Press release

Supplemental information now available

Puteaux, April 17 2015

In connection with the recently announced debt offering, Elis disclosed to potential investors certain information relating to the Group set out in the Exhibit to this press release.

A copy of such information is available on the Elis website in the Investor Relations / Regulatory information: http://www.corporate-elis.com/en/investor-relations.

About Elis

Elis is a leading multi-services group in Europe and Brazil, specialized in the rental and maintenance of professional clothing and textile articles, as well as hygiene appliance and well-being services. With more than 19,000 employees spread across 12 countries, Elis consolidated turnover in 2014 was €1.331 billion and consolidated EBITDA reached €429 million. Benefiting from more than a century of experience, Elis today services more than 240 000 businesses of all sizes in the hotel, catering, healthcare, industry, retail and services sectors, thanks to its network of 275 production and distribution centers and 13 clean rooms, which guarantees it an unrivalled proximity to its clients.

Contact

Investor Relations:
Nicolas Buron, Investor Relations Director – Phone: +33 1 41 25 46 77 - nicolas.buron@elis.com

Exhibit

Important notice

This document does not constitute an offer to sell, or a solicitation of offers to purchase or subscribe for, securities in the United States. The securities referred to herein have not been, and will not be, registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act.

This press release does not constitute or form part of an offer or solicitation of an offer to purchase or subscribe for securities in France. The securities described herein have not been offered and will not be offered or sold, directly or indirectly, to the public in France. The securities may only be offered or sold in France to qualified investors (*investisseurs qualifiés*) and/or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), all as defined in and in accordance with Articles L. 411-1, L. 411-2, D. 411-1, D. 411-4, D. 744-1, D. 754-1 and D. 764-1 of the French *Code Monétaire et Financier*.

In member states of the European Economic Area which have implemented Directive 2003/71/EC (as amended) (the "Prospectus Directive"), this press release and any offer if made subsequently are directed exclusively at persons who are "qualified investors" and act for their own account within the meaning of the Prospectus Directive and any relevant implementing measures in the relevant member state.

This press release is not an invitation nor an inducement to engage in investment activity for the purpose of Section 21 of the Financial Services and Markets Act 2000, as amended ("FSMA"). This press release is directed only at (i) persons outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (iii) persons referred to in Article 49(2) (a) to (d) of the Order (high net worth entities, non-registered associations, etc.) and (iv) other persons to whom this document may be lawfully communicated (all persons listed in (i), (ii), (iii) and (iv) above being referred to as "Relevant Persons"). The securities described herein are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person must not act or rely on this document or any of its contents.

The release, publication or distribution of this press release in certain jurisdictions may be restricted by laws or regulations. Persons in such jurisdictions into which this press release is released, published or distributed must inform themselves about and comply with such laws or regulations.

CERTAIN DEFINITIONS

Unless indicated otherwise in this document or the context requires otherwise:

- "**Adjusted EBITDA**" refers to adjusted earnings before interest, tax, depreciation and amortization;
- "**Atmosfera**" refers to Atmosfera Gestao e Higienizacao de Texteis, a Subsidiary Guarantor under the Notes;
- "**CAGR**" refers to compounded annual growth rate;
- "**dispatching centers**" refers to our storage facilities, from which our products, such as flat linen, garments and HWB products, are delivered to our customers;
- "**Elis**" means Elis S.A., a *société anonyme à directoire et conseil de surveillance* incorporated under the laws of France, the Parent Guarantor under the Notes;
- "**Eurazeo**" refers to Eurazeo S.A.;
- "**Euribor**" refers to the Euro Interbank Offered Rate;
- "**euro**", "**euros**", "**EUR**" or "**€**" refers to the single currency of the Member States of European Union participating in the third stage of economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time;
- "**Euronext Paris**" refers to the regulated market of Euronext in Paris;
- "**Existing Senior Secured Notes**" means the €450.0 million of Senior Secured Notes due 2018, which were issued by the Issuer on June 14, 2013;
- "**Existing Senior Subordinated Notes**" means the €380.0 million of Senior Subordinated Notes due 2018, which were issued by Elis on June 14, 2013, approximately 40% of which were redeemed in connection with the IPO and IPO Concurrent Refinancing Transactions;
- "**flat linen**" refers to, among other things, bedsheets, duvets, duvet covers, towels, tablecloths, napkins, dish towels and aprons;
- "**FTC**" refers to the French tax code (*Code général des impôts*);
- "**GDP**" refers to gross domestic product;
- "**Group**", "**we**", "**our**", or "**us**" refers to Elis and its subsidiaries, unless the context suggests otherwise;
- "**Guarantors**" collectively refers to the Parent Guarantor and the Subsidiary Guarantors, and references to "**Guarantor**" are each of them;
- "**HWB**" refers to washroom appliances, water fountains, coffee machines, dust mats and pest control services;
- "**IFRS**" refers to the International Financial Reporting Standards, as adopted by the European Union;
- "**Initial Public Offering**" or "**IPO**" means the initial public offering by Elis, which was consummated on February 12, 2015;
- "**IPO Concurrent Refinancing Transactions**" means the refinancing transactions undertaken by the Group concurrently with the IPO;
- "**Issue Date**" refers to the date on which the Notes will be offered;
- "**Issuer**" refers to Novalis;
- "**Lavotel**" refers to Lavotel S.A., a Subsidiary Guarantor under the Notes;
- "**Luxembourg**" refers to the Grand Duchy of Luxembourg;

