# 2016 Registration document

Including the annual financial report

# CONTENT

## ELIS AT A GLANCE



## DOCUMENT DE RÉFÉRENCE

# MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD AND INTERVIEW WITH THE CHAIRMAN OF THE MANAGEMENT BOARD

## THIERRY MORIN – CHAIRMAN OF THE SUPERVISORY BOARD

This past year has been one of considerable success and expansion for Elis, despite a challenging environment in several key markets, particularly France.

Our financial performance was solid: revenue was up by 6.9% to just over €1.5 billion; EBITDA rose 4.9% to €467.9 million; and the Company's net income from ordinary operations was up sharply by 48.6% to €108.2 million.

These excellent financial results reflect the appropriateness of our strategy to combine organic growth with acquisitions. They also demonstrate the strength of Elis' multi-service model, which now has several hundred thousand customers in 14 countries.

Shareholders have pronounced their satisfaction with the Group's development and our share price has risen by more than 11% in the past year.

The year also marked a milestone in the rollout of our growth strategy. After completing targeted new acquisitions throughout 2016 in Brazil, Switzerland and Germany, we ended the year with three major acquisitions, consolidating our leadership position in Europe and Latin America.

With the acquisition of Indusal in Spain and Lavebras in Brazil, both finalised in December, we have become the undisputed leader in those two key markets which offer solid prospects for growth and profitability. Furthermore, the acquisition of SIL has made us the market leader in Colombia and further strengthened our presence in Latin America. These three acquisitions are a major step in Elis' globalisation. Full-year revenue outside France will account for 45% of the Group's total sales, versus 27% just two years ago.

To finance these acquisitions, we successfully completed a €325 million capital increase in February 2017. It was 2.6 times oversubscribed, attesting to investors' confidence in the Group's strategy and development prospects. We also strengthened our financial structure by extending the maturity of our debt while reducing its cost.

From an operating standpoint, we continue to expand our service offer by enhancing our traditional business lines: the Pest Control segment is growing rapidly and now operates in seven countries. We are also pursuing efforts to be more innovative, especially with services to individuals, as reflected in our acquisition during the year of the Swiss start-up On My Way, which offers customers an innovative concierge service whereby they drop off and pick up their laundry at practical collection points to simplify their lives.

The new Elis headquarters in Saint Cloud, which we moved into a few months ago, have brought together several central and operational departments under one roof and symbolise the Company's forward-thinking approach. Having a single site will create synergistic benefits and greater administrative efficiency.

Last but not least, Elis continues to improve its operational efficiency to help safeguard the environment. Our rental offer contributes to an environmentally friendly product-service economy. By renting out our products, we extend their useful life and maximise their usage. This naturally promotes their repair, reuse and recycling, ensuring that our economic growth has a positive environmental footprint.

After such a full and rewarding year, our teams are now focused on continuing Elis' profitable growth strategy in 2017.

**Thierry Morin**

*Chairman of the Supervisory Board*

## XAVIER MARTIRÉ – CHAIRMAN OF THE MANAGEMENT BOARD

***What is your assessment of 2016?***

We delivered strong performance which attests to the outstanding resilience of our business model and the appropriateness of our strategic choices. Our revenue grew by 6.9%, of which 2.7% was organic growth, despite tough economic times especially in France. EBITDA stood at €468 million, producing a margin of 30.9%. An improved financial structure allowed us to actively pursue a strategy of geographic consolidation of platforms in Europe and Latin America. At the same time, we continued to develop our various business lines and seek future growth opportunities through a range of services offered to individuals.

***What were the highlights of 2016?***

We announced two major acquisitions in 2016: Indusal in Spain and Lavebras in Brazil. These two acquisitions are a decisive step in our international expansion into countries that have been the primary drivers for organic growth in the Group for two years now. In Spain, we have become the leader of a high-growth market and the Group will now operate through a denser network that covers the entire country. In Brazil, we have strengthened our leadership position in a priority market through our potential for both revenue growth and improvement in the operating margin. With the acquisition of these two major players in markets that are key to its international development, Elis is bolstering its organic growth profile and its potential for greater profitability. Furthermore, Elis has taken root in the Colombian market by acquiring SIL, a clear sign of its intent to pursue growth in Latin America. We also continued to extend our network in the European markets with targeted acquisitions in Switzerland and Germany. Last but not least, I would add that we moved our company headquarters, resulting in better working conditions and new opportunities for cooperation among our employees.

***Developing new services is another component of your core strategy. How is that evolving?***

We are constantly seeking new growth drivers and the Group regularly tests potential new services. Developing an offer aimed at individuals is one of the areas we are exploring. In 2016 we acquired On My Way, a Swiss start-up that offers private customers an innovative concierge service including the pickup of their laundry at collection points located along their daily commutes and within their companies. We are supporting the development of this start-up in Switzerland and if the model proves effective we could implement it in other countries.

***What is the road map for 2017***

In 2017 we are looking to cross the threshold of €1.7 billion in revenue, excluding Lavebras' contribution. International expansion remains at the core of the Group's strategy and the proportion of revenue generated outside France will soon exceed 40%. In 2017 we expect our activities in high-potential markets to drive organic growth in Group revenue identical to that of 2016, while maintaining an extremely cautious view regarding a resumption of activity in France. In addition, we are seeking to stabilise the margin in France and further improve profitability in Europe and in Latin America.

**Xavier Martiré**

*Chairman of the Management Board*

# A LOOK AT ELIS

## Locations

**Market leaders in Europe and Latin America.**

*In France, **85%** of our customers are located within 50 km of an Elis center.*

over 25,000 employees

**France**

**€984.2 million**
in sales

**Europe (excluding France)**

**€376.8 million**
in revenues

**Latin America**

**€132.9 million**
in sales

For more information, see **chapter 1,** p.21

# Group profile

**Elis, the multi-service leader in the rental, laundry and maintenance of flat linen, workwear and hygiene and well-being appliances in Europe and Latin America.**

Elis' business model consists of renting articles rather than selling them. It therefore supports cost control, guaranteed quality control and an active environmentally responsible approach. This circular model is the sign of an industrial know-how that we provide our customers so that they can concentrate on their core business.

Present in Europe and Latin America, the Group provides multi-service offerings to more than 240,000 customers of varying sizes, in Hospitality, Healthcare, Industry and Trade and Services and to cleaning companies.

over 300

production and distribution centers


# Over a century of expertise

**2016**

**Major new stage of international expansion**

*The Group acquired Indusal, in Spain, announced the proposed acquisition of Lavebras in Brazil and moved into Colombia with the acquisition of SIL.*

**2015**

**Initial Public Offering**
**Entry into Chile**

*The Group purchased the number one operator in Chile, Albia, consolidating its position as leader in its markets, through especially major purchases in Europe and Latin America.*

**mid 2014**

**Launch of the "3D Prevention" program**

*Elis confirmed its presence on thepest control market with its "3D Prevention" offer, which addressed the requirements of each professional.*

**early 2014**

**Elis expands its position in Brazil**

*The Group acquired Atmosfera in February 2014, the leading Brazilian group operating in the industrial laundry segment, then continued its development in this country through other acquisitions.*

**2010 2013**

**Continuing internationalization**

*Elis continued its internationalization in Switzerland by purchasing Lavotel. The Group made six other targeted acquisitions on the Swiss market between 2010 and 2013.*

**1999**

**Diversification of services**

*In the late 1990s, the Group began to diversify its activities. In 1999, it moved into renting and maintaining water coolers and coffee machines and in 2001, Elis became the European leader in Ultra-Clean services following the acquisition of the cleaning and disinfecting company Société de Nettoyage et de Désinfection d'Ivry.*

**from the 1970s**

**European expansion**

*The Group's European expansion began in 1973 with the acquisition of Belgian company Hadès and the Group's arrival in Spain. These were followed by Portugal, the United Kingdom and Germany between 1987 and 1990, Switzerland in 1992, Luxembourg in 1994, Italy in 1999 and the Czech Republic in 2001.*

**1968**

**Creation of Elis**

*Less than a century after its creation, the Group overhauled its organization and pooled all its operations within a single Group under the name Elis, an abbreviation of Europe Linge Service.*

**1883**

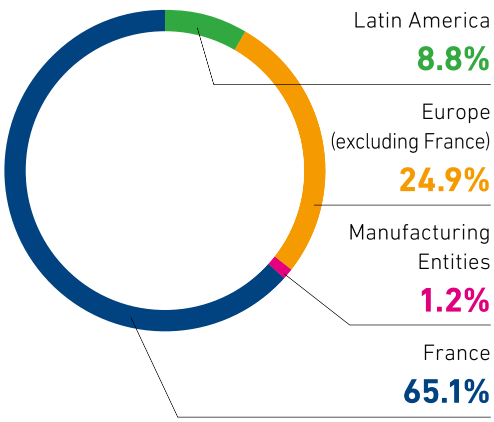
**Origins**

*Creation of Elis in 1883 when the Grandes Blanchisseries de Pantin were founded by the Leducq family.*

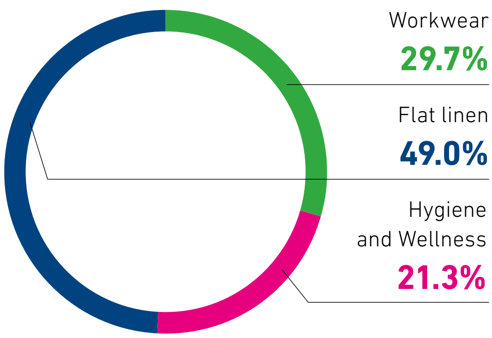
# FINANCIAL
## INFORMATION AND HIGHLIGHTS FOR 2016

## 2016 Revenues: €1,512.8 million

**Revenues by geographical area**




**Revenues by customer segment**




**Shareholding structure as of December 31, 2016**

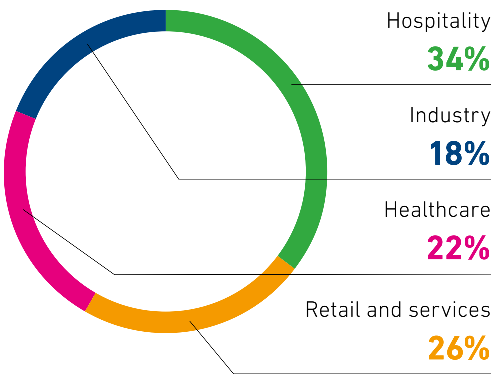
Eurazeo
16.9%

Predica
10%

Other
*(Ecip Elis/Management)*
1%

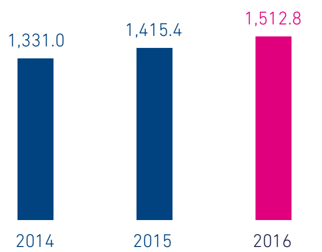
Free float
72.1%

**Revenue by businesses**

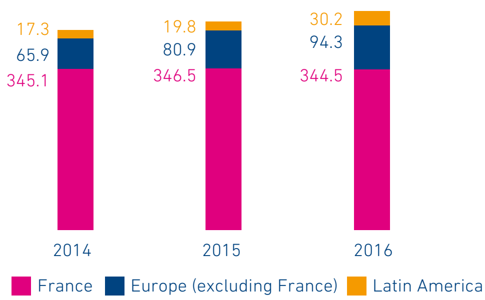



## Change

**Revenues (in € millions)**




**Ebitda by geographical area (in € millions)**




*Financial indicators are defined in Chapter 5, section 5.2.2 of the Registration Document and in the notes to the consolidated financial statements in section 6.1.7 of Chapter 6 of the Registration Document.*

**2016 net income (loss) from ordinary operations: €108.2 million**

**2016 Ebit: €214.7 million**

**2016 free cash flow: €104.5 million**

**2016 Net capital expenditure: €210.5 million**

For more information, see **chapter 5,** p.161

# 2016 Highlights

## Elis carries out two major acquisitions in Spain and Brazil...

Elis continued to implement its strategy on two key markets by acquiring Indusal, in Spain, and Lavebras in Brazil, reinforcing the share of international revenues to over 40%.

These two acquisitions are a decisive step in Elis' international expansion in countries like Spain and Brazil that have been the primary drivers for organic growth in the Group for two years now. Elis announced a capital increase at the time of these acquisitions, which was successfully completed in February 2017, in addition to refinancing a portion of its debt.

## ... and several other targeted acquisitions including a third foray into the Latin American market

During 2016, the Group also continued its strategy of targeting value creation acquisitions with smaller scale operations in Germany, Switzerland and Brazil. Elis also moved into the Colombian market by securing SIL in that country (Servicios Industriales de Lavado SIL).

PUSCHENDORF
TEXTILSERVICE GmbH

## Elis enlarges its customer base by proposing home services

On My Way, a Swiss start-up acquired by Elis, offers innovative laundry solutions to individuals. Elis wishes to be a stakeholder in these new consumer practices, which are a natural extension of the Group's services, and to invest even more actively in this particularly promising market.

ON MY WAY
WWW.ON-MY-WAY.CH

## Elis moves its headquarters to Saint-Cloud

In November, Elis transferred its headquarters from its historic Puteaux location to Saint-Cloud. The Group's new headquarters accommodate 400 employees and bring together several central and operational departments of the Group, which were formerly dispersed over several locations in the Paris region. The new building is certified HQE-BBC renovation and features a vast and modular work area.

# ONE APPROACH
## MULTI-SERVICE AND CUSTOMIZED

## Our businesses

### Textile service

#### Flat linen

**Elis' flat linen collections are used in the healthcare and hospitality sectors and come in a wide range of quality levels.**

In the healthcare sector, Elis takes part in the development of protocols for use and also helps its customers achieve certification.

Elis has also acted as a discreet and efficient partner in the hospitality sector by developing ranges of high quality articles that meet the stringent requirements of customers.

#### Workwear

**The leader in professional workwear rental and laundry services**, Elis outfits take an extra step to achieve:

- better aesthetics and styling
- greater technical performance
- increased comfort
- higher safety levels

while remaining within the confines of regulatory requirements.

For more information, see **chapter 1,** p.21

## Reception of your customers and employees

Elis also means reception area equipment.

Two product lines are available to make all reception areas warm and inviting:

Floor protection:

- generic floor mats that fit the requirements of each location
- Designer and stylist floor mats

Beverage dispensers:

- water fountains
- espresso machines

### Washroom hygiene

Undeniably the most visible service! Elis has six washroom hygiene product families to help ensure a clean space at its customers' premises. These include hand drying, hand washing, toilet paper dispensers, toilet hygiene, feminine hygiene, air fresheners and healthcare waste.

The items in the Aqualine collection can be personalized in various colors to meet the requirements of all customers.

### 3D Pest Control

A range of pest control services was established in 2013 by the 3D Prevention department to eradicate insects and rodents and provide disinfection services.

In 2016, this offer was diversified by making available further services such as removing pigeons and degreasing cooker hoods.

These complete protection systems operate 24 hours a day, seven days a week.

## **Connected devices:** real time detection of consumption levels in your dispenser

**Elis strives constantly to support its customers in daily operations, specifically by developing a range of connected devices that, in an initial phase, check soap, hand towels and toilet paper levels.**

**The sensors added to these appliances fulfill three objectives: avoid disruptions in supply of consumables, streamline human and supply resources and provide reportingtools that were previously inexistent.**

**Customers can consult a web portal to obtain an operational and reporting management tool.**

**This system is primarily useful at sites with heavy traffic that experience operational issues.**


# Our customers

**Elis makes daily deliveries to several hundred thousand customers in its four structural segments: Hospitality, Healthcare, Industries and Retail & Services. Elis' sales force is also structured in the same manner to provide the most suitable response to the specific needs of each customer.**

## Hospitality

**Linen management is a major concern which requires the respect of hygiene issues, quality and precision. Elis provides establishments with high quality articles that enhance their image, regardless of their category, from local restaurants to luxury hotels.**

Elis offers its customers:

- **a wide choice of articles of consistent quality** (restaurant and kitchen linen, bed and bath linen, bathrobes, etc.);
- **coordinated ranges**;
- a **turnkey service**, which can even include providing on-site staff dedicated to linen management or automatic workwear dispensers;
- **major flexibility** to accommodate the establishment's line of business;
- customized **complementary services**;
- **innovative services** in response to market developments.

## Healthcare

Be it for hospitals, clinics, nursery homes or rehabilitation centers, needs in the Healthcare segment vary widely. Elis' offering can be adapted to each request: supplying linen and workwear, laundry for nursing home residents, providing complementary services, etc. Thanks to Elis, each establishment can maintain its level of care and still **enhance its image while limiting its costs**.

Elis, a key player in this sector:

- **takes part in the development of tailored protocols;**
- provides linen laundry services, including their on line management;
- can help its customers with their **certification** and **their improvement plans** (analysis and advice for optimizing linen circuits, participation in self-assessment groups, etc.).

## Industry

**The Industry segment** of the ITS division supports artisans in the same way as it helps major industrial groups. These customers often have very few sites but a large number of wearers, and a major need for protective garments and uniforms.

## Trade and Services

With regard to Trade and Services, the ITS division is divided into two segments of expertise:

- **The Food network segment**, which includes supermarkets and contract catering. This market is characterized by a large number of wearers, centralized decision making and high turnover, which raises major workwear management issues.
- **The non-food network segment**, Customers in this market are often decentralized, own numerous sites at the national level and have very few wearers at each point of delivery. The service industry is part of this market and are generally customers of the Group's HWB services.

For more information, see **chapter 1,** p.21

# Info +

## THE WEB MINUTE

A community
of over

18,764*

members throughout

the 5

social networks

* Figures as at November 4, 2016.

8th largest buyer worldwide

## SUSTAINABLE DEVELOPMENT

According to the Organic Fair Trade (OFT) Top 10, Elis is the world's eighth largest buyer of organic and fair trade cotton.

## HYGIENE

IN FRANCE

One employee out of two

neglects washing their hands after using the bathroom

### Customer Experience Department

**In 2015, Elis established a Customer Experience department in order to put Elis customers at the core of the Group's focus.**

**The combination of a more ambitious training program for staff, redesign of tools used in customer relations and a more accurate assessment of customer satisfaction and feedback have led to a perceptible improvement in customer satisfaction.**

## TRAINING

23%

of Sales Development Managers came out of the FED training program

# A SUSTAINABLE POLICY TO ENSURE SUCCESS AND CONTINUITY

## Streamline the use of water, energy and laundry products

**Water**

26.4%

savings per kilo in washed laundry since 2010

**Energy**

21.6%

savings per kilo in washed laundry since 2010

**Laundry products**

20.5%

savings per kilo in washed laundry since 2010

## Toward energy efficiency

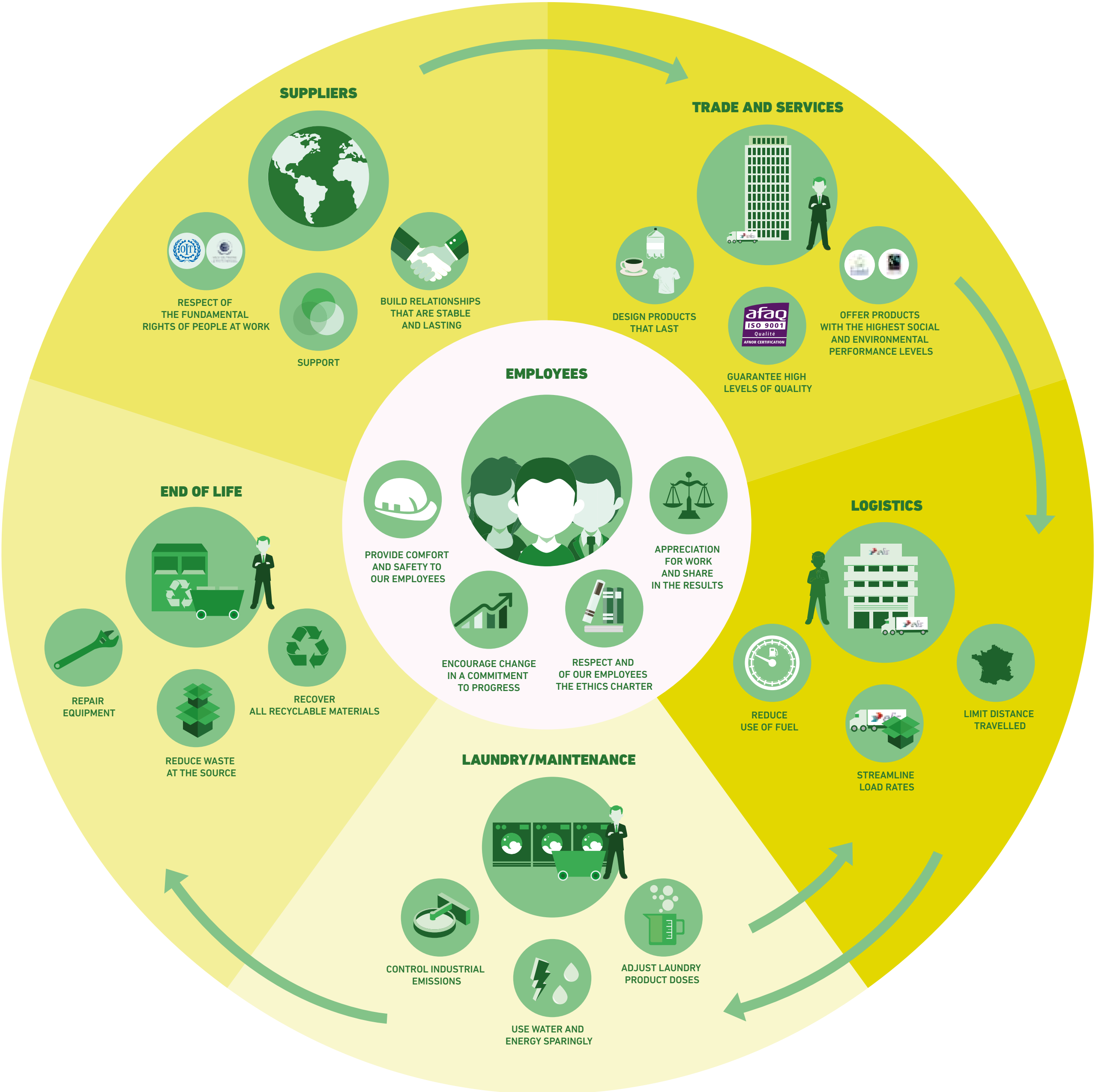
**ISO 50 001 is a reflection of Elis' operational excellence: no fewer than 55 sites certified!**

With a view to limiting its environmental impact by reducing its greenhouse gas emissions and making better use of natural resources, Elis is proud to display its ISO 50001 certification for the implementation of an energy management system. Backed by this experience, this process is a means for Elis to display its determination to bolster its leadership and to involve all participants, from design phases through the purchase of equipment and up to daily operations of facilities, in seeking optimal use of energies.

ISO

ISO 50001
ENERGY MANAGEMENT

For more information, see **chapter 3,** p.67




## A more sustainable economic model

- Strengthen and develop activity through a product-service economy
- Innovate to develop alternatives to disposable solutions
- Raise customer awareness of the environmental benefits of the rental and maintenance model

## A reduced environmental footprint

- Reduce the use of natural resources
- Control plants' industrial emissions
- Increase recovery rates of end-of-life products
- Optimize the flow of logistics

## A high quality, responsible offering

- Promote fair trade
- Work on the eco-design of products

## Be a vector of personal development for employees

- Ensure the well-being of employees
- Allow employees to grow both personally and professionally
- Promote equal opportunity

## 2016 HIGHLIGHTS

### NEW HR AGREEMENTS

In France, Elis reviewed the agreements regarding forward planning for jobs and professional careers and those concerning professional gender equality and quality of life on the job, established the right to disconnect from work in order to help employees achieve a balanced working and personal life, and reinforced measures to combat all types of discrimination.

A total of 104 agreements were negotiated in France in 2016.

### YOU ARE ELIS

A new visual identity created with the participation of all employees now sets off Group HR communications. The new look is the result of an internal worldwide campaign. It represents the people who form the Group and the diversity of jobs offered.


### HEIGHTENED PRESENCE ON SOCIAL NETWORKS

The Group's new digital communications strategy has increased Elis' visibility significantly. The number of followers on the Linkedin and Viadéo professional networks increased by over 20% over the year.

### ENVIRONMENT: AMBITIOUS OBJECTIVES, CONTINUED IMPROVEMENT ACHIEVED

Elis continues to improve its environmental performance with the objective of preserving natural resources essential to its business. In France, Elis' objective is to improve use ratios for water, thermal energy and laundry products by 2020 by 25% compared to those in 2010. Since 2016, Elis has already achieved its objective with regard to water and will continue to pursue its progress policy.

### FAIRNESS OF PRACTICES / PURCHASING POLICY

Elis expects each of its suppliers to commit to ethical and responsible trade practices by adhering to a Charter attached to their contracts. This Charter is accompanied by a periodic auditing policy for suppliers, such as the the SA 8000, ISO 14001 and equivalents, or a CSR audit by an accredited independent organization.

## Recruitment

3,450

Permanent hire contracts throughout the world, 1,460 in France

## Training

119,800

Hours of professional training (worldwide, excluding Brazil), of which **80,000** in France, an increase of **+14%** compared to 2015

## Safety

0

Fatal accidents in the Group

## Social dialogue with employees

104

Agreements signed in France

38

Employee engagement surveys conducted in France and Spain

## A Group that invests in acquiring and managing its talent

Elis maintains a high level of recruitment, in workers, first line managers and managers making the Group an essential local employer.

The two- to five-week induction experience organized for all new supervisory / managerial staff is an opportunity to facilitate their entry into the company, help them to set up an internal network and find out about the Group's corporate Philosophy and businesses.

Several training tracks offer a rich and varied career growth opportunities to the most motivated and deserving employees. There is the Proficiency School for operators seeking to become first line managers, the FED (Disco Excellence Branch) for field agents ready to become Sales Development Managers and international exchanges for young engineers in Spain, Portugal and Brazil.

## Essential HR

As a part of the continuous development of the Group's key risk management and internal control system, a self-assessment questionnaire regarding Human Resources was carried out at the end of the year in French production and services centers.

The HR community did a self-assessment of 26 major elements of their function. 2017 will provide the opportunity to implement all the good practices and actions identified through this process and to evaluate its initial achievements.

## Our safety is a daily occupation: all Elis France staff "hunted down" risks in 2016!

In order to make all employees aware of the risks, the Group's Safety department designed two learning games that highlight prevention good practices.

All Elis centers carried out this interactive and easy to use process in a small group format.

The successful use of these tools in France was followed by their translation and implementation in other countries of the Group.

## A second life for our fabrics

An original idea to instill new life into our decommissioned purses and Jacquard Français fabric scraps. In order to work on saving resources and to develop an iconic product of that house, Elis teamed up with Jacquard Français to produce a collection of 1,000 cases and coin purses. Each unique item was given to the visitors of the 2016 EquipHotel trade show and to the employees of the Saint Cloud headquarters during their move to the new premises.

For more information, see **chapter 4,** p.101

# GOVERNANCE

## Executive Committee

The Executive Committee is currently composed of nine members:


### 1 - Xavier Martiré
CHAIRMAN OF THE MANAGEMENT BOARD

### 2 - Louis Guyot
MANAGEMENT BOARD MEMBER, CHIEF FINANCIAL OFFICER

### 3 - Matthieu Lecharny
MANAGEMENT BOARD MEMBER, CHIEF OPERATING OFFICER

### 4 - Alain Bonin
DEPUTY CHIEF OPERATING OFFICER

### 5 - Caroline Roche
MARKETING AND INNOVATION DIRECTOR

### 6 - Yann Michel
DEPUTY CHIEF OPERATING OFFICER

### 7 - Frédéric Deletombe
ENGINEERING, PURCHASING AND SUPPLY CHAIN DIRECTOR

### 8 - Didier Lachaud
HUMAN RESOURCES AND CSR DIRECTOR

### 9 - François Blanc
TRANSFORMATION AND IT DIRECTOR

## Supervisory Board

The Supervisory Board is currently composed of nine members:


1


2


3


4


5


6


7


8


9

### 1 - Thierry Morin
CHAIRMAN OF THE SUPERVISORY BOARD, INDEPENDENT DIRECTOR / MEMBER OF THE AUDIT COMMITTEE

### 2 - Marc Frappier
VICE CHAIRMAN OF THE SUPERVISORY BOARD / MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

### 3 - Philippe Audouin
MEMBER OF THE SUPERVISORY BOARD

### 4 - Michel Datchary
INDEPENDENT MEMBER OF THE SUPERVISORY BOARD / CHAIRMAN OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

### 5 - Magali Chesse
CHAIRMAN OF THE SUPERVISORY BOARD / MEMBER OF THE AUDIT COMMITTEE

### 6 - Florence Noblot
INDEPENDENT MEMBER OF THE SUPERVISORY BOARD / MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

### 7 - Agnès Pannier-Runacher
INDEPENDENT MEMBER OF THE SUPERVISORY BOARD / CHAIR OF THE AUDIT COMMITTEE

### 8 - Maxime de Bentzmann
MEMBER OF THE SUPERVISORY BOARD

### 9 - Philippe Delleur
INDEPENDENT MEMBER OF THE SUPERVISORY BOARD

5 Independent members

3 Women

# 2016

# REGISTRATION DOCUMENT

Including the annual financial report


This Registration Document was filed with the Financial Markets Authority (AMF) in accordance with Article 212-13 of its General Regulation on April 6, 2017 under number R. 17-013. This document may not be used to support a financial transaction unless it is supplemented by a transaction note approved by the AMF. This document was prepared by the issuer and is the responsibility of its signatories.

It was registered in accordance with the provisions of Article L. 621.8.1-I of the Monetary and Financial Code after the AMF had verified that "the document is complete and understandable, and the information that it contains is consistent." It does not imply authentication by the AMF of the accounting and financial information presented therein.

Pursuant to Article 28 of (EC) Regulation no. 809/2004 of the European Commission, the following information is included in this Registration Document by reference:

- the consolidated financial statements of the Elis group relating to the 2014 financial year and the Statutory Auditors' report appearing in Sections II and III of the 2014 Annual Report, available on the Company's website (www.corporate-elis.com);
- the consolidated financial statements of the Elis Group relating to the 2015 financial year and the Statutory Auditors' report appearing in Sections 6.1 and 6.2 of the 2015 Registration Document available on the Company's website (www.corporate-elis.com).

**Copies of this Registration Document are available free of charge at Elis's registered office at 5, boulevard Louis Loucheur, 92210 Saint-Cloud (France), on the Company's website (www.corporate-elis.com) and on the AMF's website (www.amf-france.org).**

### GENERAL REMARKS

In this Registration Document, unless otherwise stated, the term **"Company"** and **"Elis"** refers to Elis, a joint-stock corporation (société anonyme) headquartered at 5, boulevard Louis Loucheur, 92210 Saint-Cloud (France), 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.

### ROUNDING

Certain figures (including figures expressed in thousands or millions) and percentages in this Registration Document have been rounded. The totals presented in this Registration Document may differ slightly from those obtained by adding together the non-rounded values of those figures.

Annual financial information is identified by an "AFR" symbol.

AFR

*Elis is a leading multi-service group in the rental, laundry and maintenance of textile, hygiene and well-being items in Europe and Latin America. The Group serves hundreds of thousands of customers of all sizes in the hospitality, healthcare, industry, trade and service sectors.*

# 1

# Presentation of the Group and its activities

## 1.1 A CENTURY OLD GROUP

### 1883: ORIGINS

The origins of the Group date back to 1883, when the Leducq family founded Grandes Blanchisseries de Pantin. Within a few years, the Company's horse-drawn carriages were crisscrossing the whole east side of Paris, delivering clean linen to restaurants, luxury hotels, public baths, and laundries for private customers.

### 1945: THE EARLY YEARS

At the end of the war, Jean Leducq was sent by his father to revive the Rouen plant. Soon after his arrival, the US army placed an order to launder 50 tons of linen per week! The teams were mobilized, and one month later the plant was laundering 80 tons a week. In the 1950s, Elis invented and developed the rental and laundry model.

### 1968: CREATION OF ELIS

In 1968, almost a century after the creation of the business, Jean Leducq decided to bring all its activities together in a single group. The new structure was named Elis, short for Europe Linge Service (Europe Linen Service).

### BEGINNING IN THE 1970S: EUROPEAN EXPANSION

The Group's European expansion began in 1973 with the acquisition of the Belgian company Hadès and the Group's arrival in Spain. These were followed by Portugal, the United Kingdom and Germany between 1987 and 1990, Switzerland in 1992, Luxembourg in 1994, Italy in 1999 and the Czech Republic in 2001. Thus 1973 marks the beginning of a trend of continuous growth which has made Elis the current European leader in its sector.

### 1991: THE DISNEYLAND PARIS CONTRACT

The Group won one of its most attractive contracts: the laundering of costumes and linen for the whole of the Disneyland Paris amusement park complex and its hotels, representing more than 6,000 rooms and 10,000 people's clothing. In order to cope with this contract, two new plants were built in Meaux and Saint-Thibault.

### 1997: FIRST LEVERAGED BUYOUT (LBO)

In 1997, the Group was acquired by BC Partners in a first LBO transaction.

### 1999: DIVERSIFICATION OF SERVICES

From the late 1990s, the Group began to diversify its activities. Thus, in 1999, the Group's activities were extended to the rental and maintenance of water coolers and espresso machines. In 2001, Elis became the European leader in Ultra-Clean services following the acquisition of the cleaning and disinfecting company S.N.D.I (Société de Nettoyage et de Désinfection d'Ivry).

In 2013, the Elis Group launched a new activity specializing in disinfection and pest control which includes the eradication of insects and rodents, long-term preventive treatment and related one-off services (2D pest control, extended to 3D pest control in 2014).

### 2002-2007: SECOND AND THIRD LBO TRANSACTIONS

In 2002 a second LBO transaction saw PAI Partners replace BC Partners as shareholders; then in 2007 Eurazeo took control of the Group, succeeding PAI Partners.

### 2010-2013: FURTHER INTERNATIONALIZATION

Elis continued its expansion in Switzerland, notably with the acquisition of Lavotel in 2010. The Group also made another six targeted acquisitions on the Swiss market between 2010 and 2013.

### 2014: ELIS EXPANDS ITS POSITION IN BRAZIL

Following the creation of a trading company in São Paulo in 2012, Elis consolidated and expanded its presence in Brazil with the February 2014 acquisition of Atmosfera, the leading industrial laundries group in Brazil, then L'Acqua and SC Lavanderia and the assets of Lavtec between May and September 2014.

### 2015: A NEW DIMENSION

**Initial public offering:** Elis was listed on the Euronext regulated stock market in Paris on February 11, 2015 and included in the SBF 120 in June 2015.

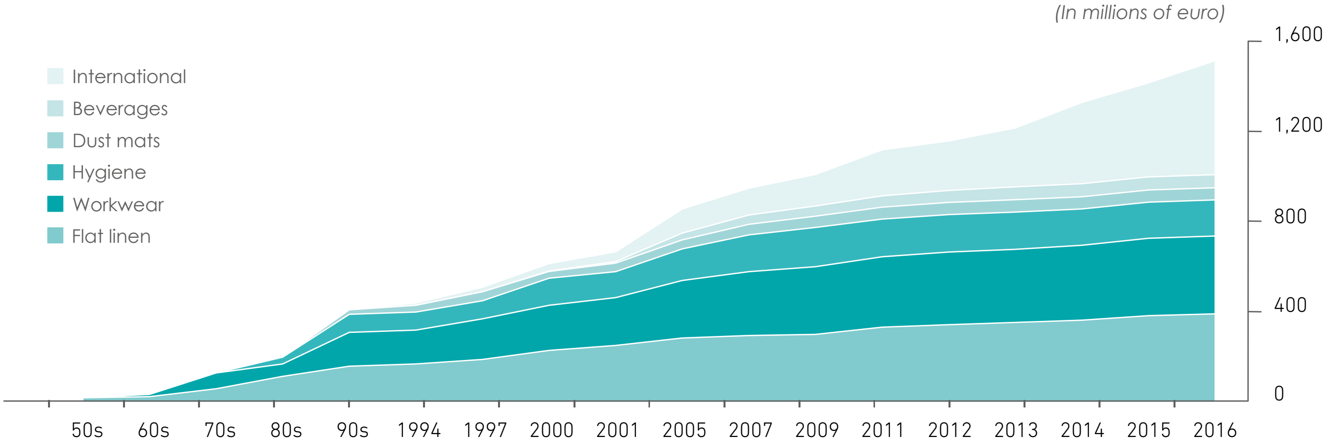
**Continuation of the Group's growth strategy:** the Group continued to implement its growth strategy and consolidated its position through further acquisitions in Europe (France, Spain, Germany and Switzerland) and in Latin America (Brazil and the number one player in Chile, Albia).

### 2016: ELIS EMBARKS UPON A NEW PHASE OF INTERNATIONAL EXPANSION

The Group continued to implement its strategy of external growth, consolidation and internationalization, carrying out targeted acquisitions in Germany and Switzerland and entering the Colombian market.

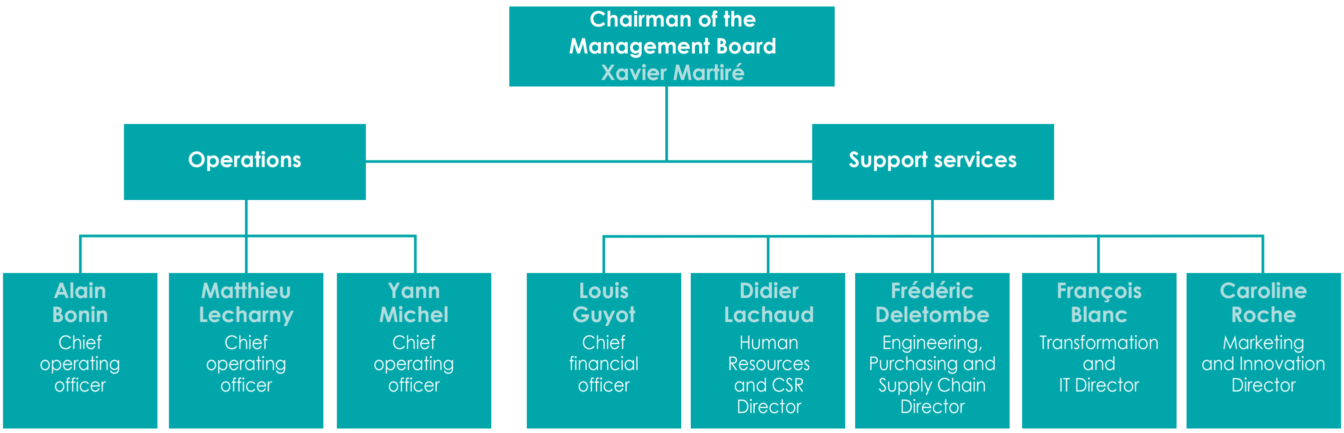
The Group also announced two strategic acquisitions in Spain and Brazil, bringing the international proportion of total revenue to over 40%. The acquisition of Indusal in Spain was completed in December 2016.

The chart below shows the increase in Group revenue by type of products and services:




## 1.2 GROUP OPERATION

The Group's general management is carried out by the Management Board and the Management Committee, which contribute to the determination and implementation of Group strategy. Their composition as at the date of this registration document is presented below:




The Management Committee comprises, in addition to the Chairman of the Management Board, three chief operating officers and five support services directors.

A detailed presentation of the members of the Management Board and the Executive Committee is available in chapter 4 "Corporate governance", section 4.1.1 "Management bodies" of this 2016 registration document.

# 1.3 BUSINESS OVERVIEW

## 1.3.1 AN INTEGRATED MULTI-SERVICE OFFERING

Elis is a leading multi-service group in the rental, laundry and maintenance of textile, hygiene and well-being items (HWB) in Europe and Latin America. The Group serves hundreds of thousands of customers of all sizes, belonging to various professional customer segments: hospitality, healthcare, industry, trade and services.

### Rental, laundry and maintenance services

The Group provides the following services:

- **flat linen rental and laundry services:**

  These services consist mainly in the rental and laundry of restaurant linen (i.e., tablecloths, napkins, dish towels, glassware towels, aprons, etc.) and hotel linen (bed sheets, duvets, duvet covers, pillowcases, bathroom towels, terry towels, etc.). Flat linen rental and laundry services generated consolidated revenue of €741.4 million for the year ended December 31, 2016, or 49% of the Group's consolidated revenue for the period;

- **workwear rental and laundry services:**

  These services mainly comprise the rental, customization and laundry of various types of workwear, including (i) standard workwear (such as trousers, shirts, uniforms and jackets), (ii) personal protective equipment (PPE) (such as firefighter uniforms, clothes for working with hazardous materials or in extreme temperatures or high-visibility clothing) and (iii) workwear for personnel who work in controlled atmosphere environments (clean rooms), which are mainly used in the pharmaceutical and microelectronics ("Ultra-Clean").

  Workwear rental and laundry services generated consolidated revenue of €449.1 million for the year ended December 31, 2016, or 29.7% of the Group's consolidated revenue for the period;

- **HWB appliance rental and maintenance services:**

  These consist of the rental, installation and maintenance of hygiene appliances, mainly for toilet hygiene (toilet paper dispensers, disinfectant dispensers, feminine hygiene, etc.), for hand washing and drying (soap dispensers, textile and paper hand-towels and electric hand dryers) and for air freshening, as well as the supplying of consumables for all these appliances.

