial instrument				
(In thousands of euros)	Carrying amount	Fair value	Fair value through income	Fair value through equity	Loans and receivables	Liabilities at amortized cost	Derivative instruments
Available-for-sale financial assets (non-current)	182	182		182			
Other non-current assets	2,692	2,692			2,646		46
Trade and other receivables	273,005	273,005			273,005		
Other current assets	5,913	5,913			3,623		2,291
Cash and cash equivalents	21,924	21,924	21,924				
Financial assets	**303,717**	**303,717**	**21,924**	**182**	**279,274**	**0**	**2,337**
Loans and borrowings	2,269,747	2,279,403				2,269,747	
Other non-current liabilities	49,742	49,742			677		49,065
Trade and other payables	96,070	96,070			96,070		
Other liabilities	213,357	213,357			213,350		7
Bank overdrafts and portion of loans due in less than one year	70,314	75,174				70,314	
Financial liabilities	**2,699,231**	**2,713,747**	**0**	**0**	**310,097**	**2,340,062**	**49,072**

The key measurement methods used are as follows:

- items recognized at fair value through income are measured based on market prices for listed instruments (level 1 of fair value – quoted prices in active markets);

- non-current derivatives are measured using a valuation technique based on market rates (e.g., Euribor) (level 2 of fair value – derived from observable market data);
- loans and borrowings are recognized at amortized cost, calculated using the Effective Interest Rate (EIR) method. The fair values shown for fixed-rate debt include the effects of interest rate movements, while those for total debt include changes in Group credit risk;
- given their very short maturities, the fair value of trade payables and receivables approximates their carrying amount in the statement of financial position.

Note 24 – Related party disclosures

Ultimate parent company

Eurazeo SA is the ultimate controlling entity of Holdelis SAS.

Transactions with other related parties

The following table shows the total amount of transactions entered into with the other related parties during the period, and the amounts in the statement of financial position as at December 31, 2013:

(In thousands of euros)	Income	Expense	Receivables with related parties	Payables with related parties
Entity with significant influence over the Group				
Eurazeo		(25,358)		1,224
Legendre Holding 27 (parent company)		(10,867)		183,867
Key managers				
Short-term benefits		(4,382)		
Share-based payments		0		

Note 25 – Subsidiaries and consolidated companies

The consolidated financial statements include the financial statements of Holdelis and the following subsidiaries:

Name of company	Registered office	Country	Consolidation method	% interest 2013	% interest 2012	% interest 2011
Holdelis	Puteaux	France	Parent Company	100	100	100
M.A.J.	Pantin	France	F.C.	100	100	100
Les Lavandières	Avrillé	France	F.C.	100	100	100
Régionale de Location et Services Textiles	Marcq en Baroeul	France	F.C.	100	100	100
Pierrette - T.B.A.	Malzeville	France	F.C.	100	100	100
Le Jacquard Français	Gerardmer	France	F.C.	100	100	100
ELIS	Puteaux	France	F.C.	100	100	100
Thimeau	Meaux	France	F.C.	100	100	100
Grenelle Service	Gennevilliers	France	F.C.	100	100	100
Cassiopée	Puteaux	France	F.C.	-	Merger	100
Société de Nettroyage et de Désinfection d'Ivry	Vitry sur Seine	France	F.C.	-	Merger	100
Maison de Blanc Berrogain	Anglet	France	F.C.	100	100	100
S.O.C.	Puteaux	France	F.C.	100	100	100
Location Blanchet	Lecousse	France	F.C.	-	-	Merger
Blanchisserie Poulard	Nanterre	France	F.C.	100	100	100
Poulard 1836	Nanterre	France	F.C.	100	100	100
AD3	Dardilly	France	F.C.	100	100	100
Novalis	Puteaux	France	F.C.	100	100	100
S.C.I. Compans	Pantin	France	F.C.	-	-	Liquidation*
S.C.I. Château de Janville	Puteaux	France	F.C.	100	100	100
Lovetra	St Ouen l'Aumône	France	F.C.	100	100	100
G.I.E. Eurocall Partners	Villeurbanne	France	F.C.	100	100	100
Blanchisserie Moderne	Montlouis sur Loire	France	F.C.	96	96	96
S.C.I. La Forge	Bondoufle	France	F.C.	100	100	100
Société de Participations Commerciales et Industrielles	St Ouen l'Aumône	France	F.C.	100	100	100
S.C.I. 2 Sapins	Grenoble	France	F.C.	100	100	100
SHF Holding	Puteaux	France	F.C.	100	100	100
SHF	Puteaux	France	F.C.	100	100	100
Pole Services	Puteaux	France	F.C.	100	100	-
Sud-Ouest Hygiène Services	Puteaux	France	F.C.	100	100	-
Collectivités Service	Puteaux	France	F.C.	100	-	-
Districlean Service	La Gorque	France	F.C.	100	-	-
France Tapis Hygiène Service	Marcq en Baroeul	France	F.C.	100	-	-
Molinel	Frelinghien	France	F.C.	Deconsolidation	100	100
Guston Molinel	Frelinghien	France	E.A.	Deconsolidation	50	50
Cleantex Potsdam Textilpfelge GmbH	Potsdam	Germany	F.C.	100	-	-
Elis Holding GmbH	Rehburg-Loccum	Germany	F.C.	100	100	100
Elis Textil-Service GmbH	Mörlenbach	Germany	F.C.	100	100	100
RWV Textilservice Beteiligungs GmbH	Rehburg-Loccum	Germany	F.C.	100	100	100
Schäfer Wäsche-Vollservice GmbH	Ibbenbüren	Germany	F.C.	100	100	100
Rolf und Horst Schäfer GmbH & Co. KG	Ibbenbüren	Germany	F.C.	100	100	100
Wolfsperger Textilservice GmbH & Co. KG	Freiburg im Breisgau	Germany	F.C.	100	100	100
Wolfsperger Verwaltungs GmbH	Freiburg im Breisgau	Germany	F.C.	100	100	100
Auxiliar Hotelera Arly	Andorre	Andorra	F.C.	100	100	100
Arly les Valls (in liquidation *)	Andorre	Andorra	F.C.	100	100	100
Hades	Anderlecht	Belgium	F.C.	100	100	100
Elis Brazil, Serviços e Higienização de Têxteis Ltda	São Paulo	Brazil	F.C.	100	100	-
Azelab Productos	Parets del Vallès (Barcelona)	Spain	F.C.	100	100	100
Elis Textilrenting SL	Parets del Vallès (Barcelona)	Spain	F.C.	Merger	100	-
Elis Servicios Hoteleros SL	Parets del Vallès (Barcelona)	Spain	F.C.	Merger	100	-
Elis Manomatic	Parets del Vallès (Barcelona)	Spain	F.C.	100	100	100
Gespal La Paloma	Parets del Vallès (Barcelona)	Spain	F.C.	-	-	Merger
Explotadora de Lavanderias	Consell (Mallorca)	Spain	F.C.	100	-	-
AF System	Rondissone	Italy	F.C.	Merger	100	100
Elis Italia S.p.A.	San Giuliano Milanese	Italy	F.C.	100	100	100
Elis Luxembourg	Bascharage	Luxembourg	F.C.	100	100	100
Gafides	Samora Correira	Portugal	F.C.	100	100	100
SPAST	Samora Correira	Portugal	F.C.	100	100	100
Spast II LDA	Samora Correira	Portugal	F.C.	100	100	-
SNDI S.R.O.	Slavkov ù Brna	Czech Republic	F.C.	100	100	100
Kennedy Hygiene Products LTD	Uckfield	United Kingdom	F.C.	100	100	100
Kennedy Exports LTD	Uckfield	United Kingdom	F.C.	100	100	100
Blanchâtel S.A.	La Chaux-de-Fonds	Switzerland	F.C.	100	100	-
Blanchival S.A.	Sion	Switzerland	F.C.	100	100	100
Blanchisserie des Epinettes S.A.	Plan-les-Ouates	Switzerland	F.C.	100	100	100
Blanchisserie des Epinettes, Acacias S.A.	Nyon	Switzerland	F.C.	100	100	100
Großwäscherei Domeisen AG	Endingen	Switzerland	F.C.	75	75	-
Hedena S.A.	Nyon	Switzerland	F.C.	100	100	100
InoTex Bern AG	Bern	Switzerland	F.C.	84	-	-
Laventex S.A.	Givisiez	Switzerland	F.C.	100	100	100
Lavopital S.A.	Plan-les-Ouates	Switzerland	F.C.	100	100	100
Lavotel S.A.	Nyon	Switzerland	F.C.	100	100	100
Lavotel Textilleasing GmbH	Rüdtligen-Alchenflüh	Switzerland	F.C.	100	100	-
LL La Lavanderie	Plan-les-Ouates	Switzerland	F.C.	-	Liquidation*	100
Picsou Management AG	Muri Bei Bern	Switzerland	F.C.	51	-	-
Siro Holding AG	Muri Bei Bern	Switzerland	F.C.	51	-	-
SNDI (Suisse) S.A.	Brügg	Switzerland	F.C.	100	100	100
Wäscherei Kunz AG	Hochdorf	Switzerland	F.C.	100	-	-
Wäscherei Papritz A.G.	Rüdtligen-Alchenflüh	Switzerland	F.C.	100	100	-