- "**MAJ**" refers to MAJ S.A., a Subsidiary Guarantor under the Notes;
- "**Member State**" refers to any member state of the European Union;
- "**Notes**" means the €800.0 million of High Yield Notes due 2022 to be issued on the Issue Date by the Issuer as referred to in the press release dated 17 April 2015;
- "**Novalis**" refers to Novalis S.A.S., a *société par actions simplifiée* incorporated under the laws of France;
- "**Offering**" refers to the offering of the Notes by the Issuer;
- "**Parent Guarantor**" refers to Elis;
- "**Private PIK Notes**" means the €173.0 million of Private PIK Notes due 2018, which were issued by Legendre Holding 27 S.A.S. on June 14, 2013, the proceeds of which were loaned to Elis pursuant to the Refinanced PIK Proceeds Loan;
- "**processing centers**" refers to our industrial laundry facilities, where our flat linens and garments are washed and maintained, and from which our products, such as flat linens, garments and HWB products, can also be delivered to our customers;
- "**Refinanced PIK Proceeds Loan**" means the loan pursuant to which Legendre Holding 27 S.A.S. lent the proceeds of the Private PIK Notes to Elis, 100% of which was repaid in connection with the IPO and the IPO Concurrent Refinancing Transactions;
- "**Refinanced Senior Facilities**" refers to the term and the general purpose credit facilities that were available pursuant to the senior facilities agreement, entered into among, *inter alios*, Novalis, Elis, MAJ and BNP Paribas as agent and security agent, on October 4, 2007 (as amended on June 14, 2014), all amounts outstanding under which were repaid and the facilities cancelled in connection with the IPO and the IPO Concurrent Refinancing Transactions;
- "**Senior Facilities**" means the €850.0 million of term loan and revolving credit facilities made available pursuant to the Senior Facilities Agreement;
- "**Senior Facilities Agreement**" means the Senior Term and Revolving Facilities Agreement, dated as of September 2, 2014 (as amended on December 8, 2014), among Elis, Novalis, MAJ and the syndicate of international banks, acting as lenders and lead arrangers thereunder, 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);
- "**Senior Revolving Credit Facility**" means the €200.0 million revolving credit facility under the Senior Facilities;
- "**Senior Term Loan Facility**" means the €650.0 million medium term loan facility under the Senior Facilities;
- "**SPAST**" refers to Sociedade Portuguesa de Aluguer E Serviços Texteis S.A., a Subsidiary Guarantor under the Notes;
- "**Subsidiary Guarantors**" refers to MAJ, SPAST, Lavotel and Atmosfera and any future guarantors of the Notes that are subsidiaries of the Issuer;
- "**U.S. dollars**", "**dollars**" or "**$**" refers to the lawful currency of the United States;
- "**United States**" refers to the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

SUMMARY

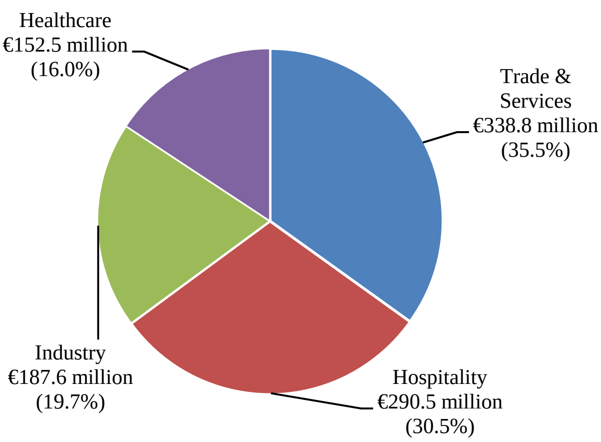
Overview

Elis' operating segments

We believe our revenue breakdown shows a well-balanced mix of services and customers. The following charts show a breakdown of revenue for the year ended December 31, 2014 by our end-markets in France and by country or group of countries in Europe.

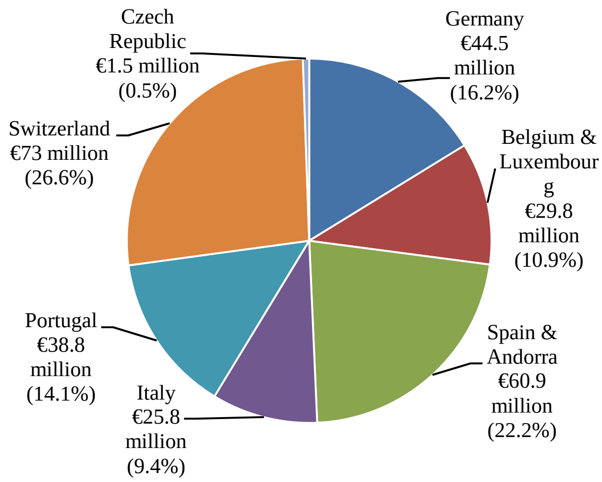
France

(€954.0 million of revenue for the year ended December 31, 2014)(1)



Europe

(€274.3 million of revenue for the year ended December 31, 2014)



(1) Revenue in France is offset by €15.4 million, which includes discounts, rebates and refunds on sales and as result percentages total more than 100%.

Strengths

Leader in resilient markets with growth potential

Market Leadership in resilient markets

The Group's strong positions in its markets gives the Group some significant advantages over its current competitors, such as substantial economies of scale and a very large customer base built around a first-class sales force. They also increase our credibility, enable us to secure new contracts from larger high-volume customers (including contracts involving multiple services and locations), and enable us to achieve operational synergies within our Group, as well as to attract and retain qualified local managers, which we believe is key to the success of our business model.

We believe that the resilience of our markets results from the fact that the organized collection, laundering and timely delivery of flat linen and workwear are generally essential to customer operations. Moreover, the re-insourcing of our services by our customers may prove difficult, which, together with the on-average very low monthly billing of our services, results in a relatively stable demand for our services. The Group also benefits from its exposure to highly resilient sectors such as healthcare which represented approximately 16% of French sales in 2014. Overall, the French market has proven very resilient as evidenced by the fact that between 2010 and 2014 French sales grew on average by a CAGR of approximately 2.3%. We also benefit from long-term visibility on our customer contacts, as demonstrated by the following key points: (i) our standard contracts include pass-through clauses for price fluctuations (as for cotton in 2011), thereby protecting our margins and (ii) the Group also benefits from a contract average duration of four years (with renewal option) and an estimated retention rate of approximately 94% (excluding discontinued activities) based on surveys and in-house analyses.

Strong diversification by end-markets and customers

We have more than 240,000 customers in more than 12 countries in which we operate, ranging from small to medium-sized and large national and multinational companies, in a wide range of industries and in the public sector. In France, our largest market, our larger French customers currently include the majority of the members of the SBF 120 Index, the stock market index for the 120 largest companies by market capitalization listed on Euronext Paris. Our customers operate in a broad range of sectors, including hospitality, healthcare, retail, services and manufacturing. Over time, we have successfully expanded our range of services to workwear rental and laundry and hygiene appliance rental and maintenance. Through our size and diversification, we have reduced our exposure to any one industry sector, customer or service, which enhances our resilience to adverse economic conditions. None of our customers individually accounted for more than 2.4% of our revenue in the year ended December 31, 2014. In the same period, the average annual contract size for our ten largest customers was €12.7 million.

Predictable, stable and cash generative business model with demonstrated track record of growth

Year after year, the Group has demonstrated its ability to increase revenue, profit margins and its Adjusted EBITDA-to-cash conversion ratio. Between 2010 and 2014, our revenue and Adjusted EBITDA have grown at a CAGR of 5.7% and 5.5%, respectively, demonstrating the strength of our business model. Moreover, we believe that we benefit from a stable and predictable revenue flow. Most of our contracts have multiple-year terms and allow us to achieve price increases in line with the changes in our cost base, which tend to ensure the stability of our cash-flow. 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. Finally, we have a selective and disciplined approach to acquisitions.

Following the listing of the Company's shares on Euronext Paris in February 2015, the Group's adjusted net debt-to-Adjusted EBITDA ratio has been reduced to about 3.0x. The contemplated refinancing of the Group's Existing Senior Secured Notes and Existing Senior Subordinated Notes is expected to further improve the Group's financial flexibility.