  These services also include the rental, installation and maintenance of water fountains and espresso machines as well as the supplying of consumables for these, and the rental, customization and cleaning of dust mats (made of absorbent microfibers). These services have been extended to 3D pest control which includes the eradication of insects and rodents and related one-off services.

  HWB appliance rental and maintenance services generated consolidated revenue of €321.5 million for the year ended December 31, 2016, or 21.3% of total Group consolidated revenue for the period.

### Manufacturing activities

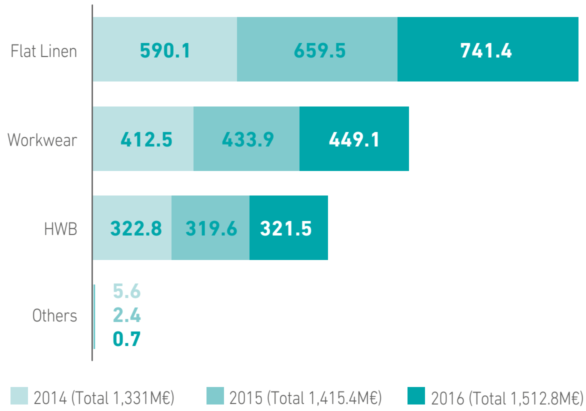
The Group also has a manufacturing business carried out by two entities, Le Jacquard Français and Kennedy Hygiene Products (the "Manufacturing Entities") which together form one of the Group's operating segments.

Le Jacquard Français, acquired by the Group in 1968, designs and manufactures high-end flat linen and damask linen products. It 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 through third-party distribution networks such as department stores, retailers, private online sales and specialist shops. Le Jacquard Français also has five shops, including two in Paris. Le Jacquard Français exports its products to 50 countries and aims to increase its export sales.

Kennedy Hygiene Products Ltd, acquired in 1987, is one of Europe's leading designers and manufacturers of hygiene 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 is based in the United Kingdom and exports its products to some 44 countries. Kennedy Hygiene Products has its own sales, marketing, distribution and R&D departments, but also works closely with the Group's marketing team to design products to meet the specific requirements of the Group's customers.

The Group's manufacturing business generated consolidated revenue of €18.9 million for the year ended December 31, 2016 (after elimination of intercompany transactions), or 1.2% of the Group's consolidated revenue for the period.

The chart opposite presents the breakdown of consolidated revenue by business during the year ended December 31, 2016:




## 1.3.2 AN INTERNATIONAL PRESENCE

The Group provides a broad and integrated range of flat linen, workwear and HWB appliance services to a diversified base of over hundreds of thousand customers, in the regions described below (excluding Manufacturing Entities):

These regions are included in the breakdown of revenue for the four operating segments: France, Europe (excluding France), Latin America and Manufacturing Entities (see section 5.2 of this registration document).

### France

In France, the Group generated consolidated revenue of €984.2 million for the year ended December 31, 2016 (excluding the Manufacturing Entities), or 65.1% of the Group's consolidated revenue for the period (excluding Manufacturing Entities). In France, the Group serves customers in four main end markets: Hospitality, Healthcare, Industry, and Trade and Services (see section 1.4 "Four end markets").

### Europe

In Europe (which comprises Germany, Belgium, Luxembourg, Spain, Andorra, Italy, Portugal, Switzerland and the Czech Republic), the Group posted consolidated revenue of €376.8 million for the year ended December 31, 2016 (excluding Manufacturing Entities), or 24.9% of the Group's consolidated revenue for the period (excluding Manufacturing Entities). The Group serves customers in all its end markets in Europe.

As was announced at the time, the acquisition of Indusal in Spain will allow for the Group to double its Spanish revenue to approximately €180 million (Indusal and the Group's existing Spanish business combined, prior to the acquisition).

### Latin America

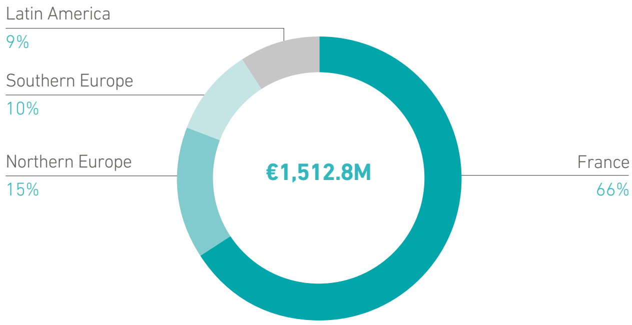
In Latin America, the Group launched its activities in Brazil in December 2012 with the opening of a sales office in São Paulo. Expansion continued with the acquisition of the Atmosfera Group in February 2014. The Group strengthened its presence in Brazil with the acquisition in July 2015 of a laundry in Fortaleza (State of Ceara) on the country's northeastern coast. It established itself in Chile in September 2015 with the acquisition of the number one player in Chile, Albia, and more recently in Colombia with the acquisition of Servicios Industriales de Lavado SIL in December 2016. The Group also announced on December 21, 2016 the signing of an agreement to acquire the Lavebras Group (see chapter 5 of this 2016 registration document), which will allow for it to consolidate its position among the major players in Brazil, with a market share that should exceed 25% in 2017.

The Group serves customers in Latin America in the Hospitality, Healthcare and Industry end markets. In Latin America the Group posted consolidated revenue of €132.9 million for the year ended December 31, 2016, or 8.8% of its consolidated revenue for the period (excluding Manufacturing Entities).

Over the past few years the Group has substantially increased the portion of its revenue generated outside France (excluding its manufacturing activities) through organic growth and targeted acquisitions, the portion going from 14% for the year ended December 31, 2008 to more than 40% for the year ended December 31, 2016 (excluding Manufacturing Entities).

The following chart shows the breakdown of the Group's rental and maintenance activities by region as a percentage of consolidated revenue for the year ended December 31, 2016 (excluding Manufacturing Entities):

**BREAKDOWN BY GEOGRAPHIC REGION**




## 1.4 FOUR END MARKETS

The Group provides services to customers in the following four end markets:

- Hospitality;
- Industry;
- Trade and Services;
- Healthcare.

### 1.4.1 HOSPITALITY

Customers in the Hospitality end market consist of hotels (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 and number of linen items) and the frequency of delivery (daily or weekly). In the largest hotels, the Group has its own on-site laundry supervisors responsible for managing linen in each hotel concerned and coordinating services with one of the Group's processing centers to ensure that all of the hotel's flat linen requirements are met.

The Group provides its customers in the in the Hospitality end market with its range of linen for bedrooms (bed sheets, duvet covers and pillowcases), restaurants/dining rooms (tablecloths and napkins), kitchens (dish towels and aprons) and bathrooms (towels, bathrobes and bathmats).

The Group recently launched a new range of high-end bathroom linen for renting to major hotel chains and luxury hotels. The Group can also provide these customers with workwear for their employees in direct contact with customers and for their kitchen and cleaning personnel.

Services offered to customers in this segment, particularly flat linen rental, are seasonal because of the preponderance of hotels and apartment hotels.

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 Hospitality customers also use the Group's 3D pest control services.

### 1.4.2 INDUSTRY

Customers in this sector are mainly in primary industry, manufacturing, construction (machine construction, the oil industry, automotive and aircraft construction, buildings and public works, etc.) and certain clean industries such as high-tech, fine chemicals, pharmaceuticals, agri-food, etc.

The Group offers its customers in the Industry end market various types of workwear, namely (i) traditional workwear (trousers, shirts, uniforms and jackets), (ii) personal protective equipment (protective clothing against hazardous substances or extreme temperatures and high-visibility clothing) and (iii) workwear for Ultra-Clean environments.

## 1.4.3 TRADE AND SERVICES

The Trade and Services customer segment mainly consists of (i) customers in the retail sector (supermarkets and shops) and the services sector (customer-facing services, cleaning companies, independent professionals and head offices) and (ii) government departments and local authorities.

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 Trade and Services customers with dust mats which they can have customized.

3D pest control services are also offered to customers in this segment.

Since 2016 the Group has offered certain Swiss customers business concierge services (dry cleaning for individuals).

## 1.4.4 HEALTHCARE

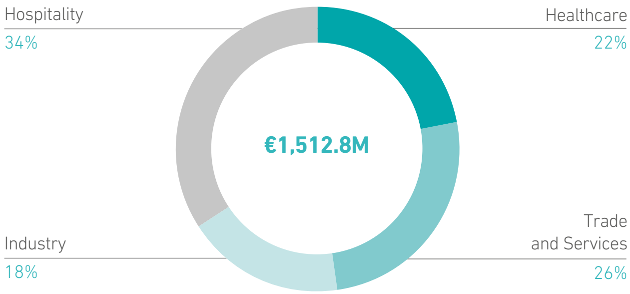
The Group's customers in the Healthcare end market are mainly public hospitals, private clinics and nursing homes.

The Group provides its customers with its range of rental and maintenance services for flat linen and various articles used in all kinds of healthcare facilities. The Group has created a range of duvet covers that meet the medical and sanitary requirements of its Healthcare customers. The Group also provides other services to customers in this end market, such as workwear rental and laundry services, the rental of HWB appliances and the supply of the necessary consumables, and its 3D pest control service.

Moreover, the Group's subsidiary, AD3, offers laundry services for the personal clothing of nursing home residents.

The following chart shows the breakdown of revenue by end market as a percentage of consolidated revenue for the year ended December 31, 2016:

**BREAKDOWN OF REVENUE BY CUSTOMER SEGMENT**



**THE TABLE BELOW SHOWS, FOR EACH END MARKET AND COUNTRY IN WHICH THE GROUP OPERATES, THE TYPES OF PRODUCTS AND SERVICES THAT THE GROUP PROVIDES AND THAT ACCOUNT FOR AT LEAST 10% OF ITS REVENUE FROM THAT END MARKET OR COUNTRY, BASED ON GROUP REVENUE FOR THE YEAR ENDED DECEMBER 31, 2016:**

| | Services and products | | |
|---|---|---|---|
| | Flat linen | Workwear | HWB |
| **France** | | | |
| Hospitality | ✓ | | ✓ |
| Healthcare | ✓ | ✓ | |
| Industry | | ✓ | ✓ |
| Trade and Services | | ✓ | ✓ |
| **Europe** | | | |
| Germany | ✓ | ✓ | |
| Belgium and Luxembourg | | ✓ | ✓ |
| Spain and Andorra | ✓ | ✓ | ✓ |
| Italy | ✓ | ✓ | ✓ |
| Portugal | ✓ | ✓ | ✓ |
| Switzerland | ✓ | ✓ | |
| Czech Republic | | ✓ | |
| **Latin America** | | | |
| Brazil | ✓ | ✓ | |
| Chile | ✓ | ✓ | |
| Colombia | ✓ | | |

# 1.5 BUSINESS MODEL AND STRATEGY

## 1.5.1 BUSINESS MODEL

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

The Group's business model is therefore based on the strategic deployment of a large number of processing centers and dispatching centers in each geographic market, to maintain close proximity to 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 considers itself as one of the few providers of rental and maintenance services for flat linen, workwear and HWB appliances 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 sites.

In providing its flat linen, workwear and HWB appliance services to customers, the Group uses two operating models: an "industrial" model and a "team" model:

- when volumes are significant, the Group applies the "industrial" model, with deliveries made by 12-ton or larger trucks;
- when customers' volumes are lower, the Group applies the "team" model, whereby its services are delivered by Field Agents belonging to teams made up of a customer service manager, a sales assistant and four or five Field Agents.

Each Field Agent generally completes one round a day, visiting approximately 40 customers, in a 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. As at December 31, 2016, the Group operated a global fleet of 2,150 vans and 1,270 trucks, used by its Field Agents. In France, the Group estimates that its vans and trucks complete some 2,600 rounds a day, thus covering about 2,000,000 kilometers per week.

During the year ended December 31, 2016, the Group employed over 24,000 people in 14 countries, spread among 151 processing centers (industrial laundries equipped with industrial-type washing, drying, finishing, folding and wrapping machines and linen mending shops), dispatching centers (logistical centers which may or may not be attached to a particular processing), and "Ultra-Clean" centers, where Ultra-Clean workwear is serviced (see section 1.10 on property).

Together the Group's processing centers clean and process each week an average of about 11,041 tons of flat linen (peaking at 13,589 tons) and 3,668 million items of workwear (peaking at 4,029 million).

## 1.5.2 GROUP STRATEGY

Each day, Elis provides multi-service offerings to several hundred thousand customers in various end markets, thanks to its good network coverage and industrial know-how. The Group aims to continue to strengthen its network and its offering so as to continue its growth and increase profitability, which is already one of the highest in the sector.

To reach this objective, the Group's strategy focuses on four strategic pillars:

- consolidating its positions through organic growth and acquisitions;
- developing its activities in Latin America;
- continuing to improve its operational excellence;
- introducing new products and services at limited marginal cost.

### Consolidating its positions through organic growth and acquisitions

The Group's objective is to continue to grow its business both organically and through acquisitions to consolidate its existing market share and geographic coverage and deploy its expertise in each country in which it operates to become the market leader.

Switzerland and Spain, two countries in which the Group has posted positive organic growth for many years, perfectly illustrate this strategy: in Switzerland, Elis has built itself a lead position through various acquisitions completed since 2010, becoming number one in the country in 2015. In Spain, the Group became number one in the market in 2016, following several acquisitions carried out in the past few years (notably Lavalia in 2015 and Indusal in 2016).

In Brazil, at the beginning of 2014 the Group had only a sales representative office, before its acquisition of leading player Atmosfera. Since then, Elis has continued its consolidation of the market with the January 2016 acquisition of Martins & Lococo and the December 2016 announcement of the acquisition of Lavebras.

### Developing its activities in Latin America

The Group became market leader in Brazil in 2014 following the acquisition of Atmosfera in February of that year. Since then, the Group has made further acquisitions in Brazil, specifically in Belo Horizonte, Ponta Grossa and Fortaleza, in order to strengthen its leading position in a market undergoing major consolidation.

Moreover, it has begun to transfer its industrial and sales expertise to its Brazilian subsidiaries to improve the Group's positions and profit margins in this country. The announcement on December 21, 2016 of the signing of an agreement on the acquisition of Lavebras (subject to the lifting of certain habitual conditions precedent and authorization from the Brazilian competition authority) reflects the Group's determination to continue expanding its activities in Latin America generally and Brazil in particular. With this acquisition, the Group will consolidate its position among the country's major players, with a market share that should surpass 25% in 2017 [(1)].

Elis has also become the leader in Chile with the September 2015 acquisition of the country's number one player, Albia, which enjoys a market share of around 25%. The Group operates eight laundries across the country which mainly serve customers in the Healthcare, Hospitality and Industry (mining industry) sectors.

Lastly, in 2016 Elis acquired Servicios Industriales de Lavado SIL S.A.S ("SIL") in Colombia, with a view to quickly becoming number one in the market. SIL operates two laundries in Bogotá and has one of the finest plants in the sector. SIL mainly serves private sector players in the Healthcare end market.

*(1) Based on a market size estimated by the Company from data for 2014 shown in the KPMG study.*

## Continuing to improve the Group's operational excellence

The Group plans to continue 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 do so, the Group's engineering department is implementing new projects and best practices disseminated in the Group's processing and dispatching centers. The Group also applies this strategy to the integration of newly-acquired entities and has, moreover, taken other steps to increase productivity and cut costs, for example by reducing its consumption of water (by reusing hotel linen laundry water to wash restaurant linen), 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.

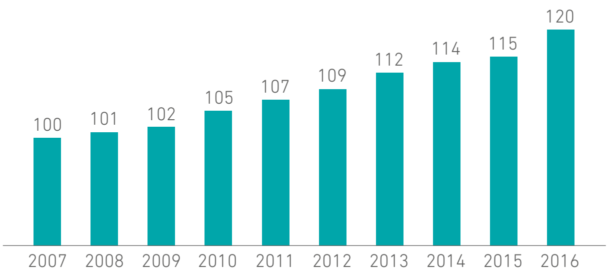
The Group's contracts with suppliers are generally relatively short-term (one year) and are not automatically renewed. This enables the Group to respond swiftly to changes in textile and other commodity prices. The Group currently sources flat linen items in France, Turkey, Egypt, India and Pakistan,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

Lastly, the Group has put in place a program called "5 stars", which helps it improve customer satisfaction. The program's objective is to ensure that all employees are committed to five things:

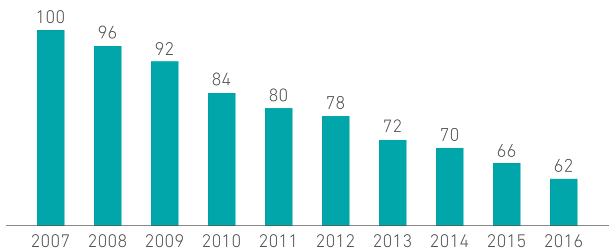
- making sure that customers are completely satisfied with the services they provide;
- providing service that meets customers' expectations;
- providing more personalized service by getting closer to customers;
- responding rapidly and effectively to customer needs; and
- being proactive and proposing solutions.

The following charts illustrate these productivity gains in France (2007 base = 100).

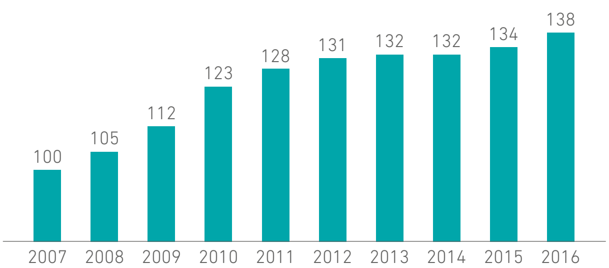
**FLAT LINEN PROCESSED IN KILOGRAMS PER HOUR (FRANCE, 2007 BASE = 100)**



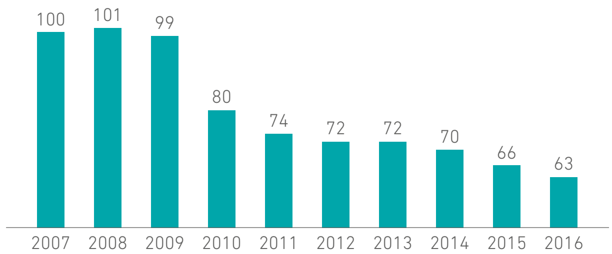

**WATER CONSUMPTION IN LITERS PER KILOGRAM (FRANCE, 2007 BASE = 100)**



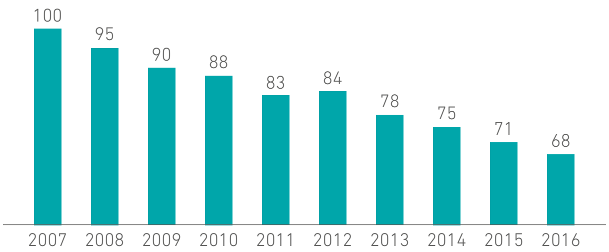

**WORKWEAR PROCESSED IN ITEMS PER HOUR (FRANCE, 2007 BASE = 100)**




**COST OF LAUNDRY PRODUCTS IN EURO CENTS PER KILOGRAM (FRANCE, 2007 BASE = 100)**



**ELECTRICITY CONSUMPTION IN KWH PER KILOGRAM (FRANCE, 2007 BASE = 100)**




## 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).

These developments focus on two key areas:

- the development of the existing range of services and products; and
- the launch of new products and services, such as the successful introduction of the beverage equipment rental and maintenance service in the 2000s, with annual average growth of €5 million between 2000 and 2015.

As an example, the Group launched its 3D pest control service, which is currently following the same growth trend as the beverage service, with some €15 million invoiced in 2016 (€8 million in 2015) and a target of €22 million for 2017. 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. During 2016, the Group strengthened its positioning in this market by acquiring Hygienis, a major player in the 3D pest control market in Switzerland, where the Group now has a solid basis of expertise. In France and Portugal, the 3D pest control service has shown very good initial performance.

The Group is also considering the launch of new textile services:

- for private accommodation rentals (bed linen packs, bathroom towel packs, etc.);
- for the elderly in their own homes (three times as many as those living in EHPAD dependent elderly care facilities);
- direct laundry services for private customers (shirts, duvet covers, etc.).

As part of this momentum, in June 2016 the Group acquired On My Way, a startup company offering private individuals a concierge service, picking up their linen from their place of work, home or collection points. This acquisition illustrates Elis' determination to be fully involved in these new modes of consumption and to invest even more actively in the quest for new services.

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

# 1.6 COMPETITIVE ENVIRONMENT

## 1.6.1 OVERVIEW

The table below shows, for each of the countries in which the Group operates, the changes in its positioning since 2010 and its market share in 2016 and at the date of this registration document:

| | Estimated positioning of Elis | | | | Estimated market share of Elis in 2016 | Market size |
|---|---|---|---|---|---|---|
| | 2010 | 2014 | 2015 | 2016 | | |
| France | **1** | **1** | **1** | 1 | 40%-50% | €2.0 billion |
| Switzerland | Niche player | **2** | **1** | 1 | 25%-30% | €400 million |
| Brazil | Not present | **1** | **1** | 1 | 25%-30% [(a)] | €900 million |
| Spain | **3** | **3** | **2** | 1 | 25%-30% [(b)] | €600 million |
| Germany | Present in 4 regions | Present in 5 regions | Present in 7 regions | 6 [(c)] | < 10% [(c)] | €3.0 billion |
| Portugal | **1** | **1** | **1** | 1 | 40%-50% | €80 million |
| Belgium-Luxembourg | 4 | 4 | 4 | 3 | < 10% | €400 million |
| Chile | Not present | Not present | **1** | 1 | 25%-35% | €80 million |
| Colombia | 0 | 0 | **0** | | N/A | |
| Italy | Niche player | Niche player | Niche player | Niche player | < 10% | |

*(a) Proforma with the acquisition of Lavebras (in accordance with the memoranda of understanding signed by the Company on December 21, 2016, the final agreements to acquire Lavebras were signed on January 5, 2017. The acquisition of Lavebras is subject to approval from the Brazilian competition authority but is expected to be completed in the first half of 2017).*

*(b Proforma for the full-year effect of the acquisition of Indusal.*

*(c) Operates in 10 regions.*

*Source: KPMG (March 2017).*

## 1.6.2 MAIN COMPETITORS

It is important to note that certain potential customers may choose not to outsource the supply and maintenance of their flat linen, workwear or HWB appliances, preferring to implement in-house solutions. For example, some companies make their employees responsible for laundering their workwear in return for a payment that is supposed to cover the costs of laundering. Other companies install in-house laundries to launder flat linen used in their business or workwear worn by their employees.

The Group also faces competition from shared hospital laundries and "ESAT" laundries (entities that employ disabled workers).

For the target market, consisting of businesses that have opted to use a rental and maintenance service, the Group's competitors vary depending on the operating sector and the type of services provided by the Group.

For HWB appliance rental and maintenance services in particular, the Group faces competition from cleaning service companies which can also be its customers for this type of service, and facility management companies which offer a complete range of services including the rental and maintenance of HWB appliances.

Several major groups operate in all three business segments. Following the merger announced between certain European activities of Rentokil Initial and CWS Boco, the latter will be Elis' main competitor in continental Europe. The Group is also faced with competition from the main national players, the most important of which are indicated below:

- France: Rentokil Initial, RLD, Anett, Sdez;
- Brazil: Alsco, Servizi Italia;
- Spain: Ilunion, L'Emporda;
- Germany: CWS-Boco, Mewa, Bardusch, Berendsen, Alsco;
- Switzerland: CWS-Boco, Bardusch, LBG;
- Portugal: Serlima;
- Belgium-Luxembourg: CWS-Boco, Sterima, Mewa;
- Italy: Servizi Italia, Servizi Ospedalieri, Pedersoli, Alsco;
- Chile: Golden Clean, Lavinur.

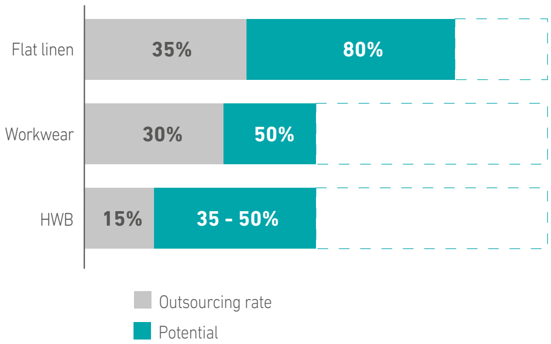
## 1.6.3 MARKET DEMAND DRIVERS FOR RENTAL, LAUNDRY AND MAINTENANCE SERVICES

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:

### Outsourcing

Demand for the Group's flat linen, workwear and HWB products and services in the Hospitality, Healthcare, Industry, and Trade and Services end markets is driven by a general trend toward outsourcing. The Group's customers in France tend to outsource these services to a single service provider, such as the Group. According to a study carried out by KPMG, about one-third of textile rental and laundry services were outsourced in France and in Europe as a whole 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: KMPG (Study, march 2017).*

According to ETSA, the market's upside potential [(1)] (the study did not provide an exact date, only a time horizon) should mainly be driven by an outsourcing rate that is likely to double in Europe to reach 55% to 65% according to market estimates.

Multi-country contracts for rental and maintenance services for flat linen, workwear and HWB appliances are still uncommon. 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 such contracts to provide rental and maintenance services for flat linen, workwear and HWB appliances covering multiple customer sites and countries, as most providers lack the necessary geographic coverage and logistic capabilities. 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 several European countries and B&B in France and Germany.

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 reduce 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, the Group's customers in the Hospitality and Healthcare (especially public hospitals) end markets do not have to recruit and manage employees skilled in laundering flat linen or workwear;
- **to free up space for other use:** outsourcing enables Group customers (especially in the Hospitality segment) to better allocate the occupied space within their premises, in particular by saving on the space that would have been used to house a laundry service;
- **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, which is not always the case when employees are responsible for taking care of their own workwear. Employees are also always certain to have 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;

(1) *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.*

- **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 choose a supplier that supports sustainable development:** outsourcing allows the Group's customers to reduce the environmental footprint of the textiles used throughout their life cycle. Since the Group's business is based on a more modern economic model, focused 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 introduced a major sustainable development policy which is reflected in the following measures:
  - twelve products developed by the Group are made from organically grown cotton obtained from fair-trade suppliers (Bio's Fair range),
  - the Group has optimized and reduced its water consumption by favoring water recycling within and between its textile washing equipment,
  - the Group uses less laundry product, water and energy than a home wash (the machines used by the Group use four times less water than standard washing machines), and
  - the Group has signed contracts with specialized recyclers for end-of-life flat linen textile items for all its processing sites in France and for most of its sites for workwear;
- **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. Furthermore, Puschendorf and certain processing centers in Brazil introduced an innovative traceability system for flat linen.

The Group believes that growth in the market for textile services in Europe will 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.

## 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, 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.

Furthermore, the Group's wide range of customers in various 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, the Hospitality industry's move up market is partly offsetting the adverse impacts of the economic slowdown seen over the past few years and of the 2015 and 2016 terrorist attacks on tourism in France.

## The indispensable nature of the Group's services

The flat linen, workwear and HWB appliance services the Group provide 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 €150 a month.

Lastly, the Group is able to develop new and complementary products and services that its approximately 2,665 Field Agents, including almost 1,580 in France, 760 in the rest of Europe, 300 in Brazil and 30 in Chile, can cross-sell to its current customer base.

# 1.7 SALES AND MARKETING

## 1.7.1 SALES

The Group's Sales Department is in charge of prospecting for new customers, while the sales distribution 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 boost sales to new customers, the Group employs dedicated sales teams to identify potential new customers, negotiate business terms and sign contracts with customers. There are three levels of dedicated sales teams based on customer size:

- for Group key accounts, three market Sales Departments (Hospitality, Healthcare, and Industry, Trade and Services) that report to the three chief operating officers and are made up of "key account managers" in charge of canvassing "very large" potential customers in the Hospitality, Healthcare, Industry, and Trade and Services end markets in each country in which the Group operates;
- for new medium-sized customers (50 wearers and more), each 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 each end market in which the Group operates (Hospitality, Healthcare, Industry, and Trade and Services);
- lastly, the remaining customers (fewer than 50 wearers) 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 850 key account managers, sales representatives and customer advisors in Europe, including 625 in France.

In 2015 the Group also set up a sales organization dedicated to the 3D pest control services.

To grow revenue from existing customers, the Group has implemented a "team" model, as described above (section 1.5.1), in which teams 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 contract is signed, the Team takes over the management of customer relationships. 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 Agents and their customer, whom they generally meet once a week.

The Group also has a call center, located in Villeurbanne, where around 15 operators work. The Group's call center is responsible for conducting customer satisfaction surveys ("SatisfElis") and making appointments for sales representatives with potential customers. Every year, the call center (i) makes around 13,000 appointments by means of outgoing and incoming calls and online forms, (ii) makes approximately 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 two months to check the quality of the manner in which their complaint has been dealt with. A new customer satisfaction tracking indicator, the Net Promoter Score, has been put in place to measure how likely the Group's customers are to recommend its services to others. Around 10% of the revenue generated by sales teams is accounted for by the call center, with two-thirds of this revenue due to incoming calls and one-third due to outgoing calls. The customers' satisfaction rate reaches 87.1% (+1.3 pts vs 2015).

## 1.7.2 MARKETING

The Group steadily invests in its marketing policy, through a multi-channel customer acquisition strategy supporting its sales and a sustained pace of innovation in the products and services offered.

The regular launch of new workwear collections, for the Healthcare, Industry and Hospitality end markets in 2016, the complete overhaul of its hygiene ranges, the launch of new services such as pest control in 2013 (3D pest control), investment in service traceability tools, are all part of this voluntarily innovative policy which was further strengthened by the creation of an Innovative Service Marketing Department in 2015. As part of this momentum, in June 2016 the Group acquired On My Way, a start-up company offering private individuals a concierge service, picking up their linen from their place of work, home or collection points. This acquisition illustrates Elis' determination to be fully involved in these new modes of consumption and to invest even more actively in the quest for new services."

In addition, the creation in 2015 of a Customer Experience Department within the Marketing Department reflects the Group's strengthened determination to adopt a customer-focused approach. This intention had already been confirmed with the launch of the "5 star" quality program, aimed at Customer Satisfaction. It continues at present, notably through the launch of the "CUSTOMER'S VOICE" program which ensures that customers' views are properly taken into account in Elis' centers by using training and revised processes.

Elis' marketing policy relies on a strong brand identity. Its internet site, available in seven languages, promotes this identity on an international basis and boasts various online services for customers (a customer area that provides customized monitoring of the delivery of a service, access to invoices, etc.).

Elis also strives to ensure that it has an attractive image as an employer and a high-visibility profile as a business, by developing its presence on the major social networks, notably by means of business news updates, presentations of new services, job offers, etc.

# 1.8 THE GROUP'S CUSTOMERS

## 1.8.1 THE GROUP'S CUSTOMER BASE

The Group attaches the greatest importance to managing relationships with its customers. The Group has an estimated number of customers of several hundreds of thousands, including 180,000 based in France.

The Group's customer base is highly diversified in terms of size, sector and profile.

Thus, the Group's ten largest customers account for less than 10% of consolidated revenue and the average monthly invoice of the Group's customers is around €500. The median is around €150 per month, which means that half of the Group's customers receive a monthly invoice of less than €150.

Slightly more than half of the companies in the CAC 40 [1] companies 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.

In 2016, no single customer accounted for more than 3% of the Group's consolidated revenue. During the same period, the annual average size of the contracts of the Group's ten largest customers in the Hospitality, Industry, Sales and Services, and Healthcare end markets in France were €11.3 million, €7.5 million and €5.2 million, respectively. Consolidated revenue generated by the Group's ten largest customers in the Hospitality, Industry, Trade and Services and Healthcare end markets in France accounted for 11.3%, 7.5% and 5.2%, respectively, of consolidated revenue for the year ended December 31, 2016.

## 1.8.2 TYPES OF CONTRACT

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. Thus:

- for its small customers (in terms of revenue), the Group enters into standard contracts, for a period of four years;
- 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 each customer the practical aspects of the contract. 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 in accordance with applicable regulations, which generally means at the end of a publicity procedure that includes a competitive bidding approach (such as a call for tenders). The term of these public market contracts 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.

As part of the strengthening of the Marketing Department by focusing on "Customer Experience", the Group has adapted its contracts, in particular its standard contracts in France, to favor the quality of interaction with its customers and their satisfaction. Thus, in the future, these contracts should be signed for four-year periods, and automatically renewed for a further one-year period, unless terminated by the customer who must provide three months' notice.

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

*(1) 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*

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 the initial investments it has to make in order to set up the services, the Group's objective is to ensure that its customers pay for a minimum volume of services, thereby guaranteeing long-term income for the Group.

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 remaining had the contract not been terminated), unless the Group has not complied with the terms and conditions of the contract. Its customers are also required, generally speaking, to buy specific or customized textile items (flat linen, workwear and floor mats) which 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.

## 1.9 GROUP PURCHASING AND 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 in particular. The sourcing of the Group's rented textile items in 2016 amounted to around €153.3 million, including 52% for flat linen, 43% for workwear and 5% 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 (44% of flat linen purchases in 2016). Textiles used for workwear are sourced in Laos and Madagascar, or in certain cases in countries nearer to the Group's sites such as Morocco, Tunisia and Bulgaria.

Purchases of workwear and flat linen without any customs duties represent 98% and 93% respectively of all purchases. 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, India and Pakistan.

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. A laboratory was set up in 2017 to strengthen the Group's product control. In addition, when a Group customer decides to change its workwear collection, the old workwear can be reused and rented by the Group to its other customers.

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. The in-house laboratory will also contribute to this function, by making it more responsive.

For its HWB appliances and consumables, the Group basically uses suppliers in France and other western European countries. In addition, the Group also requires industrial supplies for its processing centers. 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. As at December 31, 2016 the Group had some thirty active and significant suppliers for its flat linen, workwear and HWB appliance rental and maintenance 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 and electricity are the primary energy sources that the Group uses in its processing centers. It also requires gasoline for its service vehicles. The Group also uses substantial quantities of laundry 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. The Group's Purchasing and Procurement Department operates a workshop in Portugal 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.

Moreover, since 2006, the Group's supplier contracts have contained sustainable development guidelines and provided for regular audits. The Group's commitment is outlined in a Responsible and Ethical Procurement charter which describes its relationship with its suppliers which extends beyond the purchase and delivery of goods and services. This document, which is included in the Purchasing and Procurement Department's ISO 9001/2008 documents and appended to contracts signed with partners, complements elements found in the ILO convention and describes both Elis' commitments in terms of purchasing as well as requirements and recommendations for suppliers and subcontractors. The Group thus strictly regulates the use of subcontracting by preventing suppliers from subcontracting all or part of the contract awarded to them without the written consent of the Group.

The Group strives to maintain fair and loyal relationships with its suppliers. In all countries, Elis seeks to comply with the various laws and regulations in force and ensure its suppliers comply with them. It also strives to apply the values set out in the Group Ethics Charter in day-to-day operations (see chapter 3, "Sustainable development," section 3.3.9 "Promotion and observance of the core conventions of the International Labor Organization (ILO) and other measures to support human rights" of the 2015 registration document).

For suppliers that do not have SA 8000 or ISO 14001 certification (or equivalent), Elis ensures that an audit exists or requests that an audit is carried out by an external body. Elis subsequently monitors the implementation of action plans arising from these audits. In the 2015-2017 cycle, the 74 strategic suppliers were particularly monitored. 41 had no CSR risks and 21 were audited or had CSR certification. The remaining suppliers with CSR programs in progress will be audited in 2017. The emphasis was on suppliers of flat linen, and manufacturers and weavers for workwear.

The Purchasing and Procurement Department also set up in 2009 a partnership with Max Havelaar, the reference fair trade NGO. The Group is the first provider of flat linen, workwear and HWB appliance rental and maintenance services to hold the Max Havelaar Fairtrade license. Accordingly, in 2009 the Group launched a range of items of workwear in cotton based on organic and fair-trade cotton under the Fairtrade/Max Havelaar label (see chapter 3 "Sustainable Development").

## 1.10 PROPERTY, PLANT AND EQUIPMENT

### 1.10.1 PROPERTY

The Group's main needs with respect to premises and equipment are linked to the operations of the processing centers, dispatching centers and "Ultra-Clean" centers. To carry out its activities, the Group also requires independent storage centers (Purchasing and Procurement Department) and offices.

**THE TABLE BELOW SHOWS THE NUMBER OF PROCESSING CENTERS, DISPATCHING CENTERS ATTACHED TO A PROCESSING CENTER, AND INDEPENDENT DISPATCHING CENTERS OWNED OR LEASED BY THE GROUP AS AT DECEMBER 31, 2016:**

| | Regional Presence as at December 31, 2016 | | | |
|---|---|---|---|---|
| | Processing centers | Dispatching centers attached to a processing center | Independent dispatching centers | "Ultra-Clean" centers |
| **Europe** | **128** | **128** | **71** | **12** |
| France | 57 | 57 | 48 | 6 |
| Andorra | | | 1 | |
| Germany | 16 | 16 | | |
| Belgium | 1 | 1 | 4 | 1 |
| Spain | 33 | 33 | 5 | 2 |
| Italy | 2 | 2 | 3 | 1 |
| Luxembourg | | | 1 | |
| Switzerland | 16 | 16 | 3 | 1 |
| Czech Republic | | | | 1 |
| Portugal | 3 | 3 | 6 | |
| **Latin America** | **24** | **23** | **0** | **1** |
| Brazil* | 16 | 16 | | 1 |
| Chile | 8 | 7 | | |
| **TOTAL** | **152** | **151** | **71** | **13** |

* *Excluding the acquisition of Lavebras.*

As at December 31, 2016, the Group owned land and buildings with a net value of €169.8 million.

The Group rents around 60% of its processing and dispatching centers in France and abroad.

On November 28, 2016, Elis' registered office, previously located in Puteaux, was transferred to Saint-Cloud (Hauts-de-Seine). The new headquarters, on which the Company holds a nine-year commercial lease, houses 450 Elis employees and allows several of the Group's central and operational divisions that were hitherto spread among several sites in the Greater Paris region to be brought together under one roof.

The Puteaux site was sold on December 30, 2016 for a final total price of €50.4 million, the initial total price of €54 million having been reduced in accordance with the stipulations of the sale agreement on the basis of the difference between the area resulting from the accredited building permit and the floor area referred to in the sale agreement.

## 1.10.2 OTHER PROPERTY, PLANT AND EQUIPMENT

In addition to the properties described above, other property, plant and equipment mostly consists of industrial and logistical equipment, the textile items and devices that the Group needs in order to provide its services, office and IT equipment and installations, other equipment, and capitalized expenditure on layout and fitting out of premises.

The Group's operations in France and internationally involve the use of around 5,000 vehicles per day.

- The fleet is divided into two main categories: light commercial vehicles (LCVs) and heavy goods vehicles (HGVs) used for deliveries.
- The motor fleet is mostly wholly owned (95% for the LCVs and 96% for the HGVs).
- The sales rep fleet mostly comprises leased light vehicles.

Property, plant and equipment held by the Group is described in Note 6.3 to the Group's consolidated financial statements for the year ended December 31, 2016 included in chapter 6 "Financial statements for the year ended December 31, 2016" of this 2016 registration document.

Regulatory constraints and environmental information relating to property assets are included in chapter 2 "Risk factors and policy on insurance" and in chapter 3 "Sustainable development" of this 2016 registration document.

# 1.11 INVESTMENT POLICY

The Group's investments comprise:

- own investments for around 17-18% of consolidated revenue, consisting of:
  - capital expenditure: mainly production facilities, logistics, IT, and hygiene appliances,
  - investment in textiles: basically flat linen and workwear;
- the acquisition of small and medium-sized companies providing rental and maintenance services for flat linen, workwear, HWB appliances and 3D pest control.

## 1.11.1 MAIN HISTORICAL INVESTMENTS

### Capital expenditure and investment in textiles

The Group's main investments made during the financial years ended December 31, 2013, 2014, 2015 and 2016 concerned gross capital expenditure on plant and equipment and capital expenditure on linen. The table below shows the amounts and percentages of this expenditure as a percentage of total consolidated revenue for each previous period:

| | 2016 | | 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|---|---|---|
| *(in millions of euros)* | Amount of expenditure | as a % of consolidated revenue | Amount of expenditure | as a % of consolidated revenue | Amount of expenditure | as a % of consolidated revenue | Amount of expenditure | as a % of consolidated revenue |
| Gross capital expenditure on plant & machinery | 110.2 | 7.3 | 100.1 | 7.1 | 68.2 | 5.1 | 88.8 | 7.2 |
| Capital expenditure on linen | 153.3 | 10.1 | 167.8 | 11.9 | 168.2 | 12.6 | 126.0 | 10.3 |

Capital expenditure on plant and machinery comprises expenditure on plant and equipment (excluding hygiene appliances) and notably relates to major projects, such as:

- 2013: the construction of new processing centers in Toulouse (6,000 m$^2$ extension and increase in processing capacity) and in Pantin, and maintenance work on industrial buildings, renewal of production equipment and upkeep of facilities management in plants);
- 2014: the completion of certain major projects launched in 2013, notably including the construction of the above-mentioned 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);
- 2015: construction of the new processing center in Nanterre (10,000 m$^2$);
- 2016: opening of the new plant in Aix-les-Bains and completion of the San Diego plant in Chile.