(*) dormant

F.C.= Fully Consolidated
E.A. = Equity Accounted

Note 26 – Subsequent events

Further to the shareholders' meeting of June 23, 2014 to approve the 2013 consolidated financial statements, the Group observed an indication of impairment of the new IT system. According to updates on project progress reports based on expert assessments and testing of the invoicing and sales management modules on a pilot site, actual performance of the IT system may be considerably lower than initially planned and hinder deployment of the modules on all Group sites. As a result, as at December 31, 2013, the Group recognized an impairment loss of €26.5 million for these modules under assets in progress in the consolidated balance sheet, thereby writing down the value of the asset in full.

On February 4, 2014, the Group completed the acquisition of Atmosfera, Brazil’s leading industrial laundry group. The company employs approximately 3,500 people and generates revenue of around BRL 280 million (i.e., approximately €90 million). This acquisition has boosted Elis’ international expansion.

On July 1, 2014, the Group acquired Pro Services Environnement (PSE) (Vignieu, France). With a workforce of 18, Pro Services Envrionnement serves 2,000 customers and generates aggregate revenue of €2.2 million from pest control, rat control and disinfection services.

On July 2, 2014, the Group acquired Brazilian laundry company L’Acqua which generates revenue of BRL 14 million (i.e., approximately €4.6 million) in the healthcare sector. Based in Ponta Grossa in the Brazilian state of Paraná, L’Acqua employs 200 people.

Note 27 – Group audit fees

The audit fees recognized as expenses within the Group are composed of the following:

(In thousands of euros)	Mazars				PwC				December 31, 2013
	Holdelis	Subsidiaries	Total	%	Holdelis	Subsidiaries	Total	%	
Statutory audit	**164**	**375**	**539**	**55%**	**185**	**426**	**612**	**62%**	**1,151**
Other services directly associated with statutory audit	**151**	**279**	**429**	**44%**	**148**	**228**	**376**	**38%**	**805**
Other services rendered by audit networks		**18**	**18**	**2%**	**0**	**5**	**5**	**1%**	**23**
Tax		5	5			5	5		10
Legal		13	13				0		13
Payroll-related			0				0		0
Other		0	0				0		0
TOTAL FEES	**314**	**671**	**986**	**100%**	**334**	**659**	**993**	**100%**	**1,978**

(In thousands of euros)	Mazars				PwC				December 31, 2012
	Holdelis	Subsidiaries	Total	%	Holdelis	Subsidiaries	Total	%	
Statutory audit	**131**	**331**	**463**	**94%**	**197**	**357**	**554**	**89%**	**1,017**
Other services directly associated with statutory audit			**0**	**0%**		**64**	**64**	**10%**	**64**
Other services rendered by audit networks		**30**	**30**	**6%**	**0**	**6**	**6**	**1%**	**35**
Tax		5	5				0		5
Legal		18	18				0		18
Payroll-related			0				0		0
Other		6	6			6	6		12
TOTAL FEES	**131**	**361**	**492**	**100%**	**197**	**426**	**623**	**100%**	**1,116**

(In thousands of euros)	Mazars				PwC				December 31, 2011
	Holdelis	Subsidiaries	Total	%	Holdelis	Subsidiaries	Total	%	
Statutory audit	**122**	**284**	**406**	**85%**	**182**	**383**	**565**	**81%**	**971**
Other services directly associated with statutory audit		**8**	**8**	**2%**		**116**	**116**	**17%**	**123**
Other services rendered by audit networks	**0**	**62**	**62**	**13%**	**0**	**19**	**19**	**3%**	**81**
Tax		14	14			14	14		28
Legal		41	41				0		41
Payroll-related			0				0		0
Other		6	6			6	6		12
TOTAL FEES	**122**	**353**	**475**	**100%**	**182**	**518**	**700**	**100%**	**1,175**

Note 28 – Off-balance sheet commitments

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Commitments given			
Assignment and pledge of receivables as collateral (*)	629,702	577,244	323,421
Pledges, mortgages and sureties	839	207	205
Pledges, endorsements and guarantees given	3,827	3,217	2,052
Vendor warranties	2,321	171	171
Other commitments given			
Operating leases			
- Future minimum lease payments under non-cancellable operating leases (within one year)	1,430	2,360	1,435
- Future minimum lease payments under non-cancellable operating leases (between one and five years)	14,712	9,016	12,974
- Future Minimum lease payments under non-cancellable operating leases (after five years)	14,860	7,770	6,002
Commitments received			
Pledges, mortgages and sureties			
Pledges, endorsements and guarantees received	9,927	8,098	10,649
Vendor warranties	53,793	28,160	31,612
Other commitments received			

(*) Receivables assigned and pledged for collateral purposes include receivables due between consolidated companies.