Strategy

Maintain a sound financial leverage

Following our recent Initial Public Offering, the Group intends to maintain a sound financial leverage. We expect to do so primarily by growing our existing businesses, while maintaining a selective and disciplined approach to acquisitions. We do not expect our acquisition strategy to prevent us from maintaining a sound financial leverage.

Recent Developments

The Refinancing

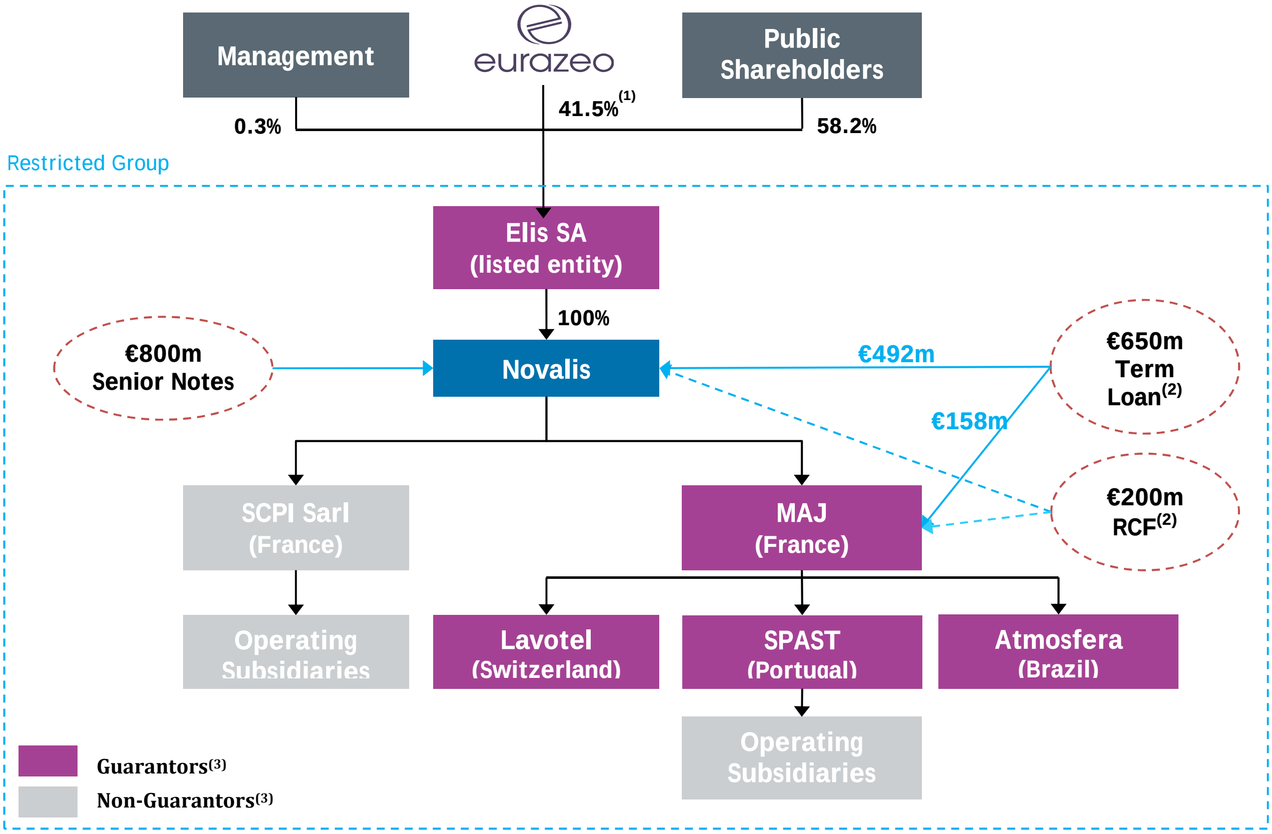
The Group intends to use a portion of the net proceeds of the Offering to redeem all of the outstanding Existing Senior Secured Notes and all of the outstanding Existing Senior Subordinated Notes and, concurrently with such redemptions, to release all of the collateral securing the Senior Facilities (such transactions collectively referred to as the "Refinancing").

Reallocation of Senior Facilities

Following the Issue Date, the Group intends to seek consent from the lenders under its Senior Facilities to reallocate €200.0 million of loans outstanding under the Senior Term Loan Facility to commitments under the Senior Revolving Credit Facility and to further optimize the Group's financial flexibility. Following such reallocation, without impacting the liquidity of the Group, the principal amount outstanding under the Senior Term Loan Facility would be reduced to €450.0 million and the commitments under the Senior Revolving Credit Facility would be reduced to €400.0 million, of which €200.0 million would be drawn.

Summary Corporate and Financing Structure

The following diagram summarizes our corporate structure and principal outstanding financing arrangements after giving effect to the IPO, the IPO Concurrent Refinancing Transactions, the offering of the Notes and the use of proceeds therefrom. The diagram does not include all entities in our Group, or all debt obligations thereof. All entities shown below are wholly owned unless otherwise indicated.



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(1) Includes shares held directly or indirectly by Eurazeo and its investment vehicles.

(2) In connection with IPO and the IPO Concurrent Refinancing Transactions, we entered into a new senior secured credit facility (the "**Senior Facilities**"), comprising the following two credit facilities: (i) a medium-term facility ("**Senior Term Loan Facility**") with an initial principal amount of €650.0 million maturing in February 2020; and (ii) a revolving credit facility (the "**Senior Revolving Credit Facility**") with an initial available commitment of €200.0 million maturing in February 2020. The full amount of the Senior Term Loan Facility was drawn on the settlement date of the IPO and used (together with a portion of the proceeds from the IPO) to repay in full the Refinanced Senior Facilities. €15.0 million is outstanding under the Senior Revolving Credit Facility as of the date of this document. While the Senior Facilities are currently secured by certain of the Group's assets, all security will be released on the Issue Date. As of the Issue Date, all of the Guarantors will also guarantee amounts outstanding under the Senior Facilities.

(3) On the Issue Date, the Notes will be guaranteed on a senior unsecured basis by the Parent Guarantor, MAJ, SPAST, Lavotel, and Atmosfera. The guarantee of MAJ will be limited to the amount of certain existing intercompany indebtedness owed by MAJ to the Issuer (€225.8 million as of December 31, 2014) together with the proceeds from the Notes that will be on-lent by the Issuer to MAJ (expected to be approximately €50.0 million). As of December 31, 2014, after giving pro forma effect to the IPO, the IPO Concurrent Refinancing Transactions, the offering of the Notes and the use of proceeds therefrom, the Parent Guarantor and its consolidated subsidiaries would have had €1.496.7 million of financial indebtedness, of which €800 million is represented by the Notes and €24.2 million represented by financial indebtedness of the Issuer's non-Guarantor subsidiaries (which would have also had substantial amounts of other obligations outstanding, including trade payables, operating lease obligations and other liabilities). As at and for the year ended December 31, 2014, the revenues, Adjusted EBITDA, and net assets of the Issuer and the Guarantors represented 52%, 54%, and 98% of the consolidated revenues, consolidated Adjusted EBITDA and consolidated net assets of the Group, respectively. Non-Guarantor companies account for more than 25% of our Adjusted EBITDA.