### Acquisitions

The European market for 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.

For acquisitions outside France, the Group evaluates the relevant markets of other countries with a view to carrying out targeted acquisitions. In doing so, the Group relies in particular on the following indicators: favorable business environment, geopolitics, population, *per capita* GDP, GDP growth, the tourism sector, the healthcare sector and the presence of international companies as potential customers. The Group's objective is to become one of the leading service providers in each country in which it operates and in each of its market segments.

During the financial years ended December 31, 2013, 2014, 2015 and 2016 the Group carried out numerous acquisitions. The acquisitions made in 2015 and 2016 are described in Note 2.4 "Changes in the scope of consolidation" to the consolidated financial statements included in chapter 6 "Financial statements for the year ended December 31, 2016" of this registration document. Acquisitions made in 2013 and 2014 are described in Note 2.4 to the consolidated financial statements for the year ended December 31, 2014, which are included in section III of the 2014 annual financial report and are incorporated by reference on page 1 of the 2015 registration document.

### 1.11.2 FUTURE INVESTMENTS

The Group intends to continue its investment policy along the same lines as in the past, namely on the one hand investments relating to its everyday activities comprising capital expenditure to maintain and improve its facilities (plant, machinery, service vehicles, IT equipment and rented hygiene appliances) as well as investments in textile items for renting to customers; and, on the other hand, external growth (acquisition) opportunities with attractive profiles in terms of return on investment and meeting the criteria of its acquisition strategy.

As at the filing date of this registration document, the Company had not entered into any material firm commitment in respect of future investments, with the exception of the agreement entered into in the context of the acquisition of Lavebras in Brazil announced on December 21, 2016 (see chapter 5 of this 2016 registration document).

## 1.12 FINANCING POLICY AND CREDIT RATINGS

### 1.12.1 FINANCING POLICY AND CREDIT RATINGS

As at December 31, 2016 the Group had available cash and cash equivalents of €169.6 million (see Note 8.4 to the consolidated financial statements for 2016 shown in chapter 6 of this registration document) and undrawn confirmed credit facilities of €400 million.

The Group believes that its financing requirements for the main investments that it envisages will be covered by its available cash, its future cash flows from operating activities and possible use of its credit facilities.

The Elis Group has several sources of financing: short- and medium-term financing on the capital markets, and bank loans.

In view of current conditions on the financial markets, in order to meet the Group's general requirements and more specifically to finance its business activities and development projects, the Group has pursued a proactive and diversified financing policy, together with prudent cash management.

In the context of this policy, the Group:

- actively manages its debt and can pre-finance itself on the capital and banking markets;
- makes use of bank borrowings;
- can put in place confirmed lines of credit for its liquidity reserves;
- can also finance itself by means of capital increases.

This financing policy allows the Group to seize market opportunities to pre-finance itself and thereby optimize its liquidity reserves.

All financing transactions are monitored for compliance with a leverage ratio (Net Debt/EBITDA). As at December 31, 2016 the ratio was 3.19 and therefore below the limit of 3.75 established in the Syndicated Credit Facility Agreement in force at that date.

In the short-term capital market, Elis has an unrated commercial paper program, approved by Banque de France, in an amount of €400 million. As at December 31, 2016, outstanding under this program totaled €303.8 million, versus €169.5 million as at December 31, 2015, an increase of €134.3 million.

On April 28, 2015, Elis carried out a bond issue in the amount of €800 million with a 3% coupon and maturing on April 30, 2022. The seven-year bonds are callable from April 2018. These bonds are listed on the Global Exchange Market of the Irish Stock Exchange.

As at December 31, 2016, Elis had an €850 million Syndicated Credit Facility Agreement with two tranches entered into on September 2, 2014, which included a €450 million Term Loan, fully drawn down, and a €400 million Revolving Credit Facility, undrawn. As at December 31, 2016 this agreement was being renegotiated and renewed. The term sheet of the new Syndicated Senior Credit Facility Agreement was signed on December 9, 2016 for an amount of €1.15 billion in three tranches: a €450 million Term Loan, a €500 million Revolving Credit Facility, and a €200 million Capex Line. It is described in section 1.13.2 below.

The Group's objective is to maintain the leverage ratio (Net Debt/EBITDA) at around three times EBITDA after acquisitions and refinancing transactions.

In order to finance the acquisitions of Indusal and Lavebras, in the first quarter of 2017 the Group carried out the financing transactions described below in section 1.13 aimed at strengthening the Group's equity and financial structure and allowing it to retain a solid balance sheet structure while at the same time keeping a margin for financial maneuver. These refinancing transactions, including the capital increase, represented fresh financial resources of approximately €613 million for the Group (based on a new Syndicated Senior Credit Facility representing a €300 million increase over the previous credit facility and on net capital increase proceeds of approximately €313 million). The Company considers that this amount should allow the Group to implement its investment policy in the short- and medium-term as regards capital expenditure on plant and machinery, investment in textiles and minor acquisitions.

On January 17, 2017, the Company signed a Syndicated Senior Credit Facility Agreement refinancing the second tranche of the bridge loan (see section 1.13). This Credit Facility Agreement is with a syndicate comprising the banks that were party to the Bridge Loan Agreement, plus Amundi, Aviva, BBVA, CM-CIC, ING, KBC, La Banque Postale, Mediobanca, Monte dei Paschi di Siena and Banco Sabadell (the "Senior Lenders"). The Syndicated Senior Credit Facility Agreement was entered into for a five-year period for a principal amount of €1.15 billion, mainly for the purpose of refinancing the outstanding principal, interest and other charges under the Company's Senior Credit Facility Agreement signed on September 2, 2014 for a principal amount of €850 million. Under the Syndicated Senior Credit Facility Agreement, the Senior Lenders have made available to the Company:

- a fixed term credit line for a principal amount of €450 million;
- a capital disbursement and acquisition financing line for an amount of €200 million to finance part of the acquisitions of Indusal and Lavebras and the Group's external growth; and
- a revolving line of credit for an amount of €500 million to finance the Group's overall operations, and also to cover the Group's commercial paper program of up to €400 million.

The Syndicated Senior Credit Facility Agreement features notably (i) a matrix of applicable margins 50 bps lower than those of the Senior Credit Facility Agreement signed in 2014 and (ii) a covenant whereby Elis' Net Debt/EBITDA ratio at the end of each year and half-year must be less than 4:1 until December 31, 2017 inclusive and below 3.75:1 thereafter. The Syndicated Senior Credit Facility Agreement does not contain any other financial covenants.

The Syndicated Senior Credit Facility Agreement does not contain any specific acceleration clause linked to minimum credit ratings.

The Syndicated Senior Credit Facility Agreement contains clauses obliging Elis to provide the lenders with certain security items in line with market standards, notably:

- a negative pledge whereby the borrower undertakes not to provide collateral to third parties, subject to certain exceptions;
- cross-default clauses stipulating that an event of default on any other borrowing would also render the Syndicated Senior Credit Facility immediately due and payable;
- a periodic reporting obligation;
- compliance with legislation in force; and
- no change of control (resulting from the acquisition by one or more persons acting in concert of more than 50% of the voting rights in the Company).

### 1.12.2 CREDIT RATINGS

By means of press releases published on December 23, 2016 following the Company's announcement of the acquisitions of Indusal and Lavebras, Moody's and Standard & Poor's rating agencies confirmed the ratings assigned to the Company, namely Ba2 (outlook stable) and BB (outlook positive), respectively.

Both agencies have also rated Elis' bond issue of April 2015 maturing in 2022. As at December 31, 2016, the rating of these securities was the same as that of Elis.

## 1.13 MAJOR CONTRACTS

To secure the financing of the acquisitions of Indusal and Lavebras announced on December 21, 2016, on November 10, 2016 Elis entered into a Bridge Loan Agreement with a banking syndicate composed of BNP Paribas, Crédit Agricole Corporate and Investment Bank (CA-CIB), Deutsche Bank Luxembourg S.A., HSBC France and Société Générale, for a total principal amount of €550 million, in order (a) to finance the acquisition price of Indusal and Lavebras including associated costs and expenses and (b) to pay the full amount due by virtue of the refinancing of the existing debt of Indusal and Lavebras. This agreement consists of two tranches:

- tranche 1, "bridge to equity", in an amount of €325 million;
- tranche 2, "bridge to debt", in an amount of €225 million.

Tranche 1 has a six-month maturity with the possibility of extension for a further three months at Elis' option, and tranche 2 has a maturity of twelve months with the possibility of extension for a further six months at Elis' option. The Bridge Loan Agreement stipulates that the availability periods for tranches 1 and 2 end on July 21, 2017 and April 21, 2017 respectively. The Bridge Loan Agreement also includes a guarantee of availability of funds, as is usual in this type of financing, and contains the usual acceleration clauses (notably in the case of a change of control resulting from the acquisition by one or more persons acting in concert of more than 50% of the voting rights in the Company). The Bridge Loan Agreement contains the same financial covenants as the Senior Credit Facility Agreement signed by the Company on September 2, 2014.

The Company refinanced tranche 1 of the Bridge Loan by means of a capital increase in cash for an amount of approximately €325 million, with preferential subscription rights. The prospectus for this capital increase was approved by the AMF on January 18, 2017 (ref. 17-022). It was launched on January 19, 2017 and completed on February 13, 2017 with the settlement and delivery of the new shares.

Tranche 2 of the Bridge Loan was refinanced by the Syndicated Senior Credit Facility for €1.15 billion signed on January 17, 2017. It is described in section 1.12.1 "Syndicated Senior Credit Facility Agreement" of this registration document.

As at February 13, 2017, the Bridge Loan had been entirely refinanced by the Company.

# 1.14 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES AFR

## 1.14.1 RESEARCH AND DEVELOPMENT

The R&D unit of Kennedy Hygiene Products Ltd, a Group subsidiary based in the UK, is developing a new range of "smart" sanitary appliances that can remotely transmit levels of consumption. The detection technology used in each appliance has been specifically developed for the type of consumable used. For example, appliances may contain mechanical and infra-red capacity sensors combined with a radio communication module. The signal emitted by each appliance is thus sent to a radio frequency concentrator which relays the information to a remote server. This solution has been rolled out at several pilot sites in France for testing in real conditions with a view to bringing it to market.

More generally, Elis is currently embarking on various new projects with a view to strengthening its traceability solutions by using the new technologies. These are aimed mainly at bolstering the offerings and services to be provided to customers. Through these solutions, Elis seeks to showcase its capabilities as an innovator and to be recognized as such by its customers. They also contribute to improved textile flow management to enhance its operational excellence. These solutions will start to be rolled out in France and the rest of Europe as soon as the pilot schemes under way or about to be so have been validated, on a project-by-project basis.

## 1.14.2 PATENTS AND LICENSES

The Group has a portfolio of trademarks, patents and registered designs that give it a considerable strategic advantage over its competitors and which it constantly strives to protect.

The Group uses various registered brands, service marks and trade names in its operations. The main brands the Group uses are "Elis," "Le Jacquard Français," "3D pest control," "Presto," "SNDI," "AD3," "Magic Rambo" and "Poulard."

The Group owns a portfolio of nine patents that are valid in over 15 countries. These patents relate to 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 the patents, namely 20 years from October 1, 1997 and September 4, 1998;
- the Group also has a licensing agreement with Osmooze for its patented liquid supply system for the Group's sanitary fragrance dispensers. The term of this agreement coincides with the remaining period of this patent's validity, namely 20 years from October 20, 2005.

On July 7, 2014, the Group also signed a one-year agreement with A Point Un beginning on September 1, 2014 and automatically renewable. Under the terms of this agreement A Point Un provides 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. This agreement was renewed for a further one-year period.

*Shareholders of the Company and potential investors should consider all the information contained in this registration document, including the risk factors such as those described in this chapter. The Company believes these risks could, as at the date of this registration document, have a material adverse effect on the Group and its business, financial position, results, or ability to achieve its objectives. The Company reviewed the risks that could have a material adverse effect on its business, financial position or results (or on its ability to achieve its objectives) and believes that there were no other significant risks apart from those presented.*

# 2

# Risk factors and insurance policy AFR

# 2.1 RISK FACTORS

The Group operates in a constantly changing environment. It is therefore exposed to risks that, if materialized, could have a material adverse effect on its business, results, financial position or outlook.

This chapter describes the material risks to which the Group believes it is exposed, namely risks related to the Group's business, risks related to the Group's business sectors, financial risks, and legal, regulatory, tax and insurance risks.

In order to identify, predict and monitor these risks, the Group has set up an internal control and risk management process which is described in section 4.3.2 "Elis Group's internal control and risk management system" of the Chairman of the Supervisory Board's report on corporate governance and internal control.

The Group's risk mapping procedure identifies the main risks to which the Group is exposed and classifies them based on four areas: strategic, operations, financial and compliance. The risks have been identified by the Group's primary managers and prioritized based on their criticality (which combines the impact of the risk and its probability of occurrence) and level of control.

The incorporation of this exercise in strategic planning responds to the double objective of high involvement of management in managing risks and a focus on the action plans to carry out in order to better guarantee the fulfillment of the Group's strategic and operational targets.

These action plans are then regularly monitored during an Executive Committee meeting and reported to the Audit Committee twice per year. An operational follow-up is carried out by the Operations Committee, which is composed mainly of the chief executive officers, regional directors and country directors.

The risk map is updated annually with the main "risk owners" by incorporating possible new risks and monitoring the action plans.

## 2.1.1 RISKS RELATED TO THE GROUP'S BUSINESS

### Risks related to the Group's inability to win new contracts

The Group's organic growth rests, in part, on its ability to win new customer contracts.

To grow revenue, the Group employs dedicated sales teams to identify potential new customers, negotiate business terms and sign approximately 40,000 contracts with customers per year. These new contracts may involve a bidding process, putting the Group in competition with several other service providers. 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.

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

### Risks related to the termination of a large number of customer contracts or the non-renewal of certain customer contracts

Most of the Group's contracts, usually entered into for a fixed term, include tacit renewal clauses. Most contracts are for a four-year term. To strengthen the Marketing Department and enhance the Customer Experience, the Group has adapted certain clauses of its standard contracts in France, particularly relating to their renewal (see section 1.8.2 of this registration document). Even if a contract has a tacit renewal clause, it may be terminated at the expiration of the stated term. 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. 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, could have a material adverse effect on the Group's business, results, financial position or outlook. Such loss could harm the Group's reputation and make it more difficult to win contracts with other customers.

### Risks related to the use of third-party suppliers

The Group may source the services it provides to its customers from third-party suppliers. In this context, in 2016 the Group bought textiles from suppliers for €153.3 million and industrial equipment for €110.1 million (including HWB appliances for €12.75 million and vehicles for €13 million). Reliance on such third parties reduces the Group's ability to directly control the quality of services it provides. This risk is greater for those markets in which the customer sometimes sets the choice of the supplier, as is the case with certain bids for professional clothing. Lastly, the frequent integration of newly-acquired companies also increases the risk, temporarily multiplying the number of suppliers for which control is limited and remains local. 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 position, 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 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 position or outlook.

## Risks related 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 production center in a given region but must, for example, meet the needs of a customer establishment in that location.

The Group thus faces risks related to managing its subcontractors, including the risk that subcontractors do not execute their services in a satisfactory manner or within the agreed timeframe. 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 position or outlook.

## Risks related to economic dependency on certain suppliers or subcontractors

In the context of its relations with suppliers or subcontractors, even if it endeavors to conduct business with a sufficiently large number of subcontractors to avoid any situation of economic dependency, the Group can nevertheless not exclude the possibility of being faced with such a situation (see section 1.9 of this registration document). In such a case, the Group may not be able to terminate its contracts with suppliers or subcontractors in a situation of economic dependency due to potential litigation and termination fees or the need to extend the notice period for terminating the contract. Additionally, 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.

Such scenarios could have a material adverse effect on the Group's business, results, financial position or outlook.

## Risks related to the Group's 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 the business, the Group may be unable to efficiently and profitably render its services and it could experience increased 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 position or outlook to a significant extent.

Although the Group has adopted Group-wide control procedures and financial reporting requirements, 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 position or outlook.

## Risks related to labor relations

In the year ended December 31, 2016, the Group had over 25,000 employees in 14 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 position, or outlook.

The majority of the Group's employees are covered by country-specific 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. Country-specific 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. 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 country-specific 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 position 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 position or outlook.

## Risks related to hiring and retaining key personnel

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 position, the Group could find itself less able to pursue its industrial and commercial strategy.

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 position or outlook. Given that the Group's business depends to a certain extent on its relationships with customers, departing members of its central or local management teams could attract customers and persuade them to reduce or terminate their business with the Group.

To limit the potential impact of these risks, the Group has set up a number of resource management mechanisms, including annual appraisals, talent reviews, succession plans for key personnel, and performance share grant plans.

## Risks related to employer reputation

As a multi-service company, Elis relies on the quality and commitment of the people who join it and develop within the Company. The ability to hire, retain and support high-quality teams is a critical success factor for the Group.

With the rapid development of social media and company referral websites, Elis has to adapt accordingly, position itself in these public, open spaces, and build a positive, transparent employer reputation. However, that reputation could be tarnished by potentially negative testimonials from employees or former employees dissatisfied with their situation and who decide to use these new media to express themselves.

To counter the potential impact of such action, in 2016 human resources and communications teams began a digital transformation process to better control Elis' online reputation. A structured "community management" policy was introduced, firstly to monitor multiple communication channels and secondly to provide information about the Company's culture, strategy and key projects. A number of employees volunteered to relay information about the Group, answer questions from internet users (job applicants, customers, etc.) and share their own experience.

## Risks related 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 Prevention 3D, are key assets of its business.

The Group also fully owns a portfolio of nine active patents in over fifteen countries, and also has a large portfolio of registered designs that it uses to create workwear (especially personal protective equipment) and table linen (see chapter 1, section 1.14 "Research and development, patents and licenses" of this 2016 registration document).

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 guarantee 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 position or outlook.

## Risks related to IT systems

The Group has several information technology (IT) systems which manage the operations of its centers and central support services.

The centers' IT systems cover the customer order and supply processes, as well as the activities related to production, dispatching, delivery of services and billing. These processes apply to all the service lines (workwear, flat linen, HWB appliances and 3D pest control).

The Group's central systems cover marketing, purchasing, accounting and finance, human resources, communication tools, and the supply of digital services to customers.

The primary risk concerns disturbances or failures of IT systems which could have a material adverse effect on the quality and timeliness of the services offered by the Group, leading to efficiency losses in internal processes. To mitigate this risk, the Group regularly renews its hardware and has put in place security and/or redundancy procedures for its critical systems. Recovery operations are documented. In addition, the Group relies on a single communication network. To secure access, this network will be progressively split, each center having access to two parallel networks able to back each other up.

The second risk is related to internal or external threats of theft, duplication or destruction of information (virus, malware, etc.). In order to protect itself, the Group continues a specific segregation policy for information access rights. The systems of high technical complexity are entrusted to specialized service providers. All the workstations and servers are equipped with protection tools systematically updated at defined time intervals.

The third risk concerns the flexibility and upgradeability of the IT system. As the applications have a long life span, their upgrading must be managed over the long term and the Group has a dedicated six-year strategic plan. It has recently replaced the IT systems for central support services. The systems for the centers are older and diverse. They will be upgraded with modern development tools. During the upgrade, the part that manages physical flows (collection, cleaning, shipping, delivery) will be transferred to a commercially-available software package. All these systems will be deployed across all of the Group's centers over several years.

The last risk concerns the multiplicity of IT solutions resulting from the many acquisitions. This slows down the deployment of best operating practices (production, marketing, purchasing, traceability, etc.) in new centers. Elis is considering reorganizing its IT services to better safeguard local solutions and speed up the deployment of the Group's standard solutions.

The Group plans to spend around 1.3% of its revenue on IT systems. In particular, it will invest in customer-oriented systems to either improve marketing efficiency or offer new digital services to its customers.

## Risks related to supply chain disruptions

The Group's businesses rely on a small number of suppliers, notably for the supply of coffee machines and coffee pods, heavy-duty washing tunnels, ironers, dryers, sorting machinery and equipment, and laundry products (see section 1.9 of this registration document). Any adverse change affecting the Group's relationship with any of its main suppliers, 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 those suppliers, could have a material adverse effect on the Group's business, results, financial position 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 position 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 pursues 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 position or outlook.

## Risks related to the Group's international operations

Because of the international scope of its activities, the Group is subject to a number of risks beyond its control. In 2016, the percentage of revenue generated internationally was 33% (excluding Manufacturing Entities), while revenue generated in Latin America was approximately €133 million, mainly in Brazil. Organic growth in Latin America was 15.0% for the year, largely driven by Brazil, which had good business momentum despite a challenging macroeconomic environment. 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, Brazilian real, Chilean peso and Colombian peso – 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.

## Risks related 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, including the acquisition of Puschendorf in Germany and the Indusal Group in Spain in December 2016, and in Latin America with the acquisition of Albia in Chile in September 2015, and more recently Servicios Industriales de Lavado SIL in Colombia in December 2016. In 2016, the Group made six major acquisitions (see section 5.1.2 of this registration document). The Group intends to continue to develop and expand its business through acquisitions, primarily in the regions where it already has operations. Against this backdrop, the Group signed an agreement on January 5, 2017 to acquire the Lavebras Group. This acquisition is subject to the lifting of certain conditions precedent that are usual for this type of transaction and to obtaining approval from the Brazilian competition authority, the Conselho Administrativo de Defesa Econômica (CADE). No assurance can be given that all these conditions precedent will be lifted or, in particular, that the CADE's approval will be granted and if so, under conditions favorable to the Group. If all of the conditions precedent remain in place or their lifting is delayed or subject to adverse commitments by the Group, the acquisition of Lavebras may not go ahead, or may not occur within the expected timeframe, or the expected benefits may be reduced, any of which could have an adverse effect on the Elis share price and the Group's financial position and outlook.

Acquisitions and external growth of the Group may strain its management and financial resources. Note 2.4 to the 2016 consolidated financial statements describes the contribution of the new acquisitions to revenue and operating income before amortization of customer relationships for the year. The risks associated with acquisitions that could adversely affect the Group's business, operating results, financial position 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 face increased competition for acquisitions as the flat linen, workwear, and HWB appliance services markets undergo continuing consolidation;
- the Group may incur significant costs, delays or other operational or financial problems in integrating acquired businesses, in particular due to potential incompatibilities of their information systems and accounting procedures with those of the Group;
- the Group may experience problems in adapting its services to their local markets and local business practices, and its ability

to predict the profitability of acquired businesses may be reduced 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 losses 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, without the certainty of receiving compensation from sellers under warranties and indemnity undertakings, if applicable, granted within the framework of the acquisitions concerned.

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.

For example, the acquisition of the Indusal business completed at the end of 2016 and the upcoming acquisition of Lavebras could incur higher integration costs or fewer than expected synergies or other benefits.

Despite the Group's solid experience in acquiring other entities and the benefits resulting from these acquisitions, Elis' integration process, while effective, nevertheless carries inherent uncertainties and costs. The Group could end up having to bear significant costs, delays or other operational or financial challenges in connection with the integration of Indusal and Lavebras. The synergies and other benefits expected from these acquisitions (including opportunities for growth, cost optimization, tax-related goodwill amortization, and increased revenue and profits), described in Chapter 5 of this 2016 registration document, may not materialize as expected if the Group is unable to successfully integrate Indusal's information systems and operating processes, retain key personnel or key customer contracts of the acquired companies, or cope with the occurrence of unforeseen events, circumstances, litigation or legal obligations related to the acquired companies or their existing customer bases. There can be no assurance that, following their integration into the Group, the Indusal and Lavebras businesses will be able to maintain their existing customer bases, or generate the expected margins or cash flows, or achieve the anticipated synergies or other expected benefits. Although the Group has carefully studied the operations and earnings of Indusal and Lavebras, these assessments are subject to a number of assumptions and estimates concerning markets, profitability, growth, interest rates, and valuations of Indusal and Lavebras. There can be no guarantee that the Group's assessments of Indusal and Lavebras and the assumptions and opportunities pertaining thereto will prove to be correct, and actual developments may differ significantly from expectations. In particular, there can be no guarantee that the estimated financial data for the 2016 financial year concerning Indusal and Lavebras – data based on the information provided by those two companies during the acquisition process – will be the same as actual audited data.

Furthermore, the successful integration of Indusal and Lavebras will require major involvement on the part of Elis' management teams in Spain and Brazil, which may impact the teams' ability to run their operations effectively during the integration period, even if special teams have been set up to manage the process.

Although the estimated synergies and other benefits of these acquisitions are significant, any failure, major delay or unexpected costs during the integration process could have a negative impact on the Group's ability to achieve its objectives and on its operational and financial position.

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 could have a material adverse effect on the Group's business, results, financial position 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 position or outlook to a significant extent, are the following:

- the Group may not obtain a waiver (if required) under its Senior Credit Facilities Agreement, allowing it to undertake a proposed divestment (see Note 5.5 to the 2016 parent company financial statements and Note 8.3 to the 2016 consolidated financial statements included in chapter 6 of the 2016 registration document);
- 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.

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.

The policy for managing the risks related to acquisition and divestment projects relies in particular on a dedicated team.

During the analysis phase prior to any major acquisition or divestment project, the Group carries out due diligence procedures to review financial, legal, tax, labor, regulatory and environmental information in order to identify relevant information on each of the acquired companies, particularly potential problems or significant liabilities. Any risks identified may be covered by seller guarantees.

There can nevertheless be no guarantee that the documents and information provided to the Group as part of the due diligence procedure, particularly financial data, are comprehensive, appropriate or accurate, and as such that the due diligence performed has identified or assessed all potential problems, risks or significant liabilities within the acquired entities. In particular, there can be no guarantee that this due diligence procedure has identified or made it possible to anticipate all risks related to litigation and disputes, past, present or future, of the acquired companies, or all risks related to possible breaches by the acquired companies, their executives or their employees of laws and regulations governing anti-corruption and money laundering.

If the Group failed to correctly identify or assess certain risks, it may be exposed to significant undisclosed liabilities of the acquired companies and forced to impair or derecognize assets, restructure its operations or bear other costs that could result in losses that may not be covered by the indemnity undertakings negotiated within the framework of the acquisitions because of limits in the amount and term of these undertakings.

All of the above factors could lead to a weaker performance than originally anticipated and have an adverse effect on the Group's ability to achieve its objectives and on its financial position.

### Risks related 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 largely been due to its ability to establish its brand image as a leading provider of a broad range of flat linen, workwear, and HWB appliance 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-à-vis current and potential customers and, more generally, in the regions and sectors in which it operates. Any such event or perception could have a material adverse effect on the Group's business, results, financial position or outlook.

### Risks related to non-recovery of customer receivables

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 payment defaults could have an adverse effect.

## 2.1.2 RISKS RELATED TO THE GROUP'S BUSINESS SECTORS

### Risks related to the overall economic conditions

The growth in demand for some of the Group's services, such as the services it provides to customers in the Hospitality, Industry, and Trade and Services sectors, correlates with economic conditions, including growth in gross domestic product (GDP) in France, the Group's principal geographic market by revenue (the French market accounted for 65% of consolidated revenue and 74% of consolidated EBITDA for the year ended December 31, 2016), 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 HWB appliance services 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 other countries where the Group operates will depend on the economic circumstances of these countries and on the growth in their demand for the Group's services. 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 geographic markets may not be successful in a depressed economic context.

Lastly, 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 position or outlook.

## Risks related 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 contracts. 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.

As regards new contracts, the Group might poorly evaluate the price level necessary for the provision of the service and the contract might not produce the expected results.

In addition, the impact of laws and regulations, particularly in terms of labor and environmental protection, may restrict the Group's ability to achieve cost reductions and other efficiency gains and may increase its operating costs. Price and margin pressure may therefore lead to a reduction in the Group's margins and the average prices for the Group's services (as was the case in 2015), which could have a material adverse effect on its business, results, financial position or outlook.

## Risks related to the competitive landscape

The Group faces significant competition from a variety of companies across each of its markets and host countries. Its success is therefore dependent on its service quality and prices, especially relative to its competitors. The Group's customer segments and types of services face specific competitors. In France, the Group's principal market, it competes against some large companies such as Rentokil Initial, RLD, and Anett, as well as smaller local or regional service providers. There are few foreign groups in the French market, with the main exception of the French subsidiary Rentokil Initial plc. 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 appliances. For example, in flat linen and workwear services, the Group faces competition from the shared laundry facilities that some hospitals have pooled resources to create. These facilities serve many different hospitals and could also serve other customers such as nursing homes. In particular, under France's administrative reform of July 1, 2016, public health establishments are required to form regional hospital groups (GHTs), one of the purposes of which is to pool logistics. As a result, such establishments may only use shared laundry facilities and no longer issue tenders to outsource them.

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.

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 position 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 position or outlook.

## Risks related 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 cotton price varied widely between the second quarter of 2010 and March 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 position or outlook could be adversely affected to a significant extent. In 2016 the Group spent €153.3 million on textile items.

## Risks related 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 estimates that its vans and trucks complete some 2,600 rounds per day, thus covering about 2,000,000 kilometers per week. In addition, the Group's laundry facilities and production centers run on gas and electricity.

In 2016, electricity consumption totaled 148,332 MWh and gas consumption, 753,672 MWh.

The price of the gas and electricity necessary for the operation of the Group's laundries and production centers and the price of the gasoline necessary for its delivery and collection vehicles are unpredictable and fluctuate, 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.

Moreover, the water used by the Group comes primarily from wells at its production centers that tap into underground reservoirs, requiring the Group to pay water royalties of an amount set by local authorities and subject to change.

The Group does not hedge its energy costs. The Group has nevertheless signed gas procurement contracts at fixed prices covering 2015, 2016 and 2017. 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 position 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 position or outlook.

## Risks related 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 appliance services is dependent upon, among other things, that customer's perception regarding outsourcing in general and the price and quality of such outsourced services in particular. The Group estimates that the average outsourcing rate for services in Europe is 30% (see section 1.6.2 of this registration document). Negative perceptions regarding outsourcing may adversely impact trends in the outsourcing of flat linen, workwear, and HWB appliance 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 risk mainly relating to HWB services—which would have a material adverse effect on the Group's business, results, financial position 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 position 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. This could have a material adverse effect on the Group's business, results, financial position or outlook.

## Risks related to public spending

In some of the countries in which the Group operates, a portion of its revenue comes from contracts with the government and other public sector agencies. In 2016, the Group estimates that at least 10% of its revenue was generated with public sector agencies. The

Group's public sector business may be adversely affected by political and administrative decisions about levels of 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 position or outlook.

### Risks related to the capital intensive nature of the Group's business

The Group's flat linen and workwear purchases for rental and laundry services are classified as capital expenditure, meaning its flat linen and workwear activities are capital intensive. These activities are also capital intensive because a high degree of mechanization is required to launder flat linens and workwear.

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 position or outlook.

The Group's total capital expenditure for 2016 represents approximately 17.42% of revenue.

## 2.1.3 FINANCIAL RISKS

### Risks related 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. 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 position or outlook.

### Risks related to goodwill and deferred tax assets

Under IFRS, the Group evaluates and measures the potential impairment of the value of goodwill annually or at interim closing dates if an impairment indicator, both internal or external, is identified. The Group recognizes any impairment losses in its financial statements. 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 production centers) and a variety of other factors. The amount of any impairment losses must be charged immediately to the Group's income statement and cannot be reversed. Sensitivity to the assumptions used for impairment tests as at the filing date of this document is shown in Note 6.5 to the 2016 consolidated financial statements included in the 2016 registration document.

Any further impairment losses 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 carryforwards 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. 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 position or outlook.

### 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 (bank or capital market financing). 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 and facilitate cash flow to M.A.J., the Group's central treasury entity.

As at December 31, 2016, the Group's adjusted net debt was €1,595.8 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 notably include an obligation for the Group to comply with a leverage ratio of below 3.75, which was upheld as at December 31, 2016.

The breakdown of financial liabilities by contractual maturity as at December 31, 2016 is presented together with the Group's debt in Note 8.1 to the 2016 consolidated financial statements.

The Senior Credit Facilities Agreement described in section 1.12 of this 2016 registration document contains only one restrictive clause regarding consolidated financial ratios: the Group's financial ratio of net debt / EBITDA must be less than 4 until December 31, 2017 inclusive and less than 3.75 thereafter.

The Group reviewed its future payments and considers that it is able to meet them.

## 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 very large number of Group customers, the risk is distributed and 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: against a backdrop of historically low and significantly negative interest rates, the Group's policy is to invest cash in money market funds (OPCVM) with short-term maturities, or in bank deposits with the Group's financing counterparties, in compliance with diversification and counterparty rules. As at December 31, 2016, short-term investments totaled €169.6 million and consisted mainly of bank deposits with leading counterparties that lend to the Group. 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 the Group's lending banks, and believes that counterparty risk in this respect can be regarded as insignificant.

## Market risks

The Elis 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 mainly includes the risk of future fluctuations in flows relating to floating-rate debt, which is partly linked to Euribor. As at December 31, 2016, the Group had €618,073 million of floating-rate gross debt outstanding and €1,152.8 million of fixed-rate gross 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. As at December 31, 2016, the Group was a party to interest rate hedging contracts covering a total amount of €450 million in 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.

The interest rate risk exposure and sensitivity analysis (calculated before tax) are presented in Note 8.1 to the 2016 consolidated financial statements included in chapter 6 "Financial statements for the year ended December 31, 2016" of this 2016 registration document.

### Currency risk

The majority of the Group's operations are located in eurozone countries. For the year ended December 31, 2016, countries outside the eurozone – mainly Brazil, Chile, Switzerland and the UK, where the Group operates through its Kennedy Hygiene Products subsidiary – accounted for 16.5% of consolidated revenue (Brazil: 7.5%, Chile: 1.3%, Switzerland: 7.1%, and the UK: 0.5%).

When the Group prepares its consolidated financial statements, it must translate the financial statements 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' statements of financial position and income statements.

The Group's external financing is generally denominated in euros.

The unhedged residual exposure at the Group level comes mainly from the translation of the financial statements of the Latin American subsidiaries. The sensitivity analysis of this risk, calculated before tax, is detailed in Note 8.1 to the 2016 consolidated financial statements included in chapter 6 "Financial statements for the year ended December 31, 2016" of this 2016 registration document.

The Group is also exposed to operational exchange rate risk through its purchases of goods for resale, which are partly denominated in pounds sterling and US dollars. In 2016, purchases of goods for resale denominated in foreign currencies totaled \$46.016 million and £3.7 million. However, the Group seeks to reduce the impact of exchange rate movements on its income by using currency hedging for the procurement of goods for resale. As at December 31, 2016, the Group had made forward purchases with a 2017 maturity amounting to \$41.5 million and £4 million.

In addition, as the acquisition price for Lavebras was stipulated in Brazilian real, the Group is exposed to currency risk related to the fluctuation of the euro relative to the Brazilian real between January 5, 2017, the date of signing the purchase agreement, and the date of completion of the transaction which is expected to occur in the first half of 2017. This risk concerns the amount to be paid out for the acquisition of Lavebras, i.e. 1,300 million reals (€360 million, at an exchange rate of 3.60 reals to the euro). As at the filing date of the 2016 registration document, the Group took out no hedges against this exchange rate risk in view of forecasts relating to fluctuations of the Brazilian real against the euro in 2017.

### Equity risk

As at December 31, 2016, the Group's exposure to equity risk mainly involved the Elis treasury shares held for the requirements of the liquidity agreement implemented on April 13, 2015. The Group did not consider it necessary to introduce an equity risk management policy.

### Commodities risk

While the Group does not purchase raw materials directly, it is indirectly exposed to raw material volatility through its purchases of linens and workwear, the manufacturing price of which is partially linked to the price of cotton or polyester, and through its consumption of oil products (mainly gas and fuel).

## 2.1.4 LEGAL, REGULATORY, TAX AND INSURANCE RISKS

### Risks related to compliance with antitrust regulations

The Group is subject to various country-specific, European and international antitrust laws and regulations. In particular, in France, in accordance with decision no. 07-D-21 of the French antitrust authority of 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 position 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 it has adopted the 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 some of the Group's pricing practices, which could have a major adverse effect on the Group's financial position, results or outlook. The Group was informed of an inquiry by the French competition authorities following a complaint relating to some of the Group's pricing practices, which was filed by a self-catering cottage, a customer of the Group, with the Pays de Loire DIRECCTE (the regional Board for companies, competition, consumption, labor and employment). The Group cannot rule out the investigation being extended to practices other than 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 material adverse effect on the Group's image, business model, business, strategy, results, financial position or outlook.

There are no other governmental, arbitration or legal proceedings, including any unsettled or threatened proceedings which are or were in the past twelve months liable to have material adverse effects on the Group's financial position or profitability.

## 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, especially regarding its transportation.

The Group could be liable if it failed to comply with the relevant standards and if that failure caused damage to natural or legal persons, including, 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 and/or RABC certified Quality Management Systems (QMS). Lastly, the Group allocated special resources to the rollout of its pest control services to ensure they were in compliance with specific pest-control standards. 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 position or outlook.

## Risks related to compliance with labor and employment regulations

The Group's activity is subject to a large number of employment laws and regulations. Due to the scale of the Group's workforce – more than 25,000 employees in 2016 – and the significant amount of the Group's employee expenses (equal to 43% of Group revenue for the year ended December 31, 2016), 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 position or outlook. In addition, the failure to comply with labor and employment regulations in the countries in which the Group operates – particularly Brazil, Chile and Colombia, where regulations are complex and constantly changing – could result in substantial fines, penalties, litigation or claims.

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. In France, for example, the Group benefits from reductions in employer social security contributions in respect of certain salaries (the "Fillon exemption") and from the competitiveness and employment tax credit (CICE). 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 employee expenses and adversely affect its operating margins and operational flexibility. This could have a material adverse effect on the Group's business, results, financial position 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.

## 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. 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 production 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 (see section 3.2.7 of this registration document).

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 position, results or outlook.

## 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. 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 position, 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 position, liquidity or outlook, regardless of whether or not the underlying claims are well founded.

In particular, the Group is subject to an inquiry by the French competition authorities referred to in the aforementioned registration document. Additionally, 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 termination benefits. 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 position or outlook. As at December 31, 2016, the provision for tax, commercial and employee-related disputes amounted to €13.4 million (see Note 7.1 to the consolidated financial statements for the year ended December 31, 2016 included in chapter 6 "Financial statements for the year ended December 31, 2016" of this 2016 registration document).

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 position or outlook.

A civil action is currently underway in the State of Rio de Janeiro (Brazil) against Atmosfera and other industrial laundry service providers (including Prolav Serviços Tecnicos Ltda, or "Prolav", a Lavebras subsidiary) related to alleged acts of administrative improbity vis-à-vis officials regarding industrial laundry services provided by Atmosfera to public entities in the State of Rio de Janeiro that date back to the 2003-2011 period. Atmosfera filed a preliminary response in December 2014. The public prosecutor rejected arguments put forward by Atmosfera and ruled to continue the action.

As at the filing date of this registration document, and if Atmosfera and Prolav were to be held liable for administrative improbity, the sanctions that may be imposed could be either or both of the following: (i) reimbursement to the public treasury of all monies illegally obtained by Atmosfera from the acts of improbity and/or (ii) a civil fine of up to three times the amount referred to in (i). In addition, Atmosfera and Prolav could potentially be prohibited from entering into agreements with any Brazilian public entities or receiving tax benefits in Brazil for five or ten years. In 2016, a major portion of Atmosfera's revenue was generated with Brazilian public entities. With regard to Prolav, to date the Company has no information allowing it to determine the extent of these proceedings or the list of contracts involved. Furthermore, as at the filing date of this registration document, the Company had no information allowing it to assess the liability amount incurred by Prolav as a result of these proceedings in the event of an unfavorable outcome. If such sanctions were handed down against Atmosfera and Prolav, they could have a material adverse effect on the Group's business, results, financial position or outlook. Even though a notice regarding these proceedings has been served by the Group on Atmosfera's former owners under the guarantee agreement relating to the acquisition of Atmosfera, the Group cannot guarantee that the consequences of these proceedings will be effectively covered by an indemnification pursuant to this agreement.

Moreover, after the inspection in February 2014 by the Brazilian federal police of the premises of Maiguá – one of Atmosfera's suppliers – and the sanction announced by the Ministry of Labor against Atmosfera, two civil actions are underway, namely a public action by the national prosecuting authority and a civil action opened by Atmosfera before the Labor Court to challenge the decision of the Ministry of Labor.

With regard to the proceedings initiated by the national prosecuting authority, in December 2016 said authority filed a public civil action aimed at preventing Atmosfera from using subcontractors to carry out its main business activities, in particular with regard to manufacturing textile products used in its business, and to comply with certain provisions of Brazilian legislation in the area of labor law, hygiene and safety related to findings by the federal police during an inspection. The inquiry lodged by the prosecuting authority also seeks damages from Atmosfera in the amount of €830 thousand under a collective moral damages charge. Currently, Atmosfera no longer uses subcontractors in these businesses. Since the 2016 accounts were closed, at the judge's request, Atmosfera began new negotiations with the prosecutor to find an amicable solution. As at the date of this registration document, discussions are still ongoing.