Information on commitments given

The following commitments were given to a pool of lenders to guarantee the financing facilities subscribed by Holdelis in 2007 for the acquisition of Novalis shares and amended on June 14, 2013:

Companies	Pledged items		Other commitments given (see below)
	Shares	Bank accounts	
Legendre Holding 27	Yes		(1)
Holdelis	Yes	Yes	(2)
Novalis	Yes	Yes	(3)
M.A.J.	Yes	Yes	(3) / (4) / (5) / (6) / (7)
S.P.C.I.	Yes		
Pierrette T.B.A.	Yes		
Grenelle Service	Yes		
Les Lavandières	Yes		
R.L.S.T.	Yes		
Hades	Yes		
Lavotel	Yes		
Hedena	Yes		
Kennedy Hygiene Products	Yes		

(1) Legendre Holding 27 has pledged receivables due from Holdelis for the loan it granted to Holdelis;
(2) Holdelis has pledged receivables due from the sellers of Novalis shares and receivables due from the suppliers of reports prepared for the sale of Novalis shares;
(3) Novalis and M.A.J. have each signed an agreement to assign business receivables relating to current account loans and advances to Holdelis Group companies;
(4) M.A.J. has pledged the Elis brand;
(5) M.A.J. has signed an agreement to assign the business receivables ("Dailly" receivables) it holds in respect of its customers;
(6) M.A.J. has made a delegation of payment of any compensation to be received from the seller of Lavotel and Hedena shares under the vendor warranty;
(7) M.A.J. has pledged receivables due from cash pool members in its capacity as cash pool manager.

Note 29 – Assets held for sale

Sale and leaseback transactions

The Group signed a provisional sales agreement for the land and buildings of five operating sites on November 22, 2013, and provisional sales agreements for 17 other locations on January 22, 2014. The related assets and liabilities, which were reclassified as at December 31, 2013 in the statement of financial position, are presented below:

The date of transfer of ownership was scheduled no later than March 31, 2014.

(In thousands of euros)	December 31, 2013	December 31, 2012	December 31, 2011
Non-current assets			
Goodwill	0	4,290	0
Intangible assets	0	5,603	0
Property, plant and equipment	88,879	1,516	0
Equity-accounted companies	0	720	0
Current assets			
Inventories	0	9,226	0
Trade and other receivables	0	4,820	0
Other assets	0	72	0
Cash and cash equivalents	0	465	0
Assets held for sale	**88,879**	26,712	**0**
Non-current liabilities			
Provisions	0	183	0
Employee benefit liabilities	0	476	0
Deferred tax liabilities	8,641	1,486	0
Current liabilities			
Trade and other payables	0	1,690	0
Other liabilities	0	1,737	0
Liabilities directly associated with assets held for sale	**8,641**	5,571	**0**

Sale of Molinel

On February 11, 2013, the Board of Directors of Holdelis authorized the sale of Molinel and Guston Molinel, which were classified as a disposal group (but not a discontinued operation) at December 31, 2012, and did not represent a strategic line of business for the Group. Negotiations led to the sale on April 15, 2013. An impairment loss of €21.9 million was recorded during fiscal year 2012 to reduce the carrying amount to fair value less costs to sell.

The assets and liabilities of Molinel and Guston Molinel, which were reclassified as at December 31, 2012 in the statement of financial position, are presented above.

HOLDELIS, S.A.S.

33, rue Voltaire - Puteaux, France

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended June 30, 2014

Condensed consolidated interim financial statements

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Consolidated interim statement of financial position – assets

(In thousands of euros)	Notes	June 30, 2014 net (unaudited)	December 31, 2013 net (audited)
Goodwill	1	1,526,503	1,454,707
Intangible assets		426,258	428,258
Property, plant and equipment		695,665	631,141
Equity-accounted companies		0	0
Available-for-sale financial assets		188	137
Other non-current assets		6,858	7,971
Deferred tax assets		16,493	8,672
TOTAL NON-CURRENT ASSETS		2,671,967	2,530,886
Inventories		54,195	44,424
Trade and other receivables		343,640	297,092
Current tax assets		889	4,170
Other assets		7,735	3,468
Cash and cash equivalents	2	61,630	49,454
TOTAL CURRENT ASSETS		468,088	398,608
Assets held for sale		0	88,879
TOTAL ASSETS		**3,140,055**	**3,018,373**

Consolidated interim statement of financial position – equity and liabilities

(In thousands of euros)	Notes	June 30, 2014	December 31, 2013
		(unaudited)	*(audited)*
Share capital	3	497,610	461,177
Additional paid-in capital	3	175,853	169,286
Other reserves		7,224	7,224
Retained earnings (accumulated deficit)		(305,443)	(287,757)
Other components of equity		6,330	(1,654)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		381,574	348,277
NON-CONTROLLING INTERESTS		(674)	(847)
TOTAL EQUITY		380,900	347,429
Non-current provisions		26,785	15,729
Employee benefit liabilities		46,628	46,104
Non-current borrowings	4	1,944,580	1,908,735
Deferred tax liabilities		210,139	202,710
Other non-current liabilities		32,032	21,293
TOTAL NON-CURRENT LIABILITIES		2,260,164	2,194,571
Current provisions		7,482	6,154
Current tax liabilities		1,485	522
Trade and other payables		134,898	118,288
Other liabilities		244,379	224,756
Bank overdrafts and current borrowings	4	110,746	118,013
TOTAL CURRENT LIABILITIES		498,990	467,732
Liabilities directly associated with assets held for sale		0	8,641
TOTAL EQUITY AND LIABILITIES		**3,140,055**	**3,018,373**

Consolidated interim income statement

(In thousands of euros)	Notes	Six months period ended June 30, 2014 *(unaudited)*	Six months period ended June 30, 2013 *(unaudited)*
Revenue	5	644,278	600,010
Cost of linen, equipment and other consumables		(107,239)	(93,267)
Processing costs		(223,579)	(202,572)
Distribution costs		(103,861)	(97,580)
Gross margin		209,599	206,591
Selling, general and administrative expenses		(106,068)	(106,581)
Operating income before other income and expense and amortization of customer relationships	5	103,531	100,011
Amortization of customer relationships	6	(20,482)	(19,708)
Goodwill impairment		0	0
Other income and expense	7	(16,078)	(10,919)
Operating income		66,971	69,384
Net financial expense	8	(79,181)	(76,202)
Income (loss) before tax		(12,210)	(6,819)
Income tax expense	9	(5,299)	(4,344)
Share of net income of equity-accounted companies		0	68
Net income (loss)		(17,508)	(11,094)
Attributable to:			
- owners of the parent		(17,692)	(11,207)
- non-controlling interests		184	113
Earnings (losses) per share:			
- basic, attributable to owners of the parent		-€0.02	-€0.05
- diluted, attributable to owners of the parent		-€0.02	-€0.05

Consolidated interim statement of comprehensive income

(In thousands of euros)	Notes	Six months period ended June 30, 2014 *(unaudited)*	Six months period ended June 30, 2013 *(unaudited)*
Net income (loss)		(17,508)	(11,094)
Gains (losses) on change in fair value of hedging instruments		(8,691)	11,301
Hedging reserve reclassified to income		1,307	9,479
Total change in hedging reserve		**(7,384)**	**20,780**
Related tax		2,542	(7,155)
Hedging reserve - net (may be subsequently reclassified to income)		(4,842)	13,625
Actuarial gains and losses recognized in equity		**0**	**0**
Related tax		0	0
Actuarial gains and losses, net (may not be reclassified to income)		0	0
Translation reserve (may be subsequently reclassified to income)		12,821	(2,746)
Other comprehensive income		**7,919**	**10,879**
TOTAL COMPREHENSIVE INCOME (LOSS)		(9,529)	(215)
Attributable to:			
- owners of the parent		**(9,702)**	**(390)**
- non-controlling interests		**173**	**175**

Consolidated interim statement of changes in equity for the six months ended June 30, 2014