RISK FACTORS

Legal and Regulatory Risks

Risks relating to French tax legislation that may restrict the deductibility, for French tax purposes, of all or a portion of the interest on the Group's debt incurred in France, thus reducing the cash available to service the Group's debt

Under Article 212 § II of the FTC, the deduction of interest paid on loans granted by a related party within the meaning of Article 39.12 of the FTC or on loans granted by a third party that are guaranteed by a related party (a third party assimilated to a related party) is subject to certain limitations. Deductions for interest paid on such loans may be partially disallowed in the financial year during which they are accrued if such interest exceeds each of the following: (i) the amount of interest multiplied by the ratio of (a) 1.5 times the company's net equity and (b) the average amount of debt owed to related parties (or to third parties assimilated to related parties) over the relevant financial year; (ii) 25% of the company's earnings before tax and non-recurring items (as adjusted for the purpose of these limitations); and (iii) the amount of interest received by the indebted company from related parties. Deductions may be disallowed for the portion of interest that exceeds in a relevant financial year the highest of the above three limitations if such portion of interest exceeds €150,000.

In addition, Article 209 § IX of the FTC imposes restriction on the deductibility of interest expenses incurred by a French company if such company has acquired shares of another company qualifying as "*titres de participation*" within the meaning of Article 219 § I a *quinquies* of the FTC and if such acquiring company cannot demonstrate, with respect to the fiscal years running over the 12-month period from the acquisition of the shares (or with respect to the first fiscal year opened after January 1, 2012 for shares acquired during a fiscal year opened prior to such date), that (i) the decisions relating to such acquired shares are actually taken by the company having acquired them (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L 233-3 § I of the *Code de commerce* ("**French Commercial Code**"), which is located in France) and (ii) where control or influence is exercised over the acquired company, such control or influence is exercised by the acquiring company (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L 233-3 § I of the French Commercial Code).

Moreover, Articles 212 *bis* and 223 B *bis* of the FTC provide for a general limitation on the deductibility of net financial charges, subject to certain exceptions. Pursuant to Article 212 *bis* of the FTC, adjusted net financial charges incurred by French companies that are not members of a French tax consolidated group are deductible from their taxable result only up to 85% of their amount in respect of financial years ended as from December 31, 2012 and only up to 75% of their amount in respect of financial years beginning on or after January 1, 2014, to the extent that such companies' financial expenses (net of financial income) exceeds €3 million in a given financial year. Under Article 223 B *bis* of the FTC, special rules apply to companies that belong to French tax consolidated groups. The limitation is factored on the basis of the tax group's consolidated taxable result and applies to the adjusted aggregate net financial charges incurred by companies that are members of a French tax consolidated group with respect to amounts made available by lenders that are not members of such tax group, to the extent that the tax group companies' aggregate financial expenses (net of financial income) exceed €3 million in a given financial year.

Finally, for fiscal years ending on or after September 25, 2013, the deductibility of interest paid to a related party within the meaning of Article 39.12 of the FTC is subject to a new limitation pursuant to Article 22 of the French Finance Law for 2014. Interest deduction is subject to an additional requirement: if the lender is a related party to the borrower within the meaning of Article 39.12 of the FTC, the French borrower must demonstrate, at the French tax authorities' request, that the lender is, for the current fiscal year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules. Where the related party lender is domiciled or established outside France, the corporate income tax determined under standard French tax rules shall mean that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass-through entity for French tax purpose, a collective investment scheme referred to in Articles L 214-1 to L 214-191 of *the Code monétaire et financier* (French Monetary and Financial Code) (which includes UCITSs and AIFs as well as other collective investment schemes such as SICAVs and SPPICAVs with a single shareholder) or, subject to certain conditions, a similar entity organized under a foreign law.

These tax rules may limit the Group's ability to deduct interest accrued on its debt incurred in France and therefore its tax burden could increase which would subsequently have a material adverse effect on its financial position and cash flows.

CAPITALIZATION

The following table sets forth, on an unaudited consolidated basis, Elis cash and cash equivalents and capitalization as of December 31, 2014, on a historical basis and as adjusted to give effect to:

(i) the IPO and the IPO Concurrent Refinancing Transactions; and

(ii) the offering of the Notes and the use of proceeds therefrom.

This table should be read in conjunction with the consolidated financial statements of Elis as of and for the year ended December 31, 2014,

	As of December 31, 2014		
	Actual	**Adjustments**	**As adjusted**
	(Unaudited) (€ in millions)		
Cash and cash equivalents(1)	**59.3**	**100.0**	**159.3**
Debt(2)			
Refinanced PIK Proceeds Loan(3)	192.9	(192.9)	—
Refinanced Senior Facilities (4)	1,012.9	(1,012.9)	—
Existing Senior Subordinated Notes(5)	380.0	(380.0)	—
Existing Senior Secured Notes(6)	450.0	(450.0)	—
Senior Facilities(7)	—	650.0	650.0
Notes offered	—	800.0	800.0
Finance leases	5.7		5.7
Loan from employee profit-sharing fund(8)	31.7		31.7
Other debt(9)	9.3		9.3
Third-party financial debt	**2,082.5**	**(585.8)**	**1,496.7**
Equity attributed to owners of the Parent(10)	389.6	820.6	1,210.2
Total capitalization	**2,472.1**	**234.8**	**2,706.9**

(1) Adjustments to cash equivalents include net cash received from the IPO, anticipated cash received in connection with the Offering, estimated transaction fees and expenses and applicable redemption premia in connection with the redemption of the Existing Senior Secured Notes and the Existing Senior Subordinated Notes.

(2) Excluding amortized loan costs. Does not include the negative market value of derivative instruments (€25.4 million as of December 31, 2014), or accrued interest on third-party financial debt (€27.5 million as of December 31, 2014).

(3) On June 14, 2013, Legendre Holding 27 S.A.S., which prior to the IPO directly owned more than 90% of the Parent Guarantor's capital, issued €173.0 million of Private PIK Notes due 2018. The capital stock of Elis held by Legendre Holding 27 S.A.S. is pledged on a second priority basis in favor of the holders of the Private PIK Notes. The proceeds of the Private PIK Notes were lent to the Parent Guarantor via an intercompany loan (the "**Refinanced PIK Proceeds Loan**"). 100% of the amounts outstanding under the Refinanced PIK Proceeds Loan were repaid in connection with the IPO and IPO Concurrent Refinancing Transactions (which were repaid in part via an issuance of additional share capital to Legendre Holding 27 S.A.S., an entity controlled by Eurazeo which prior to the IPO held more than 90% of the Parent Guarantor's capital).