As regards the civil action before the Labor Court, it should be noted that the Ministry of Labor's sanction included adding Atmosfera to the "blacklist" described below.

In the interim, 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, which has been published on May 16, 2016 making the publication of a blacklist possible again. Previously, however, Atmosfera had submitted an 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.

If the Ministry of Labor's sanction had been confirmed, Atmosfera would have been included on the "blacklist." Inclusion on the "blacklist" is for a period of two years from when it is published, unless this inclusion is abolished as the result of an interim suspension order or decision on the merits of the case.

The decision on the substance of the case is to be rendered by the Labor Court. A hearing was held on February 1, 2017. As at the filing date of this 2016 registration document, the ruling was still pending.

If Atmosfera is included on the "blacklist" and even if this is not mandatory, ministries, federal agencies and public sector bodies could terminate service agreements with Atmosfera on the next renewal date. Furthermore, some private companies may have internal regulations that require them not to work with suppliers on the "blacklist," even if this is not stated in the contracts.

Regulations for the states of São Paulo, Rio de Janeiro and Bahia require removal of the state tax number (*Inscrição Estadual*) of any companies added to the "blacklist," and the regulations of the states of São Paulo and Bahia require this to be done for a period of 10 years (the state of Rio de Janeiro does not provide a time frame). The loss of Atmosfera's state tax number could make it necessary to use external service providers for transportation relating to Atmosfera's rental and laundry business.

If Atmosfera is included on the "blacklist," it is possible that Atmosfera's image and that of the rest of the Group could be tarnished by negative publicity, especially in the Brazilian press. It is nevertheless possible that more Brazilian customers may decide to terminate their contracts with Atmosfera, even if the Company has now opened its internal manufacturing workshop and has launched a major advertising campaign targeted at its customers.

The inclusion of Atmosfera on the "blacklist" could therefore have a material adverse effect on the Group's business, results, financial position or outlook.

Although a risk management system has been implemented within Atmosfera and its subsidiaries, it is possible that events may occur that result in legal proceedings or litigation and that these may become known to the Group belatedly, or such events may occur in the future.

The disputes listed below were identified by the Group during the due diligence performed as part of the acquisition of Lavebras. These disputes are in addition to that mentioned above concerning Prolav.

## Administrative proceedings initiated by the CADE

In December 2008, the CADE initiated an inquiry into a number of industrial laundry service providers, including Prolav, regarding alleged deals and collusion in industrial laundry services for public health institutions in the state of Rio de Janeiro between 1999 and 2005. In February 2016, the CADE ordered Prolav to pay a fine of 2.5 million reals (approximately €700 thousand). Any delay in payment of this fine will incur interest on arrears at the benchmark rate of Brazil's central bank (SELIC). This may lead to significant additional costs if Lavebras decides to challenge the CADE's decision before the courts and a final ruling is not issued for several years. To the best of the Company's knowledge, Prolav has not, to date, paid the aforementioned fine and has set aside a provision in the amount of 1.25 million reals (approximately €350 thousand). Lavebras (as a Prolav shareholder) appealed the aforementioned decision, an appeal that was rejected by the CADE on June 28, 2016. As at the filing date of the registration document update, Lavebras had informed the Company that Prolav intends to file an action in the federal courts to have the CADE decision overturned or the amount of the fine reduced. In addition to the fine imposed by the CADE, Prolav could incur other penalties resulting from other actions initiated to challenge the CADE's decision or from other proceedings relating to the allegations. In particular, it could be ordered to compensate the Brazilian government for any losses sustained by the government as a result of the alleged deals and collusion.

To date, the Company has no information allowing it to assess the liability amount incurred by Prolav as a result of these proceedings in the event of an unfavorable outcome.

## Proceedings against NJ Lavanderia Industrial e Hospitalar Ltda

### Proceedings initiated by the federal district public prosecutor

Proceedings are underway against NJ Lavanderia Industrial e Hospitalar Ltda ("NJ Lavanderia"), a Lavebras subsidiary, and the Government of the Federal District ("GDF") as part of a civil action initiated in 2014 by the federal district public prosecutor regarding the validity of a public-service contract between NJ Lavanderia and GDF under which NJ Lavanderia provides industrial laundry services to public health institutions in the federal district of Brasilia. The action brought by the public prosecutor aims to annul the aforementioned contract and compel GDF to implement a backup plan for the laundry services that must be provided to four regional public hospitals located in the federal district. At the end of the hearing, which took place in May 2016 before the district court, the court agreed to GDF's request to stay proceedings for a period of

60 days so that the GDF could present a backup plan for improving laundry services in three of the four affected public hospitals. This stay did not, however, result in a settlement. A decision on the merits of the case is now expected in the second half of 2017.

Further proceedings are also underway against NJ Lavanderia as part of a civil action initiated in 2015 by the federal district public prosecutor for alleged breach of the public tender process under Brazil's law on public procurement at the time the public-service contract described above was entered into. To date, these proceedings are still in the preliminary stage and to the best of the Company's knowledge, no provisional timetable for proceedings has been set.

To date, the Company has no information allowing it to assess the liability amount incurred by NJ Lavanderia as a result of these proceedings in the event of an unfavorable outcome. To the best of the Company's knowledge, no provision has been set aside by Lavebras or NJ Lavanderia in relation to these proceedings.

### Proceedings before the federal district court of auditors

NJ Lavanderia is also party to administrative proceedings initiated in August 2016 by the Democratas political party against the Health Secretariat of Brazil's federal government alleging that NJ Lavanderia continued to provide services under two public-service contracts (one being the contract involved in the proceedings initiated by the federal district public prosecutor described above) entered into as emergency agreements, beyond their respective terms. The sanctions and penalties incurred by NJ Lavanderia, should the latter respond to the allegations, include repayment of income derived from the contracts in question, fines, and inclusion in the blacklist described above. These proceedings are currently being reviewed by the federal district court of auditors and, to the best of the Company's knowledge, no provisional timetable for proceedings has been set.

To date, the Company has no information allowing it to assess the liability amount incurred by NJ Lavanderia as a result of these proceedings in the event of an unfavorable outcome, or the impact on the Group's financial position, business, reputation or earnings. To the best of the Company's knowledge, no provision has been set aside by Lavebras or NJ Lavanderia in relation to these proceedings.

To the best of the Company's knowledge, as at the filing date of this registration document, there were no other governmental, arbitration or legal proceedings, including any unsettled or threatened proceedings which are or were in the past twelve months liable to have material adverse effects on the financial position or the profitability of the Company and/or the Group.

Generally, it is nevertheless possible that in the future, new proceedings – connected with those described above and currently underway – may be brought to the Company's knowledge or initiated against Atmosfera and its subsidiaries or other Group companies in Brazil, including Lavebras and its subsidiaries. Such proceedings, as well as those described above, could therefore have a material adverse impact on the Group's business, results, financial position, cash situation or outlook.

## Environmental risks

The Group's activity is subject to particularly strict environmental regulations. 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 position or outlook. Environmental standards applicable to the Group's production centers, defined by law or expected or desired by the Group's customers, are increasingly restrictive. The Group's production centers in France are regarded as facilities classified for protection of the environment (ICPE 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. These authorizations and/or statements provide for numerous obligations and restrictions relating to the Group's activities, including the types of chemicals that may be used, the type of methods for processing and disposing of waste, management of water resources and management of industrial waste water, protection of soil and sub-soil, as well as risk control and potential land and groundwater rehabilitation. The public authorities and courts may impose fines or civil or criminal penalties in response to a failure to comply with relevant environmental regulations, and may also require remediation or pollution clean-up work. 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 production centers, the Group uses and handles hazardous chemical substances on a daily basis. For example, in two of its production centers in France, the Group use perchloroethylene, a hazardous chemical, in the dry-cleaning process. More generally, as part of the laundry process, the Group uses large quantities of detergents. 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. Industrial environmental risks (such as 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 the 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 position or outlook.

As a result, the Group could also 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 production centers is located in urban areas. In addition, some of the Group's products and services, such as its workwear, rodent control, insect control, disinfection, water fountains and removal of potentially infectious healthcare waste (DASRI), are subject to very strict environmental, safety and cleanliness standards.

The Group could also incur large costs, including 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 expects to be 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 production 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 position or outlook.

As at December 31, 2016, the provision for environmental risks totaled €15.7 million (see Note 7.1 to the consolidated financial statements for the year ended December 31, 2016 included in chapter 6 "Financial statements for the year ended December 31, 2016" of this 2016 registration document).

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.

## Risks related to road traffic accidents

With a total automobile fleet of approximately 5,000 vehicles, road accidents represent a significant risk for the Elis Group in terms of human (bodily injury) and financial (vehicle repair costs) resources. A steady increase in the number of accidents could have a major financial impact for the Group. As the centers manage their own vehicles, each immobilized vehicle could disrupt rounds planning, with adverse financial consequences for the Group. In the event of major claims, the Group's image could also be affected, which could result in the loss of customers and legal proceedings against the Group.

Therefore, for many years the Group has used a proactive approach to prevent road risks based around two areas – accident risk mitigation and penalties:

- user training to promote awareness about road risks;
- targeted communication intended for field and marketing agents;
- internal bonus-malus principle for assessing the various centers according to their performance;
- individual post-accident interviews.

New prevention initiatives are implemented on a regular basis to maintain a strong road risk prevention culture within the Group (see chapter 3, section 3.2.7 "Health and safety" of the 2016 registration document).

## Risks related to fires and industrial accidents

The Group's production 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 production 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 position or outlook.

The Group has therefore used a proactive prevention/protection approach to industrial hazards related to its business by relying in particular on its insurer for over 13 years. The insurer, which has expertise in engineering, fire prevention and consulting, conducts on average more than 20 prevention visits to processing sites per year.

Furthermore, a specialized firm appraises the real value of the operating premises and their content. The sites are visited regularly, on average every three years, so that the values declared to the insurers are as close as possible to the real values of the properties and their content.

## Risks related to climate change

Because the Group's production centers are primarily involved in laundering linens, they require water either from an underground supply or from the district drinking water network. From time to time, some sites in Brazil get their water supplies trucked in. Water resources are therefore crucial for the sustainability of the industrial laundry business. Periods of drought could therefore impact the Group's business.

In this context, the Group pursues initiatives to reduce its water consumption (see chapter 3 "Sustainable development"), performs studies ahead of establishing new facilities, and conducts audits on acquisitions.

Risks related to climate change also include potential changes to flood risk prevention programs, primarily by strengthening construction-related measures. The Group could therefore be liable for additional costs especially with regard to construction.

### Risks related to tax and social security mandatory deductions

The Group is exposed to risks related 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 its various host countries, 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 position, 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 position, liquidity or outlook could be materially affected if one or more of the aforementioned risks materialized.

### Risks related to insurance policies

The Group has taken out insurance policies of various kinds, including policies for property damage, general liability, executive liability and automobile risks. 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 position or outlook. In addition, the occurrence of several events giving rise to substantial insurance claims during a given insurance year could have a material adverse effect on the Group's insurance premiums in the short or medium term. Lastly, the Group's insurance costs may increase in the future due to significant price increases in the insurance market generally related to external events. 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 position or outlook.

To address these risks, 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 and/or in connection with new acquisitions. Moreover, the Group is very attentive to the evolution of market conditions related to insurance guarantees and favors long term relationships with the insurers.

# 2.2 GROUP INSURANCE

## 2.2.1 POLICY ON INSURANCE

The Group's policy on insurance is coordinated by the Administrative Department, whose task is to identify the main insurable risks and to quantify their potential consequences. The aim is to:

- keep the intensity of some risks to a minimum by implementing prevention measures in collaboration with other Group departments;
- partially or fully cover risks by taking out insurance policies. This is the case of exceptional risks with high potential impact and low frequency, and risks relating to the services provided (claims from third parties and customers).

The Administrative Department is assisted 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, 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 specific insurance policies to cover risks for which local coverage is necessary or required, 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.

## 2.2.2 INSURANCE PROGRAMS

The Group's insurance programs are taken out with leading insurers.

The Group has deployed worldwide programs for property & casualty and general liability insurance policies. This insurance coverage is supplemented by local policies taken out as necessary in certain countries where they are customary and/or the Group so chooses.

The Group-level insurance programs aim to cover the business activities when local policies are insufficient or do not apply.

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 certain coverage exclusions; and
- coverage limits and deductibles, the amounts of which are set and reviewed at the end of each term according to changes in the Group's risks.

The property & casualty insurance program primarily covers goods, additional costs and potential operating losses of the Group, and specifically its production centers.

It has an overall coverage of €100 million per claim, with deductible levels that vary based on the nature of the insured sites.

An automobile fleet program has been set up for France to insure all of the fully owned vehicles and vans under long-term leases. Foreign entities have local coverage.

A general liability insurance program has been set up for all Group entities to cover damage, injury or loss caused to third parties arising in the course of the Group's business or due to goods/services and products delivered to third parties. In 2016, it had coverage of €50 million, with deductible levels that vary based on the nature of the insured activities.

An executive liability insurance program has also been implemented, which is intended to insure managers (natural persons) and the Company (legal entity) for the Company's management acts and the management of the Company.

In addition, the Group has created a transportation insurance program primarily intended to cover merchandise imported by the Group's Purchasing and Procurement Department and dispatched by road, sea or air, as well as some of the Group's exports.

*"As a pioneer and leader in flat linen, workwear and HWB rental and maintenance services in Europe and Latin America, Elis is continuing its dynamic development thanks to the quality of its services, its unique know-how and the commitment of its employees to serve customers. Based on a product-service model, our business focuses on offering you the functionality of multiple products as opposed to their ownership. We handle their design and maintenance for higher-quality use and increased durability. For that reason, we establish long-term trust-based relationships with our customers and our suppliers.*

*Our expertise also helps to preserve the environment by constantly promoting the saving of natural resources such as water, energy and raw materials.*

*Our employees share and implement this vision of a company that assumes its social and environmental responsibilities while continuing its development, which is key to its success."*

**Xavier Martiré**

*Chairman of the Management Board*

# 3

# Corporate social responsibility

# 3.1 ELIS' CSR APPROACH

## 3.1.1 VISION

Elis' prime responsibility is to ensure the well-being and professional development of its nearly 22,000[1] employees. Our human resources are a pillar of the common culture which underpins all our actions and is based on the values that have always constituted our DNA: respect for others, exemplarity, integrity and responsibility.

These enduring values are reflected in the behaviors we expect of our employees and our stakeholders (suppliers, customers, authorities, etc.):

- act with integrity, responsibility and exemplarity;
- respect the dignity and rights of each person;
- act in a way that respects the environment;
- respect laws and regulations;
- continuously improve performance.

The Elis Group has built its business model around the concept of the product-service economy, offering a range of high-quality products and services. Conscious of the life cycle of its products by working on eco-design and durability, the Group uses this business model to reduce pressure on its environment, unlike conventional consumption practices that encourage disposable products and planned obsolescence.

The Elis Group does not make any compromises when it comes to integrity, which it believes must govern its business relations and professional practices on a daily basis.

Intent on limiting its environmental footprint, in particular by reducing its greenhouse gas emissions and making better use of natural resources, the Elis Group stepped up its efforts by obtaining the ISO 50001 Energy Management Systems certification for 54 French sites. This certification was delivered by AFNOR Certification in December 2015. The professional expertise that the Group upholds on a daily basis has already made it possible to improve its thermal energy performance by 18.7% across its European sites over the past five years. Drawing on its extensive experience and through this process, the Group asserts its resolve to strengthen its leading position, securing the involvement of all players (from the design phase to the purchase of equipment and daily operation of our plants) in the constant search for optimal energy use. This approach, initiated in 2015 and extended to 55 sites (of which one in Germany), fully fits into the Elis Group's drive for operational excellence.

## 3.1.2 THE GROUP'S COMMITMENTS

The Group's commitments are reflected in the priority given to employee well-being and safety, the attention focused on employees' career development, the promotion of the appropriate valuation of work, and profit-sharing.

The Ethics Charter produced in 2012 lays down the principles applicable to all Company actions and provides guidelines for all Group employees, executives and partners. In particular, it addresses three important issues: respect for individuals, Elis' environmental responsibility, and exemplarity and integrity in its business environment. The Ethics Charter applies to all Group companies. Each employee is required to abide by its principles, uphold its values, and comply with the rules it lays down.

The Group's principles are consistent with the fundamental principles laid down by:

- **the United Nations Universal Declaration on Human Rights and the European Convention on Human Rights;**
- **the United Nations Convention on the Rights of the Child;**
- **the United Nations Global Compact.**

Since 2006, Elis has pledged its support to the Secretary-General of the United Nations to uphold the Global Compact's ten principles concerning human rights, international labor standards, the protection of the environment and the fight against corruption. Elis renewed its commitment to respect and implement these principles through its strategy, business culture and values. On a yearly basis, the Group reports to the United Nations on the progress made in terms of corporate social responsibility.

### Conventions of the International Labor Organization (ILO)

Measures were adopted with Elis Group suppliers to support human rights, particularly in countries at risk.

In accordance with its Sustainable and Ethical Purchasing Charter, Elis asks its suppliers to comply with the ILO Code, in particular concerning:

- the prohibition of forced labor (Conventions 29 and 105);
- the prohibition of child labor (Conventions 138 and 182);

(1) CSR headcount, excluding 2016 acquisitions.

- the elimination of employment and professional discrimination (Conventions 100 and 111);
- freedom of association and protection of the right to organize;
- freedom of trade unions (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;
- health and safety (Convention 155).

The Elis Group strictly regulates the use of subcontracting in its Sustainable and Ethical Purchasing Charter by preventing its suppliers from subcontracting all or part of the contract awarded to them without Elis' written consent.

Moreover, as part of the ongoing implementation and enhancement of the Group's risk management and internal control system, a human resource self-assessment was conducted in all HR departments of operating centers in France. Under this self-assessment, HR managers and assistants were asked to appraise the level of internal control through key checks deemed essential for the proper exercise of their activities, in order to identify areas of improvement and implement corrective actions. The result of this self-assessment was reported at regional meetings, which provided the opportunity to share good practices and launch the required action plans. The progress made will be measured as from 2017 and thus help to steer management actions. The self-assessment questionnaires will be reviewed annually by the head of the Risk Management and Internal Audit Department and the head of the Human Resources Department during their visits to the centers.

### A model that generates local jobs

With its network of around 200 service and production centers across Europe and Latin America, Elis has developed extensive geographic coverage. The Group thus plays a major role in the local development of the areas in which it operates and is an essential provider of sustainable, local (non-offshorable) jobs. The employees work in close contact with customers to deliver a high-quality local service.

A summary of the Group's environmental and social performance in all areas covered by Article R. 225-105-1 of the French Commercial Code is included on pages 98 and 99 of this registration document

## 3.1.3. SCOPE OF CSR AND REPORTING METHODOLOGY

The CSR report produced since 2011 by Elis – a company that has been listed since February 11, 2015 – is in line with the provisions of Article L. 225-102-1 of the French Commercial Code.

### Scope of CSR reporting

The CSR report for the year under review covers the Group entities for which consolidation is possible and verifiable. Every year, the CSR Department is thus informed of any disposals or acquisitions in order to adjust the scope of CSR reporting.

The Elis Group's CSR approach applies to all Group companies.

For the 2016 financial year, the CSR report covers the calendar year from January 1 to December 31, 2016.

The data in the CSR report corresponds to the scope defined by the Grenelle 2 Law of July 12, 2010 and Article L. 225-102-1 of the French Commercial Code, as amended by the Law of August 8, 2016. This data covers the activities of Elis and its subsidiaries from January 1 to December 31, 2016.

#### Entities and sites included in or excluded from the scope

The companies newly included in the reporting scope are the following: Albia SA and Servicios Hospitalarios SA in Chile, Lavalia in Spain, Kress Textilpflege GmbH and Zischka Textilpflege GmbH in Germany, Teclav, AJS, MPW Lavanderia Comercio e Serviços Ltda, Reis & Nobrega Lavanderia Ltda, Lavanderia Espirito Santo Norte Ltda-ME, Megalav Lavanderia Hospitalar Ltds-ME, Lavanderia Verde Ltda and Martins e Lococo Lavanderia Ltda in Brazil, Wäscherei Textil Service, Wäscherei Textil Service Bad Ragaz and Pro Hotel Wäscherei in Switzerland, and Blanchisserie Professionnelle d'Aquitaine and Hygiène Contrôle in France.

Entities acquired in 2016 are excluded from the 2016 reporting scope. They consist of the following:

- in Germany: Textilpflege Stralsund GmbH & Co, Textilpflege Stralsund GmbH, Wismarer Wäscherei GmbH, KlinTex GmbH, Puschendorf Textilservice GmbH, Puschendorf Textilservice Mannheim GmbH and Servicegesellschaft des Zenhalwäscherei;
- in Brazil: Prontlav Lavanderia Ltda, Toalhao Locaçao e higienizaçao de enxoval Ltda – Me, Uniforme Lavanderia e locaçao Eirelli EPP, MPW Lavanderia commercio e servicios Ltda, Reis & Nobrega Lavanderia Ltda, Megalav Lavanderia Hospitalar Ltda, Lavanderia Verde and Martins e Lococo Lavanderia;
- in Colombia: Servicios Industriales de Lavado SIL;
- in Spain: Compañia Navarra de Servicios Integrales SL, a company incorporated under Spanish law and its subsidiaries (Indusal);
- in Switzerland: On my way, Hygienis SA and Wäscherei Mariano AG;
- in France: BMF and Hygiène Technique et Protection de l'Environnement.

It should be noted that Elis Brasil was consolidated within Atmosfera in 2016.

## Entities included in CSR reporting

| | Country | Number of entities | Type of entities (head office, offices, factory, production plant, branches, etc.) | New entity vs. 2015 reporting (yes / no) |
|---|---|---|---|---|
| | France | 16 (incl. M.A.J.) | Head office, offices, production plants and service centers | Yes (2) |
| | Brazil | 3 | Head office, offices, production plants and service centers | Yes (1) |
| | Germany | 7 | Head office, offices, production plants and service centers | Yes (2) |
| | Switzerland | 13 | Head office, offices, production plants and service centers | Yes (3) |
| | Italy | 1 | Head office, offices, production plants and service centers | No |
| | Spain & Andorra | 4 | Head office, offices, production plants and service centers | Yes (1) |
| | Portugal | 2 | Head office, offices, production plants and service centers | No |
| | Belgium | 1 | Head office, offices, production plants and service centers | No |
| | Luxembourg | 1 | Head office, offices and service centers | No |
| | Czech Republic | 1 | Head office, offices, prod uction plants | No |
| | United Kingdom | 1 | Head office, offices, prod uction plants | No |
| | Chile | 2 | Head office, offices, prod uction plants | Yes (2) |
| **TOTAL** | **12** | **52** | | **11** |

Indicators show consolidated figures for the Elis Group and its subsidiaries.

Pursuant to Article L. 225-102-1 of the French Commercial Code, the metrics concerning M.A.J. are explained in the environmental and social performance summary included on pages 98 and 99 of this 2016 registration document. The qualitative data concerning M.A.J. is detailed in this chapter (Chapter 3).

## Data collection and validation

The CSR strategy is defined by the CSR Department, which reports to the Group's Human Resources Department.

Elis' Human Resources & CSR Director is responsible for the final validation of the data.

Four Elis departments are involved in the CSR reporting process: the Corporate Office, the Quality, Safety & Environment Department, the Human Resources Department and the Purchasing and Procurement Department.

Each department involved in the data collection process identifies all contributors who must have access to the CSR reporting software. The data is translated into the various languages used within the Elis Group to ensure the thorough understanding of the definitions.

The data is consolidated by the Human Resources Department, the Quality, Safety & Environment Department and the Purchasing and Procurement Department, based on the information collected in each entity.

The heads of these departments perform the required procedures and stringent checks to ensure the accuracy and reliability of the data collected.

### Collection of social data

To collect and consolidate extra-financial information in 2016 concerning its employee-related performance, Elis used an online CSR reporting, processing and consolidation software package. Contributors from each country connected to the software in order to enter extra-financial information.

### Collection of environmental data

The Elis Group collected extra-financial information relating to its environmental performance in 2016 by sending out an internal form to be completed by each operating entity. Data for each site was consolidated by the Environment Support Department, at central level. This consolidated environmental data was then entered by staff from the Environment Support Department into the CSR reporting software.

### Collection of supply chain data

Extra-financial information relating to the supply chain was collected by the Purchasing and Procurement Department using the online data collection, processing and consolidation software.

## Indicators

The CSR reporting software presents indicators in a tree structure with the following main sections: employees, environment, and supply chain. Each indicator is accompanied by a precise definition in French and English. For each piece of data, the scope covered is specified in order to calculate the rate of coverage.

As standard:

- the coverage rate for employee-related indicators is calculated on the basis of the number of employees (total employees of contributing entities / total consolidated employees);
- the coverage rate for environmental indicators is calculated on the basis of revenue.

No comparison can be made between 2015 and 2016 indicators due to the change in scope following the consolidation of new entities within the Group in several countries, as well as the increase in the rate of coverage of the indicators with respect to the 2015 scope.

### Methodology and limitations

The Elis CSR reports meets the requirements of Article R. 225-102-1 of the French Commercial Code.

The methodologies used to calculate certain indicators may present some limitations as a result of:

- the lack of recognized international definitions (e.g. employee statuses or types of employment contracts);
- the limited availability and/or absence of a number of underlying figures required for calculations, resulting in the need for estimates;
- difficulties with collecting data.

### Checks and verifications

Data is subject to consistency checks at the time of consolidation.

For 2016, PricewaterhouseCoopers Audit (PwC), appointed as independent third party (ITP), provided support to Elis for this third review of the fairness and comprehensiveness of the Elis Group's consolidated CSR information.

The ITP's report is included in section 3.6 of this chapter (Chapter 3).

# 3.2. SUPPORTING OUR EMPLOYEES, OUR COMPANY'S VITAL FORCE

*"We employ over 25,000[(1)] people in Europe and Latin America. Our culture of service and quality mainly relies on the commitment of our employees, our Company's main capital."*

Didier Lachaud, Elis' Human Resources & CSR Director.

### Ongoing dialogue with employees

As a company that is committed to its employees' wellbeing, Elis makes every effort to ensure ongoing close contact between employees and management at every level. Since the Group's employees underpin the quality of its service, the trust that it builds every day in its relations with them is essential.

### Participation, sharing and recognition

Every day, on each site, Elis employees create value. This value is the fruit of a close relationship between the Company and its employees, that has always been built on a shared vision and a common ambition which naturally promote and contribute to performance.

*(1) Employees as at December 31, 2016 including the employees of the entities acquired in 2016.*

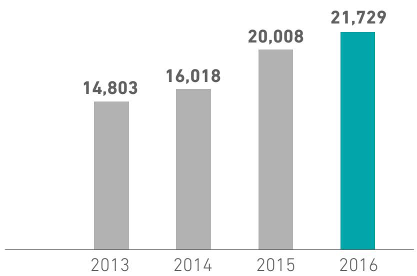
## 3.2.1 EMPLOYMENT

### Total number of employees and breakdown by type of contract, gender, age and region

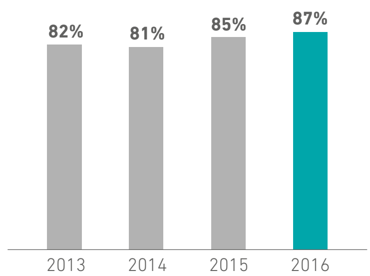
#### Breakdown of employees by type of contract and gender

The charts below show the changes in Group employees over the past four years according to type of contract (permanent or fixed-term) in France – including M.A.J. – and internationally:

**NUMBER OF EMPLOYEES**




**PROPORTION OF PERMANENT STAFF**




As at December 31, 2016, the Elis Group employed 21,729 people, representing almost a 9% increase in the workforce compared with 2015. This growth is mainly attributable to the external growth policy pursued by the Group over recent years and the development of its activities in European countries (other than France), in Brazil and in Chile.

In terms of diversity, Elis strives to achieve a good gender balance within the Group. However, an imbalance remains in certain categories of personnel.

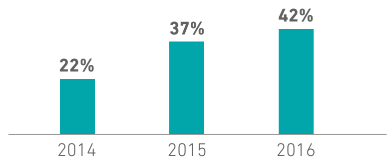
**The proportion of women in the permanent workforce[(1)] has remained stable over the past four years, standing at 52%.**

As at December 31, 2016, 13% of Elis Group employees were not permanent, mainly due to the seasonal nature of part of its business, requiring the hiring of employees under fixed-term contracts, representing an average of 2,863 full-time equivalents in 2016. The number of non-permanent employees thus dropped 5% compared with 2015, illustrating the Elis Group's choice to promote sustainable employment. The drop was also partly attributable to the fall in business volume in the French Hospitality market.

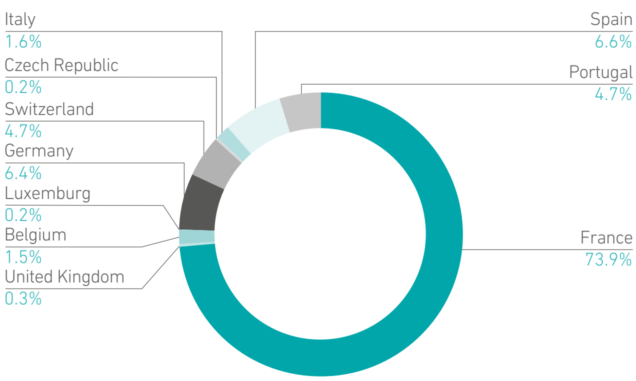
#### Breakdown of total employees (permanent and non- permanent) by region as at December 31, 2016

As a result of the external growth policy pursued by the Group over recent years and the development of its activities in European countries (other than France), in Brazil and in Chile, **42% of Group employees are now based outside France.**

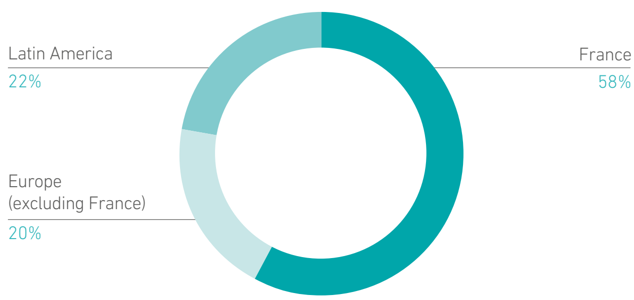
**PROPORTION OF EMPLOYEES OUTSIDE FRANCE**




**TOTAL EMPLOYEES - EUROPE**



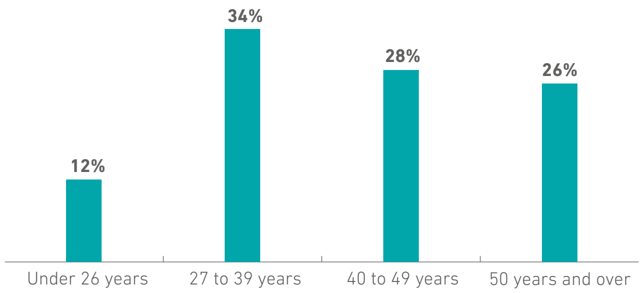

**TOTAL EMPLOYEES - WORLD**




(1) *In 2015 and 2016, the permanent workforce consisted solely of employees under permanent contracts, while in 2014 it covered employees under permanent contracts and those under fixed-term contracts when there was no reason for their replacement. In 2014, the number of employees included trainees, which was no longer the case in 2015 and 2016.*

### Breakdown of permanent employees by age

The chart below shows the age breakdown of the Elis Group's permanent employees (including M.A.J. employees) in France and worldwide:




### New hires and departures

During the 2016 financial year, the Group hired 23,330 permanent and non-permanent employees across the 12[(1)] countries covered by the CSR report[(2)].

Employee departures are broken down below by reason of departure and remain stable compared with 2015:

| *(Permanent and non-permanent staff, in number of employees)* | 2016 |
|---|---|
| Retirement and early retirement | 181 |
| Departure at the initiative of the employee | 1,223 |
| Departure at the initiative of the employer[(a)] | 1,584 |
| Other departures[(b)] | 20,279 |
| **TOTAL DEPARTURES** | **23,267** |

*The coverage rate was 98% in 2016.*
*(a) Of which 1,487 dismissals.*
*(b) Other departures include terminations by mutual agreement, deaths, internal transfers and ending of fixed-term contracts.*

## 3.2.2 COMPENSATION OF TOP EXECUTIVES

Total payroll for 2016 was €639 million.

### 3.2.2.1 Compensation policy

The compensation policy is determined by the Human Resources Department.

Within the Elis Group in France (including M.A.J.), wage negotiations take place every year with the employee representatives to raise its hourly paid employees' wages with a view to promoting internal fairness and external competitiveness. Accordingly, in 2016 a general increase of 1% to hourly paid employees' wages was negotiated within the Elis Group in France (including within M.A.J.). Managers' wages are subject to increase on an individual basis.

Compensation consists of a base salary, individual or collective variable compensation mechanisms, and employee benefits. Managers' fixed compensation is re-assessed individually each year.

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.

The table below presents 2016 compensation by category:

| *(Permanent and non-permanent staff, in millions of euros)* | 2016 |
|---|---|
| Fixed and variable compensation [(a)] | 639 |
| Of which collective bonus and discretionary profit sharing payments | 10.9 |

*The coverage rate was 100% in 2016.*
*(a) Fixed and variable compensation are gross amounts excluding employer contributions.*

18,411 permanent or non-permanent employees received a collective bonus and/or discretionary profit sharing payments.

### 3.2.2.2 Compensation of Top Executives

The compensation of executive corporate officers is determined and validated each year by the Supervisory Board on the recommendations of the Appointments and Compensation Committee composed of Supervisory Board members.

The Company's Supervisory Board has chosen to adopt the AFEP/MEDEF Corporate Governance Code as a guideline for its corporate governance and therefore abides by the Code's recommendations for the compensation of listed company executives. It considers that these recommendations are consistent with the corporate governance approach detailed in chapter 4 "Corporate governance" of this document. The compensation policy for executive corporate officers is set out in section 4.5 "Report on the compensation and benefits granted to the members of the Management Board and the Supervisory Board" of this 2016 registration document. Pursuant to the provisions of the Sapin 2 Law which came into force on December 11, 2016, this policy will be submitted to the shareholders for approval at the next general meeting scheduled for May 19, 2017 (the details of the compensation policy resolutions are presented in chapter 7 of this 2016 registration document).

*(1) Spain and Andorra are counted as a single country.*
*(2) This indicator's coverage rate amounts to 98% for permanent contracts and 98% for non-permanent contracts.*

## 3.2.3 TALENT ACQUISITION AND DEVELOPMENT

The Group's development strategy relies on its ability to recruit and retain competent high-performing employees. **In 2016, Elis recruited over 3,460 new employees under permanent contracts (as this term is defined beforehand).**

To become better known and be able to recruit talent, Elis must increase its visibility with students and more experienced professionals. This objective can be achieved through the Group's presence on social media to enhance the employer brand and communicate job opportunities. In 2016, the Group launched its digital communication strategy with a specific editorial line and held regular events (chats, posts, job ads, etc.) on these new media. They are managed by HR and Communications staff with the help of external experts. Elis is working on the revamp of its external recruitment site in as part of the launch of the Group's new website.

### DEPLOYMENT OF THE EMPLOYER BRAND

The Group's Communications and HR staff have worked together to develop a new social media communications strategy aimed at highlighting the jobs available within the Group and increasing the applicant pool, as well as uniting employees and strengthening internal cohesion.

Elis is thus present on the following social media: Facebook and Twitter to communicate quickly and release the latest news, LinkedIn and Viadeo for recruitment ads and to present career paths, YouTube to promote internal initiatives, and JobTeaser to reach the specific target consisting of students and young graduates.

To ensure the success of this project, both externally and in-house, the project team got the employees to take part in an Elis Selfie competition to create the visual identity of the new campaign, with the slogan "*You are Elis*."

In a more classic way, Elis took part in numerous events in 2016 to increase its brand awareness with students. These events included conferences, forums, trade shows, workshops and challenges in all the countries where the Group operates. In France, Elis (including M.A.J.) notably took part in two major events:

- ***La Journée Nationale des Jeunes*** (National Youth Day): sponsored by the French Ministry of National Education, Higher Education and Research, this event is an opportunity for young people (mainly aged 14 to 20) to gain better understanding of the corporate environment, and for Elis to create a bridge with future generations and promote their future integration in the professional world. Several Group plants thus welcomed groups of high school students to introduce them to the Group's job offering. This initiative should be repeated and strengthened in 2017;
- ***Le Challenge du Monde des Grandes Écoles et Universités*** (Higher Education Challenge): this unique event, bringing together over 7,000 participants, combines a job forum attended by market-leading companies, a recreational sports competition and disability awareness initiatives. This event allowed HR and operational staff to meet students from leading institutions, which constitute a recruitment pool for the Groups and exchange on Group jobs.

In terms of youth employment and training, the Group uses several distinctive approaches:

- **apprenticeship,** which promotes the transfer of expertise, helps to increase knowledge of our professions and makes it possible to take in future young talents with the right skills for the Group. Elis employs apprentices in France, Germany and Brazil, where the Group follows the government program aimed at facilitating the professional integration of young people under the age of 24;
- **international exchange programs,** which were ramped up in 2016, now covering France, Spain, Portugal and Brazil. Each of these countries recruits young graduates, trains them in one of the Group's key areas (in the fields of production and sales), then sends them to another country for 12 to 24 months to complete their training, share best practices and strengthen the Group's culture.

## 3.2.4 CAREER MANAGEMENT AND DEVELOPMENT

To create a stimulating work environment promoting personal development, Elis implements a human resource policy aimed at encouraging internal promotion, geographic mobility and training.

Elis (including M.A.J.) is committed to recognizing and developing the skills of all employees to promote mobility and career development.

**Annual interviews** are performed throughout the Group; all managers use the same means to appraise performance levels and skills, and identify development needs, career prospects and the actions to be implemented, particularly in terms of employee support and training.

In France, a **Mobility Committee** meets every two months to review new vacancies and the managers' requests for transfers or promotions.

The **talent review** – managed by the HR Department in coordination with the regional and country headquarters and the head office's support departments – also makes it possible to identify and develop the potential of managers to ensure their advancement within the Group on the short, medium and long terms.

Training is a key factor of success for the Group. It starts upon the arrival of new employees, with a program enabling them to discover Elis' values, culture, organizational structure and functions, and build themselves an internal network.

#### MANAGER ONBOARDING PROGRAM

All Group managers benefit from a comprehensive personalized program lasting two to five weeks combining site visits, the discovery of the main functions and operational positions, and meetings with other managers.

For French-speaking managers, the program ends with two days at the training center of Janville (Normandy), with the participation of several members of the Executive Committee, under the coordination of the HR Department.

In 2016, more than 100 employees benefited from this program, which constitutes a genuine investment for the Company.

The purpose of Elis' training policy is to:

- **promote the dissemination of the Group's service culture and expertise within its sites.** The Group has chosen to have its own training center – located in Janville (Normandy, France) – which acts as a full-fledged training institution. It benefits from negotiated fees, programs validated by the Group's teams, and training provided by Elis employees. Several job-specific programs are thus available in order to roll out the Group's key know-how. The training is provided within 24 months of the new employees' arrival;
- **professionalize employees by developing certain specific skills,** according to the needs identified during the annual interviews or talent reviews. These courses mainly focus on leadership, management and the acquisition of targeted techniques. They either take place in-house at the training center or on the sites, or are provided by specialized external service providers.

**In 2016, employees benefited from over 119,800 hours of professional training (excluding Brazil), of which 78,600 hours in France** (including M.A.J.). In France, the number of training hours increased sharply (+14% vs. 2015). This was attributable to:

- the continuation of the professional development program concerning the Prevention 3D pest control activities ("certibiocide" training);
- the deployment of the "CUSTOMER VOICE" training program for all of the Group's customer service assistants, aimed at improving their expertise in the handling of claims and telephone calls and training them in the Group's new approaches in this respect. In France and internationally, 50 days were dedicated to this training which covered over 450 employees.

#### LEARNING THROUGH PLAY

Driven by an ongoing commitment to improve its in-house training, the Group has decided to create innovating training tools, in the form of educational game platforms which meet the employees' need for more effective and practical training, and their desire to learn in a collaborative way. The use of these game platforms improves the participating employees' learning capabilities, performance and commitment.

The games were developed in-house by the Engineering Department in order to closely match the Group's functions and operational needs. The five games created make it possible to model an entire production line for flat linen and workwear, target the sorting of dirty flat linen and the sorting of the workwear to be dispatched, as well as learn to identify a bottleneck in a production line.

They help participants identify areas of potential optimization in their production lines.

In 2016, nearly 80 employees with different profiles, including managers and non-managers, were trained through these games. These training platforms achieved a higher satisfaction rate than traditional in-person training.

Moreover, there are specific professional development programs to meet future skill requirements for the following positions:

- Production team leaders with ***École de maîtrise***: production operators were thus able to move into that position in 2016;
- Commercial development managers with ***Filière d'Excellence Disco*** (FED): since 2010, this genuine social ladder has enabled 50 Field Agents to move up within the Company, now accounting for over 20% of the profiles in this field;
- Production engineers with **international exchange programs,** which were extended to new countries in support of the Group's strong growth in Spain, in Portugal and in Brazil, in order to spread best practices and the Group's culture.