(In thousands of euros)	Share capital	Additional paid-in capital	Other reserves	Retained earnings (accumulated deficit)	Hedging reserve	Translation reserve	Share-based payment reserve	Actuarial gains and losses	Deferred taxes	Owners of the parent	Non-controlling interests	Total equity
Balance as at December 31, 2013	**461,177**	**169,286**	**7,224**	**(287,758)**	**(10,596)**	**(3,148)**	**6,834**	**1,399**	**3,857**	**348,276**	**(847)**	**347,429**
Increase in share capital	36,433	6,567								43,000		43,000
Decrease in share capital												
Dividends paid												
Changes in consolidation scope												
Other movements				7		6			(13)			
Net income (loss) for the period				(17,692)						(17,692)	184	(17,508)
Other comprehensive income					(7,384)	12,831		0	2,543	7,990	(11)	7,979
Total comprehensive income				(17,692)	(7,384)	12,831		0	2,543	(9,702)	173	(9,529)
Balance as at June 30, 2014	**497,610**	**175,853**	**7,224**	**(305,443)**	**(17,980)**	**9,690**	**6,834**	**1,399**	**6,387**	**381,574**	**(674)**	**380,900**
					6,330							

Consolidated interim statement of changes in equity for the six months ended June 30, 2013

(In thousands of euros)	Share capital	Additional paid-in capital	Other reserves	Retained earnings (accumulated deficit)	Hedging reserve	Translation reserve	Share-based payment reserve	Actuarial gains and losses	Deferred taxes	Owners of the parent	Non-controlling interests	Total equity
Balance as at December 31, 2012	**214,664**	**4,271**	**7,224**	**(249,533)**	**(29,270)**	**(1,321)**	**6,834**	**(3,804)**	**11,062**	**(39,874)**	**122**	**(39,752)**
Increase in share capital												
Decrease in share capital												
Dividends paid												
Changes in consolidation scope								81	(26)	55	(2,918)	(2,863)
Other movements				137		(135)	0		(2)	0		0
Net income (loss) for the period				(11,207)						(11,207)	113	(11,094)
Other comprehensive income					20,780	(2,808)		(0)	(7,154)	10,817	62	10,879
Total comprehensive income				(11,207)	20,780	(2,808)	0	0	(7,154)	(390)	175	(215)
Balance as at June 30, 2013	**214,664**	**4,271**	**7,224**	**(260,603)**	**(8,490)**	**(4,264)**	**6,834**	**(3,723)**	**3,879**	**(40,208)**	**(2,621)**	**(42,829)**
							(5,764)					

Consolidated statement of cash flows

(In thousands of euros)	Note	Six months period ended June 30, 2014 *(unaudited)*	Six months period ended June 30, 2013 *(unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES			
CONSOLIDATED NET INCOME (LOSS)		**(17,508)**	**(11,094)**
Adjustments for:			
Depreciation, amortization and provisions		123,817	107,013
Portion of grants transferred to income		(66)	(60)
Share-based payments		0	0
Discounting adjustment on provisions and employee benefits		629	476
Net gains and losses on disposal of assets		(3,966)	848
Share of net income of equity-accounted companies			(68)
Dividends received (from non-consolidated entities)		(13)	(12)
CASH FLOWS AFTER FINANCE COSTS AND TAX		**102,893**	**97,103**
Net finance costs	8	77,881	75,189
Income tax expense		5,299	4,344
CASH FLOWS BEFORE FINANCE COSTS AND TAX		**186,072**	**176,636**
Tax paid		(3,097)	(14,421)
Change in inventories		(7,211)	(8,607)
Change in trade receivables		(19,575)	(26,044)
Change in trade and other payables (excluding borrowings)		15,330	31,665
Other changes		3,501	(2,159)
Employee benefits		(231)	(215)
NET CASH FROM OPERATING ACTIVITIES		**174,789**	**156,855**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangible assets		(1,844)	(7,563)
Proceeds from sale of intangible assets		0	0
Acquisition of property, plant and equipment		(113,585)	(92,924)
Proceeds from sale of property, plant and equipment		92,329	137
Acquisition of subsidiaries, net of cash acquired	1	(90,527)	(31,178)
Proceeds from disposal of subsidiaries, net of cash transferred		1,000	13,524
Changes in loans and advances		116	91
Dividends from equity-accounted companies		13	12
Investment grants		0	90
NET CASH USED IN INVESTING ACTIVITIES		**(112,498)**	**(117,811)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase		43,000	
Dividends paid			
- to owners of the parent			
- to non-controlling interests		0	0
Change in borrowings related to operations (1)		(34,637)	(2,279)
- Proceeds from new borrowings		*682,787*	*1,488,294*
- Repayment of borrowings		*(717,424)*	*(1,490,573)*
Net interest paid		(58,378)	(49,652)
NET CASH USED IN FINANCING ACTIVITIES		**(50,015)**	**(51,931)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**12,276**	**(12,887)**
Cash and cash equivalents at beginning of period		48,598	54,678
Effect of changes in foreign exchange rates on cash and cash equivalents		743	(570)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2	**61,617**	**41,220**

(1) Net change in credit lines related to financing of operations

Background and basis of preparation of the condensed consolidated interim financial statements

The Holdelis Group is the leader of textile rental and laundering and hygiene services in Continental Europe and Brazil.

I – Basis of preparation

The condensed consolidated interim financial statements of the Holdelis Group for the six months ended June 30, 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, notably IAS 34 "Interim Financial Reporting". As they are condensed financial statements they do not include all of the information required by IFRS for a complete set of financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2013. The 2013 consolidated financial statements were approved again on July 25, 2014 by the President of Holdelis in preparation for the initial public offering on the regulated Euronext market in Paris and for the requirements of the *document de base* submitted for approval by the French financial markets authority (*Autorité des marchés financiers* – AMF).

The condensed consolidated interim financial statements have been prepared in accordance with the international standards issued by the IASB, which include IFRS and International Accounting Standards (IAS), interpretations issued by the former International Financial Committee (IFRIC), now referred to as the IFRS Interpretations Committee and by the former Standing Interpretations Committee (SIC), endorsed by the European Union and applicable at the reporting date. As at June 30, 2014, the Group did not apply any standards or interpretations that have not yet been approved by the European Union.

The financial statements are presented in thousands of euros (unless otherwise stated) and comprise:

- consolidated statement of financial position,
- consolidated income statement and consolidated statement of comprehensive income,
- consolidated statement of changes in equity,
- consolidated statement of cash flows,
- notes.

The amounts are shown with comparative figures from the consolidated financial statements as at December 31, 2013 and condensed consolidated interim financial statements as at June 30, 2013.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except in the case of derivative financial instruments and available-for-sale financial assets which have been measured at fair value.

II – Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were reviewed by the Audit Committee on July 17, 2014 and by the Board of Directors on July 25, 2014 and have been approved for issue by the President of Holdelis. They have also been reviewed by the Statutory Auditors.