(4) On October 4, 2007 (as amended on June 14, 2014), the Group entered into a Senior Credit Facilities Agreement with BNP Paribas (as Mandated Lead Arranger, Facility Agent, Security Agent and Original Senior Lender) providing for a multi-tranche term loan and revolving credit facility, with an aggregate limit of approximately €1.1 billion (the "**Refinanced Senior Facilities**"). All amounts outstanding under the Refinanced Senior Facilities were repaid and the facilities were cancelled in connection with the IPO and the IPO Concurrent Refinancing Transactions.

(5) On June 14, 2013, the Parent Guarantor issued €380.0 million of Senior Subordinated Notes due 2018, which bear interest at a floating interest rate equal to 3-month Euribor (with a floor of 1.00% per year) plus 7.0% per year (the "**Existing Senior Subordinated Notes**"). Approximately 40% of the amounts outstanding under the Existing Senior Subordinated Notes were redeemed in connection with the IPO and IPO Concurrent Refinancing Transactions. The remainder of the Existing Senior Subordinated Notes will be redeemed with the proceeds from the offering of the Notes.

(6) On June 14, 2013, the Issuer issued €450.0 million of Senior Secured Notes due 2018, which bear interest at 6.0% per year (the "**Existing Senior Secured Notes**"). The Existing Senior Secured Notes will be redeemed with the proceeds from the offering of the Notes.

(7) In connection with IPO and the IPO Concurrent Refinancing Transactions, we entered into a new senior secured credit facility (the "**Senior Facilities**"), composed of the following two credit facilities: (i) a medium-term facility ("**Senior Term Loan Facility**") with an initial principal amount of €650.0 million and a maturity of February 2020; and (ii) a revolving credit facility (the "**Senior Revolving Credit Facility**") with an initial available commitment of €200.0 million and a maturity of February 2020. The full amount of the Senior Term Loan Facility was drawn on the settlement date of the IPO to repay in full the Refinanced Senior Facilities. The

Group has drawn €15.0 million under the Senior Revolving Credit Facility as of the date of this document. While the Senior Facilities is currently secured by certain of the Group's assets, all security will be released on the Issue Date. Following the Issue Date, the Group intends to seek consent from the lenders under its Senior Facilities to reallocate €200.0 million of loans outstanding under the Senior Term Loan Facility to commitments under the Senior Revolving Credit Facility and to further optimize the Group's financial flexibility. Following such reallocation, without impacting the liquidity of the Group, the principal amount outstanding under the Senior Term Loan Facility would be reduced to €450.0 million and the commitments under the Senior Revolving Credit Facility would be increased to €400.0 million, of which €200.0 million would be drawn.

(8) The Profit Sharing Program allows Elis to distribute to employees part of the financial benefits that the Group has created and generated with their contribution. In order to participate in the Profit Sharing Program, employees must be contracted and work for a minimum period of three months with the Group. The calculation and payment are made annually. Eligible employees that receive a payment under the Profit Sharing Program may either receive cash or credit a profit sharing bank account with credited amounts accruing interest and being released after five years. Such credited amounts are booked as debt toward employees on our balance sheet.

(9) Other debt includes certain bilateral loans incurred by certain of our operating subsidiaries.

(10) Equity attributable to owners of the Parent does not include the profit & loss reserve line of the balance sheet.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

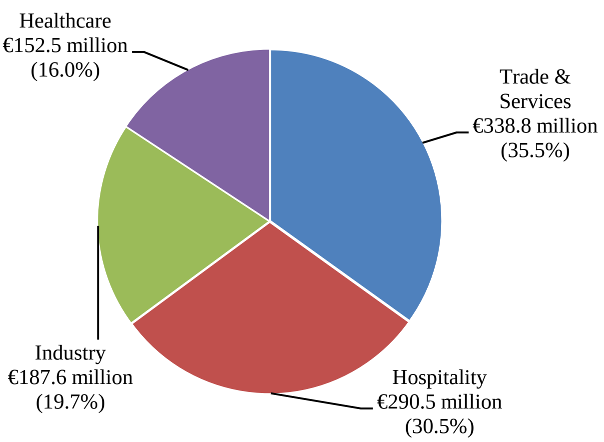
General Presentation

Overview

The charts below show a breakdown of revenue for the year ended December 31, 2014 by our end-markets in France and by country or group of countries in Europe.

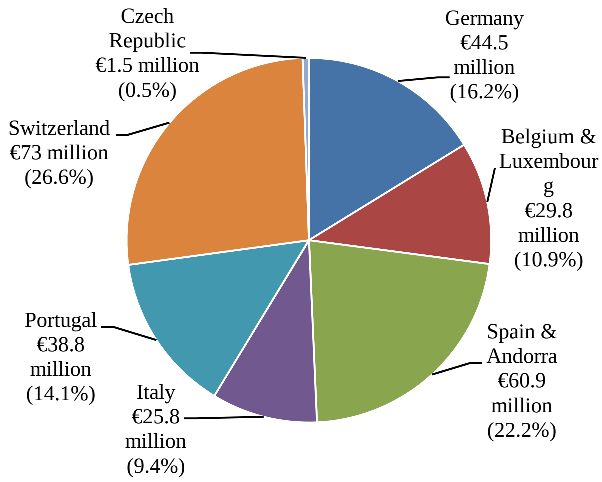
France

(€954.0 million of revenue for the year ended December 31, 2014)(1)



Europe

(€274.3 million of revenue for the year ended December 31, 2014)



(1) Revenue in France is offset by €15.4 million, which includes discounts, rebates and refunds on sales and as result percentages total more than 100%.