## 3.2.5. COMMITMENT

The commitment of everyone is essential for the Group's success. It has been measured every two years for over twenty years, through a survey conducted with all employees, in an individual and anonymous way. This survey appraises the employees' perception of their workplace and working conditions, their interest in their work, their vision of their future within the Company, their customer focus, as well as the quality of management and internal communications.

Each site is given a social rating, highlighting its strong points as well as the areas requiring improvement. These results are monitored by the entire management team and are reported to employees, along with an action plan. This social barometer is an essential indicator of Elis' human resource policy. It shows the importance given to social climate and the work environment at all levels. The survey is now conducted in France, in Spain and in Portugal.

In France, through optional incentive plans and profit-sharing plans, employees are directly involved in the Company's performance. The calculation of the profit share is based on the earnings of ten Group companies (including M.A.J.), while incentive bonuses are determined based on the profit centers, which further reinforces each person's role within their home entity and the importance given to local management.

Several collective bargaining agreements setting the incentive commitments expired on December 31, 2015. They were renewed for a three-year period in 2016.

**In 2016, over 18,400 employees benefited from optional plans,** with the distribution of a total of nearly €11 million.

## 3.2.6. WORKING TIME AND WORKING CONDITIONS

### Working time

Working time is organized in keeping with Group needs. Within the various sites, the employees' work is organized in accordance with local regulations, which vary from one country to another.

Agreements on the length and organization of working hours have been negotiated in the French entities of the Elis Group (including M.A.J.). Different organizational structures have been adopted for each business line:

- working hours for non-management production staff are annualized;
- flat-rate pay agreements covering hours worked have been signed with the majority of non-management sales and distribution staff;
- administrative staff work 35 hours a week;
- working hours of management staff are organized on a flat-rate basis covering days worked over the year, with the exception of senior executive managers, who are exempt from the requirements of the French Labor Code relating to working hours and manage their working hours independently.

Given the nature of the services provided to customers, some employees may have to work night shifts. The organization of night shifts is strictly governed by specific agreements signed at the level of the entities concerned. Similarly, some employees may have to work on Sundays, within the framework of exceptions provided by law.

In other countries, depending on applicable regulations, working hours are regulated by law or the employment contract.

The percentage of part-time employees has remained stable and is very low: 4% of permanent staff. This mainly consists of voluntary part-time work.

The absenteeism rate (i.e. the number of hours of absence, whether paid or unpaid, over the theoretical number of hours worked) is 5.5%.

### Dialogue with employees

As a company that is committed to its employees' wellbeing, the Elis Group makes every effort to ensure ongoing close contact between employees and management at every level. Since our employees underpin the quality of our service, the trust that we build in our relations with them is essential.

#### Staff representation

**Within the French subsidiaries (including M.A.J.), 95% of employees have works councils representing them in accordance with legal requirements.** These councils meet on a regular basis. The representatives are informed and consulted on the mandatory subjects and on the Company's and/or facility's plans.

#### Collective bargaining agreements

Within the French subsidiaries (including M.A.J.), numerous issues (such as salaries, working time, the prevention of arduous working conditions, gender equality, etc.) are negotiated on a periodic basis between labor and management, either at entity level or at site level.

In 2016, aware of the importance of preventing psycho-social risks and wishing to adapt its practices to the new occupational health issues, Elis decided to hold another meeting with management and staff representatives concerning the prevention of psycho-social risks. Agreements were signed in this regard and a whistle-blowing procedure was introduced, as a supplement to existing tools.

In 2016, Elis also took advantage of the new legal provisions to review agreements on the job and skills planning management, and on gender equality and the quality of life at work. A disconnection right was introduced to help employees balance their professional and personal lives. Elis also strengthened measures to combat all forms of discrimination in order to continue to ensure fair treatment for all employees and promote diversity within the Group. Diversity advisors were appointed and tasked with actively implementing Elis' policy concerning the promotion of diversity and the fight against discrimination. Elis has committed to integrating discrimination-awareness modules in its training programs relating to recruitment, managerial skills and the management of human resources.

**In France, 104 agreements (of which 35 at M.A.J.) were negotiated in 2016.**

None of the agreements signed in France have had significant adverse impacts on compensation.

The table below shows the number of agreements in force and/or signed in 2016 for each issue, in each country. It should be noted that in 2016, certain issues (such as salaries) were negotiated at entity level (in 2015, negotiations had taken place at site level).

| | Working hours | Compensation | Classification | Gender equality | Job and skills planning management | Supplementary social protection | Employee savings plan | Prevention of arduous working conditions and psycho-social risks | Intergenerational agreements | Dialogue with employees | Other |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **France** | **164** | **61** | **7** | **9** | **7** | **16** | **71** | **16** | **9** | **17** | **8** |
| *Of which M.A.J.* | *85* | *29* | *1* | *1* | *1* | *2* | *31* | *2* | *1* | *4* | *5* |
| Belgium | 2 | | | | | | | | | | 6 |
| Italy | | 1 | | | | | | | | | |
| Spain & Andorra | 9 | 9 | | | | | | | | | |
| **GRAND TOTAL** | **175** | **71** | **7** | **9** | **7** | **16** | **71** | **16** | **9** | **17** | **8** |

### The "Social Barometer"

To enable everyone to express themselves, an in-house survey has been conducted every two years at each French site for the past couple of decades.

Such social climate surveys are also conducted in Spain and Portugal.

**In 2016, the Elis Group (including M.A.J.) conducted 28 social climate surveys in France and 10 in Spain.**

In France, the "Social Barometer" was recognized by both labor and management as an appropriate tool for the direct and collective expression of employees and was thus included in agreements on gender equality and the quality of life at work. Employees can thus give their opinions on a variety of issues such as working conditions, training, career development, working time and safety via anonymous individual questionnaires. The eagerly awaited results of this social climate survey make it possible to determine areas of improvement for each site.

The results are reported to the employees, along with the ensuing actions defined.

#### DIALOGUE WITH EMPLOYEES IN FRANCE

Strengthening of our anti-discrimination policy through the inclusion of discrimination-awareness modules in our training programs relating to recruitment, managerial skills and the management of human resources, and through the appointment of diversity advisors.

Introduction of a disconnection right to help employees balance their professional and personal lives.

Commitment vis-à-vis labor and management to conduct a social climate survey – the "Social Barometer" – at each site every two years. This "Social Barometer", which has been in existence for over twenty years, has been recognized as an appropriate tool for the direct and collective expression of employees.

## 3.2.7 HEALTH AND SAFETY

The Elis Group is committed to a safety approach which is based on the active dedication and involvement of each employee and management at every level. Safety and the improvement of working conditions are a priority for the Company with the aim of achieving "zero accidents".

## Health and safety in the workplace, occupational illnesses and workplace accidents

### Health and safety in the workplace

Frequency and severity rates are monitored on a monthly basis by senior management and disseminated at each operating site. **The Group's targets for reducing accidents have been revised to a frequency rate of 26 and a severity rate of 1.** As part of this effort and to guide operational staff, prevention fact sheets on various topics highlighting the main risks of their activities are disseminated to these employees on a regular basis. As a priority, the following preventive actions were deployed in 2016: introduction to safety measures in all functions, safety management, safety-related events and awareness-raising through the set-up of Group-specific tools.

### WORKPLACE ACCIDENTS

| *(Permanent and non-permanent staff)* | 2016 | 2016 coverage rate |
|---|---|---|
| Fatal accidents | 0 | 100% |
| Lost time accidents | 1,099 | |
| Frequency rate[a] | 28.54 | 99.5% |
| Severity rate [b] | 1.03 | 99.5% |

*(a) Frequency rate = Number of accidents resulting in lost time, excluding commuting accidents, during the year / Total number of theoretical hours × 1,000,000.*
*(b) Severity rate = Number of calendar days of lost work due to workplace accidents with lost work of more than 1 day, excluding commuting accidents / Total number of theoretical hours × 1,000.*

**In 2016, the main preventive actions and initiatives to improve health and safety conditions** were as follows:

- integrating ergonomics and safety principles into all new work equipment and new production lines with our main suppliers;
- encouraging collective protection in order to better prevent certain risks, such as falls from heights;
- improving delivery vehicles with our main suppliers;
- upgrading the Group's fire protection strategy and defining the 2017 and 2018 action plan;
- standardizing the operating procedures of the new 3D pest control service.

## Occupational illnesses

**In order to prevent occupational illnesses (mainly musculoskeletal disorders – MSDs), the French entities implemented the Gest'Elis program in 2012** as provided in our agreements on the prevention of arduous working conditions.

For each of these jobs, data sheets suggest solutions to improve working practices and organization, equipment and tools used. Data sheets describing correct actions and highlighting "know-how with caution" are created for the jobs concerned, accompanied by a video to raise awareness about best practices for each job category. This video is shown in order to train and raise awareness among employees and their managers.

Moreover, the Methods Department has provided assistance for the posting of appropriate data sheets at the Elis Group's production sites, including the M.A.J. subsidiary.

The Safety Department also launched a project called "Manut'Elis" to examine the work of a Field Agent in a light vehicle. It defined useful tips to promote prudent behaviors and best practices. For example, a special bag was developed and is currently being tested on three sites. It features a sling to allow back carrying and facilitate the delivery of several HWB articles to a customer. Data sheets with best practices are disseminated every two months.

**Training sessions on job-specific body movements and postures** were provided to **711 employees (including 345 M.A.J. staff) in 2016.**

A special booklet aimed at production operators was created in collaboration with a dedicated partner. This booklet entitled "Prevention of risks associated with repetitive occupational tasks" presents effort-saving principles and illustrates them in various work situations. A similar booklet was made available to Field Agents.

A training program on preventing risks relating to physical activity (*Prévention des risques liés à l'Activité Physique* or "PRAP") is in place at two centers: each PRAP trainer is in charge of training those involved in this area of risk prevention and monitors the adoption of measures over the course of the year with the help of a committee.

Ergonomic studies of jobs have been carried out on an ad hoc basis in order to improve working conditions for employees with medical restrictions.

**In France, 35 production sites (including within the M.A.J. subsidiary) have launched the TMS Pro program aimed at reducing work-related musculoskeletal disorders in the companies. This program benefits from the support of the French retirement and occupational health agencies (CARSAT). The first job studies carried out by dedicated experts were presented to the CHSCT (Health, Safety and Working Conditions Committee).**

**Adapted initiatives are taken at other European subsidiaries,** for example regularly changing the type of work done, or introducing mandatory breaks for physical exercise (10 minutes exercise for four hours of work).

## Results and agreements signed

In 2016, aware of the importance of preventing psycho-social risks and wishing to adapt its practices to the new occupational health issues, Elis decided to hold another meeting in France with management and staff representatives concerning the prevention of psycho-social risks. Agreements were signed in this regard and a whistle-blowing procedure was introduced, as a supplement to existing tools.

Moreover, Elis sites in France are covered by agreements on the prevention of arduous working conditions.

## 3.2.8 DIVERSITY

Elis complies with the laws of the countries in which it operates and the local regulations aimed at fighting discrimination. In fact, Elis recruits employees who reflect the diversity of the areas where the Group operates, providing opportunities for everyone.

The Group solely focuses on its employees' skills and rejects all forms of discrimination based on origin, age, gender, marital status, disability, sexual orientation or identity, physical appearance, last name, place of residence, health status, genetic characteristics, morality, political opinions, trade union activity, or belonging to a particular ethnic group, race, nation or religious group, in both the handling of its recruitments and the management of its employees.

All human resource and management training programs include a session on non-discrimination.

In France, several sites use a simulation-based recruitment method which is non-discriminatory and is based on the detection of skills and capabilities which the applicants are often unaware of. Role play exercises have been created then validated by Elis' HR teams; they do not take account of the applicants' qualifications or age.

### Measures to promote the employment of young people and senior jobseekers

In France, the Elis Group (including M.A.J.) has set itself targets for the hiring of young people (under the age of 27). It implements actions to hire, train and integrate young people in the Company (observation day, onboarding program, coach, initial training, etc.). At the same time, the Elis Group has set itself targets for the hiring and retention of employees aged 50 and over.

In France, as part of agreements or action plans (set up under the state-subsidized intergenerational agreement scheme), Elis renewed its commitments in 2016 in order to:

- help young people find sustainable employment by providing them with permanent employment contracts;
- promote the hiring and retention of senior employees;
- ensure the transfer of knowledge;

while keeping in consideration the actions already undertaken in this regard, in compliance with the principle of gender equality and equal opportunity, as part of the fight against discrimination during the hiring process and throughout the employees' careers.

These commitments also aim to create synergy between the various employee generations which make up Elis and provide it with their knowledge and viewpoints, which constitute great assets and innovation power. For this reason, these commitments do not solely concern young people and senior employees, but also apply to intermediate generations, who are entrusted with important roles in the onboarding of young people, the transfer of knowledge, and training. Indeed, beyond these specific measures, these commitments are an essential tool for age management within the Company.

These commitments are in line with the actions already undertaken within the Company to promote the employment of senior staff, gender equality, the improvement of working conditions, and the prevention of arduous working conditions.

Moreover, to ensure the transfer of knowledge and skills, in particular key skills, specific actions are undertaken such as the sharing of experiences on best production and maintenance practices, training on the fundamentals of production, maintenance and commercial distribution functions (courses designed by operational staff and adapted based on the feedback received).

The Elis Group has set itself new objectives within the framework of new agreements and action plans in force until December 31, 2018.

### Measures to promote the recruitment and integration of people with mobility impaired people

On its French sites, the Elis Group employs 546 people with disabilities, accounting for 5.32% of its permanent employees (5.61% at M.A.J.). In other countries, it is sometimes difficult to obtain precise figures on the number of employees with disabilities, in view of local regulations.

The Elis Group must match the profiles of mobility impaired people with its vacant positions, most of which involve manual tasks and the carrying of loads or are static positions.

In France, the sites (including M.A.J. sites) implement actions to hire, train and retain persons with disabilities. The objective is to enable those people to work in an ordinary environment. In exceptional cases, in order to preserve the jobs of people with severe disabilities, home-based working solutions may be implemented. Measures to promote the employment of disabled people have been included in the agreements on gender equality and the quality of life at work.

Actions are also undertaken to integrate people with mental disabilities: presence of their tutors and special monitoring by the managers whenever these persons work in an industrial environment with stringent safety requirements. Six sites (including M.A.J. sites) thus employ people with severe disabilities.

For numerous years now, the sites of the Elis Group have had close ties with the sheltered employment sector. In 2016, the Elis Group signed 89 service contracts with French sheltered employment institutions (*Établissements et Services d'Aide par le Travail* and *Entreprises Adaptées*). These services include cleaning, linen laundering/processing, the repair of trolleys and hangers, the purchase of supplies, and the maintenance of green areas. At the end of November 2016, Elis Services moved into its new premises in Saint-Cloud. Elis Services then commissioned Tricycle (a work integration social enterprise, IAE-accredited by *Direccte des Hauts-de-Seine*) for the collection and recycling of the waste from the former offices of Elis Services in Puteaux (including the furnishings of the former offices of Elis), to give them a second life. A total of 63,980 kg of waste was thus recycled.

The Elis Group is continuously offering its customers services in partnership with sheltered sector enterprises.

For the first time in 2016, several Elis Group employees from the Paris region took part in the *Challenge des Grandes Écoles et Universités 2016*, a challenge aimed at promoting exchanges between young people and companies, with a special focus on disability. Through handisport demonstrations and disability awareness workshops, students, young graduates and the companies' employees are invited to change their attitudes towards disability. With these actions, this challenge is the biggest open-air disability awareness event in Europe.

# 3.3 INVOLVING OUR SUPPLIERS IN OUR SUSTAINABLE PURCHASING POLICY AND MAKING A COMMITMENT TO OUR STAKEHOLDERS

## 3.3.1 LOCAL, ECONOMIC AND SOCIAL IMPACT OF THE GROUP'S BUSINESS

### Employment and regional development

Both in France (including M.A.J.) and abroad, jobs are filled locally and are not "offshorable."

In France, local partnerships with non-profit organizations and local authorities are entered into to promote the employment of people living near the sites. These partnerships involve organizations such as local organizations (Missions locales), job centers (Pôle Emploi) and the local community Est Ensemble.

### Local residents

In the case of specific requests from neighbors of Elis Group production centers (including M.A.J.) relating to the environment (noise, smells, etc.), dialogue is established with local residents and local authorities and specific ad hoc action plans are implemented in order to take such requests into account as quickly as possible - for example by carrying out studies and if necessary, works to limit noise pollution in particular.

## 3.3.2 SUBCONTRACTORS AND SUPPLIERS

### Building stable long-term relationships

At Elis (including M.A.J.), the quality of the products is a constant priority. Purchases of linen and HWB articles are thus a major concern. The Purchasing and Procurement Department plays an important role by selecting suppliers, products and services everywhere in the world that respect people and the environment. It thus strives to form genuine partnerships, promoted by the recurrence of collections and stability of production cycles. Most suppliers have been building a strong relationship with Elis, some of them over more than 20 years.

### Supporting European suppliers

Elis gets its supplies from Europe, Asia and Africa. However, a major part of its suppliers is based in Europe, particularly in France. For example, the supplier of hygiene products - Kennedy Hygiene Products - is based in England, Elis' coffee supplier – Malongo – is based in Nice, and its suppliers of paper and soap are also based in France. Moreover, to ensure the sustainability of the French supply chain, **Elis chose to guarantee constant volumes to its French partners, helping them to remain competitive and preserve local jobs. Thus, over 36% of Elis' table and bed linen was purchased in France in 2016.**

### Driving progress which takes account of social and environmental issues

Since 2006, the Group's commitment has been detailed in its Sustainable and Ethical Purchasing Charter, which describes relations with suppliers beyond the mere purchase of goods and services. These relations are essential for the Company's long-term success and the satisfaction of its customers.

This document, which is incorporated in the Purchasing and Procurement Department's ISO 9001/2008 repository, is included in all contracts signed with partners. It supplements ILO Code aspects and describes Elis' purchasing commitments, as well as the requirements and recommendations applicable to suppliers and subcontractors, in particular concerning the following points:

- subcontracting;
- certification;
- business ethics;
- respect for employees;
- child labor;
- discrimination;
- working hours;
- compensation;
- forced labor;
- foreign manpower;
- freedom of association and collective bargaining;
- health, safety and well-being in the workplace;
- the fight against corruption and money laundering;
- the fight against unfair competition;
- the protection of the environment;
- imperatives relating to consumer health and safety;
- fair trade and organic products.

ELIS deploys this Charter in combination with a control of strategic suppliers that pose a potential or high risk. It also requests SA 8000 (or equivalent) and ISO 14001 certifications. In the event a supplier does not have such certifications, Elis will appoint an independent body to conduct a CSR audit based on Elis's own specifications. Elis monitors the action plans stemming from such audits. The CSR risk is defined according to criteria which make it possible to prioritize country risks (low, potential or high) and decide on the audits that need to be conducted. This measure covers over 90% of strategic revenue and the suppliers which pose risks.

Over the 2015-2017 period, the 74 strategic suppliers were closely monitored. Out of this number, 41 presented no CSR risks, while 21 were audited or had a CSR certification. The remaining suppliers, which have a CSR procedure underway, will be audited in 2017. The focus was placed on flat linen suppliers and workwear weavers and manufacturers.

### Encouraging certification policies

Elis suppliers are also encouraged and guided for their **voluntary ISO 14001 certification regarding environmental aspects and SA 8000 certification regarding social aspects**. These certifications are held by the main textile suppliers.

Elis also requires the **Oeko-Tex certification for all textiles delivered**. This standard is a worldwide control and certification system involving tests for harmful substances including prohibited and regulated substances, chemicals which are known to pose health risks, as well as precautionary parameters relating to health care.

## 3.3.3 RELATIONS WITH STAKEHOLDERS

### Conditions for dialogue with stakeholders

In order to ensure the satisfaction of our customers, "SATISFElis" satisfaction surveys are conducted on a regular basis with the customers of Elis (including M.A.J.) by a call center. Action plans are subsequently devised and implemented. In order to improve the satisfaction of its customers, Elis has set up a Customer Experience Department focused on improving its customer relations and the quality of its service. In 2016, Elis achieved a rating of 87% in terms of customer satisfaction and will thus continue to improve its quality of service. The Group also introduced a "net promoter score" in the tracking of its customer satisfaction; this is currently the best-known indicator and the most widely used to assess the data collected and take action to improve customer loyalty.

Satisfaction surveys are also conducted on a regular basis (every two years) with all employees. The results and action plans are then communicated to employees.

### Partnerships and philanthropy

The main partnerships with non-profit organizations and local authorities aimed at promoting employment continued in 2016 with:

- local organizations, which contribute to the employment of people living near Elis sites;
- Pôle Emploi, with the set-up of a non-discriminatory recruitment methodology (M.R.S.) aimed at skill-based recruitment (see the section on recruitment), and pre-employment training;
- APEC (the French management employment agency), with the posting of all our manager vacancies on the dedicated portal;
- Défense Mobilité, which is focused on the re-integration of military personnel in civilian life.

Relations with educational institutions were maintained in 2016, to enhance the image and reputation of the Group with students, while promoting its recruitment and employment policy for young graduates. Elis thus conducted various initiatives with engineering and business schools: presence in forums, participation in judging panels and plant visits. Such initiatives are great opportunities to promote exchanges between operational staff and students, and allow the latter to discover the Company's professions and daily operation.

Such initiatives were deployed by numerous sites to increase knowledge of our professions with students and pupils of all ages through plant visits and presentations in primary schools and high schools.

The Elis Group signed a sponsorship agreement with the NGO "*1,001 fontaines pour demain*" to provide access to drinking water in developing countries. Still today, 11% of the world's population has no access to drinking water. As a supplier of water fountains, Elis provides support to this NGO to sustainably improve the health of poor, remote rural populations by enabling them to locally produce and consume clean drinking water. Elis is thus participating in the launch of a drinking water treatment plant intended for families without access to drinking water in Cambodia. Its contribution will finance the acquisition of the land, the construction of the plant, its equipment and the support to be provided to the local manager for at least 12 months. In the longer term, the Elis plants will be fully managed locally and provide access to drinking water to numerous Cambodian families.

In 2016, Elis Brazil launched an aid program with a local institution that cares for maltreated and abandoned children, and children suffering from AIDS. The employees of the country's biggest plant, in Jundiai (over 1,400 employees) were invited to bring gifts, clothes and hygiene products to this organization. Over 5% of employees, from all Company levels, took part in this project, which greatly exceeded expectations. On the strength of this success, Elis Brazil extended the initiative to a second charitable organization.

**REGIONAL INITIATIVES**

As an example, Elis' Ile de France production centers dedicated to the Hotel trade donated 1,000 sheets to the NGO "GUINEE'O" at the beginning of 2016, to equip the dispensary of a village in the Republic of Guinea. In Brazil, an aid program was launched with an institution that cares for maltreated and abandoned children, and children suffering from AIDS.

**FOCUS ON ELIS SERVICES**

At the end of November 2016, Elis Services moved into its new premises in Saint-Cloud. Elis Services then commissioned Tricycle (a work integration social enterprise, IAE-accredited by *Direccte des Hauts-de-Seine*) for the collection and recycling of the waste from the former offices of Elis Services in Puteaux (including the furnishings of the former offices of Elis), to give them a second life. A total of 63,980 kg of waste was thus recycled.

## 3.3.4 FAIRNESS OF PRACTICES

### Measures adopted to prevent corruption

The Elis Group (including M.A.J.) has formalized its commitments against corruption within the framework of the Ethics Charter published in 2012. This is based on the Group's values of integrity, responsibility and exemplarity in its commercial environment, respecting each of its employees, reducing its impact on the environment and continuous improvement in its performance.

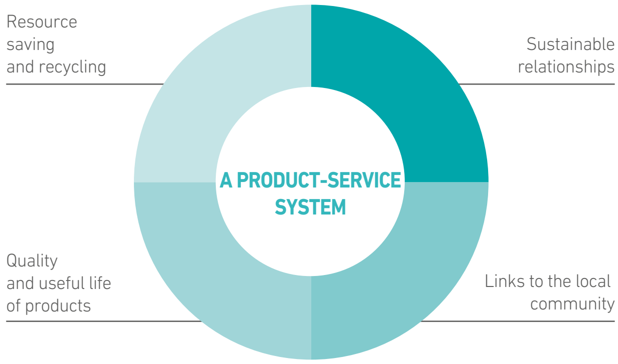
Moreover, to fight against corruption and, on a broader scale, all non-ethical practices, and to uphold the above-mentioned values, the Group continued the deployment of its compliance program in its Chilean subsidiaries and launched a similar program in its Spanish subsidiaries.

# 3.4 PRODUCTS AND SERVICES: DEVELOPING A SUSTAINABLE OFFERING AT THE HEART OF THE CIRCULAR ECONOMY

Circular economy is a generic expression referring to an economic concept which fits into sustainable development and draws on the notions of green economy, use oriented product-service economy, product-service economy, performance economy or industrial ecology (which requires that waste from an industry be recycled into raw material for this industry or for another industry).

Its objective is to produce goods and services while significantly reducing the consumption and waste of raw materials and of non-renewable energy sources.

Unlike traditional modes of consumption, the rental and maintenance model - which fully fits into the product-service economy - enables Group customers to benefit from Elis' services without having to purchase any products (workwear, etc.). Elis is thus a trailblazer in this model, which has been adopted by numerous other sectors, such as car rental in municipalities. Simplifying the life of customers, this model also reduces pressure on natural resources and the environment. In fact, this approach also lengthens the life of products, maximizing their use by naturally promoting their repair, reuse and recycling. Economic growth and environmental footprint are thus reconciled.

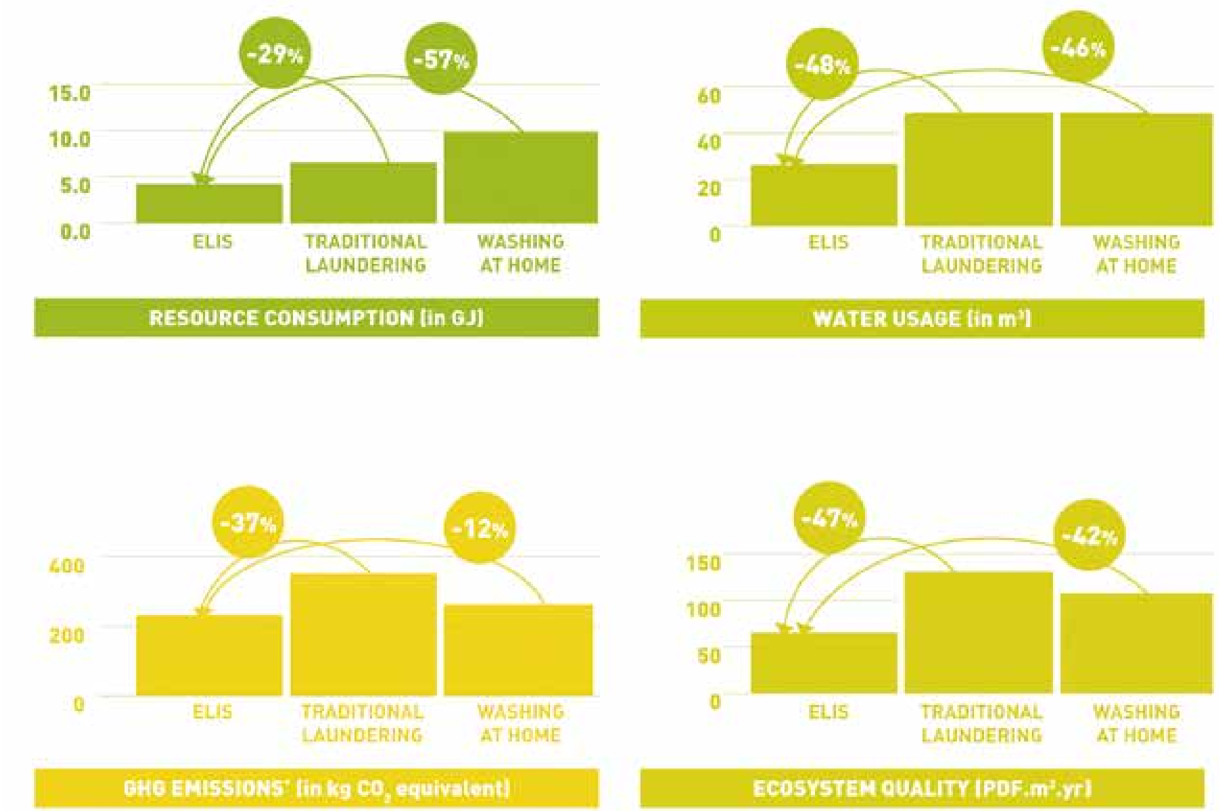



## 3.4.1 ECO-DESIGN

Since the Elis Group is in charge of cleaning, maintaining and recycling its products, eco-design is obviously favored for the development of product ranges. The Environment and Marketing Departments thus work together from the earliest product research phases, on possible alternatives to simple disposal.

### Environmental benefits of the Elis model

Back in 2008, the Elis Group participated in the "Chantier 31" working group of the "Grenelle Environment" debate relating to the product-service economy, demonstrating the benefits of this model on its workwear service. This service's life cycle analysis was updated in 2015. Through the optimization of processes, **Elis' workwear rental and laundry service reduces water and non-renewable energy consumptions by nearly 50%,** compared to a solution based on the purchase of workwear and its in-house laundry.




**Source:** Ernst & Young - 2016 study

**Functional unit:** Supply of clean professional garments to one industrial sector employee based in France over the course of four years.
* **GHG:** Greenhouse gas

## Eco-design of products

Across the life cycle of the products, the Marketing team bases its reflection on three key aspects: reducing waste at source, product maintenance and recycling the materials used. For the HWB range, for instance, the development of new products is based on technical specifications including:

- the choice of materials that are 100% recyclable or recoverable;
- reducing the appliances' energy consumption and number of batteries.

### ECO-DESIGNED DUSTMATS

Elis' protective dust mats are made of Phoenix fiber 100% produced from recycled water bottles and have the same characteristics as standard dust mats.

Moreover, the water of the fountains serviced by Elis stems from a dense network of sources. The bottles are refillable and can be reused for around six years. Since 2012, none of the new bottles introduced on the market by Elis have contained bisphenol A and the Company completed the replacement of its stock in 2015.

## Reduction of waste at source

To reduce its waste at source, the Elis Group implements measures with its suppliers and its employees. Here are a few examples of best practices:

- **plastic detergent containers**, once empty, are retrieved by suppliers for their re-use. The detergents used in industrial laundries thus require less packaging and transport than domestic containers (ETSA publication of May 2014);
- **packaging materials** are standardized: the boxes delivered by our suppliers to the Purchasing and Procurement Department are reused for shipments to Group sites, which in turn reuse or recycle them;
- **worn-out hangers** are routinely restored and reused (2 million hangers per year);

## Extending product useful life

All electrical and electronic devices are regularly maintained by Field Agents during the delivery rounds. Moreover, since the 1980s, a technical workshop has been dedicated to more advanced maintenance and repair operations on water fountains and hand-drying devices on French sites. In 2016, this workshop thus repaired several thousands of water fountains and hand dryers, refurbished for our customers.

Moreover, workwear is designed for a longer useful life. This ongoing effort makes it possible to increase the average number of laundries for traditional workwear (excluding PPE): 43 laundries in 2016 versus 40 and 38 in 2013 and 2012, respectively.

Damaged workwear is also repaired (study on cost-effective seams and training program for seamstresses on the sites to optimize the useful life of workwear).

## Eco-certified sanitary product range

For toilet hygiene, the **Natur'Elis range** includes items such as paper hand-towels, soap dispensers, toilet paper and consumables bearing the European Ecolabel. This widely recognized label guarantees a reduced environmental impact throughout the product life cycle, from manufacturing through to disposal.

## Elis and Max Havelaar France

To promote fair trade, Elis signed a license agreement with Max Havelaar France in 2009, thus becoming the first rental company with the **Fairtrade/Max Havelaar** licence.

The fair trade standards guarantee a minimum income for producers based on a fair purchase price, irrespective of market fluctuations, as well as respect of fundamental rights.

The Fairtrade/Max Havelaar standard encourages producer organizations to progressively adopt democratic structures and transparent administration to enable members to have real control over the organization's management.

## 3.4.2 FOOD WASTE

The Elis Group's beverage offering includes the supply of water fountains. Elis has long offered fountains to its customers to provide water from the customers' own drinking water systems. Concerning its bottled water fountains service, Elis offers its customers the periodic delivery of water bottles, in keeping with their needs. To cater to customers who do not consume all of the water contained in 18.9L bottles in 15 days (recommended utilization time after opening), Elis broadened its range in 2016, offering the delivery of 11L bottles.

For its coffee offering, the product is delivered in boxes of 100 doses and the number of boxes to be delivered on each Field Agent round is defined with each customer according to their consumption, thereby reducing coffee waste.

## 3.4.3 MEASURES TAKEN TO PROMOTE CONSUMER HEALTH AND SAFETY

Within the Elis Group (including M.A.J.), a risk map was established, particularly covering the risks relating to the health and safety of consumers and customers. In order to control these risks, procedures are rolled out at the level of support departments and operating centers. They are part of the quality management system for Elis' Ultra-Clean, water fountains and workwear activities, which have been ISO 9001 certified by AFNOR Certification for more than 15 years. Within the framework of this pro-active policy concerning certification and continuous improvement, quality audits are conducted annually across a sample of centers by an accredited external organization (AFNOR Certification) and at least every three years internally for each center. For its beverage activities (water fountains and coffee machines), the Elis Group implemented a HACCP (Hazard Analysis Critical Control Point) system, defining precise control points to ensure irreproachable quality of service to customers and consumers. In fact, Elis' service in France is certified by AFIFAE (the French standard for water fountains).

In addition, the Elis Group (including M.A.J.) is NF EN 14065 certified (RABC standard) for some 20 sites mainly focused on health or agri-food products, in order to meet customer expectations.

**The Elis Group (including M.A.J.) also offers its customers environment-friendly products – some of which have EU Ecolabel certification – and products that support fair trade** (e.g. Moka coffee from Ethiopia and fair trade organic cotton textiles in the Bio's Fair collection).

## 3.4.4 BEYOND USE WITH THE CIRCULAR ECONOMY

### Waste management

The Elis 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 exchange;
- continuing to recycle cotton fabric (flat linen, spools) with dedicated partners;
- partnership with dedicated partners with a view to developing recycling for workwear;
- taking back empty packaging of laundry products as part of the services provided by the detergent manufacturers;
- distribution of an updated memo on the proper management of waste electrical and electronic equipment (WEEE).

Written Group procedures distributed to everyone concerned and available on an intranet site, and also explained via training and internal awareness campaigns, describe waste management best practices at the level of operating centers.

These procedures are fully applied by M.A.J.

### A few examples of waste management

- **Textiles:** when textiles are considered to have reached the end of their useful life as they no longer meet the customers' quality requirements, the Group's plants call on specialized recycling firms. After their collection, the textiles are sorted and most of them are transformed into insulation materials or rags for the automotive and aeronautics industries and home improvement stores. A total of **3,378 tons was thus recycled in 2016 (including 1,118 tons for M.A.J.).**
- **Waste electrical and electronic equipment:** when they can no longer be repaired, the devices from the hygiene and beverage ranges become waste electrical and electronic equipment (WEEE). For their recycling, **a dedicated process was set up in 2007** with an external collection firm. **In 2016, 158 tons of WEEE were collected via this system** (of which 16.5 tons for M.A.J.).
- **Batteries and accumulators:** the batteries used in the devices are collected from customer premises by the Field Agents, then stored in appropriate containers on Elis sites before their collection and processing by Corepile.

### TOTAL WASTE PRODUCTION

| *(In tons)* | 2016 | Coverage rate |
|---|---|---|
| Hazardous waste generated | 2,892 | 99.1% |
| Proportion of hazardous waste recovered | 21% | 99.1% |
| Non-hazardous waste generated | 14,692 | 99.1% |
| Proportion of non-hazardous waste recovered | 54% | 99.1% |
| Total waste | 17,585 | |
| Amount spent on waste treatment *(millions of euros)* | 2.23 | 99.6% |
| Amount generated by waste recovery *(millions of euros)* | 0.65 | 99.1% |

## 3.5 USING OUR EXPERTISE TO IMPROVE ENVIRONMENTAL PERFORMANCE

Leader in the field of industrial laundry, the Elis Group has gained genuine expertise, backed by a strong innovation capability. On the environmental front, the Elis Group's strategy is straightforward: guaranteeing the quality of Elis' laundry service while using a minimum amount of water, energy and laundry products.

The Elis Group has thus defined two major objectives: Maximize its water and energy consumption:

**Water**

26.4%

saved per kg of laundry laundered since 2010

**Energy**

21.6%

saved per kg of laundry laundered since 2010

### 3.5.1 GENERAL ENVIRONMENTAL POLICY

**Elis' Ethics Charter, published in 2012, defines the main CSR policies of the Group (including M.A.J.).** This approach is endorsed and built upon by Elis' QHSE (Quality, Health, Safety and Environment) policy, validated each year by a senior management review and included in the quality manual within the framework of ISO 9001 certification.

The QHSE policy, signed by the Chairman of the Elis Management Board, lays down the following environmental commitments:

- reduce energy consumption (gas and electricity) in our processes;
- optimize water consumption;
- reduce the environmental impact of our activities;
- increase the life span and recycling of our textiles;
- develop our ranges with the Max Havelaar label made from organic cotton.

Moreover, Elis is committed to respecting applicable local regulations. For example, the activities of each French production plant (including those of M.A.J.) washing more than five tons of linen per day are governed by registration requirements or operating authorizations from the local authority, under regulations for facilities classified for the protection of the environment (ICPE), setting among other things limits for discharges into water, air emissions and noise pollution.

## Organization of the Group to take account of CSR and procedures implemented to protect the environment

The steering and deployment of the Elis Group's targets concerning the environment are handled by two closely linked divisions within the Engineering Department:

- an **Environment Division** composed of three engineers, within the Quality, Safety & Environment (QSE) Department, tasked with helping Elis Group sites with the monitoring of ICPE procedures in France, technical and legal oversight, the management of environmental indicators and compliance with the Group's good environmental practices. The Group's QSE Director, in charge of preventing environmental risks, reports to the Group's Engineering and Procurement Director, who is a member of Elis' Executive Committee. Moreover, an environment officer based in Brazil is in charge of good environmental practices and compliance with applicable regulations in the country;
- a **Process Engineering Division** composed of five people, to improve maintenance standards and the life span of the articles maintained, and to control water and energy consumption across the entire Group;
- an **ISO 50001** project manager within the QSE Department.

Operational deployment at the level of each production center (including those of M.A.J.) is handled by a network of over 120 correspondents (the plants' technical managers) trained in good environmental practices.

The Elis Group periodically carries out environmental audits on each of its production sites. Moreover, at each acquisition of laundry sites, it carries out a "Phase I – Risk Assessment" audit focused on environmental aspects.

### ISO 50001 certification: energy, the reflection of Elis' operational excellence

Intent on limiting its environmental footprint, by reducing its greenhouse gas emissions and making better use of natural resources, Elis stepped up its efforts by obtaining, in December 2015, the ISO 50001 energy management systems certification delivered by AFNOR Certification, covering **54 French production sites (including 26 M.A.J. sites)** in 2016.

Through the professional expertise that it nurtures on a daily basis, the Elis Group improved its thermal energy performance by 18.7% between 2010 and 2016 in Europe. Drawing on this experience, and through this approach, the Elis Group is asserting its will to reinforce its leading position and involve all players (from the design of the equipment purchased through to the daily operation of its production centers) in the constant search for energy optimization.

Moreover, the Energy Policy, signed by the Chairman of the Elis Group's Management Board defined the 2016 objectives for France: improvement of 4.8% for thermal energy (gas), and 2% for electricity and fuel.

This policy, which fully fits into the Elis Group's drive for operational excellence, underpins the following program:

- exploring opportunities and analyzing the investments required to minimize the energy consumed through significant uses;
- improving the control of electricity and fuel consumption;
- raising the awareness of employees and operational staff about energy consumption via measures such as audits;
- training employees in responsible, fuel-efficient driving;
- ensuring the commitment of suppliers to achieving energy performance.

This program, which contributes to the competitiveness of the Group's industrial sites and helps to reduce its environmental footprint, meets the following requirements:

- compliance with applicable laws and regulations concerning energy efficiency;
- sustainable improvement of energy performance and use of best practices;
- search for the optimization of energy costs from the design and purchase of equipment, products and services, through to the employees' daily operations.

In the rest of the Elis Group, 11 sites have deployed an environment management system that is **ISO 14001 certified and a 55th site (in Germany) is ISO 50001 certified.**

## Training and information for employees on protecting the environment

All French-speaking operating managers (including within M.A.J.) in charge of environment-related issues receive training through a Water, Energy and Environment course. Moreover, all operating directors receive awareness training on environmental topics when they are integrated into the Group. The implementation of the ISO 50001 and ISO 14001 certification policies has further increased employee awareness of the need to preserve resources.