Accounting policies

Basis of measurement for the preparation of the condensed consolidated interim financial statements

The accounting policies adopted are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2013 except for the following:

- IFRS 10 "Consolidated Financial Statements" effective for annual periods beginning on or after January 1, 2014;
- IFRS 11 "Joint Arrangements" effective for annual periods beginning on or after January 1, 2014;
- IFRS 12 "Disclosure of Interests in Other Entities" effective for annual periods beginning on or after January 1, 2014;
- IAS 27 "Separate Financial Statements" (revised 2011) effective for annual periods beginning on or after January 1, 2014;
- IAS 28 "Investments in Associates and Joint Ventures" (revised 2011) effective for annual periods beginning on or after January 1, 2014;
- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities" effective for annual periods beginning on or after January 1, 2014;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Transition Guidance" effective for annual periods beginning on or after January 1, 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" effective for annual periods beginning on or after January 1, 2014;
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" effective for annual periods beginning on or after January 1, 2014;
- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" effective for annual periods beginning on or after January 1, 2014;

These new standards and amendments to existing standards did not have a material impact on the consolidated financial statements of Holdelis.

The Group has not opted for the early adoption of any other standards, amendments or interpretations that have been issued but are not yet mandatory.

IFRIC Interpretation 21 "Levies" effective for annual periods beginning on or after January 1, 2015 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy in accordance with the relevant legislation. In addition, IFRIC Interpretation 21 prohibits the progressive recognition of a liability for tax levies and requires the recognition of the liability in full when the obligating event for the payment of the levy is met.

The Group determined that the impact in France of the early adoption as at January 1, 2014 of IFRIC Interpretation 21 on shareholders' equity would have been an increase of €1.3 million after tax (€2.1 million before tax) relating to the French corporate social solidarity contribution (*contribution sociale de solidarité des sociétés*).
The impact of applying this interpretation to the corporate social solidarity contribution and property tax on operating income and net income for the period ended June 30, 2014 would be a loss of €4.3 million and €2.6 million, respectively.
The assessment of the impact in other countries is still ongoing.

Critical accounting estimates and judgments

The preparation of interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses and related disclosures. Amounts reported in future financial statements may differ from current estimates due to changes in assumptions or if conditions vary from those anticipated.

In preparing these condensed consolidated interim financial statements, the judgments and significant estimates made by management in applying the Group's accounting policies were the same as those made for the consolidated financial statements for the year ended December 31, 2013, with the exception of:

- estimates made to determine the income tax expense for interim periods;
- provisions for the French business tax (*cotisation sur la valeur ajoutée* – CVAE) and profit-sharing expenses (excluding the one-off impacts of site disposals), which are set aside on the basis of 50% of the estimated expense for full-year 2014;
- retirement benefit liabilities are not remeasured using actuarial methods for the purposes of the condensed consolidated interim financial statements. The retirement benefit expense for the period corresponds to 50% of the estimated expense for full-year 2014, based on data and assumptions used as at December 31, 2013.

Change in accounting estimates

A review of the effective useful life of textiles led the Group to increase the depreciation schedule for textiles as from January 1, 2012. This resulted in an €8.3 million decrease in the depreciation expense for the six months ended June 30, 2013.

Seasonality of operations

Revenue, recurring operating income and all operating indicators are subject to seasonal fluctuations, particularly summer vacation periods which impact activity at certain plants. The extent of the seasonal impact varies in the countries in which the Group operates. Consequently, the interim results for the six months ended June 30, 2014 are not necessarily representative of those that may be expected for full-year 2014.

Notes

Significant events: sale and leaseback transactions

On March 28, 2014, the Group signed the final sale agreements for the land and buildings of 17 industrial sites, and on June 27, 2014 for five other sites, for an aggregate €92.9 million. The related assets and liabilities were classified as at December 31, 2013 as “Assets held for sale” and “Liabilities directly associated with assets held for sale”.

The analysis of the sale and leaseback transactions determined that they result in operating leases. As the transactions were carried out at fair value, all gains or losses were recognized immediately in the income statement (with the other associated expenses) and are disclosed in Note 7 – Other income and expense.

Future minimum lease payments under non-cancellable operating leases (15 years) are shown in **Error! Reference source not found.**.

Significant events: planned Initial Public Offering

On July 7, 2014 Eurazeo confirmed plans to proceed with the stock market listing of Holdelis shares on the Euronext market in Paris.

Significant events: 2014 acquisitions

The Group made the following investments during the period:

- acquisition on February 4, 2014 of Atmosfera, Brazil’s leading industrial laundry group. The company has 3,500 employees and generated revenue of around BRL 280 million (nearly €90 million) in 2013. The acquisition has boosted Elis’ international expansion. The transaction was funded by a combination of €90 million of debt and equity financing through a capital increase in Holdelis to which Legendre Holding 27 subscribed for €43 million.

- acquisition on April 1, 2014 of the assets of Blanchisserie Mazamétaine et Castraise (Mazamet, France) and acquisition on April 22, 2014 of the business assets of Blanchisserie Quercy Périgord (Souillac-sur-Dordogne, France). These business combinations represented revenue of approximately €1.3 million in 2013.

- acquisition on May 29, 2014 of the Brazilian company Santa Clara (Belo Horizonte – State of Minas Gerais, Brazil), which specializes in laundry services for healthcare customers and generates revenue of BRL 2.5 million (approximately €850 thousand).

Summary of 2014 acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

(In thousands of euros)	Fair value at the acquisition date
Statement of financial position	
Intangible assets	17,953
Property, plant and equipment	48,486
Available-for-sale financial assets	0
Other non-current assets	0
Deferred tax assets	7,597
Inventories	2,254
Trade and other receivables	17,483
Current tax assets	185
Other assets	23
Other financial assets	0
Cash and cash equivalents	5,525
Non-current provisions	(10,613)
Employee benefit liabilities - non-current portion	(27)
Non-current borrowings	(33,969)
Deferred tax liabilities	(2,987)
Other non-current liabilities	(832)
Current provisions	(2,451)
Employee benefit liabilities - current portion	0
Current tax payables	(590)
Trade and other payables	(6,773)
Other liabilities	(6,314)
Bank overdrafts and current borrowings	(2,700)
IDENTIFIABLE ASSETS AND LIABILITIES (carrying amount)	**32,250**
Non-controlling interests measured at fair value	0
Goodwill	65,177
Purchase price of shares	**97,426**

Cash flows from acquisitions

In thousands of euros	June 30, 2014
Net cash acquired	5,525
Amount paid	(96,051)
Net cash flow	**(90,527)**

As at June 30, 2014, the initial accounting for the business combinations had not been completed and the amounts recognized in the financial statements for business combinations were therefore determined provisionally.

Since the acquisition date, the acquired subsidiaries have contributed €36.4 million in revenue and €1.3 million in operating income. If the combinations had taken place at the beginning of the year, additional revenue would have been €7.3 million and additional operating income (before amortization of customer relationships) would have been €0.3 million.

Litigation

An in-depth analysis of the fair value of contingent liabilities due to ongoing litigation in respect of business combinations was still underway when these condensed consolidated interim financial statements were prepared. Consequently, the provisions recognized under IFRS 3R may be modified.

Civil/tax/payroll

Provisions have been recognized in Atmosfera's financial statements for a number of disputes, the majority of which concern tax and payroll.

Competition law

Atmosfera (along with other companies) is involved in an antitrust investigation regarding an alleged bid-rigging cartel in the industrial laundry services market for public entities in the State of Rio de Janeiro (Brazil).

Pursuant to the decision by the General Superintendence to refer the case to the tribunal of the Brazilian antitrust authority, the company has sought to negotiate a settlement with the Brazilian authorities. The settlement is in the process of completion and a provision has been set aside in this respect.

Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the synergies expected to be derived from the acquisitions.

Note 1 – Business combinations and goodwill

(In thousands of euros)	June 30, 2014	December 31, 2013
Gross value	1,507,420	1,488,500
Accumulated impairment	(52,713)	(48,640)
Carrying amount at beginning of period	**1,454,707**	**1,439,859**
Acquisitions	65,177	19,841
Disposals	0	0
Translation adjustments	6,691	(976)
Reclassification as assets held for sale	0	0
Other changes	99	54
Changes in gross carrying amount	**71,967**	**18,920**
Impairment	0	(4,000)
Translation adjustments	(170)	(73)
Reclassification as assets held for sale	0	0
Changes in impairment	**(170)**	**(4,073)**
Carrying amount at end of period	**1,526,503**	**1,454,707**
Gross value	1,579,386	1,507,420
Accumulated impairment	(52,883)	(52,713)

Impairment tests as at June 30, 2014

Impairment indicators

In accordance with IAS 36, the Holdelis Group identifies indications of impairment using both internal and external sources of information.

External sources of information primarily consist of reviewing the weighted average cost of capital (WACC).

Internal sources of information are based on the main indicators used in financial reporting. A significant drop in revenue/profitability or failure to meet forecasts are indicators of impairment.

Given the economic environment, Holdelis regularly reviews the performance of each cash-generating unit (CGU) before deciding whether to perform impairment tests.

After reviewing both internal and external sources of information, management did not identify any indication of impairment during the period. Consequently, no impairment tests were performed as at June 30, 2014.

Note 2 – Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

(In thousands of euros)	June 30, 2014	December 31, 2013
Demand deposits	30,580	25,223
Term deposits and marketable securities	31,050	24,231
Cash and cash equivalents	**61,630**	**49,454**
Cash and cash equivalents classified as assets held for sale	0	0
Bank overdrafts	(13)	(856)
Cash and cash equivalents, net	**61,617**	**48,598**

Note 3 – Share capital and reserves

Changes in share capital

Number of shares as at December 31, 2013	**922,354,554**
Number of shares as at June 30, 2014	**995,220,818**
Number of authorized shares	995,220,818
Number of shares issued and fully paid up	995,220,818
Number of shares issued and not fully paid up	-
Par value of shares	0.50
Treasury shares	0
Shares reserved for issue under options and sales agreements	-

At the shareholders' meeting of January 31, 2014, shareholders approved the €36.4 million capital increase and recognition of €6.6 million in "additional paid-in capital".

Note 4 – Net debt

Consolidated debt

(In thousands of euros)	June 30, 2014	December 31, 2013
Bonds subscribed by Eurazeo/ECIP Elis	0	0
Legendre Holding 27 (PIK Bonds)	192,854	173,000
Other bonds	830,000	830,000
Bonds	1,022,854	1,003,000
Structured facilities	960,854	946,804
Finance lease liabilities	6,065	6,335
Other loans and overdrafts	10,527	10,930
Loan from employee profit-sharing fund	38,752	33,626
Loans	1,016,198	997,696
Accrued interest	16,274	26,053
Borrowings	**2,055,326**	**2,026,748**
Of which maturing in less than one year	110,746	118,013
Of which maturing in more than one year	1,944,580	1,908,735
Cash and cash equivalents	**61,630**	**49,454**
Net debt	**1,993,697**	**1,977,294**
Loans and borrowings by currency		
EUR	2,048,039	2,020,404
GBP		
CHF	5,993	6,344
CZK		
BRL	1,294	0
Other		

Breakdown of consolidated debt

As at June 30, 2014, consolidated debt comprised the following:

(In thousand of euros)	June 30, 2014	Fixed	Floating hedged	Floating unhedged	Maturities
Legendre Holding 27 (PIK Bonds) 12-month EURIBOR (*) +10.35%	**193,948**			193,948	June 2019
Senior subordinated bonds 3-month EURIBOR (*) +7%	**381,267**			381,267	December 2018
Senior secured bonds 6%	**451,200**	451,200			June 2018
Other structured financing EURIBOR +4.25%	**972,722**		735,000	237,722	October 2017
Loan from employee profit-sharing fund	**39,596**	39,596			
Finance leases	**6,065**	6,065			
Other	**10,516**	10,516			
Overdrafts	**13**			13	
Borrowings	**2,055,326**	**507,377**	**735,000**	**812,950**	

(* floor at 1%)

In addition, as at June 30, 2014, the Group had an undrawn credit line of €53.3 million.

Note 5 – Operating segments

Revenue

(In millions of euros) 2014	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
External customers	468.0	131.9	36.2	8.2		644.3
Inter-segment	1.2	0.2	(0.0)	4.1	(5.5)	0.0
Segment revenue	**469.2**	**132.1**	**36.2**	**12.3**	**(5.5)**	**644.3**

(In millions of euros) 2013	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
France	461.8	124.1	0.0	14.2		600.0
Foreign countries	1.1	0.8	0.0	4.3	(6.3)	0.0
Segment revenue	**462.9**	**124.9**	**0.0**	**18.5**	**(6.3)**	**600.0**

Earnings

(In millions of euros) 2014	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**95.8**	**6.3**	**0.9**	**0.9**	**(0.5)**	**103.5**
Miscellaneous financial items (*)	*0.3*	*0.1*	*0.1*	*0.0*	*0.0*	*0.5*
EBIT	96.2	6.4	1.0	1.0	(0.5)	104.1
Depreciation and amortization including portion of grants transferred to income	*73.0*	*25.4*	*6.1*	*0.6*	*0.0*	*105.1*
EBITDA	**169.1**	**31.8**	**7.0**	**1.6**	**(0.5)**	**209.1**

(In millions of euros) 2013	France	Europe	Brazil	Manufacturing entities	Eliminations & holding companies	Total
Operating income before other income and expense and amortization of customer relationships	**94.3**	**5.7**	**(0.3)**	**1.1**	**(0.9)**	**100.0**
Miscellaneous financial items (*)	*0.3*	*0.1*	*0.0*	*0.1*	*0.0*	*0.4*
EBIT	94.6	5.8	(0.3)	1.1	(0.8)	100.5
Depreciation and amortization including portion of grants transferred to income	*66.8*	*22.3*	*0.0*	*0.6*	*0.0*	*89.8*
EBITDA	**161.4**	**28.2**	**(0.3)**	**1.8**	**(0.8)**	**190.3**

(*) Bank fees and recurring dividends included in operating income

The definition of segments and the rules for assessing the performance of each segment as at June 30, 2014 are the same as those used to prepare the financial statements at December 31, 2013 for the purposes of the *document de base*.

• Earnings before interest and tax (EBIT) is defined as net income (loss) before net financial expense, income tax, share of net income of equity-accounted companies, amortization of customer relationships, goodwill impairment, other income and expense and miscellaneous financial items (bank fees and recurring dividends recognized in operating income).
• Earnings before interest, tax, depreciation and amortization (EBITDA) is defined as EBIT before depreciation and amortization, net of the portion of grants transferred to income.