Principal Factors Affecting the Group's Results of Operations

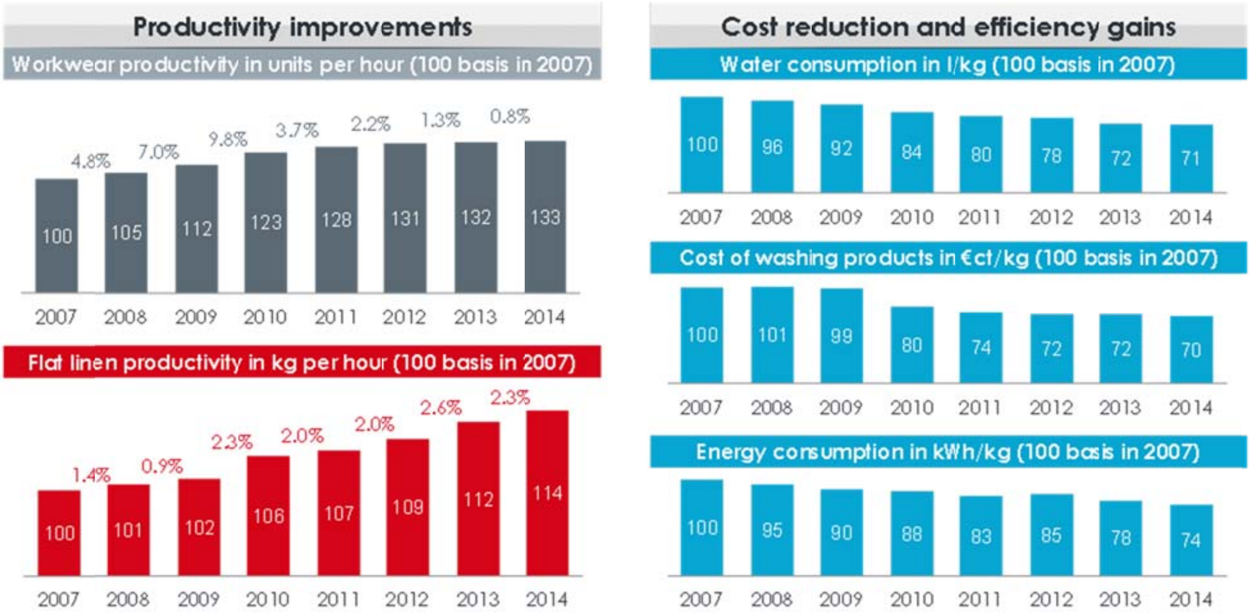
General economic conditions in the Group's markets

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 year ended December 31, 2014, the Group achieved organic growth of 11.1% and 4.9% 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 €462 or less per customer per month for the year ended December 31, 2014.

Operational efficiency

The charts below show trends between 2007 and 2014 in these performance indicators at the Group's processing centers in France and flat linen and workwear processing productivity.



Workwear productivity corresponds to the quantity of items of workwear handled per hour worked, 100 being the level observed in 2007.
Flat linen productivity corresponds to the quantity of items of flat linen handled per hour worked, 100 being the level observed in 2007.
Water consumption represents the amount of water used (in liters) to handle 1 kg of laundry, 100 being the level observed 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 euro cents) used to handle 1 kg of laundry, 100 being the level observed in 2007.
Energy consumption represents the amount of energy (in Kw per hour) used to handle 1 kg of laundry, 100 being the level observed in 2007.

Ability of the Group to pass on higher costs

Personnel costs

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, 2014, around 20% 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. Lastly, during peak periods, the Group relies to a certain extent on weekend work. Outside France, the Group also takes advantage of recently enacted less rigid labor laws and regulations in certain countries, such as in Spain, as these give it the flexibility it needs to manage its workforce. In addition, the Group makes use of seasonal workers in peak periods across all the geographic regions where it does business.

Selling, general and administrative costs

For the year ended December 31, 2014, selling, general and administrative costs amounted to €216.9 million or 16.3% of the Group's consolidated revenue for that year. Selling, general and administrative costs consisted primarily of the Group's sales force and sales administration costs and expenses related to the Group's headquarters and administrative activities, including mandatory employee profit-sharing costs (*participation des salariés*).

Raw materials and consumables costs

Raw material costs include energy and water costs. Consumable costs include the cost of laundry products and that of HWB appliance consumables, such as water, coffee pods and soap. The Group classifies linen and HWB appliance purchases as capital expenditure. Raw material and consumable costs amounted to €185.0 million, or 13.9% of the Group's revenue for the year ended December 31, 2014, compared with €171.6 million or 14% of the Group's revenue, for the year ended December 31, 2013. 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 2015 and 2016. The Group expects that it will benefit, starting in 2015, from the recent decrease in crude oil prices and the corresponding impact on gas and gasoline prices.

Depreciation and amortization (excluding amortization of customer relationships)

For the year ended December 31, 2014, depreciation and amortization expenses amounted to €219.0 million or 16.5% of the Group's consolidated revenue for that year. This figure includes €140.6 million for textile items and dust mats, €61.7 million for intangible assets and property, plant and equipment, and €16.7 million for other items used to provide HWB services.

Capital expenditure

The Group's investment spending during the year ended December 31, 2014 consisted of €236.4 million in gross capital expenditure, or 17.8% of the Group's consolidated revenue during this period.

For the year ended December 31, 2014, capital expenditure consisted primarily of:

- purchases of linen and HWB appliances, which totaled €185.0 million or 13.9% of the Group's consolidated revenue during this period, with the bulk of these linked to the purchase of linen for the major contracts signed in 2014 and expected to be deployed in 2015; and

- purchases of other items, which amounted to €51.4 million or 3.9% of the Group's consolidated revenue during this period, mainly invested into industrial systems renewal, with no new plant having been delivered in 2014.

The Group's investment spending during the year ended December 31, 2013 consisted of €214.9 million in gross capital expenditure, or 17.5% of the Group's consolidated revenue during this period.

For the year ended December 31, 2013, capital expenditure consisted primarily of:

- purchases of linen and HWB appliances, which totaled €142.2 million or 11.6% of the Group's consolidated revenue during this period; and

- purchases of other items, which amounted to €72.7 million or 5.9% 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).

The Group's investment spending during the year ended December 31, 2012 consisted of €237.8 million in gross capital expenditure, or 20.1% of the Group's consolidated revenue during this period.

For the year ended December 31, 2012, capital expenditure consisted primarily of:

- purchases of linen and HWB appliances, which totaled €144.2 million or 12.2% of the Group's consolidated revenue during this period; and

- purchases of other items, which amounted to €93.5 million or 7.9% of the Group's consolidated revenue during this period. 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 and capital expenditure (servicing of production facilities, replacement of production equipment and maintenance of plants' general services).

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, 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 12,400 employees in France for the year ended December 31, 2014, the significant amount of its personnel costs in France (the Group's personnel cost amounted to a total 43% of the Group's consolidated revenue for the year ended December 31, 2014) 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.

Acquisitions and Divestments

Acquisition strategy

The Group has made a number of acquisitions in recent years, including 20 in France through 2014. 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 maintenance 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. 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. For example, the Group accelerated 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 through 2014, 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. Between the years ended December 31, 2012 and 2014, the Group's consolidated revenue generated in Switzerland increased by €31.9 million from €41.1 million for the year ended December 31, 2012 to €73.0 million for the year ended December 31, 2014. Over the same period, the Group raised its consolidated Adjusted EBITDA margin in Switzerland (Adjusted EBITDA stated as a percentage of its consolidated revenue in Switzerland) from 23.0% to 27.7%, mainly due to productivity gains at newly acquired companies.