### Amounts and resources dedicated to compliance and prevention of environmental risk and pollution

| *(In millions of euros)* | 2016 |
|---|---|
| Compliance costs | 3.29 |
| Provisions and environmental guarantees | 15.79 |
| Compensation paid for environmental litigation | 0 |

*The coverage rate was 100% in 2016.*

### Compliance measures taken during the year

**In 2016, Elis invested €3.3 million to comply with and upgrade its environmental performance**, principally to upgrade on-site pre-treatments of water discharges, monitor action plans following inspections by government offices for the environment and rehabilitate non-operating sites.

### Resources dedicated to the prevention of environmental risk and pollution

On the sites, including those of M.A.J., maintenance officers are in charge of environmental matters, in particular managing any incidents that could cause pollution outside the facility. Safety equipment such as stoppers is provided at sites, and posters are put up to remind people of what to do in the event of an accident, as well as best practices to prevent accidents. Maintenance officers receive specific training in these procedures during dedicated training sessions, and then train the people concerned on site. There is therefore a procedure for decanting chemicals and only authorized staff, who receive periodical training, are allowed to supervise decanting by suppliers of cleaning products.

The QSE Department, along with the Environment Manager at Elis Brazil, also help operational sites in the event of an accident that could have an impact on the outside environment, by defining immediate safety measures, communicating with external organizations, and implementing prevention measures over the long term. Monitoring of management indicators - relating to the environmental performance of each site as well as environmental compliance - also helps to prevent risk.

## 3.5.2 CONTROL OF ENVIRONMENTAL IMPACTS

The service provided by Elis rests on the principle of the longest possible use of high-quality articles. To guarantee the most optimized life span for Elis articles, the staff in charge of product innovation design products suited to customer uses and which outlast fashions, using sturdy and reliable materials. The rental and maintenance business model thus implies the need to take account of the product life cycle, right from the design phase.

### Pollution

The environmental impacts of the Group's activities, especially discharges into the air and water, and the production of waste are efficiently monitored. Prevention and reduction measures are set up in this regard.

#### Air pollution and measures to prevent, reduce or remedy discharges into the air with a serious impact on the environment

Within the framework of the aforementioned greenhouse gas emission assessments, the Elis Group has put together its action plan for reducing emissions, based on optimizing energy and fuel consumption across the entire Group (see section 3.5.3).

#### Discharges into the water and soil, and prevention and reduction measures implemented

| | 2016 |
|---|---|
| Proportion of water treated | 97.25% |

*For Elis, the coverage rate for these items was 99.1% in 2016.*

#### Control of discharges into water

Thanks to the self-monitoring of effluents on most sites through regular analyses, the Elis Group has acquired in-depth knowledge of the quality of its wastewater and is working on improving its characteristics. Since the nature of this wastewater is the same as household effluents, the large majority of the Elis Group's laundry facilities are connected to the municipal wastewater networks in France and across Europe (100% for M.A.J.). All industrial wastewater discharged into municipal networks is pre-treated or treated on site before its discharge. It is then treated by a collective treatment plant for the great majority of centers.

In France, discharges into water are also subject to the delivery of authorizations by local authorities (discharge agreement or decree) setting the conditions for discharges into collective networks, before their treatment in wastewater plants, as well as a Prefectoral Order for sites subject to Registration or Authorization under the ICPE regulation.

**The quality of the effluents is controlled** (self-monitoring) through periodic analyses, the results of which are regularly sent to the competent authorities, in France. Equivalent systems are in place in Spain, in Portugal, in Germany, in Belgium, in Italy and in Brazil. In addition, pre-treatment equipment is systematically installed to ensure the consistency of discharges and their quality.

**The key measures to prevent the risks of water pollution** are the following:

- establishing network obturation systems;
- areas dedicated to the decanting and storage of laundry products; retention of product storage;
- training operators in chemical risks; specific training and certifications for certain types of intervention;
- training maintenance officers in pollution risks (by the QSE Department);
- advertising and implementing safety measures (fire risks and chemical risks);
- regular controls of installations subject to regulations;
- in France: continuing roll-out of the nationwide program to reduce dangerous substances in water (RSDE), with the adoption at the sites concerned of permanent monitoring of a certain number of micropollutants measured in industrial waste.

### Measures to prevent soil pollution

The Elis Group is putting in place measures aimed at preventing any risk of soil pollution. Detergents are unpackaged on concrete surfaces with retaining walls, where required. 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 majority of waste dumpsters (mainly containing waste that is not hazardous) are stored within concreted areas.

### Taking account of noise pollution and any other form of business-specific pollution

In order to reduce the noise impact of its activities, the Elis Group (including M.A.J.) works to improve the locating of new sites in areas far from restricted areas such as residential areas.

## 3.5.3 SUSTAINABLE USE OF RESOURCES

Since 2008, each year the Elis Group has set a target of reducing its annual water, energy and laundry product consumption by 2% to 5% as part of its voluntary investment policy. In 2016, over €13 million was thus allocated to increasing environmental performance. Production sites are equipped with the industry's most efficient technologies. For example, the use of **heavy-duty washing tunnels** has been mainstreamed: equipped with separate compartments, they allow the laundry to progress through the different stages of treatment, from one compartment to another. The laundry is continuously fed into the tunnel, thereby optimizing energy consumption by increasing the amount of laundry processed. **Air/air and water/water exchangers** are installed to save energy and recycling systems are automated to recover water from one stage to the next, whenever possible. Clean rinsing water is thus reinjected in pre-wash compartments, thereby saving water, detergent and energy.

### Water

The Elis Group has been focused on rationalizing its water consumption for a number of years, by optimizing the washing process (improving washing machines and tunnels, recycling water into the process, controlling the amount of detergent used, etc.) and closely monitoring water consumption, thereby reducing the Group's total average water consumption ratio (liters per kg of linen laundered). **This ratio thus dropped 26.1% since 2010, exceeding the target of a 25% drop.**

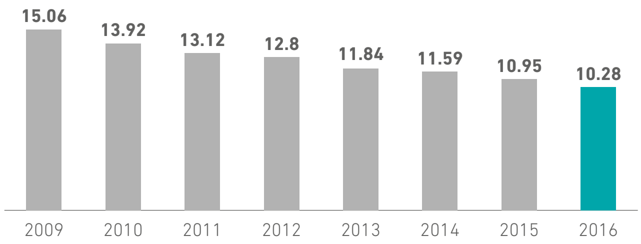
#### ANNUAL USE OF WATER FOR THE GROUP'S ACTIVITIES: CONSUMPTION, AMOUNT SPENT AND VOLUMES DISCHARGED/TREATED

| *(In millions of m$^3$)* | 2016 |
|---|---|
| Water consumption | 7.96 |
| Amount spent on water consumption *(in millions of euros)* | 5.35 |
| Volume of water discharged | 7.27 |
| Volume of water treated (internally or externally) | 7.07 |

*In 2016, the coverage rate was 99.1%*

## Measures implemented in 2016 to optimize total water consumption, prevent pollution risks and remedy discharges into water

**ELIS GROUP WATER CONSUMPTION RATIO (L/KG OF LINEN TREATED)**




**The Elis Group reduced its water consumption by 6% in 2016 compared with 2015 for each kilo of linen laundered across the Group.**

**The optimization measures implemented during the year,** spearheaded by the Process Engineering Department, were based on:

- monitoring of the plants' water meters allowing the prevention of any losses;
- water and energy audits (20 audits conducted in 2016);
- optimization of washing equipment (adjustment and close monitoring of water flows) and related washing programs;
- the recycling of washing equipment;
- updating of washing equipment as soon as possible;
- control of the amount of laundry products used by the industrial process (affecting water consumption).

Using "***the right product, in the right amount***" is one of the keys to the optimization of the process, and therefore to the proper use of resources. The amount of detergent used has an impact on water consumption, thereby modifying energy consumption. The dosing of laundry products implies thorough control of all the parameters involved in the "chemistry of the washing process:" efficiency of laundry products, type of items washed, degree of soiling, physical quality of the water, etc. Since 2007, the distribution of these products has been done automatically and computer-controlled for precise dosing while reducing manual operations. Through dedicated technologies and thorough control of the washing process, **an Elis wash uses seven times less detergent** than a home wash.

## Water supply in accordance with local constraints

When establishing new production units, the Elis Group (including M.A.J.) carries out a hydrogeological study to determine whether water can be supplied via a well or other sources (recycled water, mains water, etc.). It consults the competent authorities for the technical and regulatory feasibility of its supply of process water. Sustainable access to water is a vital requirement for the laundry business.

Water supply aspects in accordance with local constraints are examined within the scope of the required environmental permit applications.

The Group also complies with any exceptional measures that may be determined by the authorities in the event of drought: these go hand-in-hand with the continuous reduction of water consumption (see previous section).

## Textiles

The most commonly used material within the Elis Group (including M.A.J.) is the textile made available to customers in the linen rental and laundry service.

The Group's total consolidated consumption of this raw material represents an investment of €153 million.

To maximize the life of its textiles, for many years the Elis Group has had a monitoring system in place to track indicators related to linen management and thereby ensure optimal use of current inventories and efficiently manage purchases of new linen. These indicators were upgraded in 2016 to allow linen managers to identify linen investments related to new set-ups, new legislation or losses.

In 2016, the Textile Department teams thus mainly focused on how to give the local teams the maximum amount of visibility on their inventories to enable them to manage their linen needs as closely as possible. At the end of 2016, 35 workwear warehouses were computerized, enabling local teams to manage workwear and flat linen inventories, and make decisions based on measurable data.

These procedures have promoted an ongoing improvement in the indicators relating to the rate of repairing and reuse of textile articles.

An internal "linen exchange" has also been established between the different centers, promoting the exchange of textiles between plants.

**FOCUS ON RFID**

Elis has equipped its very first flat linen plants (the two plants located in the French municipality of Nanterre) with traceability systems via the installation of chips and RFID readers. Elis is thus improving the services offered to its customers through a precise vision of deliveries, enabling them to optimize their inventories and orders. The Company thus has better visibility over the life cycle of its textile products.

# Energy

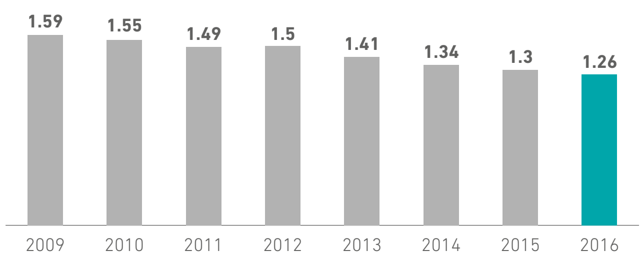
## Consumption of energy (excluding fuel) and reduction measures implemented

Elis continues to implement measures to reduce its thermal energy consumption (mainly natural gas) per kilo of linen treated, improving its performance by 3.1% in Europe and 7.6% in Brazil in 2016, compared with 2015.0

| *(In MWh)* | 2016 |
|---|---|
| Electricity | 148,332 |
| Renewable energy | 249,799 |
| Natural gas – butane and propane *(in MWh NCV)* | 753,672 |
| Heavy fuel oil and domestic fuel oil | 50,484 |
| Other energy sources | 10,119 |
| **TOTAL ENERGY CONSUMPTION** | **1,212,405** |
| Amount spent on energy *(in millions of euros)* | 47.9 |

*The coverage rate for Elis was 99.1% in 2016.*

**ELIS GROUP ENERGY CONSUMPTION RATIO (KWH/KG OF LINEN TREATED) FOR EUROPE (I.E. EXCLUDING BRAZIL)**




**The Group continues to implement measures to reduce its energy consumption. These measures mainly include the following:**

- 20 "energy" diagnoses conducted in 2016 by the Process Engineering team in collaboration with employees in the production centers, in selected sites;
- central management of energy indicators (gas and electricity consumption). Consumption reduction goals defined annually for each of the centers;
- centralized tracking of the performance of heat exchangers;
- investment in equipment that allows energy recovery or lower consumption (synchronized heat exchangers, latest technology burners and drying equipment consuming less gas, systematical installation of gas meters, installation of low pressure heaters and reverse osmosis units in boilers);
- LED lighting at the München and Toulouse sites;
- installation of reverse osmosis units in boilers;
- ongoing insulation in points of concern;
- ISO 50001 certification of 54 French sites by AFNOR Certification. All suppliers have been informed of Elis' actions and are asked to put forward areas of improvement.

Moreover, the Process Engineering team has studied the standard settings to obtain the best compromise between quality and energy consumption, and tested low-temperature washing at two pilot sites.

## Fuel consumption

With several hundreds of thousands of customers in Europe and Latin America, the logistics service provided by the Group's vehicles accounts for a significant part of the Group's CO emissions. It is covered by an optimization strategy deployed in close coordination with the Group's sites, with ongoing priority objectives: limiting fuel consumption and reducing emissions of pollutants and nitrous oxides ($NO_x$). The various tests conducted by the Elis Group on alternative energy vehicles should allow the Group to make further progress in its objectives. In particular, following studies and meetings with various manufacturers in 2016, Elis is currently examining the possibility of switching to natural gas vehicles, which may offer interesting prospects for its delivery fleet. In line with this approach, a hybrid 7.5 ton HGV was included in Elis' vehicle catalog.

### Density of the network

The density of the Group's distribution network is a major advantage in reducing the distances traveled by service vehicles. With its depots and plants in Europe, forming a network of logistics centers across the region, this network is the key to a genuine local service policy!

To optimize each kilometer traveled, the Logistics Department takes the required measures to optimize customer deliveries on a daily basis. These operations aim to concentrate deliveries on a limited number of sectors and allocate customers to the nearest delivery centers. The logistics manager of each site is in charge of adding any new customer to the most appropriate existing round, in terms of optimization.

### Reducing the distances traveled

**Optimization of delivery rounds:** reducing the distances traveled is the most important factor to optimize delivery rounds. Since 2012, all of the Logistics Department's optimization measures have been implemented using round optimization software. Notably, in 2016, the Department:

- optimized the following:
  - Paris distribution sectors following the opening of the new Nanterre Paris Ouest plant and the integration of a national multi-site hotel customer,
  - sectors for delivery rounds in ultra-light vehicles dedicated to the Hospitality market, so that each sector is served by a single service center;
- and carried out logistics diagnoses (studies of shuttle flows, inter-center outsourcing flows, the activities on each delivery round, etc.) on 2/3 of French territory, making it possible to define potential areas of logistic flow optimization in each of the sectors.

**Rationalization of journeys:** thanks to the diversity of the Elis Group's offering, a vehicle generally handles several services for a given customer. For example, a single vehicle handles the delivery of clothing, mats, beverages and hygiene products.

**Adjustment of the frequency of customer deliveries:** the Elis Group is committed to providing each customer with high-quality service, while adapting the number of journeys required in keeping with its multi-service offering. Various options exist to meet the customers' specific needs, from daily delivery for certain customers to monthly rounds. Delivery routes are regularly reviewed to optimize the distances traveled by our delivery drivers.

Concerning the AD3 entity, which handles residents' laundry, most AD3 sites are integrated in customer premises. No transport of linen is thus required.

### Maximization of vehicle fill rate

To optimize travel while guaranteeing high service quality, the Group's delivery drivers have one objective: "full vehicles in both directions". A delivery vehicle never returns empty, as the return journey to the center is the opportunity to transport soiled linen/clothing, empty water bottles, used batteries, etc.

In this respect and to support the service centers affected by strong seasonal activity, Elis has worked on a solution to optimize seasonal rounds. This solution aims to supplement existing rounds in keeping with the progressive opening of customer premises according to the season, and offer the creation of new rounds if necessary. It is also a decision-making tool for the deletion of rounds when the workload drops due to the closing of customer premises at the end of the season.

### Improved performance of the vehicle fleet

The control of fuel consumption also involves the improvement of the vehicle fleet's performance. Since 2008, the Elis Group has been upgrading its vehicle fleet on a regular basis, thereby increasing the payload of its light vehicles from 800 kg to 1,200 kg. Moreover, the replacement of the former "Euro 6 standard" light vehicles and heavy goods vehicles means that all new vehicles are equipped with the latest-generation particle filters.

### Management of fuel performance

To improve the management of energy efficiency with respect to fuel consumption, specific measures were rolled out in 2016:

- deployment of a single solution for the management of the vehicle fleet, using reliable fuel consumption data. This software – so far deployed in France, western Switzerland and Belgium with data centralized by a single server – will allow easier access and provide a single vehicle nomenclature. The deployment has continued in Europe, particularly in Spain;
- listing of three fuel providers in France, chosen because of their internet access allowing automatic transfers of fuel consumption and per-kilometer data to the fleet management software.

The fuel consumption of each vehicle is thus easier to monitor and tracked locally and centrally.

### Training in eco-driving

A total of 54 French sites obtained the ISO 50001 energy management system certification from AFNOR Certification, with the aim of limiting their environmental footprint by reducing their greenhouse gas emissions and making better use of natural resources. Concerning fuel, the objectives consist in defining consumption reduction targets and constantly improving the "fuel" energy performance of the vehicle fleet. Good practices have thus been reinforced (verification of tires, eco-driving courses, etc.) and action plans have been established in each center.

Field Agents are audited via rounds in tandem with their managers in order to assess, reiterate and raise awareness of good driving practices.

In 2016, Elis conducted a study on the driving behavior feedback tools available on the market. Over the course of 2017, several of these tools will be tested in a few volunteering centers; they will make it possible to analyze, understand and help Field Agents to adopt driving habits that will reduce their fuel consumption.

**2016 FUEL CONSUMPTION (GASOLINE AND DIESEL) AND RELATED AMOUNTS**

| *(in thousands of liters)* | **2016** |
|---|---|
| Gasoline | 72.2 |
| Diesel | 20,785.8 |
| **TOTAL FUEL** | **20,858.0** |
| Total amount spent *(in millions of euros)* | 19.5 |

*The coverage rate was 99.1% in 2016.*

## Land

Land use is reviewed in the due diligence studies carried out by the Elis Group (including M.A.J.) within the framework of its acquisition process where production sites are concerned. Diagnostics and impact assessments are also performed when setting up a new facility.

## 3.5.4 CLIMATE CHANGE

### Greenhouse gas emissions

#### ASSESSMENT OF GHG EMISSIONS IN 2016

| *(in Kt $CO_e$)* | 2016 |
|---|---|
| Number of companies that have carried out at least one GHG emissions assessment over the past three years | 6 |
| Scope 1[(a)] | 254 |
| Scope 2[(b)] | 20 |
| **TOTAL** | **274** |

*The coverage rate is 99.1%.*
*(a) Scope 1 emissions are emissions relating to consumption of fossil fuels at the site (gas, fuel oil), consumption of fuel by vehicles and refrigerant leaks.*
*(b) Scope 2 emissions are emissions relating to electricity generation and steam.*

### Adaptation to the consequences of climate change

To participate in the collective effort to reduce water consumption during periods of drought, the Elis Group (including M.A.J.) complies with the instructions issued by local and national authorities.

## 3.5.5 PROTECTION OF BIODIVERSITY

In France, the Elis Group (including M.A.J.) ensures that its operations are compatible with regional or local plans (SDAGE, SAGE, etc.) in its applications for authorizations to operate. Lastly, Elis prefers to locate its new production sites in industrial areas, thereby limiting its environmental impact (on neighborhood, biodiversity etc.).

In France, industrial effluent discharges are fully treated by municipal wastewater treatment plants or on site, thereby limiting the impact of activities on aquatic ecosystems.

# 3.6 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED ENVIRONMENTAL, LABOR AND SOCIAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

**Year ended December 31, 2016**

To the Shareholders,

In our capacity as Statutory Auditor of Elis, appointed as an independent third party and certified by COFRAC under number 3-1060[(1)], we hereby report to you on the consolidated environmental, labor and social information for the year ended December 31, 2016, presented in the management report (hereinafter the "CSR Information"), in accordance with Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

## Responsibility of the Company

The Management Board is responsible for preparing the Company's management report including CSR Information in accordance with the provisions of Article R. 225-105-1 of the French Commercial Code and with the Company' 2015 CSR Reporting Protocol (hereinafter the "Guidelines"), summarized in the management report under "Scope of the CSR approach and reporting methodology" and available on request from the Company's headquarters.

## Independence and quality control

Our independence is defined by regulatory texts, the French Ethics Charter governing the audit profession and the provisions of Article L. 822-11-3 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the Ethics Charter, professional auditing standards and applicable legal and regulatory texts.

## Responsibility of the Statutory Auditor

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

Our work called on the expertise of four people and took place between January and February 2016 over a total assignment period of two weeks. We were assisted in our work by our specialists in corporate social responsibility.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of May 13, 2013 laying down the conditions under which the independent third party is to conduct its review and, concerning the reasoned opinion on the fairness of the information, in accordance with international standard ISAE 3000[(2)].

## 1. Statement of completeness of CSR Information

### Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we reviewed the Company's sustainable development strategy with respect to the labor and environmental impact of its activities and its social commitments and, where applicable, any initiatives it has implemented as a result.

We compared the CSR Information presented in the management report with the list provided for by Article R. 225-105-1 of the French Commercial Code.

For any consolidated Information that was not disclosed, we verified that explanations were provided in compliance with the provisions of Article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by Article L. 233-1 and the entities it controls as defined by Article L. 233-3 of the French Commercial Code within the limitations set out in the management report under the section entitled "Scope of the CSR approach and reporting methodology."

*(1) Whose scope is available on the website www.cofrac.fr.*
*(2) ISAE 3000 – Assurance engagements other than audits or reviews on historical financial information.*

### Conclusion

Based on this work, we attest that the required CSR Information has been disclosed in the management report.

## 2. Reasoned opinion on the fairness of the CSR Information

### Nature and scope of our work

We conducted four interviews with the persons responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, impartiality and comprehensibility, and taking into account best practices where appropriate;
- verify that a data-collection, compilation, processing and control procedure was implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information with respect to the characteristics of the Company, the labor and environmental challenges of its activities, its sustainable development policy and best practices.

With regard to the CSR Information that we considered to be the most important[(1)]:

- at the level of the parent company, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organization, policy, action), we performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in concordance with the other information in the management report;
- at the level of a representative sample of entities selected by us[(2)] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to ensure that procedures were followed correctly and to identify any omissions, and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The sample selected represents an average of 27% of the workforce considered to be characteristic of the labor-related component and 54% of the energy consumption considered to be characteristic of the environmental component.

For the other consolidated CSR Information, we assessed consistency based on our understanding of the Company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, in our professional judgment, allow us to express limited assurance; a higher level of assurance would have required us to carry out more extensive work. Due to the use of sampling techniques and other limitations intrinsic to the operation of information and internal control systems, we cannot provide absolute assurance that the CSR Information disclosed is free of material misstatement.

### Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Guidelines.

Neuilly-sur-Seine, March 15, 2017

One of the Statutory Auditors

**PricewaterhouseCoopers Audit**

| Bruno Tesnière<br>*Partner* | Sylvain Lambert<br>*Sustainable development partner* |
|---|---|

*(1) The most important CSR information is listed in the appendix to this report.*
*(2) Elis France and the Framalicao site (Portugal).*

## Appendix: List of CSR Information that we considered to be the most important

### Quantitative labor information

- Total headcount (permanent and non-permanent) and breakdown of workforce by gender, age and geographic region
- New hires and departures (by reason)
- Number of working hours (permanent and non-permanent staff)
- Number of hours of absence (permanent and non-permanent staff)
- Number of training hours and number of permanent employees trained
- Lost days by permanent and non-permanent staff due to accidents, used in the calculation of the severity rate
- Workplace accidents resulting in lost time for permanent and non-permanent staff, used in the calculation of the frequency rate
- Number of fatal workplace accidents

### Qualitative labor information

- Labor relations
- Health and safety in the workplace
- Equal treatment and promotion of diversity
- Employment policy for disabled people

### Quantitative environmental information

- Water consumption
- Energy consumption excluding fuel (total consumption of energy, renewable energy, electricity, natural gas, fuel oil and other energy sources) and fuel consumption (gasoline and diesel)
- Greenhouse gas emissions

### Qualitative environmental information

- Water supply in accordance with local constraints
- Measures to prevent, reduce or remedy discharges into the air, water and soil with a serious impact on the environment
- Waste Management
- Significant greenhouse gas emission items resulting from the Company's activities and especially from the use of goods and services produced by the Company
- Measures taken to improve energy efficiency and increase the use of renewable energy

### Qualitative labor information

- Territorial, economic and social impact of the Company's activity
- Dialogue with stakeholders
- Subcontractors and suppliers

## 3.7 CROSS-REFERENCE WITH THE UNITED NATIONS GLOBAL COMPACT

| Category | Principles of the United Nations Global Compact | Sections |
|---|---|---|
| **Human Rights** | **1.** Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence. | 3.1<br>3.1.2 |
| | **2.** Businesses should make sure that they are not complicit in human rights abuses. | 3.1<br>3.1.2<br>3.3.2 |
| **Labor rights** | **3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. | 3.1<br>3.2.6 |
| | **4.** Businesses should uphold the elimination of all forms of forced and compulsory labor. | 3.1 |
| | **5.** Businesses should uphold the effective abolition of child labor. | 3.1<br>3.3.2 |
| | **6.** Businesses should uphold the elimination of discrimination in respect of employment and occupation. | 3.1<br>3.2.8 |
| **Environment** | **7.** Businesses should support a precautionary approach to environmental challenges. | 3.1<br>3.4 |
| | **8.** Businesses should undertake initiatives to promote greater environmental responsibility. | 3.1<br>3.4<br>3.5.3 |
| | **9.** Businesses should encourage the development and diffusion of environmentally friendly technologies. | 3.1<br>3.4<br>3.5.3 |
| **Fight against corruption** | **10.** Businesses should work against corruption 10. in all its forms, including extortion and bribery. | 3.1 |

# 3.8 SUMMARY OF ENVIRONMENTAL AND SOCIAL INFORMATION

The indicators are presented in the order in which they appear in this chapter (Chapter3).

## 3.8.1 SUMMARY OF ENVIRONMENTAL INFORMATION

| | Unit | Group, 2016 | M.A.J. 2016 |
|---|---|---|---|
| **Scope** | | | |
| Gross revenue of sites within the scope | Millions of euros | 1,533.8 | 581.4 |
| Number of sites included in the scope | Number of sites | 197 | 62 |
| **General environmental policy** | | | |
| ISO 14001 certified sites | Number of sites | 11 | 0 |
| ISO 50001 certified sites | Number of sites | 55 | 26 |
| Amount of compliance costs | Millions of euros | 3.3 | 1.2 |
| Amount of environmental provisions and guarantees | Millions of euros | 15.8 | 5.4 |
| Amount of compensation paid for environmental litigation | Millions of euros | 0.00 | 0.00 |
| **Pollution prevention and waste management** | | | |
| Total amount of waste generated | Tons | 17,785 | 6,426 |
| Amount of hazardous waste generated | Tons | 2,892 | 960 |
| Proportion of hazardous waste recovered | % | 21.2 | 22.2 |
| Amount of non-hazardous waste generated | Tons | 14,692 | 5,466 |
| Proportion of non-hazardous waste recovered | % | 54 | 54.4 |
| Amount spent on waste treatment | Millions of euros | 2.23 | 0.93 |
| Amount generated by waste recovery | Millions of euros | 0.64 | 0.21 |
| **Sustainable use of resources** | | | |
| Total volume of water consumed | Millions of $m^3$ | 7.96 | 2.26 |
| Amount spent on water consumption | Millions of euros | 5.34 | 1.25 |
| Volume of industrial effluents discharged | Millions of $m^3$ | 7.27 | 1.97 |
| Volume of industrial effluents treated | Millions of $m^3$ | 7.07 | 1.97 |
| Amount spent on textile purchases | Millions of euros | 158 | N/A |
| Total energy consumption | MWh | 1,212,405 | 279,149 |
| Electricity consumption | MWh | 148,332 | 45,070 |
| Consumption of renewable energy | MWh | 249,799 | 0 |
| Consumption of natural gas/propane/butane | MWh (NCV) | 753,672 | 233,150 |
| Consumption of fuel oil (excluding vehicle fuel) | MWh | 50,484 | 923 |
| Consumption of other energy sources | MWh | 10,119 | 0 |
| Amount spent on energy consumption | Millions of euros | 47.93 | 13.04 |
| Total fuel consumption | Thousands of liters | 20,858 | 7,298 |
| Gasoline consumption | Thousands of liters | 72 | 0 |
| Diesel consumption | Thousands of liters | 20,786 | 7,298 |
| Amount spent on fuel consumption | Millions of euros | 19.5 | 6.9 |
| **Fight against climate change** | | | |
| Number of companies having conducted at least one assessment of greenhouse gas (GHG) emissions over the past three years | Number of companies | 6 | 1 |
| Direct GHG emissions – Scope 1 | Kt $CO_2$ | 254 | 76 |
| Direct GHG emissions – Scope 2 | Kt $CO_2$ | 20 | 4 |
| Total GHG emissions | Kt $CO_2$ | 274 | 80 |

## 3.8.2 SUMMARY OF LABOR INFORMATION

The indicators below are not exhaustive.

| | Unit | Group | M.A.J. |
|---|---|---|---|
| **TOTAL HEADCOUNT** | **Number of employees** | **21,729** | **6,154** |
| **Permanent staff** | | **18,948** | **5,008** |
| Permanent female staff | | 9,866 | 2,359 |
| Permanent male staff | | 9,082 | 2,649 |
| Permanent female managers | | 395 | 102 |
| **Non-permanent staff** | | 2,781 | 1,146 |
| Total headcount - France | | 12,570 | 6,154 |
| Total headcount - Europe (excluding France) | | 4,434 | 0 |
| Total headcount – Latin America | | 4,725 | 0 |
| Permanent staff aged up to 17 as at December 31 | | 19 | 0 |
| Permanent staff aged 18 to 26 as at December 31 | | 2,247 | 528 |
| Permanent staff aged 27-39 as at December 31 | | 6,341 | 1,629 |
| Permanent staff aged 40-49 as at December 31 | | 5,388 | 1,420 |
| Permanent staff aged 50 and over as at December 31 | | 4,953 | 1,431 |
| **Based on the social reporting scope** | | | |
| **Number of new permanent and non-permanent hires** | **Number of employees** | **23,330** | **9,453** |
| **Number of departures of permanent and non-permanent staff** | | **23,267** | **9,513** |
| Of which dismissals of permanent staff by the employer | | 1,584 | 296 |
| Of which voluntary departures of permanent staff | | 1,223 | 230 |
| Retirement (incl. early retirement) of permanent staff | | 181 | 74 |
| Other departures | | 20,279 | 8,913 |
| **Compensation** | **Euros** | | |
| Fixed and variable compensation, collective and individual | | 639,330,484.27 | 150,843,778 |
| Of which bonuses and collective compensation and discretionary profit-sharing | | 10,947,016.58 | 4,274,161 |
| **Organization of work** | **%** | | |
| Proportion of full-time permanent staff | | 96% | 98.2% |
| Proportion of part-time permanent staff | | 4% | 1.8% |
| Absenteeism rate | | 5.50% | 5.92% |
| **Workplace accidents** | **Number** | | |
| Number of fatal accidents | | 0 | 0 |
| Number of accidents with lost time | | 1,099 | 393 |
| Frequency rate | | 28.54 | 35.3 |
| Severity rate | | 1.03 | 1.71 |
| **Number of training hours provided (excluding Brazil)** | **Hours** | **119,793** | **39,422.30** |
| **Number of disabled employees in France** | **Number of employees** | **568** | **301** |

**9**

Supervisory Board
Meetings in 2016

**56%**

Independence
of the Supervisory Board

**93.43%**

Attendance of members

**66.67%** **33.33%**

Gender diversity
of the Supervisory Board

# 4

# Corporate governance

The Company is a French corporation (*société anonyme*) governed by a Management Board and a Supervisory Board subject to applicable laws and regulations and its articles of incorporation.

This dual organization segregated the management duties of the Management Board, and the management control duties of the Supervisory Board, a shareholders' representative body.

The Supervisory Board is assisted by two special committees, the Audit Committee and the Appointments and Compensation Committee. The role, responsibilities and functioning of the Supervisory Board and its committees are described in the Chairman of the Supervisory Board's report on corporate governance and internal control included in this chapter 4.

The Company's articles of incorporation and the Supervisory Board's rules of procedure are available at the Company's registered office and may be viewed on the Company's internet site: (www.corporate-elis.com).

# 4.1 MANAGEMENT AND SUPERVISORY BODIES

The combined general meeting of September 5, 2014 approved the adoption of the dual management mode with a Management Board and a Supervisory Board.

## 4.1.1 MANAGEMENT BODIES

The Group's executives are the members of the Management Board as well as the chief operating officers and support services directors that are members of the Executive Committee.

### The Management Board

#### Composition of the Management Board

The Management Board is comprised of three to seven members, appointed by the Supervisory Board in accordance with Article 12 of the Company's articles of incorporation. The Management Board shall perform its duties under the Supervisory Board's control, pursuant to law and to the articles of incorporation.

The members of the Management Board may be chosen from outside the shareholders. They must be individuals. They are always re-electable. No member 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. Members of the Management Board shall be deemed to have resigned from their office after the general meeting approving the financial statements for 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 their entire term of office, and after expiration of their term of office.

Each member of the Management Board shall be subject to the legal and regulatory provisions applicable to holding multiple offices. Article 3.3 of the Supervisory Board's rules of procedure provides that each member of the Management Board must obtain the preliminary approval from the Supervisory Board before accepting a new corporate office in a listed company outside the Group, pursuant to the recommendations of the AFEP-MEDEF Code of November 2016 (Article 18.2).

The members of the Management Board shall be appointed for four 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 their predecessor's term of office.

All members of the Management Board may be removed, either by the Supervisory Board or by the general 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 any member of the Management Board shall not bring about the termination of their employment contract, if they have an employment contract with the Company.

Article 13 of the Company's articles of incorporation provides that the Supervisory Board shall appoint one of the members of the Management Board as Chairman. The Chairman of the Management Board shall perform their duties for their term of office as a member of the Management Board. The Chairman 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 Chief Executive Officer.

The Supervisory Board may remove members of the Management Board from the position of Chairman, and, if applicable, Chief Executive Officer, at any time.

*Vis-à-vis* third parties, all acts that are binding on the Company shall be duly performed by the Chairman of the Management Board or by any member having received the title of Chief Executive Officer from the Supervisory Board.

As at the filing date of this registration document, the Management Board was comprised of the following three members.

| Name | Capacity | Expiration date of term of office |
|---|---|---|
| Xavier Martiré | Chairman of the Management Board | September 5, 2018 |
| Louis Guyot | Member of the Management Board | September 5, 2018 |
| Matthieu Lecharny | Member of the Management Board | September 5, 2018 |

The professional experience and the details of the offices and positions held by each of the members of the Management Board, are specified below in the paragraph "Information and details about the members of the Management Board and the Executive Committee".

## Roles, responsibilities and functioning of the Management Board

### Meetings of the Management Board (Article 14 of the articles of incorporation)

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 Chairman 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 meeting 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 Chairman of the Management Board shall chair meetings. In case the Chairman is absent, the Management Board shall appoint one of its members to serve as Chairman 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 Chairman 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 for the purposes of quorum and majority.

Deliberations shall be recorded in minutes established in a special register held at the registered office and signed by the Chairman and by the Secretary or another member of the Management Board. Copies or extracts of these minutes shall be duly certified by the Chairman, Secretary or a member of the Management Board.

### Management Board's powers and obligations (Articles 15 and 20 of the articles of incorporation)

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 articles of incorporation to the Supervisory Board and the shareholders' meetings.

No restrictions on its powers shall be enforceable *vis-à-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 Chairman or a Chief Executive Officer, 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, half-year and annual financial statements, the forecast management documents and the terms of the Group's management report. These documents shall be submitted to the Supervisory Board for examination. In addition to the legal obligations requiring preliminary approval from the Supervisory Board (for sureties, endorsements and guarantees), the Company's articles of incorporation (Article 20.IV) and the Supervisory Board's rules of procedure (Article 3.2) provide for certain procedures intended to frame the powers of the Company's Management Board, and require that a certain number of decisions of the Management Board be submitted to the Supervisory Board for preliminary approval (see the Chairman of the Supervisory Board's report, section 4.3.1, paragraph "Preparation and organization of the work of the Supervisory Board" of this 2016 registration document).

The Management Board shall call all general meetings, set their agenda and execute their decisions.

The members of the Management Board shall be liable *vis-à-vis* the Company or *vis-à-vis* third parties, individually or jointly and severally, whichever is applicable, either for violations of the statutory provisions governing French corporations (*sociétés anonymes*) or violations of the articles of incorporation or for breaches of duty committed in their management, all on the terms and subject to the penalties provided by applicable laws.

## The Executive Committee

The Management Board is assisted in its duties by an Executive Committee chaired by Xavier Martiré and composed of the principal chief operating officers and support function directors.

The Executive Committee shall meet every two weeks to discuss the Group's operational and financial performance and to exchange views on the Group's strategic projects and management.

As at the filing date of this registration document, the Executive Committee was composed of the nine members presented in the following pages:

## Information and details about the members of the Management Board and the Executive Committee

### Personal information and details about the members of the Management Board

The information below shows the personal details and the main offices and positions held by the members of the Management Board as at the recording date of this registration document:

#### XAVIER MARTIRÉ

Chairman of the Management Board

**Business address:**
5, boulevard Louis Loucheur, 92210 Saint-Cloud, France

**Date of birth:** January 18, 1971

**Nationality:** French

**Date of first appointment:** October 21, 2008 (President of the Company under its former structure as a French simplified limited liability company)

**Date of current appointment to office:** September 5, 2014

**Date of expiration of current term of office:** September 5, 2018

**Number of Elis shares held:** 97,867

**Main activity:** Chairman of the Management Board

**Biography:** Xavier Martiré began his career at the SNCF in 1997 as the TGV (high-speed train) maintenance workshop foreman. He then joined the Elis Group in 1999 as Director of Profit Center and subsequently held positions as Regional Manager and Deputy CEO in charge of business in France, before being appointed the Company's President in 2008. Xavier Martiré holds degrees from the École Polytechnique and the École Nationale des Ponts et Chaussées.

**MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS**

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

- Chairman and Chief Executive Officer of Elis Services SA
- Chairman and Chief Executive Officer of M.A.J. SA
- Director of Pierette – TBA SA
- President of Elis Luxembourg SA (Luxembourg)
- Director of Elis Manomatic SA (Spain)
- Director of Lavanderia Hotelera Del Mediterraneo SA (Spain)
- Director of Lavalia Balears Servicios y Renting Textil SA (Spain)
- Director of Lavalia Sur Servicios y Renting Textil SA (Spain)
- Director of Elis Italia SpA (Italy)
- Director of SPAST SA (Portugal)
- Director of Gafides SA (Portugal)
- Chairman of the Supervisory Board (contractual) of Atmosfera (Brazil)
- Director of Albia SA (Chile)
- Director of Servicios Hospitalarios SA (Chile)
- Director of Wäscherei Mariano AG (Switzerland)

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

None

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- President of Quasarelis SAS
- President of Novalis SAS
- Director of Blanchatel SA (Switzerland)
- Director of Wäscherei Papritz AG (Switzerland)
- Director of Grosswäscherei Domeisen AG (Switzerland)

## LOUIS GUYOT

Member of the Management Board

**Business address:**

5, boulevard Louis Loucheur, 92210 Saint-Cloud, France

**Date of birth:** May 23, 1972

**Nationality:** French

**Date of first appointment:** September 5, 2014

**Number of Elis shares held:** 37,301

**Date of current appointment to office:** September 5, 2014

**Date of expiration of current term of office:** September 5, 2018

**Main activity:** Member of the Management Board and Chief Financial Officer

**Biography:** Louis Guyot joined the Group 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 Chief Financial Officer and Chief Information Officer of Medica France from 2001 to 2004, Development and Strategy Director of Compagnie des Alpes from 2004 to 2007, Finance and Operations Director of Dalkia's Development Department from 2007 to 2010, then Chief Financial Officer and Chief International Officer of Korian (2010-2013). Louis Guyot holds degrees from the École polytechnique, the École nationale des ponts et chaussées and the Collège des ingénieurs.

### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

- President of Pro Services Environnement SAS
- President of Pro Services Environnement SAS
- Director of Elis Services SA
- Director of Pierette – TBA SA
- President of Hygiène Contrôle Ile de France SAS
- General Manager of Blanchisserie Professionelle d'Acquitaine SARL
- President of BMF SAS
- Chairman of the Board of Directors of Hades SA (Belgium)
- Director of Elis Manomatic SA (Spain)
- Director of Elis Italia SpA (Italy)
- Director of Elis Luxembourg SA (Luxembourg)
- Director of SPAST SA (Portugal)
- Director of Gafides SA (Portugal)
- Director of InoTex Bern AG (Switzerland)
- Director of Albia SA (Chile)
- Director of Servicios Hospitalarios (Chile)

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

None

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- Member of the Management Board and Chief Executive Officer of Korian SA*
- Director of Segesta SpA (Italy)
- Permanent representative of Korian SA on the Board of Directors of Holding Austruy Burel
- Permanent representative of Korian SA on the Board of Directors of La Bastide de la Tourne
- Permanent representative of Korian SA on the Board of Directors of Le Brevent
- Permanent representative of Korian SA on the Board of Directors of CFR Siouville
- General Manager of Compagnie Foncière Vermeille SARL
- Manager of Bonaparte SARL
- Manager of Le Belvedere Dune SARL

*(*) Listed company.*

## MATTHIEU LECHARNY

Member of the Management Board

**Business address:**

5, boulevard Louis Loucheur, 92210 Saint-Cloud, France

**Date of birth:** December 26, 1969

**Nationality:** French

**Date of first appointment:** September 5, 2014

**Number of Elis shares held:** 14,241

**Date of current appointment to office:** September 5, 2014

**Date of expiration of current term of office:** September 5, 2018

**Main activity:** Member of the Management Board and chief operating officer

**Biography:** Matthieu Lecharny joined the Elis Group in 2009. He is chief operating officer responsible for the Group's operations in two French regions, Portugal, Spain, Andorra, Brazil and Chile, as well as for the development of the 3D pest control service and acquisitions. 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 Brand Director, Oral Care for Europe from 2001 to 2003 and Marketing Director, Personal Care 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 École supérieure de commerce in Paris (ESCP Europe).

### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

- Member of the Supervisory Board (contractual) of Atmosfera (Brazil)
- Director of Albia SA (Chile)
- Director of Servicios Hospitalarios SA (Chile)
- Director of Elis Manomatic SA (Spain)
- Director of Lavanderia Hotelera Del Mediterraneo SA (Spain)
- Director of Lavalia Balears Servicios y Renting Textil SA (Spain)
- Director of Lavalia Sur Servicios y Renting Textil SA (Spain)
- Director of Servicios Hospitalarios (Chile)

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

None

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- President/Sole Director of GIE Eurocall Partners
- *Chairman* of Kennedy Hygiene Products Limited (United Kingdom)
- *Chairman* of Kennedy Exports Limited (United Kingdom)
- General Manager of Le Jacquard Français SARL

## Personal information concerning the members of the Executive Committee (other than the members of the Management Board whose biographies are described above)

- **François Blanc,** born on January 14, 1958, is Transformation and IT Director. He joined the Company at the end of 2014. Previously, François Blanc was IT Director at Matra Défense, Matra-BAe Dynamics and Valeo. He led global transformation programs for production, research and development, financial control and purchases. He holds degrees from the *École polytechnique* and the *École des mines de Paris*.

- **Alain Bonin,** born on March 1, 1964, has been Deputy Chief Executive Officer since 2012, and Chief Operating Officer since 2009. He is responsible for the Sales Departments of the Hospitality and Healthcare segments as well as the Group's operations in three French regions, Switzerland and Germany. Alain Bonin has been with the Group for 28 years and has held various managerial positions, including Director of several profit centers and a regional department. He holds a *Diplôme d'études universitaires* (DUT) in marketing techniques.

- **Frédéric Deletombe,** born on May 12, 1972, has been Engineering Director since 2009 and Purchasing and Supply Chain Director since 2015. He joined the Group in 2006 and has held different managerial responsibilities. Previously, Frédéric Deletombe held managerial positions in various Operating and Industrial Departments at IBM Microelectronics then at Altis Semiconductors. Frédéric Deletombe holds degrees from the *École polytechnique* and the *École nationale supérieure de techniques avancées* (ENSTA). He also holds a DEA (a French advanced degree) of the Corporate and Production Organization (ENPC).

- **Didier Lachaud,** born on June 16, 1959, has been Human Resources and Corporate Social Responsibility Director of the Elis Group since 2010. Before joining the Group, Didier Lachaud held various positions in the Human Resources Departments at Schlumberger and Air Liquide and was Human Resources Director of the Fives Group and the Gemplus Group (now

Gemalto). Didier Lachaud was also a consultant at Vacoas Management and Neumann International. He is a graduate of the Institut d'études politiques in Paris and also holds a Master's degree in Private Law.

- **Yann Michel,** born on November 3, 1974, has been Chief Operating Officer since March 1, 2015. He is responsible for the Sales and Marketing – Key Accounts Department, Ultra-Clean activities as well as the Group's operations in three French regions, Belgium, Luxembourg, Italy and the Czech Republic. Yann Michel has been with the Group for ten years and held various operational positions, including Director of two regional departments. He is a graduate of the Université de technologie de Compiègne.
- **Caroline Roche,** born on February 8, 1973, has been the Group's Marketing and Innovation Director since 2016. Before joining Elis, she held executive positions for more than 15 years in marketing, digital-technology and e-commerce, and worked in distribution, most notably at the Go Sport Group, Marionnaud Europe, and the Galeries Lafayette Group. She also has experience as an entrepreneur and consultant with web agencies and in marketing services. Caroline Roche is a graduate of the *École supérieure de commerce de Montpellier* (finance section) and holds a Master's degree in international marketing from the Complutense University of Madrid.

## 4.1.2 THE SUPERVISORY BOARD

### Composition of the Supervisory Board

As at the filing date of this registration document, the Elis Supervisory Board was composed of nine members, including three women and five independent members, i.e., 33.33% and 56% respectively of the members of the Supervisory Board. The table below is a summary of the composition of the Supervisory Board as at December 31, 2016. Supervisory Board members are also presented below:

| Name or company name | Capacity | Independent[a] | Expiration date of term of office General meeting called to approve the financial statements for the year that will end on: |
|---|---|---|---|
| Thierry Morin | Chairman of the Supervisory Board | ■ | December 31, 2018, to be held in 2019 |
| Marc Frappier | Vice-Chairman of the Supervisory Board | | December 31, 2019, to be held in 2020 |
| Michel Datchary | Member of the Supervisory Board | ■ | December 31, 2019, to be held in 2020 |
| Magali Chesse[b] | Member of the Supervisory Board | | December 31, 2018, to be held in 2019 |
| Philippe Delleur | Member of the Supervisory Board | ■ | December 31, 2018, to be held in 2019 |
| Florence Noblot | Member of the Supervisory Board | ■ | December 31, 2016, to be held in 2017 |
| Agnès Pannier-Runacher | Member of the Supervisory Board | ■ | December 31, 2017, to be held in 2018 |
| Philippe Audouin | Member of the Supervisory Board | | December 31, 2016, to be held in 2017 |
| Maxime de Bentzmann[c] | Member of the Supervisory Board | | December 31, 2017, to be held in 2018 |

*(a) The independence criteria used by the Company are described in the Chairman of the Supervisory Board's report on corporate governance and internal control, in the paragraph "Composition of the Supervisory Board,".*
*(b) Co-opted by the Supervisory Board at its meeting of June 1, 2016.*
*(c) Co-opted by the Supervisory Board at its meeting of March 9, 2016.*

At the next general meeting, the shareholders will be asked to decide on:

- the reappointment of Philippe Audouin and of Florence Noblot, the latter also holding office on the Appointments and Compensation Committee, as members of the Supervisory Board for another four years;
- the ratification of the appointment of Magali Chesse, co-opted by the Supervisory Board at its meeting of June 1, 2016, for the remaining term of office of her predecessor, Virginie Morgon, who had resigned, since Magali Chesse was also serving on the Audit Committee after she was co-opted;
- the appointment of Anne-Laure Commault as a new member of the Supervisory Board for a four-year term.

The draft resolutions relating to these reappointment, ratification and appointment proposals are presented in chapter 7 "Combined general meeting of May 19, 2017" of this registration document, section 7.3 "Draft resolutions".

## Information and details about the members of the Supervisory Board

The information below shows the personal information of the members of the Supervisory Board as at the filing date of this registration document, and for each of them, the main offices and positions held as at December 31, 2016:

### PHILIPPE AUDOUIN

Member of the Supervisory Board

**Business address:**
1, rue Georges-Berger, 75017 Paris, France

**Date of birth:** April 3, 1957

**Nationality:** French

**Date of first appointment:** October 4, 2007 (member of the Board of Directors of the Company under its former structure as a French simplified limited liability company)

**Number of Elis shares held:** 4,185 (including 500 shares from a loan of Eurazeo shares)

**Date of current appointment to office:** September 5, 2014

**Date of expiration of current term of office:** Ordinary general meeting called to approve the financial statements for the year ended December 31, 2016

**Member of a committee:** No

**Main activity:** Chief Financial Officer and member of the Management Board of Eurazeo*

**Biography:** Philippe Audouin is a member of the Management Board and Chief Financial Officer of Eurazeo, which he joined in 2002. He began his career by founding and developing his own company for almost 10 years. After selling it, Philippe Audouin was the Chief Financial Officer and authorized representative (Prokurist) of the first joint venture between France Telecom and Deutsche Telekom, in Germany. From 1996 to 2000, Philippe Audouin held the position of Chief Financial Officer 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 Chief Financial Officer of Europ@Web (Groupe Arnault). He also taught for five years as Associate Professor and then Lecturer in the third year at the École des hautes études commerciales (HEC). He is a member of the AMF's Issuers Advisory Commission and President of the French Association of Chief Financial Officers and Management Control Directors (DFCG). He holds a degree from the École des hautes études commerciales (HEC).

#### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

None

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- Chief Executive Officer of Legendre Holding 33, La Mothe, Eurazeo Capital Investissement (now Eurazeo Patrimoine), Eureka Participation, Legendre Holding 54 and Legendre Holding 55
- Chairman of Ray France Investment, Legendre Holding 22, Legendre Holding 28, Legendre Holding 26, Immobilière Bingen, Legendre Holding 8, Legendre Holding 31 (now Les Amis d'Asmodee), Legendre Holding 32 (now Asmodee II), CPK, Novacap Group Bidco, Novacap Group Holding and EP Aubervilliers
- General Manager of Eurazeo Italia (Italy)
- Vice-Chairman of the Supervisory Board of APCOA Parking AG (Germany)
- Member of the Advisory Board of APCOA Parking Holdings GmbH (Germany)
- Member of the Audit Committee of Elis*
- Director of the Europcar Group* and of Holdelis (now Elis*)

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

- Member of the Management Board and Chief Financial Officer of Eurazeo*
- Member of the Supervisory Board of ANF Immobilier*
- Member of the Supervisory Board of the Europcar Group*
- Member of the Supervisory Board of Eurazeo PME
- Managing Director of Perpetuum MEP Verwaltung GmbH (Germany)
- President of Eurazeo Patrimoine, LH APCOA, Legendre Holding 19, Legendre Holding 21, Legendre Holding 27, Legendre Holding 29, Legendre Holding 30, Legendre Holding 34, Legendre Holding 35, Legendre Holding 36, Legendre Holding 41, Legendre Holding 42, Legendre Holding 51, LH Novacap and LH CPK
- Chief Executive Officer of Legendre Holding 23, Legendre Holding 25, Carryco Capital 1 and Carryco Croissance
- Chairman of the Supervisory Board of Legendre Holding 28
- Deputy Director of Eurazeo Services Lux (Luxembourg)
- Permanent representative of Eurazeo on the Board of Directors of SFGI

*(*) Listed company.*

## MICHEL DATCHARY

Independent member of the Supervisory Board

**Business address:**

9, rue de Saint Senoch, 75017 Paris, France

**Date of birth:** January 14, 1952

**Nationality:** French

**Date of first appointment:** January 26, 2009 (member of the Board of Directors of the Company under its former structure as a French simplified limited liability company)

**Number of Elis shares held:** 2,450

**Date of current appointment to office:** May 27, 2016

**Date of expiration of current term of office:** Ordinary general meeting called to approve the financial statements for the year ended December 31, 2019

**Member of a committee:** Chairman of the Appointments and Compensation Committee

**Main activity:** Consultant

**Biography:** Since 2010, Michel Datchary has developed a consulting business through his company Staminea in various European countries, focusing on media, the internet and services, as well as advising a seed fund, Fa Dièse, on the selection of innovative companies. After a career that started at Havas, he went to PagesJaunes to handle marketing, and became Chief Executive Officer of this group for 13 years of growth (1996 to 2009). He transformed the group into the first French advertising medium on the internet with the success of pagesjaunes.fr, and managed its stock market listing in 2004. Michel Datchary has a degree from the Institut de promotion commerciale and the Chamber of Commerce in Pau.

### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

None

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

- General Manager of Staminea
- Investment Director of the Fa Dièse fund
- Director of Linkéo

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- Director of Local.ch (Switzerland)
- Director of Swisscom Directories (Switzerland)
- Director of LTV Gelbe Seiten (Switzerland)
- Member of the Board of Directors of Elis*

*(*) Listed company.*

## PHILIPPE DELLEUR

Independent member of the Supervisory Board

**Business address:**
48, rue Albert Dhalenne, 93400 Saint-Ouen, France

**Date of birth:** April 11, 1958

**Nationality:** French

**Date of first appointment:** June 24, 2015

**Number of Elis shares held:** 500

**Date of current appointment to office:** June 24, 2015

**Date of expiration of current term of office:** Ordinary general meeting called to approve the financial statements for the year ended December 31, 2018

**Member of a committee:** No

**Main activity:** Senior Vice-President of Public Affairs of the Alstom Group*

**Biography:** Philippe Delleur is Vice-President of Public Affairs of the Alstom Group. He joined the Alstom Group in 2006 where he was successively Director for Southern Europe, Africa and the Middle East, President of the Alstom subsidiary in Brazil and Director for Latin America, and President of Alstom International from 2011 to 2015. Previously, he had worked at France's Ministry of the Economy and Finance, where over a period of 23 years he held the positions of Director of the Central Purchasing Agency, manager in the Foreign Economic Relations Department, and technical advisor in the office of Michel Sapin. He is an alumnus of the École nationale d'administration, a graduate of Sciences Po Paris and holds a degree in Law.

### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

None

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

- Independent Director of Biosev, a Brazilian subsidiary of the Louis Dreyfus Group*

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

None

*(*) Listed company.*

## MARC FRAPPIER

Vice-Chairman of the Supervisory Board

**Business address:**
1, rue Georges-Berger, 75017 Paris, France

**Date of birth:** May 28, 1973

**Nationality:** French

**Date of first appointment:** January 8, 2013 (member of the Board of Directors of the Company under its former structure as a French simplified limited liability company)

**Number of Elis shares held:** 500 (loan of Eurazeo shares) and 101,407 shares via Ascent Capital SAS, a legal entity related to Marc Frappier.

**Date of current appointment to office:** May 27, 2016

**Date of expiration of current term of office:** Ordinary general meeting called to approve the financial statements for the year ended December 31, 2019

**Member of a committee:** Member of the Appointments and Compensation Committee

**Main activity:** Managing Partner of Eurazeo* – Head of Eurazeo Capital

**Biography:** Marc Frappier is Managing Partner of Eurazeo, which he joined in 2006. In particular he has participated in making or monitoring investments in Accor/Edenred, Apcoa, Elis, Foncia, Rexel, Asmodee, IM Square and Fintrax. 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. He holds a degree in Accounting and Finance (DECF).

### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

None

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

- Managing Partner of Eurazeo*
- Chairman of the Board of Directors of IM Square
- Member of the Supervisory Board of Asmodee Holding
- Chairman and member of the Supervisory Board of Novacap Group Holding
- General Manager of Sphynx S.à.r.l (Luxembourg)
- Director of Franklin Ireland Topco Limited, Franklin UK Bidco Limited, Franklin UK Midco Limited, Franklin Ireland Bidco Limited and Connacht SPV1
- Permanent representative of Legendre Holding 36 on the Supervisory Board of Montmartre Asset Management

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- Director of Eurazeo Management Lux
- Vice-Chairman of the Advisory Board of APCOA Parking Holdings GmbH
- Vice-Chairman of the Supervisory Board of the Foncia Group
- Member of the Supervisory Board of APCOA Parking AG
- Representative of Eurozeo on the Supervisory Board of Rexel SA
- General Manager of ECIP Elis S.à.r.l, ECIP Agree S.à.r.l, Sphynx 1 S.à.r.l and Sphynx 2 S.à.r.l
- Member of the Board of Directors of Holdelis (now Elis*)
- Vice-Chairman of the Supervisory Commitee of Foncia Holding
- Director of RES 1 SA, RES 2 SA, ManFoncia 1 and ManFoncia 2

*(*) Listed company.*

## MAGALI CHESSE

Member of the Supervisory Board

**Business address:**

16/18 boulevard de Vaugirard, 75724 Paris Cedex 15, France

**Date of birth:** September 19, 1974

**Nationality:** French

**Date of first appointment:** June 1, 2016

**Number of Elis shares held:** 500

**Member of a committee:** Member of the Audit Committee

**Date of current appointment to office:** June 1, 2016

**Date of expiration of current term of office:** Ordinary general meeting called to approve the financial statements for the year ended December 31, 2018

**Main activity:** Investment Manager and Head of Private Equity at Crédit Agricole Assurances

**Biography:** Magali Chesse has been Investment Manager and Head of Private Equity at Crédit Agricole Assurances since 2010.

She began her career in private equity in 1999 (venture capital/growth capital). She served as Investment Director at Crédit Agricole Private Equity before joining Predica to head up the management and monitoring of equity, private equity and infrastructure asset classes. Magali Chesse is a graduate in management and economics from the universities of Strasbourg and Paris Dauphine and the Société Française des Analystes Financiers.

### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

None

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- Director of Predica Infrastructure SA
- Director of Ramsay Santé SA
- Director of Mezzanis Fund SA

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

- Member of the Supervisory Board of Infrapark SAS
- Member of the Supervisory Board of Infra Foch Topco SA
- Member of the Supervisory Board of Arcapark SA (the Indigo Group)
- Director of Frey SA
- Director of Ramsay Générale de Santé SA
- Permanent representative:
  - Effi Invest I SCA (Member of the Predica Supervisory Board)
  - Effi Invest II SCA (Member of the Predica Supervisory Board)
  - Predica, non-voting member of the Board of Directors of Siparex Associés SA
- Predica, non-voting member of the Supervisory Board of Tivana France Holdings SAS (the TDF Group)
- Director: 2i Aeroporti SpA

## THIERRY MORIN

Chairman of the Supervisory Board and independent member

**Business address:**
5, rue Quentin-Bauchart, 75008 Paris, France

**Date of birth:** March 27, 1952

**Nationality:** French

**Date of first appointment:** June 23, 2014 (member of the Board of Directors of the Company under its former structure as a French simplified limited liability company)

**Number of Elis shares held:** 1,233

**Date of current appointment to office:** June 24, 2015

**Date of expiration of current term of office:** Ordinary general meeting called to approve the financial statements for the year ended December 31, 2018

**Member of a committee:** Member of the Audit Committee

**Main activity:** President of the Thierry Morin Consulting company, General Manager of TM France

**Biography:** Thierry Morin started his career in 1977 as an engineer in the Sales Department of the Burroughs Corporation. Between 1978 and 1986, he worked as a financial controller, Chief 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 Chief Information Officer, and then Finance Director for the Audio Department. In 1989, Thierry Morin joined the Valeo Group as Finance Director of the Transmission segment. At Valeo, he then became Chief Financial Officer, Chief Strategy Officer, Chief Operating Officer and then Chairman and Chief Executive Officer in 2000. 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. In 2015, he acquired F2R, wheel producer for the automobile market (number one in France). He is also former Chairman of the Board of Directors of the French Patent and Trademark Office (INPI). Thierry Morin has a Master's degree in management from Université Paris IX-Dauphine.

He is an officer of the French Order of Merit, Knight of the French Legion of Honor and Knight of the French Order of Arts and Letters (Officier de l'Ordre National du Mérite, Chevalier de la Légion d'Honneur and Chevalier des Arts et des Lettres).

### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

None

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

- Director of Arkema*
- President of Thierry Morin Consulting (TMC)
- Manager of TM France
- President of TMPARFI SA (Luxembourg)

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- Member of the Board of Directors of Elis*
- Chairman of the Board of Directors of the Université de Technologie de Compiègne (UTC)

*(*) Listed company.*

## FLORENCE NOBLOT

Independent member of the Supervisory Board

**Business address:**

Le Mermoz, 53, avenue Jean-Jaurès, 93350 Le Bourget, France

**Date of birth:** May 15, 1963

**Nationality:** French

**Date of first appointment:** July 31, 2014 (member of the Board of Directors of the Company under its former structure as a French simplified limited liability company)

**Number of Elis shares held:** 1,000

**Date of current appointment to office:** September 5, 2014

**Date of expiration of current term of office:** Ordinary general meeting called to approve the financial statements for the year ended December 31, 2016

**Member of a committee:** Member of the Appointments and Compensation Committee

**Main activity:** Vice-President EMEA (Europe, Middle East and Africa) of DHL Express

**Biography:** Florence Noblot is Senior Vice-President EMEA, High Tech sector (Europe, Middle East and Africa) of the Deutsche Post DHL Group, which 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 a key account manager and was then Sales Director and Senior Vice-President of Global Customer Solutions (GCS) for the Asia-Pacific region between 2003 and 2006. Between 2008 and 2012, she was President of DHL Express France and was also a member of the Executive Committee for DHL Express Europe. In 2012, she became Director for sales projects in Europe for DHL Express Europe before being appointed Senior Vice-President Technology Sector EMEA (Europe, Middle East and Africa) in 2013, covering all activities of the Deutsche Post DHL Group. Florence Noblot studied economics at Université Paris II Panthéon Assas and completed the General Management Program of Harvard University in the United States in 2011.

### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

None

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

- Senior Vice-President Technology Sector EMEA of the DPDHL Group

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- Managing Director Commercial Projects of DHL Express
- President of DHL Express France SAS
- Member of the Board of Directors of Elis*

*(*) Listed company.*

## AGNÈS PANNIER-RUNACHER

Independent member of the Supervisory Board

**Business address:**

52, boulevard Haussmann, 75009 Paris, France

**Date of birth:** June 19, 1974

**Nationality:** French

**Date of first appointment:** October 8, 2014

**Number of Elis shares held:** 500

**Date of current appointment to office:** October 8, 2014

**Date of expiration of current term of office:** Ordinary general meeting called to approve the financial statements for the year ended December 31, 2017

**Member of a committee:** Chairman of the Audit Committee

**Main activity:** Chief Operating Officer of Compagnie des Alpes*

**Biography:** Agnès Pannier-Runacher is Chief Operating Officer of Compagnie des Alpes, which she joined in 2013. She previously worked as a senior civil servant (inspecteur des finances) at France's Ministry of the Economy, Finance and Industry, before becoming chief of staff and a member of the executive committee at Assistance Publique-Hôpitaux de Paris in charge of financial and economic issues. In 2006, she joined Caisse des Dépôts as Deputy Chief Finance and Strategy Officer, in charge of subsidiary monitoring, strategic equity investments and M&A. In 2009 she helped launch the Strategic Investment Fund (fonds stratégique d'investissement) and became a member of its Executive Committee. In 2011, she joined Faurecia Systèmes d'intérieur as Customer Relations Director of Tata-JLR, GME and Volvo. She is a graduate of the École des hautes études commerciales (HEC) and the École nationale d'administration (ENA), and holds a CEMS (HEC-Köln-Universität) Master's degree.

### MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

None

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

- Chief Operating Officer of Compagnie des Alpes*
- Director and Chairman of the Audit Committee of the Bourbon Group*
- Director of AFP
- Director and member of the Strategic Committee of Compagnie du Mont Blanc* (listed investment held by Compagnie des Alpes)
- Member of the Supervisory Board of Futuroscope (the Compagnie des Alpes Group)

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- Director of FSI-PME Entreprises SAS (formerly CDC Entreprises)
- Director of Grévin & Cie (the Compagnie des Alpes Group)
- Director and member of the Audit Committee of BPI France

*(*) Listed company.*

## MAXIME DE BENTZMANN

Member of the Supervisory Board

**Business address:**

1, rue Georges-Berger, 75017 Paris, France

**Date of birth:** September 30, 1984

**Nationality:** French

**Date of first appointment:** March 9, 2016

**Number of Elis shares held:** 500 (loan of Eurazeo shares)

**Date of current appointment to office:** March 9, 2016

**Date of expiration of current term of office:** Ordinary general meeting called to approve the financial statements for the year ended December 31, 2017

**Member of a committee:** No

**Main activity:** Principal of Eurazeo Capital

**Biography:** Maxime de Bentzmann joined Eurazeo in 2011. In particular, he has participated in making or monitoring investments in IM Square, Sommet Education, Edenred, Elis, Asmodee and Desigual. Prior to that, he was part of the consultant teams in Mergers & Acquisitions of Rothschild & Cie. Maxime de Bentzmann graduated from ESSEC and University of Mannheim.

**MAIN TERMS OF OFFICES AND POSITIONS HELD DURING THE PAST FIVE YEARS**

**OTHER OFFICES AND POSITIONS HELD WITHIN THE GROUP:**

None

**OFFICES AND POSITIONS HELD OUTSIDE THE GROUP:**

- Member of the Supervisory Board of Asmodee Holding
- Director of Graduate SA (Luxembourg)

**OFFICES AND POSITIONS HAVING ENDED OVER THE PAST FIVE YEARS:**

- Member of the Board of Directors of Holdelis (now Elis*)

*(*) Listed company.*

## 4.1.3 CHANGES IN THE COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BODIES

During the 2016 fiscal year, the composition of the management and supervisory bodies has undergone the following changes:

- March 9, 2016: co-optation of Maxime de Bentzmann as a new member of the Supervisory Board, replacing Eric Schaefer, who had resigned. This co-optation was ratified by the shareholders at their general meeting of May 27, 2016;
- April 3, 2016: appointment of Caroline Roche as Marketing and Innovation Director and Member of the Executive Committee;
- June 1, 2016: co-optation of Magali Chesse as a new member of the Supervisory Board, replacing Virginie Morgon, who had resigned. This co-optation will be submitted for ratification at the next general shareholders' meeting (see chapter 7 of this registration document).

## 4.1.4 DISCLOSURE STATEMENTS ON THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

As at the filing date of this registration document and to the best of the Company's knowledge:

- there are no family ties among the members of the Company's Management Board and Supervisory Board identified above;
- none of the members of the Company's Management Board or the Supervisory Board identified above have been convicted of fraud, or had a sentence imposed upon them or received a public sanction from a legal or regulatory authority in the past five years;
- none of the members of the Company's Management Board or the Supervisory Board identified above have been an executive or corporate officer of a company that has been declared bankrupt, or placed in liquidation or receivership in the past five years;
- none of the members of the Company's Management Board or the Supervisory Board have been prohibited by a court from serving as a member of an administrative, management or supervisory body, or from being involved in the management or conducting the business of a public company in the past five years;

- no current or potential conflicts currently exist between the duties with regard to Elis, and private interests and other duties of any of the members of the Management Board and the Supervisory Board.

## 4.1.5 MANAGEMENT OF CONFLICTS OF INTEREST

In order to prevent conflicts of interest between a member of the Supervisory Board and the Management Board or any Group company, the Appointments and Compensation Committee monitors the independence of the members with respect to the criteria of the AFEP-MEDEF Code, and discusses this topic in its meetings at least once per year.

In accordance with the provisions of Article 2.2 of the rules of procedure of the Supervisory Board, and in order to prevent the risk of conflict of interest, each Board member is required to disclose to the Supervisory Board, as soon as it is known to him, any situation giving the appearance of a conflict between the interests of the Company and their personal interest, direct or indirect, or the interest of a shareholder or the shareholder group that they represent.

## 4.1.6 REGULATED AGREEMENTS

In accordance with the provisions of Article L. 225-88-1 of the French Commercial Code, at its meeting of March 14, 2017 the Supervisory Board reviewed the regulated agreements and commitments with related parties entered into and authorized during previous years that remained in effect during the year 2016.

To this end, the Supervisory Board duly noted that the following agreements and commitments remained in effect during the year 2016:

- "Underwriting Agreement" entered into by the Company with Legendre Holding 27 and the banks charged with investing the shares in connection with the Company's initial public offering (led by BNP Paribas, Deutsche Bank AG London Branch and Goldman Sachs International and composed of Crédit Agricole Corporate and Investment Bank, HSBC France, Morgan Stanley & Co International plc and Société Générale) on February 10, 2015;
- subordination agreement dated June 14, 2013 replacing the subordination agreement dated October 4, 2007 entered into in connection with the overall refinancing of the Company's debt that took place on this same date. This agreement organizes the ranking and repayment priority of senior cash notes and senior PIK notes;
- the commitments made by the Company to Xavier Martiré, Louis Guyot and Matthieu Lecharny in connection with their termination benefits, in particular the payment of compensation in the event of their forced departure, subject to performance conditions, and the payment of non-compete compensation. These commitments are described in section 4.5 "Report on the compensation and benefits granted to the members of the Management Board and the Supervisory Board" of the 2016 registration document.

The Supervisory Board also noted that the subordination agreement ended on July 4, 2016 following Eurazeo's redemption of the bond. At its meeting of March 14, 2017 the Supervisory Board confirmed that it was in favor of maintaining the other agreements and commitments in effect in 2017.

As part of its annual review of the agreements outstanding, the Supervisory Board did not identify any agreement that no longer qualified as a regulated agreement in light of changing circumstances.

It should be noted that since the entry into force on August 3, 2014 of Order 2014-863 of July 31, 2014, the agreements entered into by the Company and any of its subsidiaries that are fully owned, directly or indirectly, are excluded from the scope of regulated agreements and therefore are not discussed in this section or in the Statutory Auditors' special report mentioned above (see section 4.2 of this 2016 registration document).

## 4.1.7 SERVICE AGREEMENTS AMONG THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODIES AND THE COMPANY OR ITS SUBSIDIARIES

As at the filing date of this registration document and to the best of the Company's knowledge, there is no:

- service agreement linking members of the Management Board or the Supervisory Board;
- 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;
- service agreement entered into by the Company or its subsidiaries and any of the members of the Management Board or the Supervisory Board.

### 4.1.8 AGREEMENTS ENTERED INTO BY A SUBSIDIARY (ARTICLE L. 225-102-1 PARA. 13)

To the best of the Company's knowledge, no agreement has been made, directly or through an intermediary, between, on the one hand and as applicable, one of the members of the Management Board or the Supervisory Board or one of its shareholders holding a fraction of the voting rights greater than 10% and, on the other hand, a company in which the Company directly or indirectly holds more than half of its share capital.

## 4.2 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH RELATED PARTIES

**(General Meeting called to approve the financial statements for the year ended December 31, 2016)**

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with related parties.

We are required to inform you, on the basis of the information provided to us, of the main characteristics and terms and conditions of the agreements and commitments brought to our attention or which we may have identified in the course of our audit, including the reasons justifying the Company's interest therein. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with Article R. 225-58 of the French Commercial Code (Code de commerce), to assess the benefits of these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to provide you with the information referred to in Article R. 225-58 of the French Commercial Code concerning the implementation, during the year under review, of the agreements and commitments already approved by the General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures entailed verifying that the information provided to us was consistent with the underlying documents.

### AGREEMENTS AND COMMITMENTS SUBMITTED TO THE GENERAL MEETING FOR APPROVAL

We inform you that we have not been advised of any authorized agreements or commitments during the financial year under review to be submitted to the approval of the General Meeting in accordance with the provisions of Article L. 225-86 of the French Commercial Code.

### AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

#### Agreements and commitments approved in previous years

We were informed that the following ongoing agreements and commitments, approved by the General Meeting in prior years, produced no effect during the year under review.

## UNDERWRITING AGREEMENT

*This Agreement was authorized by the Supervisory Board of Elis on January 26, 2015. On March 9, 2016, it was reviewed by the Supervisory Board, who took note of the ongoing validity of this agreement in 2016 and subsequent financial years, so long as the indemnity undertaking and the declarations made by the Company are still valid after the clearing and settlement process.*

### Nature, purpose and benefits

This Underwriting Agreement was entered into by the Company with Legendre Holding 27 and a bank syndicate led by BNP Paribas, Deutsche Bank AG, London Branch and Goldman Sachs International and composed of Crédit Agricole Corporate and Investment Bank, HSBC France, Morgan Stanley & Co International plc and Société Générale (the "Guarantor Institutions") on February 10, 2015.

The agreement consists of managing the sale of Company shares as part of the Company's initial public offering. Under the terms of this Agreement, all bank fees and transaction costs related to the Company's initial public offering are covered by Elis and Eurazeo, subject to certain limitations. The agreement provides in particular for basic bank fees equal to 1.50% of gross proceeds of the capital increase carried out as part of the Company's initial public offering and the sale of existing shares to be borne by the Company in the case of New Shares, and by Legendre Holding 27 in the case of Initial Shares Sold and Additional Shares Sold as part of the overallotment option (as these terms and conditions beginning with an uppercase letter are defined in the Underwriting Agreement). This Underwriting Agreement furthermore provides for the possible payment of an additional discretionary commission of 1.25% of the gross proceeds from the offering.

The agreement also contains a number of statements in particular by the Company. Any inaccuracy of these statements or failure of the Company to fulfill its obligations may, under certain circumstances, result in compensation on the part of the Company.

The shareholders and Supervisory Board members concerned by this Agreement are the following: Legendre Holding 27, which holds more than 10% of the Company's share capital and voting rights (Eurazeo), Virginie Morgon, Philippe Audouin, Marc Frappier and Eric Schaefer who are members of the Supervisory Board and corporate officers of the Eurazeo group (note that Eric Schaefer and Virginie Morgon resigned as Supervisory Board members on March 9 and June 1, 2016 respectively).

### Terms and conditions

In 2016, your Company incurred no expense in respect of this Agreement.

## SUBORDINATION AGREEMENT WITH LEGENDRE HOLDING 27

An associate which held more than 10% of voting rights on June 14, 2013 replacing the Subordination Agreement of October 4, 2007 entered into in connection with the overall refinancing of the Company's debt that took place on this same date.

*Intra-group loan authorized by the Board of Directors at its meeting of May 23, 2013 and approved by the General Meeting of June 23, 2014.*

*Riders No. 1 and No. 2 authorized by the Supervisory Board at its meetings of September 22, 2014 and October 10, 2014 and approved by the General Meeting of June 24, 2015.*

### Nature, purpose and benefits

This agreement organizes the ranking and repayment priority of senior cash notes and senior PIK notes.

### Terms and conditions

This agreement ended on July 4, 2016 following the full repayment of the PIK notes issued by Eurazeo.

## Agreements and commitments authorized during the past financial year

We have also been informed that the following agreements and commitments, which were approved by the General Meeting of Friday, May 27, 2016 based on the Statutory Auditors' special report dated Thursday, March 10, 2016, were implemented in the financial year just ended.

## SEVERANCE AGREEMENT WITH XAVIER MARTIRÉ, CHAIRMAN OF THE MANAGEMENT BOARD.

*Authorized by the Supervisory Board on October 10, 2014; reviewed and authorized by the Supervisory Board on March 9, 2016.*

### Nature, purpose and benefits

Termination benefits, subject to the performance conditions defined hereinafter, equal to 18 months of gross fixed and variable compensation calculated based on the average compensation received during the two full years preceding his departure, payable in the event of forced departure, except in the case of misconduct.

Performance is measured based on the following two criteria: (i) revenue and (ii) EBIT, which are calculated over the 12 consecutive months preceding the date of the last half-year-end prior to his departure. Performance is measured in relation to the objectives approved for the same period by the Supervisory Board.

The eligibility for termination benefits is conditional on the achievement of a certain level of performance. Accordingly, if neither of the aforementioned objectives is achieved, no benefit is payable, whereas if one target is achieved, two-thirds of the benefit is payable (i.e. 12 months of average gross fixed and variable compensation), and if both targets are achieved, the severance payment is payable in full.

### Terms and conditions

The Company did not recognize any amounts in this respect for the year ended Saturday, December 31, 2016.

## NON-COMPETE PAYMENT FOR XAVIER MARTIRÉ, CHAIRMAN OF THE MANAGEMENT BOARD.

*Authorized by the Supervisory Board on October 10, 2014; reviewed and authorized by the Supervisory Board on March 9, 2016.*

### Nature, purpose and benefits:

Non-compete agreement valid for one year as of the termination of his duties in order to protect the interests of the Company in the event of his departure. The non compete payment is equal to 50% of the gross fixed and variable compensation received by Xavier Martiré during the financial year preceding his departure. If the termination benefits and non-compete payment were both to become payable, the amount that could be received by Xavier Martiré in respect thereof would be capped at two years of gross fixed and variable compensation.

The Supervisory Board decided to maintain these principles and pursue these commitments in the interest of the Company and in line with market practices. The Board considered that this consistency with market practices was fundamental to attracting and retaining the talent required for the Group's success.

### Terms and conditions

The Company did not recognize any amounts in this respect for the year ended Saturday, December 31, 2016.

## TERMINATION BENEFITS AGREEMENT WITH LOUIS GUYOT, MEMBER OF THE COMPANY'S MANAGEMENT BOARD

*Authorized by the Supervisory Board on October 10, 2014; reviewed and authorized by the Supervisory Board on March 9, 2016.*

### Nature, purpose and benefits

Termination benefits, subject to the performance conditions defined hereinafter, equal to 18 months of gross fixed and variable compensation calculated based on the average compensation received during the two full years preceding his departure, payable in the event of forced departure, except in the case of misconduct.

Performance is measured based on the following two criteria: (i) revenue and (ii) EBIT, which are calculated over the 12 consecutive months preceding the date of the last half-year-end prior to his departure. Performance is measured in relation to the objectives approved for the same period by the Supervisory Board.

The eligibility for termination benefits is conditional on the achievement of a certain level of performance. Accordingly, if neither of the aforementioned objectives is achieved, no benefit is payable, whereas if one target is achieved, two-thirds of the benefit is payable (i.e. 12 months of average gross fixed and variable compensation), and if both targets are achieved, the severance payment is payable in full.

The Supervisory Board decided to maintain these principles and pursue these commitments in the interest of the Company and in line with market practices. The Board considered that this consistency with market practices was fundamental to attracting and retaining the talent required for the Group's success.

### Terms and conditions:

The Company did not recognize any amounts in this respect for the year ended Saturday, December 31, 2016.

## NON COMPETE PAYMENT FOR LOUIS GUYOT, MEMBER OF THE COMPANY'S MANAGEMENT BOARD

*Authorized by the Supervisory Board on October 10, 2014; reviewed and authorized by the Supervisory Board on March 9, 2016.*

### Nature, purpose and benefits:

Non-compete agreement valid for six months as of the termination of his duties in order to protect the interests of the Company in the event of his departure. The non compete payment is equal to 50% of the gross fixed and variable compensation received by Louis Guyot during the financial year preceding his departure. If the termination benefits and non-compete payment were both to become payable, the amount that could be received by Louis Guyot in respect thereof would be capped at two years of gross fixed and variable compensation.

### Terms and conditions:

The Company did not recognize any amounts in this respect for the year ended December 31, 2016.

## TERMINATION BENEFITS COMMITMENT FOR MONSIEUR MATTHIEU LECHARNY, MEMBER OF THE COMPANY'S MANAGEMENT BOARD

*Authorized by the Supervisory Board on October 10, 2014; reviewed and authorized by the Supervisory Board on March 9, 2016.*

### Nature, purpose and benefits:

Termination benefits, subject to the performance conditions defined hereinafter, equal to 18 months of gross fixed and variable compensation calculated based on the average compensation received during the two full years preceding his departure, payable in the event of forced departure, except in the case of misconduct.

Performance is measured based on the following two criteria: (i) revenue and (ii) EBIT, which are calculated over the 12 consecutive months preceding the date of the last half-year-end prior to his departure. Performance is measured in relation to the objectives approved for the same period by the Supervisory Board.

The eligibility for termination benefits is conditional on the achievement of a certain level of performance. Accordingly, if neither of the aforementioned objectives is achieved, no benefit is payable, whereas if one target is achieved, two-thirds of the benefit is payable (i.e. 12 months of average gross fixed and variable compensation), and if both targets are achieved, the severance payment is payable in full.

The Supervisory Board decided to maintain these principles and pursue these commitments in the interest of the Company and in line with market practices. The Board considered that this consistency with market practices was fundamental to attracting and retaining the talent required for the Group's success.

### Terms and conditions:

The Company did not recognize any amounts in this respect for the year ended Saturday, December 31, 2016.

## NON COMPETE PAYMENT FOR MATTHIEU LECHARNY, MEMBER OF THE COMPANY'S MANAGEMENT BOARD

*Authorized by the Supervisory Board on October 10, 2014; reviewed and authorized by the Supervisory Board on March 9, 2016.*

### Nature, purpose and benefits:

Non-compete agreement valid for six months as of the termination of his duties in order to protect the interests of the Company in the event of his departure. The non compete payment is equal to 50% of the gross fixed and variable compensation received during the financial year preceding his departure. If the termination benefits and non-compete payment were both to become payable, the amount that could be received by Matthieu Lecharny in respect thereof would be capped at two years of gross fixed and variable compensation.

### Terms and conditions:

The Company did not recognize any amounts in this respect for the year ended Saturday, December 31, 2016.

Neuilly-sur-Seine and Courbevoie, Wednesday, March 15, 2017

Les commissaires aux comptes

| **PricewaterhouseCoopers Audit** | **Mazars** |
|---|---|
| Bruno Tesnière | Isabelle Massa |

# 4.3 CHAIRMAN OF THE SUPERVISORY BOARD'S REPORT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL AFR

The purpose of this report is to provide information about the composition of the Supervisory Board, the application of the principle of balanced representation of men and women on the Board, the conditions for preparing and organizing the work of the Supervisory Board, and the internal control and risk management procedures implemented by the Company and its subsidiaries.

This report has been prepared in accordance with Article L. 225-68 of the French Commercial Code and the corporate governance recommendations set out in Article 25 of the AFEP-MEDEF Corporate Governance Code for listed companies as amended in November 2016, which may be viewed on the website (www.medef.com).