Information on countries and customer segments

(In millions of euros)	Six Months period ended June 30, 2014	Six Months period ended June 30, 2013
Hospitality	*136.5*	*134.2*
Industry	*93.3*	*93.1*
Trade & Services	*170.2*	*169.0*
Healthcare	*76.1*	*71.4*
Other	*(8.1)*	*(6.0)*
France	468.0	461.8
Germany	*20.9*	*19.6*
Belgium & Luxembourg	*15.0*	*16.5*
Spain & Andorra	*28.0*	*23.3*
Italy	*13.0*	*12.4*
Portugal	*18.3*	*17.3*
Switzerland	*35.9*	*34.4*
Czech Republic	*0.7*	*0.6*
Europe	131.9	124.1
Brazil	36.2	-
Manufacturing entities	8.2	14.2
Revenue	**644.3**	**600.0**

Note 6 – Depreciation, amortization and provisions

(In thousands of euros)	Six Months period ended June 30, 2014	Six Months period ended June 30, 2013
Depreciation and amortization		
- included in "Operating income before other income and expense and amortization of customer relationships"		
Property, plant and equipment and intangible assets	(30,158)	(28,064)
Linen and mats	(66,726)	(53,838)
Other leased items	(8,243)	(7,951)
- amortization of customer relationships	(20,482)	(19,708)
Portion of grants transferred to income	66	60
Total depreciation and amortization including portion of grants transferred to income	**(125,542)**	**(109,500)**
Addition to or reversal of provisions		
- included in "Operating income before other income and expense and amortization of customer relationships"	1,467	107
- included in "Other income and expense"	324	2,148
Total addition to or reversal of provisions	**1,791**	**2,255**

The increase in the depreciation expense for linen and mats in 2014 compared with 2013 was mainly due to the extension in the previous period of the depreciation schedule for linen from an average two to three years.

The section entitled "Changes in accounting estimates" under "Accounting policies" contains additional information on this matter.

Note 7 – Other income and expense

(In thousands of euros)	Six Months period ended June 30, 2014	Six Months period ended June 30, 2013
Transaction costs	(3,554)	(301)
Restructuring costs	(127)	(708)
Uncapitalizable costs for change in IT systems	(9,709)	(9,131)
Net gains on site disposals	3,739	
Expenses relating to site disposal (employee profit-sharing, professional fees)	(5,010)	
Environmental rehabilitation costs	(200)	
Other	(1,217)	(779)
Other income and expense	**(16,078)**	**(10,919)**

Note 8 – Net financial expense

(In thousands of euros)	Six Months period ended June 30, 2014	Six Months period ended June 30, 2013
Interest expense on borrowings and employee profit-sharing fund	(76,801)	(66,480)
Gross finance costs	**(76,801)**	**(66,480)**
Gains (losses) on traded derivatives	(1,310)	(8,774)
Other financial income and expenses	230	64
Total finance expense	(1,080)	(8,710)
Net finance costs	**(77,881)**	**(75,189)**
Foreign exchange losses	(87)	(524)
Foreign exchange gains	111	133
Interest expense on provisions and employee benefits	(629)	(476)
Other	(695)	(146)
Total other financial income and expenses	**(1,300)**	**(1,013)**
Net financial expense	**(79,181)**	**(76,202)**

The main changes were due to the refinancing of debt in June 2013.

Note 9 – Income tax expense

The Group recognizes income tax expense for interim periods based on its best estimate of the weighted average annual tax rate expected to apply to total annual earnings. This rate is computed on a country-by-country basis.

Note 10 – Other information on financial assets and liabilities

	June 30, 2014		Breakdown by category of financial instrument				
(In thousands of euros)	Carrying amount	Fair value	Fair value through profit and loss	Fair value through equity	Loans and receivables	Liabilities at amortized cost	Derivative financial instruments
Available-for-sale financial assets (non-current)	188	188		188			
Other non-current assets	6,858	6,858			6,858		0
Trade and other receivables	343,640	343,640			343,640		
Other current assets	7,735	7,735			7,487		248
Cash and cash equivalents	61,630	61,630	61,630				
Financial assets	**420,051**	**420,051**	**61,630**	**188**	**357,985**	**0**	**248**
Loans and borrowings	1,944,580	1,975,901				1,944,580	
Other non-current liabilities	32,032	32,032			4,710		27,322
Trade and other payables	134,898	134,898			134,898		
Other liabilities	244,379	244,379			243,941		438
Bank overdrafts and portions of loans due in less than one year	110,746	121,346				110,746	
Financial liabilities	**2,466,636**	**2,508,557**	**0**	**0**	**383,549**	**2,055,326**	**27,760**

Note 11 – Subsidiaries and consolidated companies

The consolidated financial statements include the financial statements of Holdelis and the following subsidiaries:

Name of company	Registered office	Country	Consolidation method	% interest 2014	% interest 2013
Holdelis	Puteaux	France	Parent Company	100	100
M.A.J.	Pantin	France	F.C.	100	100
Les Lavandières	Avrillé	France	F.C.	100	100
Régionale de Location et Services Textiles	Marcq en Baroeul	France	F.C.	100	100
Pierrette - T.B.A.	Malzeville	France	F.C.	100	100
Le Jacquard Français	Gerardmer	France	F.C.	100	100
ELIS	Puteaux	France	F.C.	100	100
Thimeau	Meaux	France	F.C.	100	100
Grenelle Service	Gennevilliers	France	F.C.	100	100
Maison de Blanc Berrogain	Anglet	France	F.C.	100	100
S.O.C.	Puteaux	France	F.C.	100	100
Blanchisserie Poulard	Nanterre	France	F.C.	100	100
Poulard 1836	Nanterre	France	F.C.	100	100
AD3	Dardilly	France	F.C.	100	100
Novalis	Puteaux	France	F.C.	100	100
S.C.I. Château de Janville	Puteaux	France	F.C.	100	100
Lovetra	St Ouen l'Aumône	France	F.C.	100	100
G.I.E. Eurocall Partners	Villeurbanne	France	F.C.	100	100
Blanchisserie Moderne	Montlouis sur Loire	France	F.C.	96	96
S.C.I. La Forge	Bondoufle	France	F.C.	100	100
Société de Participations Commerciales et Industrielles	St Ouen l'Aumône	France	F.C.	100	100
S.C.I. 2 Sapins	Grenoble	France	F.C.	100	100
SHF Holding	Puteaux	France	F.C.	100	100
SHF	Puteaux	France	F.C.	100	100
Pole Services	Puteaux	France	F.C.	100	100
Sud-Ouest Hygiène Services	Puteaux	France	F.C.	100	100
Collectivités Service	Puteaux	France	F.C.	100	100
Districlean Service	Puteaux	France	F.C.	100	100
France Tapis Hygiène Service	Marcq en Baroeul	France	F.C.	100	100
Molinel	Frelinghien	France	F.C.	-	Deconsolidation
Guston Molinel	Frelinghien	France	E.A.	-	Deconsolidation
Cleantex Potsdam Textilpflege GmbH	Potsdam	Germany	F.C.	100	100
Elis Holding GmbH	Rehburg-Loccum	Germany	F.C.	100	100
Elis Textil-Service GmbH	Mörlenbach	Germany	F.C.	100	100
RWV Textilservice Beteiligungs GmbH	Rehburg-Loccum	Germany	F.C.	100	100
Schäfer Wäsche-Vollservice GmbH	Ibbenbüren	Germany	F.C.	100	100
Rolf und Horst Schäfer GmbH & Co. KG	Ibbenbüren	Germany	F.C.	100	100
Wolfsperger Textilservice GmbH & Co. KG	Freiburg im Breisgau	Germany	F.C.	100	100
Wolfsperger Verwaltungs GmbH	Freiburg im Breisgau	Germany	F.C.	100	100
Auxiliar Hotelera Arly	Andorre	Andorra	F.C.	100	100
Arly les Valls (in liquidation *)	Andorre	Andorra	F.C.	100	100
Hades	Anderlecht	Belgium	F.C.	100	100
Leudeville Holdings SA	Jundiai	Brazil	F.C.	100	-
Atmo Holding SA	Jundiai	Brazil	F.C.	100	-
Atmosfera Gestao e Higienizacao et Texteis	Jundiai	Brazil	F.C.	100	-
Elis Brazil, Serviços e Higienização de Têxteis Ltda	Jundiai	Brazil	F.C.	100	100
Lavanderia Santa Clara	Sete Lagoas	Brazil	F.C.	100	-
Azelab Productos	Parets del Vallès (Barcelona)	Spain	F.C.	100	100
Elis Textilrenting SL	Parets del Vallès (Barcelona)	Spain	F.C.	-	Merger
Elis Servicios Hoteleros SL	Parets del Vallès (Barcelona)	Spain	F.C.	-	Merger
Elis Manomatic	Parets del Vallès (Barcelona)	Spain	F.C.	100	100
Explotadora de Lavanderias	Consell (Mallorca)	Spain	F.C.	100	100
AF System	Rondissone	Italy	F.C.	-	Merger
Elis Italia S.p.A.	San Giuliano Milanese	Italy	F.C.	100	100
Elis Luxembourg	Bascharage	Luxembourg	F.C.	100	100
Gafides	Samora Correira	Portugal	F.C.	100	100
SPAST	Samora Correira	Portugal	F.C.	100	100
Spast II LDA	Samora Correira	Portugal	F.C.	100	100
SNDI S.R.O.	Slavkov ù Brna	Czech Republic	F.C.	100	100
Kennedy Hygiene Products LTD	Uckfield	United Kingdom	F.C.	100	100
Kennedy Exports LTD	Uckfield	United Kingdom	F.C.	100	100
Blanchâtel S.A.	La Chaux-de-Fonds	Switzerland	F.C.	100	100
Blanchival S.A.	Sion	Switzerland	F.C.	100	100
Blanchisserie des Epinettes S.A.	Plan-les-Ouates	Switzerland	F.C.	100	100
Blanchisserie des Epinettes, Acacias S.A.	Nyon	Switzerland	F.C.	100	100
Großwäscherei Domeisen AG	Endingen	Switzerland	F.C.	75	75
Hedena S.A.	Nyon	Switzerland	F.C.	100	100
InoTex Bern AG	Bern	Switzerland	F.C.	84	84
Laventex S.A.	Givisiez	Switzerland	F.C.	100	100
Lavopital S.A.	Plan-les-Ouates	Switzerland	F.C.	100	100
Lavotel S.A.	Nyon	Switzerland	F.C.	100	100
Lavotel Textilleasing GmbH	Rüdtligen-Alchenflüh	Switzerland	F.C.	100	100
LL La Lavanderie	Plan-les-Ouates	Switzerland	F.C.	-	-
Picsou Management AG	Muri Bei Bern	Switzerland	F.C.	51	51
Siro Holding AG	Muri Bei Bern	Switzerland	F.C.	51	51
SNDI (Suisse) S.A.	Brügg	Switzerland	F.C.	100	100
Wäscherei Kunz AG	Hochdorf	Switzerland	F.C.	100	100
Wäscherei Papritz A.G.	Rüdtligen-Alchenflüh	Switzerland	F.C.	100	100

(*) dormant
F.C. =Fully Consolidated
E.A. = Equity Accounted

Note 12 – Subsequent events

No events have occurred since the consolidated financial statements were prepared as at June 30, 2014 that are likely to have a material impact on the financial position of the Holdelis Group.

On July 1, 2014 the Group acquired Pro Services Environnement (PSE), (Vignieu, France). With a workforce of 18 employees, Pro Services Environment Services serves 2,000 customers and generates aggregate revenue of €2.2 million from 3D pest control services.

On July 2, 2014 the Group acquired the Brazilian company L'Acqua, which generates revenue of BRL 14 million (approximately €4.6 million) and serves healthcare customers. Based in Ponta Grossa (state of Paraná, Brazil), l'Acqua has 200 employees.

Note 13 – Off-balance sheet commitments

(In thousands of euros)	June 30, 2014	December 31, 2013
Commitments given		
Assignment and pledge of receivables as collateral (*)	513,010	629,702
Pledges, mortgages and sureties	840	839
Pledges, endorsements and guarantees given	5,551	3,827
Vendor warranties	2,150	2,321
Other commitments given		
Operating leases		
-Future minimum lease payments under non-cancellable operating leases (within one year)	2,918	1,430
-Future minimum lease payments under non-cancellable operating leases (between one and five years)	11,134	14,712
-Future Minimum lease payments under non-cancellable operating leases (after five years)	140,751	14,860
Commitments received		
Pledges, mortgages and sureties		
Pledges, endorsements and guarantees received	14,467	9,927
Vendor warranties	60,163	53,793
Other commitments received		

(*) Receivables assigned and pledged as collateral include receivables due between consolidated companies.

Information on commitments given

The following commitments were given to a pool of lenders to guarantee the financing facilities subscribed by Holdelis in 2007 for the acquisition of Novalis shares and amended on June 14, 2013:

Companies	Pledged items		Other commitments (see below)
	Shares	Bank accounts	
Legendre Holding 27	Yes		(1)
Holdelis	Yes	Yes	(2)
Novalis	Yes	Yes	(3)
M.A.J.	Yes	Yes	(3) / (4) / (5) / (6) / (7)
S.P.C.I.	Yes		(8)
Pierrette T.B.A.	Yes		
Grenelle Service	Yes		
Les Lavandières	Yes		
R.L.S.T.	Yes		
Hades	Yes		
Lavotel	Yes		
Hedena	Yes		
Kennedy Hygiene Products	Yes		
Elis Brasil	Yes	Yes	
Atmo Holding	Yes		
Leudeville Holdings	Yes		

(1) Legendre Holding 27 has pledged receivables due from Holdelis relating to the loan it granted Holdelis;
(2) Holdelis has pledged receivables due from the sellers of Novalis shares and receivables due from the suppliers of reports prepared for the sale of Novalis shares;
(3) Novalis and M.A.J. have each signed an agreement to assign business receivables ("Dailly" receivables) relating to current account loans and advances to Holdelis Group companies;
(4) M.A.J. has pledged the Elis brand;
(5) M.A.J. has signed an agreement to assign the business receivables ("Dailly" receivables) it holds in respect of its customers;
(6) M.A.J. has made a delegation of payment of any compensation to be received from the seller of Lavotel and Hedena shares under the vendor warranty;
(7) M.A.J. has pledged the receivables due from the cash pool members in its capacity as cash pool manager.
(8) M.P.C.I. has pledged receivables due from the purchaser of Molinel shares under a vendor loan.

Note 14 – Related parties

The main transactions undertaken during the period were with the parent company Legendre Holding 27:

(In thousands of euros)	Income	Expense	Receivables with related parties	Payables with related parties
Entity with significant influence over the Group				
Legendre Holding 27 (parent company)		(10,082)		193,948