Impact of changes in the scope of consolidation

In order to provide a better understanding and analysis of 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 three-year period ending December 31, 2014 , the Group made seven "major acquisitions" and one "major disposal," i.e., the sale of Molinel in April 2013. During 2012, 2013 and 2014, acquisitions other than "major acquisitions" accounted for €2.9 million, €5.8 million and €2.4 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.

In February and July 2014, the Group made two "major acquisitions" in Brazil, namely, the acquisition of the Atmosfera group, Brazil's leading industrial laundry group and the acquisition of Lacqua, which contributed a combined total of €84.9 million to consolidated revenue for the year ended December 31, 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.

Cost of debt

As at December 31, 2014, 2013 and 2012, the Group had total financial debt of €2,072.0 million, €2,026.7 million and €2,424.4 million, respectively and for the years ended at December 31, 2014, 2013 and 2012, the Group recognized €153.6 million, €164.2 million and €154.4 million of net financial expenses, respectively.

As a result of the IPO and the IPO Concurrent Refinancing Transactions and of the issuance of the Senior Notes, the pro forma net financial debt of the Group would have been approximately €1,338 million as of December 31, 2014.

The Group's ability to appropriately manage 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.

Analysis of the Results of Operation for the Years Ended December 31, 2014 and December 31, 2013

Cost of linen, equipment and other consumables

Linen, appliance and other consumables costs increased by €26.4 million or 13.5% from €195.8 million for the year ended December 31, 2013 to €222.2 million for the year ended December 31, 2014. This increase was due in particular to the modification in 2012 of the depreciation duration of linen (from two to three years on average), which had a positive impact of €9.7 million in the year ended December 31, 2013. Excluding the impact of linen depreciation, the increase in the cost of linen, appliance and other consumables between 2013 and 2014 would have been 8.1%, which is in line with the growth of revenue over the same period.

Processing costs

Processing costs increased by €56.7 million or 13.7% from €413.3 million for the year ended December 31, 2013 to €470.0 million for the year ended December 31, 2014. The increase was mainly the result of higher personnel costs, the impact of the buildings sale and leaseback transactions and the consolidation scope effect of new acquisitions (particularly Atmosfera). The increase in processing costs, in terms of percentage of revenue (from 33.7% in 2013 to 35.3% in 2014) was due to the new rents resulting from the sale and leaseback transactions and the combined effect of the acquired Brazilian entities, whose productivity was lower than the Group's European entities. To a lesser extent, revenue from flat linen and workwear increased faster than revenue from HWB appliances, which led to higher processing costs relative to the revenue increase.

Distribution costs

Distribution costs increased by €17.4 million or 8.9% from €195.5 million for the year ended December 31, 2013 to €212.9 million for the year ended December 31, 2014. The increase in distribution costs was correlated to the increase in revenue due to both organic growth and acquisitions.

Gross margin

Gross margin increased by €5.1 million or 1.2% from €420.8 million for the year ended December 31, 2013 to €425.9 million for the year ended December 31, 2014. This increase was due to the combination of increased processing costs and linen depreciation described above. Excluding the effect of linen depreciation, the gross margin increase would have been 3.6% which was lower than the increase in revenue for the same period, reflecting the dilutive impact of the Brazilian acquisition.

Liquidity and Capital Resources

The Group has historically funded its liquidity needs with issuances of senior and subordinated bonds and drawings under its senior credit facilities. Going forward the Group may also fund its liquidity needs with drawings under its €200 million Senior Revolving Credit Facility, €15.0 million of which is outstanding as of the date of this document.

In February 2015, Elis, the parent company of the Group, completed its initial public offering and listing on Euronext Paris, pursuant to which Elis raised net proceeds of approximately €670 million.

The Group used a portion of the net proceeds of the IPO to substantially reduce its indebtedness and will use the remaining net proceeds to pursue its strategic objectives.

Working Capital

Our net working capital requirements decreased in the year ended December 31, 2014 by €8.6 million due primarily to:

- a decrease in inventories of €12.0 million, due to the storage of linen in preparation for the deployment in 2015 of new major contracts signed in 2014;
- a decrease in trade receivables of €7.2 million, due to the last day of the year ended December 31, 2014 being a Wednesday and the resulting intraweek timing of payments;
- an increase in change of trade and other payables of €15.6 million, in relation to our policy of extending creditors' payment periods;
- a change in other items of €(5.0) million, in relation to non-cash items on the income statement.

The "operating working capital", defined as the working capital derived from the change in inventory, accounts receivable and accounts payable, has remained relatively stable since 2010, despite a constant increase in operating activities. This stability of our cash flows from operating activities reflects the efficiency of the collection and inventory management processes implemented throughout the Group.

Contractual Obligations and Commercial Commitments

The table below sets out our pro forma contractual obligations and commitments as of December 31, 2014, after giving effect to the IPO, the IPO Concurrent Refinancing Transactions, the Offering and the use of proceeds therefrom:

	Total	**2015**	**2016**	**2017-2018-2019**	**2020 and beyond**
		(thousands of Euros)			
Notes offered [1]	800,000				800,000
Refinanced Senior Facilities[2]	726,506	20,145	21,714	65,135	655,512
Loan from employee profit-sharing fund	31,695	3,819	7,424	20,452	
Financial leases	12,109	958	664	1,625	8,863
Other	8,045	3,031	2,664	2,350	-
Overdrafts	732	732	-	-	-
Total(s)	**1,615,087**	**28,685**	**32,466**	**89,562**	**1,464,375**

(1) Excluding future payments of interests related to the new Senior Notes.

(2) In connection with IPO and the IPO Concurrent Refinancing Transactions, we entered into a new senior secured credit facility (the "**Senior Facilities**"), comprised of the following two credit facilities: (i) a medium-term facility ("**Senior Term Loan Facility**") with an initial principal amount of €650.0 million maturing in February 2020; and (ii) a revolving credit facility (the "**Senior Revolving Credit Facility**") with an initial available commitment of €200.0 million maturing in February 2020. The full amount of the Senior Term Loan Facility was drawn on the settlement date of the IPO to repay in full the Refinanced Senior Facilities. €15.0 million is outstanding under the Senior Revolving Credit Facility as of the date of this document. While the Senior Facilities is currently secured by certain of the Group's assets, all security will be released on the Issue Date.

Quantitative and Qualitative Disclosure About Market Risk

A discussion of Market Risk appears in note 8.1 to the consolidated financial statements as of December 31, 2014. After the IPO and the IPO Concurrent Refinancing Transactions, the restructuring of certain swap agreements and the issuance of the Notes described in this document, the Group's exposure to liquidity risk will decrease as the maturities of the Group's principal borrowings will be extended (to 2020 in the case of the Senior Term Loan Facility and 2022 in the case of the

Notes). Similarly, the Group's exposure to interest rate risk will decrease as the percentage of fixed and hedged debt will increase after the completion of the Offering.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

We evaluate estimates and assumptions used in our financial statements on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

For a description of our critical policies and critical accounting estimates and judgments, see note 1 to the consolidated financial statements.

INDUSTRY AND MARKET OVERVIEW

Overview

In France, which accounted for 71.7% of the Group's consolidated revenue generated for the year ended December 31, 2014, it serves customers in all four of its primary end markets: Hospitality, Healthcare, Industry, and Trade and Services.

- *Hospitality.* The Group's customers in the Hospitality end market in France include hotels (both chains and independents) and restaurants. The estimated market size of the Hospitality end market provided by Elis and its direct competitors in France in 2013 was approximately €0.5 billion. This end market represented approximately 30.0% of the Group's revenues in France in 2014.

- *Healthcare.* The Group's customers in the Healthcare end market in France are mainly public hospitals, private clinics and nursing homes. The estimated market size of the Healthcare end market provided by Elis and its direct competitors in France in 2013 was approximately €0.3 billion. This end market represented approximately 16.0% of the Group's revenues in France in 2014.

- *Industry and Trade and Services*. 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. The Trade and Services end market 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. The estimated market size of the Industry and Trade and Services end markets (on a combined basis) provided by Elis and its direct competitors in France in 2013 was approximately €1.0 billion. The Industry and Trade and Services end markets represented approximately 19.0% and 35.0%, respectively, of the Group's revenues in France in 2014.

Customers

The Group's customer base is highly diversified in terms of size, sector and profile. As of December 31, 2014, the Group had over 240,000 customers.

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, 2014 – in euros and excluding AD3)		Customers	Contribution to revenue generated in France by the Group during the financial year ended December 31, 2014 (excluding AD3)
Customers	**Lower**	**Higher**	**Headcount**	**%**
Very small	0	85	64,490	3%
Small	85	308	69,607	15%
Large	308	4,311	40,916	47%
Very large	4,311	217,020	2,361	35%

Of Elis's customers, approximately half billed below €142 per month. Slightly more than half of the 40 members of the CAC 40 stock market index are customers of the Group. More than two-thirds of its customers are multiservice 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 individually accounted for more than 2.4% of the consolidated revenue generated by the Group for the year ended December 31, 2014. During the same period, the average size of the contracts of the Group's ten largest customers amounted to around €127 million, i.e. 9.6% of the consolidated revenue posted for the year ended December 31, 2014.

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).

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. Prices of textile items are a function of cotton and polyester prices to a significant extent. After the cotton crisis in 2011, the Group implemented various targeted measures to curb the impact of its exposure to the volatility of cotton and polyester prices (more sophisticated breakdown of costs, negotiations covering supplies for six months or a one-off order, utilization of previous inventories, etc.). The Group's procurement costs in 2014 amounted to around €163 million, including 30% for flat linen, 35% for workwear and 35% for HWB appliances.

The Group sources 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. 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 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 automation that reduces the gap with countries where labor costs are low and the Group’s determination to maintain local reactive operating resources whose productivity has been improved (the Le Jacquard Français manufacturing entity), the Group maintains extensive sourcing in France in flat linen segments as 31% in terms of costs were purchased in France in 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 fabric management indicators, ensure optimal use of current inventories and manage new linen purchases. 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 customer 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 generally increased over the 2010-2014 period. 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 workwear manufacturers 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. The Group also requires industrial supplies such as laundry equipment and materials for its processing centers. For the year ended December 31, 2014, its three largest suppliers (excluding its supplier for the Group’s computer system upgrade) were GDF Suez (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 coffee machines and coffee pods and 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 December 31, 2014, the Group had some 30 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 five 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, which 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 that 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 the 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); and
- 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.

In 2009, its Purchasing and Procurement Department also established a partnership with Max Havelaar, the reference Fairtrade 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 the same year a range of cotton workwear items in organic fairtrade cotton under the Fairtrade/Max Havelaar label.

Property, Plant and Equipment

At December 31, 2014, the Group owned land and buildings with a net value of about €153.1 million.

The Group rents approximately 64% of its processing, dispatching 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 organized a call for tenders with various groups of developers in order to proceed with the disposal of the Puteaux site, currently owned by MAJ, a subsidiary of the Company. The Group’s headquarters and processing centers are currently located in the Puteaux site. After a three-round call for tenders, a group formed by three developers has been chosen. The final offer price includes two options and is subject to an authorization by the City of Puteaux for a developed area of 26,300 square meters (including housing and services): €53.5 million or €53.8 million, depending on whether part of the land treatment obligations (which normally belongs to its operator) is assumed by the purchasers. The sale agreement for the Puteaux site is expected to be finalized in May 2015.

Update on Legal and Arbitration Proceedings

Proceedings against Atmosfera Gestao e Higienizaçao de Texteis S.A.

Proceedings before the Brazilian prosecutor

During a hearing held on March 30, 2015, the state prosecutor proposed a settlement involving a variety of measures for Atmosfera to adopt. Atmosfera must respond to this settlement proposal on April 20, 2015. If no settlement agreement is reached regarding this matter, the state prosecutor could initiate a public action and attempt to force Atmosfera to pay punitive damages. In the event a settlement is reached, this would result in the extinction of the state prosecutor's action. It would however not have any impact on the proceedings before Brazil's Ministry of Work and Employment.

Proceedings before Brazil's Ministry of Work and Employment

Recently, Brazil's Ministry of Work and Employment attempted to challenge the Supreme Court's preliminary injunction, through an executive order aimed at permitting publication of the blacklist.

Simultaneously, Atmosfera has made an interim application to the Labor Court for the provisional suspension of its addition to the blacklist pending a decision on the substance of its case. On April 7, 2015, Atmosfera won this interim proceeding and obtained the suspension of its addition to the blacklist. This interim decision could be challenged in two ways, both of which are considered exceptional: either (i) the public ministry can ask for a writ of injunction (within 120 days) or (ii) the interim judge revokes its own decision in light of new evidence.

In case of writ of injunction, the decision would be rendered by the Labor Court of Appeal. The decision could be rendered within a few days, by a single judge and in a preliminary basis, and, within two or three months, by a panel of judges.

Concerning the decision on the substance of the case to be rendered by the Labor Court, the next hearing is scheduled for October 22, 2015. A decision should be rendered in the weeks following the hearing, unless the judge accepts the production of evidence, including witnesses, in which case, it could take several months for a decision to be rendered.

Proceedings related to alleged acts of administrative improbity

With respect to the proceedings related to alleged acts of administrative improbity, the Group has been formally notified of the existence of the civil action. This civil action will begin as soon as all parties to the case have been notified, which is expected to occur in the coming months.