The Chairman of the Supervisory Board has tasked the Finance, Legal and Internal Audit Departments with carrying out preparatory steps for this report, which was then reviewed by the Audit Committee and the Appointments and Compensation Committee, and approved by the Supervisory Board on Tuesday, March 14, 2017.

## 4.3.1 CORPORATE GOVERNANCE

### Statement on corporate governance

At its meeting of January 26, 2015, the Supervisory Board, having reviewed the recommendations issued by the French Association of Private Sector Companies (*Association française des entreprises privées – AFEP*) and the French Employer Federation (*Mouvement des entreprises de France – MEDEF*) in the AFEP-MEDEF Corporate Governance Code for listed companies, believed that these recommendations are consistent with the Company's corporate governance approach and consequently decided to adopt them, particularly for the drafting of this Chairman's report on corporate governance and internal control.

In this regard, the Company, ensured the presence of independent members on its Supervisory Board, endowed the Supervisory Board with special committees in charge of providing it with recommendations in the field of strategy, on the audit of financial statements and senior executives' compensation. Additionally, the taking of a certain number of decisions, which may have significant consequences on the Company's business or the business of one of the Group companies, their assets and their earnings, is subject to the Supervisory Board's preliminary approval.

Subject to the indications mentioned in the summary table below showing the few recommendations of the AFEP-MEDEF Code which were not used, the Company adopted all of said recommendations.

## Implementation of the "comply or explain" rule

In the context of the "comply or explain" rule stipulated in Article L. 225-68 of the French Commercial Code and referred to in Article 27 of the AFEP-MEDEF Code of November 2016, the Company believes that its practices comply with the recommendations of the AFEP-MEDEF Code, with, however, the exception of the following recommendations:

| Deviations from the provisions of the AFEP-MEDEF Code | Explanation |
|---|---|
| **The Board of Directors and strategy**<br>Article 3.2: "The rules of procedure of the Board of Directors must specify the cases that require prior approval by the Board of Directors and establish their principle, which may vary depending on the Company's branches concerned, according to which any material transaction outside the announced strategy of the Company must be approved in advance by the Board of Directors." | The limits to the powers of the Management Board are defined in Article 20-iv of the Company's articles of incorporation, which is referred to in the Board's rules of procedure (see the Chairman of the Supervisory Board's report on corporate governance and internal control, paragraph "Roles and responsibilities of the Supervisory Board," page 127 of this 2016 registration document). This difference is technical and has no consequences on the merits. |
| **Board sessions and committee meetings**<br>Article 10.3: "It is recommended that one meeting be held every year from which executive corporate officers are excluded. | The Supervisory Board held no formal meetings in 2016 outside the presence of the members of the Management Board. The performance appraisals of the Chairman and the members of the Management Board were examined by the Appointments and Compensation Committee.<br>Among the recommendations issued by Board members as part of the Board's self-assessment was that such a meeting was recommended and desired by the members and will be arranged in 2017. |

## Composition of the Supervisory Board – terms of office – Office of the Supervisory Board – termination of offices

Pursuant to the provisions of Article 17 of the Company's articles of incorporation and Article 1 of the rules of procedure of the Supervisory Board, the Supervisory Board is composed of a number of members which may not be less than three or greater than eighteen, subject to exemptions provided for by law.

The members of the Supervisory Board shall be appointed by the ordinary general meeting, subject to the possibility for the Supervisory 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 meeting. The number of members of the Supervisory Board who have reached the age of 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 Chairman, shall cease to hold his office after the next ordinary general meeting.

Subject to the legal provisions applicable for provisional appointments, Article 17 of the Company's articles of incorporation sets the term of office for members of the Supervisory Board to four years. They may be re-elected. The term of office of a member of the Supervisory Board shall expire at the end of the ordinary general meeting called to approve the financial statements for the previous year and held in the year during which the term of office expires.

Additionally, Article 17 of the articles of incorporation provides that the members of the Supervisory Board may be removed at any time by the ordinary general meeting.

As part of a process of better governance and to comply with the recommendations of the AFEP-MEDEF Code, a staggered renewal of the terms of office of Supervisory Board members was decided upon, on the recommendation of the Appointments and Compensation Committee and in order to avoid all terms of office being due for renewal at the same time, and to facilitate a smooth reappointment process for its members. The staggered renewal of the terms of office of all the members of the Supervisory Board thus allows the general meeting of shareholders to approve the renewal of several offices each year. The Company's articles of incorporation thus stipulate that the general 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 years so as to permit the staggered renewal of the terms of office of the members of the Supervisory Board.

Pursuant to Article 18 of the articles of incorporation and Article 1.3 of its rules of procedure, the Supervisory Board shall elect a Chairman and a Vice-Chairman from among its members, for the duration of their term of office. Pursuant to these Articles, Thierry Morin and Marc Frappier serve as the Chairman and the Vice-Chairman, respectively, of the Supervisory Board.

As at the filing date of this report, the Supervisory Board had nine members, including three women and five members deemed independent based on the criteria set by the AFEP-MEDEF Code. The detailed list of the members of the Supervisory Board is presented in section 4.1.2 "The Supervisory Board" of this chapter and the criteria used to assess the independence of the members are explained below.

## Independence of the members of the Supervisory Board

Article 1 of the rules of procedure of the Supervisory Board provides that with each reappointment or appointment of a member of the Supervisory Board and at least once per year before publication of the Company's annual report, the Supervisory Board shall assess the independence of each of its members (or candidates), in accordance with the recommendations of the AFEP-MEDEF Code. During such assessment, the Supervisory Board, after having received the opinion of 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-à-vis* the Company. The shareholders shall be informed of the conclusions of such assessment in the annual report and, if applicable, at the general meeting when the members of the Supervisory Board are elected.

The independence criteria for the members of the Supervisory Board used by the Company are those of the AFEP-MEDEF Code as amended in November 2016. They are as follows:

- not be or have been in the past five years:
  - an employee or executive corporate officer of the Company,
  - an employee, executive corporate officer or director of a company consolidated by the Company,
  - an employee, executive corporate officer or director of the Company's parent company or a company consolidated thereby;
- not be an executive corporate officer of a company in which the Company directly or indirectly holds an office as director or in which an employee nominated as such or an executive corporate officer of the Company (currently or who has held such an office for less than five years) holds an office as director;
- not be a major customer, supplier, investment banker or financing banker:
  - of the Company or its Group, or
  - for which the Company or its Group represents a significant share of its business;
- not have close family ties with another corporate officer;
- not have been the Company's Statutory Auditor in the past five years; and
- not have been a director or member of the Supervisory Board of the Company for more than 12 years.

Article 1 of the rules of procedure of the Supervisory Board lists the aforementioned independence criteria.

For members of the Supervisory Board holding 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 they satisfy the above criteria, must not be deemed independent given their particular situation or the Company's situation, *vis-à-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.

In accordance with Article 1 of its rules of procedure and Article 8.4 of the AFEP-MEDEF Code of November 2016, the Appointments and Compensation Committee and the Supervisory Board at their meetings of January 31, 2017 and March 14, 2017, respectively, carried out an annual review of the independence of the Board members with respect to said criteria and of Anne-Laure Commault, whose appointment as a new member of the Supervisory Board will be submitted for shareholder approval at the general meeting of May 19, 2017.

At those meetings, the Appointments and Compensation Committee and then the Supervisory Board reviewed in particular the business relationships between Elis and the companies in which the independent members of the Supervisory Board hold executive positions. The Supervisory Board uses a quantitative criterion to assess the significance of the business relationship, namely 1% of the revenue generated by the company in which the member holds a position. It appears that the nature of the business relationships between the Company and the company or group in which the members of the Supervisory Board hold executive positions is not material and below 1% of the consolidated revenue.

In light of the above, the Supervisory Board deemed that the business relationships conducted by the companies in which some independent board members held executive positions did not affect their independence.

At the end of its review, and based on the report of the Appointments and Compensation Committee, the Supervisory Board concluded that all of those criteria had been met, and confirmed that the independence criteria continue to be met by Michel Datchary, Florence Noblot, Philippe Delleur, Thierry Morin and Agnès Pannier-Runacher.

**SUMMARY TABLE ON THE SITUATION OF THE INDEPENDENT MEMBERS OF THE SUPERVISORY BOARD:**

*(The table below concerns only the members deemed independent by the Board as at the filing date of this registration document.)*

| Criteria for assessing independence | Agnès Pannier-Runacher | Thierry Morin | Philippe Delleur | Michel Datchary | Florence Noblot |
|---|---|---|---|---|---|
| Is not and has not been in the past five years: | | | | | |
| - an employee or executive corporate officer of the Company;<br>- an employee, executive corporate officer or director of a company consolidated by the Company;<br>- an employee, executive corporate officer or director of the Company's parent company or a company consolidated thereby | ✓ | ✓ | ✓ | ✓ | ✓ |
| - an executive corporate officer of a company in which the Company directly or indirectly holds an office as director or in which an employee nominated as such or an executive corporate officer of the Company (currently or who has held such an office for less than five years) holds an office as director | ✓ | ✓ | ✓ | ✓ | ✓ |
| - a major customer, supplier, investment banker or financing banker of the Company or its Group, or for which the Company or its Group represents a significant share of business | ✓ | ✓ | ✓ | ✓ | ✓ |
| - not have close family ties with another corporate officer | ✓ | ✓ | ✓ | ✓ | ✓ |
| - the Company's Statutory Auditor | ✓ | ✓ | ✓ | ✓ | ✓ |
| - a director or member of the Supervisory Board of the Company for more than 12 years | ✓ | ✓ | ✓ | ✓ | ✓ |

The rules of procedure provide that each member who is deemed independent shall inform the Chairman of the Supervisory Board, as soon as he becomes aware of it, of any change in their personal situation with respect to these same criteria.

## Diversity in the composition of the Supervisory Board

The Supervisory Board carefully selects its members to ensure diverse expertise and balanced representation of men and women, in proportions that comply with the requirements of the provisions of Article L. 225-69-1 of the French Commercial Code relating to the balanced representation of women and men on Boards of Directors and Supervisory Boards and workplace equality. As at the filing date of this registration document, the proportion of women on the Supervisory Board was 33.33%, and shareholders will be ask to vote on the appointment of Anne-Laure Commault as a new member of the Supervisory Board. If shareholders approve this proposal, the proportion of women on the Board will rise to 40%, the rate set forth in the aforementioned Article L. 225-69-1 of the French Commercial Code, within the deadline stipulated in said article.

## Representation of employees on the Supervisory Board

As at the filing date of this registration document, there were no members elected by employees or members representing shareholder employees on the Supervisory Board.

### Representative of shareholder employees

With respect to the members representing shareholder employees, Article 17 VI of the Company's articles of incorporation provides for the appointment of a member from among the shareholder employees under the terms of Article L. 225-79 of the French Commercial Code, when it has been established that the shares held by the employees of the Company and its affiliates within the meaning of Article L. 225-180 of the French Commercial Code represent more than 3% of the Company's share capital, insofar as the Supervisory Board does not already have among its members one or more members appointed from among the members of the Supervisory Boards of the employee shareholding mutual funds (FCPE) representing employees, or one or more employees elected pursuant to Article L. 225-79 of the French Commercial Code if the articles of incorporation have used of this provision. As the 3% threshold for the share capital above has not been reached (see chapter 8 "Information about the Company and its capital", section 8.5.1 "Ownership of share capital and voting rights" of the 2016 registration document), this member category is not currently represented on the Supervisory Board.

**Representation of employees (Article L. 225-79-2 of the French Commercial Code)**

In accordance with the provisions of Law No. 2015-994 of August 17, 2015 on Social Dialogue for the Promotion of Employment and Social Protection which amended Article L. 225-79-2 of the French Commercial Code introduced by the French Employment Protection Act of June 14, 2013, the Company now falls within the scope of the new rules providing for the mandatory representation of employees on its Board of Directors and Supervisory Board, and must therefore appoint at least one employee representative to the Supervisory Board according to the procedures laid down by its articles of incorporation.

As the procedures for appointing employee-representative members are to be introduced into the articles of incorporation no later than June 30, 2017, shareholders will consequently be asked to bring the Company into compliance with these new provisions and amend Article 17 of the Company's articles of incorporation to allow for the appointment of a Supervisory Board member representing employees (for more details on this resolution, see chapter 7, section 7.2.3 of this registration document).

It should also be noted that as M.A.J., the Group's main French operating subsidiary, implemented measures necessary to ensure employees are represented on its Board of Directors pursuant to Article L. 225-27 paragraph 2 of the French Commercial Code, this employee representative rule will be implemented within the Company at the end of the term of the employee directors serving on the Board of Directors of M.A.J., pursuant to the provisions of Article II of the Rebsamen Law.

## Preparation and organization of the work of the Supervisory Board in 2016

### Rules of procedure of the Supervisory Board

The rules of functioning of the Supervisory Board are set by the Company's articles of incorporation and the rules of procedure of the Supervisory Board, which can be viewed in full on the Company's website (www.corporate-elis.com).

The rules of procedure of the Board of Directors and those of its special committees were approved by the Supervisory Board at its meeting of September 5, 2014, and their provisions have been applicable since February 11, 2015, the date of admission of the Company's shares for trading on the Euronext Paris regulated market. Since being adopted, the rules have been adapted.

### Roles and responsibilities of the Supervisory Board

Pursuant to legal provisions, the Company's articles of incorporation (Articles 17 and 20) and the Supervisory Board's rules of procedure (Articles 1, 2 and 3), the Supervisory Board shall exercise permanent control of the Company's management by the Management Board, under the conditions provided by law, the Company's articles of incorporation and the rules of procedure of the Board and its committees. At any time of the year, it shall carry out inspections and verifications it considers appropriate, and may receive any documents it deems useful in fulfilling this responsibility.

The Management Board shall present a report at least once per quarter, retracing the Company's primary management actions or facts, with all information allowing the Board to be fully informed of the development of corporate business, as well as the half-year financial statements and quarterly accounting information.

The Management Board shall also present to the Supervisory Board the budget and investment plans once every six months.

In particular, after the end of each year, and at the end of each half year, within the statutory time limits, the Management Board shall present to the Supervisory Board, for verification and control, the annual separate and consolidated financial statements, the half-year consolidated financial statements and its report to the shareholders' meeting. In this regard, the Supervisory Board shall examine the half-year financial reports, the quarterly financial information and the financial press releases to be published by the Company. The Supervisory Board shall present to the general meeting its observations on the Management Board's report and the Company's annual separate and consolidated financial statements and the half-year 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 Company's articles of incorporation.

The Supervisory Board shall determine the draft resolution proposing to the general meeting to appoint Statutory Auditors, as provided by law.

### Preliminary approval from the Supervisory Board

In addition to transactions relating to the granting of any endorsements and guarantees which must have the preliminary approval from the Supervisory Board by virtue of applicable laws and regulations, Article 20 IV of the Company's articles of incorporation as well as Article 3.2 of the rules of procedure of the Supervisory Board provide that the transactions below, within the Company or its subsidiaries controlled within the meaning of Article L. 233 3 of the French Commercial Code, must obtain the preliminary approval from the Supervisory Board:

- proposals to the general meeting of the Company for any amendments to the Company's articles of incorporation;
- any proposal of resolutions to the general meeting of the Company relating to 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 the Company's share capital, by issuance of securities or cancellation of securities;
- any proposal to the general meeting of the Company to allocate earnings, distribute dividends, or distribute interim dividends;
  - any implementation of options plans or bonus share plans, and any grant of stock options or bonus shares within the Group;

- the appointment, reappointment or removal of the Company's Statutory Auditors;
- the significant transactions likely to 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 loan, financing or partnership agreement, and any issuance of non-convertible bonds of the Group if the amount of the transaction or agreement, whether occurring at a single time or several times, exceeds €100 million;
- acquisitions, extensions or disposals of investments made by the Group in any companies formed or to be formed in an amount greater than €20 million in enterprise value;
- any transaction plan of the Group whose investment or divestment amount is greater than €20 million if such transaction has not been included in the budget or in the investment plan;
- any decision to perform a merger, demerger, partial asset contribution or similar transactions involving the Company;
- in case of disputes involving the Group, settlement agreements or concessions greater than €5 million;
- any significant change in the accounting policies applied by the Company other than those based on amendments to the IAS/IFRS standards;
- any agreement subject to Article L. 225-86 of the French Commercial Code.

## Information provided to the Supervisory Board

In order to allow it to fulfill its duties, the Supervisory Board shall be regularly informed by the Management Board of developments in the Group's business, the goals of the Group's management and their achievement (in particular compared to the annual budget and the investment plan) as well as investment policies, control of risk exposure, human resources management policies and their implementation within the Group, the financial position, the cash position and the commitments made by the Company. The Board shall be informed by the Management Board of any special situation, when necessary. In this regard, and pursuant to Article 4.4 of the rules of procedure of the Supervisory Board, the Management Board shall notably communicate to the Supervisory Board and, as needed, its special committees, the following information:

- generally, 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;
- 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 separate financial statements, notably including a statement of financial position, an income statement and explanatory notes, accompanied by the Statutory Auditors' reports;
- twice per year, a summary table of the breakdown of the Company's securities;
- once per month, a summary of the most important financial and operational information regarding the Company and the Group;
- 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, a business review for the Company and the Group;
- within two months of the end of the first half year, the Management Board shall present to the Audit Committee, then to the Supervisory Board, for the verification and auditing work, the Company's consolidated financial statements and the related half-year management report;
- within two months of the end of the year, the Management Board shall present to the Audit Committee, then to the Supervisory Board, for the verification and auditing work, the Company's annual separate and consolidated financial statements and the related management report;
- 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 days of their establishment and after having been reviewed by the Audit Committee;
- the Company's and the Group's annual budget and mid- and long-term investment and financial plan, with the Supervisory Board having the right to request that the Management Board communicate a monthly monitoring statement thereon;
- 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;
- pursuant to the Audit Committee's rules of procedure and at least once per year, the Management Board shall present to the Audit Committee its policy for controlling and monitoring all types of risks to which the Company and the Group are exposed, and the programs and resources implemented, with the monitoring statement pertaining to the effectiveness of the internal control, internal audit and risk management systems in the Group; and
- pursuant to the rules of procedure 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 all information regarding the fixed and variable, including deferred or conditional, components of compensation and benefits, 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 Committee.

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.

The rules of procedure also stipulate that Supervisory Board members may request additional training on the specific features of the Company and the companies it controls, their businesses and their business sectors, and may also obtain information occasionally or hear from members of the Board of Directors or members of the Executive Committee. Lastly, the rules also stipulate that Board members shall, in general, receive periodic, ongoing information about the Company's results, activities and developments.

## Functioning of the Supervisory Board: meetings and decisions

Articles 19 and 5 respectively of the Company's articles of incorporation and the rules of procedure of the Supervisory Board set the modes in which the Supervisory Board meets and deliberates.

Consequently, Supervisory Board meetings shall be convened by the Chairman or, in the event of an impediment, by the Vice-Chairman, and by any means, even orally.

However, the Chairman must convene a meeting when at least one member of the Management Board or at least one-third of Supervisory Board members submit a justified written request to do so, within fifteen days of receipt of that request. If the request goes unanswered, its authors may convene the meeting themselves, providing the agenda for the session.

Meetings shall be held at the Company's registered office or at any other place stated in the call to the meeting. The Chairman of the Supervisory Board shall chair meetings. If the Chairman is absent, the Vice-Chairman shall chair the meeting. In the event that both are absent, the meetings shall be chaired by a Board member designated by the Board.

The deliberations of the Supervisory Board shall be valid only if at least one-half of its members is present or represented. Decisions shall be made by a majority vote of the members present or represented. In case of a tie, the Supervisory Board's Chairman shall cast the deciding vote, as the meeting's Chairman shall not have a deciding vote if they are not the Supervisory Board's Chairman.

Members participating in Supervisory Board 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 Board shall meet at least four times per year, namely to examine the quarterly report that the Management Board must present to it, as needed by the Audit Committee, and to verify and check the documents and information provided by the Management Board, and at any other time, when in the Company's interest. The frequency and length of meetings must be such that they allow for the examination and in-depth discussion of subjects under the Supervisory Board's responsibility.

During each meeting, the members of the Supervisory Board have had in report form the documents allowing them to decide knowingly. These documents shall be sent to the members of the Supervisory Board by electronic mail several days in advance of periodic Board meetings. The full report shall be submitted at the beginning of the meeting and the main items are generally presented in the meeting and commented upon during the presentation.

For special Supervisory Board meetings, the documents shall be sent, if possible, by electronic mail within a time limit allowing the Board members to decide on the agenda submitted to them. Moreover, the reports shall also be provided in paper form upon request.

Pursuant to the rules of procedure of the Supervisory Board and the rules of procedure and charters of its committees, certain subjects shall be examined by the various committees, according to their specialization, before being presented and submitted to the Supervisory Board for approval. These subjects shall include (i) for the Audit Committee a review of the financial statements, an examination of the internal control procedures, the Statutory Auditors' assignments and the financial transactions, (ii) for the Appointments and Compensation Committee the appointment of new members to the Supervisory Board and of executive corporate officers, the composition of the committees and the compensation of Board members and executive corporate officers. Their respective chairmen shall present the minutes of the work meetings of the various committees to the Supervisory Board during its meetings.

Company managers may also be invited to Supervisory Board meetings to present particular reports and/or respond to questions from Board members depending on the subjects discussed and the specialties of said people.

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. The minutes of each meeting shall be formally approved during the next meeting.

## Supervisory Board's work in 2016

The Supervisory Board is convened by its Chairman and meets according to a schedule jointly agreed upon before the end of the previous fiscal year. This schedule may be modified during the year if several members so request or if unforeseen events so warrant. In accordance with its assigned roles and responsibilities, and on the terms described above, the Supervisory Board met nine times during the 2016 financial year, with a 93.43% attendance rate. Meetings lasted an average of approximately three hours.

The year 2016 was marked by major transactions that resulted in considerable work for the Supervisory Board, particularly regarding the following subjects:

- the presentation of the separate and consolidated financial statements for the financial year 2015, the results and financial statements for the first half of 2016, the 2016 quarterly financial information, and the half-year financial report and related financial communication;
- the Group's strategy, planned acquisitions and intragroup restructuring transactions, in particular the strategic acquisitions of Lavebras in Brazil and Indusal Spain and their

financing arrangements - the underwriting of a bridge loan amounting to €550 million, the capital increase amounting to €325 million approved by the Management Board on January 17, 2017 - and the refinancing of a new Syndicated Senior Credit Facility Agreement;

- the preparation of the annual general shareholders' meeting of May 27, 2016, the examination of the Management Board's report on the Group's management and activities for the financial year 2016, and the approval of the reports to be presented to the shareholders (the Chairman of the Supervisory Board's report on corporate governance and internal control);
- the compensation policy for the members of the Management Board;
- the allocation of directors' fees between the members of the Supervisory Board and the committees;
- the setting up of a performance share plan;
- the independence review of the Supervisory Board members and the evolution of the composition of the Board;
- the examination of regulated agreements and commitments with related parties and the authorization of their conclusion in accordance with Article L. 225-86 of the French Commercial Code.

## Code of Conduct for Trading and Market Activities

During its meeting of January 26, 2015, the Company's Supervisory Board adopted a Code of Conduct for Trading and Market Activities whose purpose is to reiterate the legal and regulatory provisions applicable in matters of distribution and use of the information relating to the Company, more particularly privileged information, and the preventive measures implemented by the Company to allow everyone to invest in its shares, while following the rules related to market integrity. This Code thus tends to prevent defaults and insider trading by prohibiting any insider from using and/or communicating privileged information and to perform transactions on securities of the Company. The Code was adapted in 2016 following the entry into force on July 3, 2016 of regulation (EU) No. 596/2014 of April 16, 2014 on market abuse (the market abuse regulation or "MAR") one of the provisions of which led to amendments to the disclosure obligations of executives and individuals related to them in respect of transactions in the financial instruments of listed companies.

Beyond the legal periods of prohibition from trading in securities of the Company provided for in Articles L. 225-177 and L. 225-197 of the French Commercial Code, the Code of Conduct for Trading and Market Activities provides for periods of refraining from trading in securities related to financial reporting.

This Code is given to each of the members of the Supervisory Board and to each insider who undertakes to follow its terms in all circumstances during the entire term of their corporate office.

Article 2.8 of the rules of procedure of the Supervisory Board also provides that each member of the Supervisory Board must disclose to the Company any transaction carried out in the Company's securities in accordance with the applicable legal 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.

Details of the transactions in the Company's securities carried out by the members of the Management Board and the Supervisory Board during the 2016 financial year and since the start of the current financial year are shown in chapter 8, section 8.5.4 "Share transactions carried out by executives and similar persons" of this 2016 registration document.

The Supervisory Board designated a compliance officer responsible for ensuring the observation of the provisions of the Code and responding to any questions and inquiries of insiders relating to this document.

## Shareholdings of members of the Supervisory Board

Pursuant to the recommendations of the AFEP-MEDEF Code, the Company's articles of incorporation and the rules of procedure of the Supervisory Board stipulate that:

- every member of the Supervisory Board must be a personal shareholder and hold at least 500 shares during the entire term of their office;
- the Supervisory Board members shall increase the number of shares that they hold in order to bring the total to the equivalent of one year of directors' fees at the time of their reappointment (Article 2.9 of the Supervisory Board's rules of procedure).

The shares acquired by the members of the Supervisory Board must be held as registered shares.

As at the filing date of this registration document, each of the members of the Supervisory Board satisfied the statutory requirement. Details on the number of shares held by each of the members are provided in section 4.1.2 of this 2016 registration document.

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 employees and 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.

## Assessment of the Supervisory Board

In accordance with the AFEP-MEDEF Code, Article 8 of the rules of procedure of the Supervisory Board provides for an annual assessment of the Board on a report of the Appointments and Compensation Committee on its operating modes, and for a formal assessment of the Board and its committees every three years, possibly led by an independent member of the Supervisory Board, and if necessary, with the help of an outside consultant.

As part of the work conducted by the Supervisory Board to improve its composition, operating procedures, organization and relations with special committees, the Appointments and Compensation Committee conducted an assessment of this body in 2016 through an individual self-assessment questionnaire featuring pre-selected topics based on relevant recognized practices and tailored to the Elis Group's specific characteristics. The questionnaire included a section designed for each committee, where committee members could express their opinion on the committee's operating procedures and interaction with the Supervisory Board. The responses of the Supervisory Board members to this questionnaire were reviewed by the Appointments and Compensation Committee and then at the Supervisory Board meeting held on March 14, 2017.

The key findings of the self-assessment were as follows:

- members were of the unanimous opinion that the Supervisory Board operates smoothly and discussions are open. The number and duration of meetings are adequate;
- Board members wanted to meet at least once a year without Management Board members in attendance in particular to discuss the performance of the executives and their compensation. Members of the Supervisory Board also wanted board meetings to include more discussion about the Group's strategy and CSR issues.

The Supervisory Board will conduct another review of its operations and those of its committees in 2017.

## The Supervisory Board's committees

Pursuant to the stipulation of Article 20.VI of the Company's articles of incorporation and Article 9 of its rules of procedure, at its meeting of September 5, 2014 the Company's Supervisory Board decided on the creation of two permanent special 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 procedure of each committee and are approved by the Supervisory Board.

Each of the committees has its own rules of procedure whose stipulations became applicable on the date the Company's shares were admitted for trading on the Euronext regulated market in Paris, i.e., February 11, 2015. The descriptions below relating to the composition and functioning of each of the committees reflect the said rules of procedure.

## The Audit Committee

### Composition of the Audit Committee (Article 9 of the Supervisory Board's rules of procedure)

The Audit Committee is comprised of three to seven members, who are appointed on an individual basis and may not be represented by another party. They shall be chosen freely from its own members by the Supervisory Board, which ensures that it includes independent members based on the independence criteria adopted by the Company (see above for the concept of "independence," page 125).

The term of office of a member of the Audit Committee shall be 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 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 composition of the Audit Committee changed during the 2016 financial year with the arrival of Magali Chesse and the departure of Philippe Audouin. As at the filing date of this registration document, the Audit Committee was composed of three members, two of whom are independent, in accordance with the AFEP-MEDEF Code (section 15.1): Agnès Pannier-Runacher, independent member and committee chair, Thierry Morin, independent member, and Magali Chesse.

The secretarial duties for the Audit Committee's work shall be provided by any person appointed by the Committee's Chairman.

### Member expertise

In accordance with the AFEP-MEDEF Code, the Supervisory Board believes that all the members of the Audit Committee have specific financial expertise, as stipulated by the provisions of Article L. 823-19 paragraph 2 of the French Commercial Code, as proven by their experience, past career and training, which are presented in section 4.1.2 of this 2016 registration document. The chairing of the committee was entrusted to Agnès Pannier-Runacher who possesses the required skills, especially in view of her position as deputy Chief Executive Officer of the Compagnie des Alpes and her directorships with large groups.

### Roles and responsibilities of the Audit Committee (Article 1 of the rules of procedure of the Audit Committee)

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.

In this respect, the Audit Committee notably performs the following principal duties:

- the monitoring of the process of preparing financial information;

- the monitoring of the effectiveness of internal control, internal audit and risk management systems relating to financial and accounting information;
- the monitoring of the statutory audit of parent company yearly and consolidated financial statements by the Company's Statutory Auditors; and
- the monitoring of the Statutory Auditors' independence.

The Audit Committee's rules of procedure were adapted to take account of the audit reform. They now stipulate that non-audit services authorized under the regulations must be approved by Audit Committee.

### Work carried out in 2016

In 2016 the Audit Committee met four times, with an attendance rate of 100%. Its work primarily focused on the review of the key points of the financial statements for the year 2015 and for the first half year of 2016. It also focused on the presentation of the main risks for the Group, especially through the presentation of the risk map, on the assessment of the internal audit, on the examination of the main results of the audit assignments carried out throughout the year, on the results of the internal control self-assessment campaign, and on the monitoring of the 2016 audit plan. During the review of the draft press releases on the full- and half-year results, the committee ensured that the presentation of the financial information to the market was consistent with the financial statements. The committee consistently worked with the Statutory Auditors.

Since the beginning of the financial year on January 1, 2016, the Audit Committee has met once and all of its members were present. The work mainly focused on the review of the parent company and consolidated financial statements for the year ended December 31, 2016.

### Functioning (Article 2 of the rules of procedure of the Audit Committee)

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 Chairman or Secretary, provided that at least one-half of the members participate in the meeting. Committee members cannot give a proxy to another member to represent them.

The recommendations issued by the Audit Committee shall be adopted by a simple majority of the members present. In case of a tie, the committee's Chairman shall cast the deciding vote.

Calls to meetings shall include an agenda and may be transmitted orally or by any other means.

The Audit Committee shall meet as often as needed and, in any event, at least two times per year when the annual financial statements and the half-year financial statements are being prepared.

Audit Committee meetings shall take place before Supervisory Board meetings and, to the extent possible, at least two days before such meetings if the agenda includes the review of the half-year and annual financial statements prior to their review by the Supervisory Board.

## The Appointments and Compensation Committee

### Composition of the Appointments and Compensation Committee (Article 9 of the rules of procedure of the Supervisory Board)

The Appointments and Compensation Committee is composed of three to seven members who are appointed on an individual basis and may not be represented by another party. They shall be chosen freely from its own members by the Supervisory Board, which ensures that it includes independent members based on the independence criteria adopted by the Supervisory Board (see above for the concept of "independence", page 125 of this Chairman of the Supervisory Board's report).

The term of office of a member of the Appointments and Compensation Committee shall be 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 Appointments and Compensation Committee and, consequently, end the term of office of a committee member.

The Appointments and Compensation Committee has three members, two of whom are independent in accordance with the AFEP-MEDEF Code (section 15.1): Michel Datchary, independent member, who is the Chairman of the current committee, Florence Noblot, independent member and Marc Frappier.

The secretarial duties for the Appointments and Compensation Committee's work shall be provided by the Group Human Resources Director.

### Roles and responsibilities of the Appointments and Compensation Committee (Article 1 of the rules of procedure of the Appointments and Compensation Committee)

The Appointments and Compensation Committee is a special committee of the Supervisory Board whose principal duties are to assist the Supervisory Board in forming the Company's 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.

In this context, the Appointments and Compensation Committee shall perform the following tasks in particular:

- issuance of proposals for appointments of independent members of the Supervisory Board, the Management Board and Board committees, and analysis of the candidacy of non-independent members of the Supervisory Board;
- annual assessment of the independence and concurrent offices held by the members of the Supervisory Board;
- examination and proposals to the Supervisory Board pertaining to all the compensation components and terms of the members of the Management Board;
- examination of the succession plan for executive corporate officers;

- examination and proposals to the Supervisory Board pertaining to the allocation method for directors' fees; and
- examination and proposals on special compensation relating to special projects that may be assigned, whenever necessary, by the Supervisory Board to some of its members.

### Functioning of the Appointments and Compensation Committee (Article 3 of the rules of procedure of the Appointments and Compensation Committee)

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 Chairman or the Secretary, provided that at least one-half of the members participate in the meeting. Committee members cannot give a proxy to another member to represent them.

Calls to meetings shall include an agenda and may be transmitted orally or by any other means.

The Appointments and Compensation Committee shall make its recommendations by indicating to the Supervisory Board the number of favorable opinions collected.

The Appointments and Compensation Committee shall meet as often as needed and, in any event, at least once per year before the Supervisory Board meeting called to assess the situation of the Supervisory Board members based on the independence criteria adopted by the Company (for the concept of "independence," see page 125 of this report) and, in any event, before any Supervisory Board meeting called to set the compensation of the members of the Management Board or the allocation of directors' fees.

As part of the selection process for Supervisory Board members, the Committee may use the services of a specialized firm. It may also use other methods of sourcing when making its selection. It then recommends one or two candidates to the Chairman of the Supervisory Board and the Chairman of the Management Board.

In all cases the Management Board Chairman is involved in the Committee's work with regard to selecting Supervisory Board members.

### Work carried out by the Appointments and Compensation Committee in 2016 and since the beginning of the financial year on January 1, 2017

In 2016, this committee met four times, with an attendance rate of 100%. The main subjects on the agenda included questions regarding corporate governance and the compliance of the composition of the Supervisory Board with the recommendations of the AFEP-MEDEF Code and the legal provisions on gender diversity, the review of the independence of its members, particularly with regard to their business relationships, the composition of the Board committees. The Committee also worked on the succession plan for executives of the Company and the Group's main subsidiaries. The Appointments and Compensation Committee also coordinated the work on the Supervisory Board's self-assessment.

Moreover, the committee examined the fixed and variable compensation and performance criteria related to the variable compensation of the members and the Chairman of the Management Board. In addition, the committee reviewed the amount and allocation of directors' fees among the members of the Supervisory Board and the members and chairmen of its two committees. The committee also studied the principle and the terms for granting performance shares to certain managers and executives of the Company.

Over the year 2016, it was regularly informed about the Group's human resources policy and notably as regards organization, compensation, employee relations and talent management.

Since the beginning of 2017, the Appointments and Compensation Committee has met twice and all of its members were present. Its meetings focused in particular on the examination of the independence of Board members, the compensation policy for corporate officers, and the analysis of the results of the Supervisory Board's self-assessment conducted during the second half of 2016.

With regard to the compensation of Management Board members, the committee assessed the level of achievement of the targets set for the variable component of their yearly compensation for the 2016 financial year and approved the recommendations regarding the compensation policy for corporate officers and the compensation components of Management Board members for 2017, especially the criteria for the annual variable component for 2017 and the criteria related to long-term compensation by means of performance-based share grants.

The committee worked on the changes in the composition of the Supervisory Board (renewal of the terms of office expiring in 2017).

The Appointments and Compensation Committee also discussed the implementation of a supplementary retirement policy.

### SUPERVISORY BOARD MEMBERS' ATTENDANCE AT THE MEETINGS OF THE BOARD AND ITS COMMITTEES

The table below shows the members' participation in the meetings of the Supervisory Board and its committees during the 2016 financial year:

| | The Supervisory Board | | The Audit Committee | | The Appointments and Compensation Committee | |
|---|---|---|---|---|---|---|
| Members | Attendance rate | Number of meetings | Attendance rate | Number of meetings | Attendance rate | Number of meetings |
| Philippe Audouin | 77.77% | 7/9 | 100% | 4/4 | | |
| Michel Datchary | 100% | 9/9 | - | - | 100% | 4/4 |
| Marc Frappier | 100% | 9/9 | | | 100% | 3/3 |
| Magali Chesse[(a)] | 100% | 5/5 | 100% | 2/2 | 100% | 1/1 |
| Thierry Morin | 100% | 9/9 | 100% | 4/4 | | |
| Florence Noblot | 100% | 9/9 | - | - | 100% | 3/3 |
| Eric Schaefer[(b)] | 50% | 1/2 | - | - | - | - |
| Virginie Morgon[(c)] | 100% | 4/4 | - | - | - | - |
| Agnès Pannier-Runacher | 100% | 9/9 | 100% | 4/4 | | |
| Maxime de Bentzmann[(d)] | 100% | 8/8 | - | - | | |
| Philippe Delleur | 77.77% | 7/9 | - | - | | |

*(a) Co-opted by the Supervisory Board on June 1, 2016 to replace Virginie Morgon, who had resigned, and appointed member of the Audit Committee. This co-optation will be submitted for ratification at the combined general meeting of shareholders of May 19, 2017.*
*(b) Resigned on March 9, 2016.*
*(c) Resigned on June 1, 2016.*
*(d) Co-opted by the Supervisory Board on March 9, 2016 to replace Eric Schaefer. His co-optation was ratified by the general meeting of May 27, 2016.*

## Participation of the shareholders in the general meetings

Shareholders' participation in the general meetings is governed by Articles 23 and 24 of the Company's articles of incorporation and described in detail in this 2016 registration document, chapter 8, section 8.2.5.

## Factors likely to have an impact in the event of a public offering

Pursuant to the provisions of Article L. 225-100-3 of the French Commercial Code, the Company must disclose and, if necessary, explain the factors referred to in this text when they are likely to have an impact in the event of a public offering.

The Company believes it does not have specific mechanisms likely to have an impact in the event of a public offering. Reference is made to the factors listed by Article L. 225-100-3 of the French Commercial Code if this information is included in the registration document in relation to other required disclosures. Thus, the information concerning the members of the Management Board and the powers of this body are detailed in section 4.1.1 "Management bodies," and the other information referred to in this Article is provided in chapter 8 "Information about the Company and its capital" of the 2016 registration document.

## Principles and rules approved for the determination of compensation and benefits granted to corporate officers

The principles and the rules approved by the Supervisory Board on the recommendations of the Appointments and Compensation Committee in order to determine the compensation and benefits in kind granted to the members of the Management Board and the Supervisory Board are presented below in section 4.5 "Report on the compensation and benefits granted to the members of the Management Board and the Supervisory Board" of this chapter 4.

## 4.3.2 ELIS GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

This part of the report is based on the AMF reference framework published in July 2010, which takes into account legislative and regulatory changes since its first issue in 2007, including the French law of July 3, 2008 and the Order of December 8, 2008, transposing European directive 2006/46/EC into French law and supplementing the French Financial Security Act of August 1, 2003. The AMF framework draws not only on the aforementioned French and European legislative and regulatory requirements, but also on best practices and international internal control and risk management standards, in particular ISO 31000 and COSO II.

### Scope of internal control and risk management

This report covers all controlled companies included in the Group's consolidation scope and sets out the internal control and risk management framework adopted by the Group to guarantee the reliability of its statutory and consolidated financial statements.

### Definition of internal control and risk management

The Group's internal control and risk management framework is based on a set of resources, policies, behaviors, procedures and adapted actions aimed at ensuring that the necessary measures are taken in order 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.

Internal control and risk management are defined as processes conducted by the Management Board under the control of the Supervisory Board, implemented by the Executive Committee and all staff.

Regardless of its quality and degrees of application, it cannot provide an absolute guarantee of the achievement of the objectives falling under the following categories:

- compliance with applicable laws and regulations;
- application of instructions and guidelines set out by the Management Board;
- proper functioning of internal processes, notably processes for safeguarding assets;
- reliability of financial and accounting information.

The likelihood of achieving these objectives is subject to the limitations inherent in any internal control system, and in particular:

- human error or malfunctions while making or applying decisions;
- cases of deliberate collusion between several people making it possible to elude the control system in place;
- cases where the implementation or maintenance of control would be costlier than the risk it is supposed to mitigate.

Furthermore, in pursuing the aforementioned objectives, companies face events and uncertainties that are independent of their desire – such as unexpected market changes, competition and the geopolitical situation, and errors with forecasts or estimates of the effects of these changes on the organization.

### Environment of internal control and risk management

The Group's internal control and risk management framework is based on a decentralized organizational structure with a clear definition of responsibilities, in particular by means of job definitions, delegations of powers and organizational structures distributed to all departments. It includes principles and values governing the behavior and ethics of all employees, as presented in the Group's Ethics Charter. It is also based on human resources management ensuring the skills, ethics and involvement of employees.

#### The Ethics Charter

The Group's ethical principles are set out in the Group Ethics Charter, distributed initially in 2012 to all Group employees. This charter is available on the Group's website (www.corporate-elis.com) in the "Sustainable Development" section.

The Ethics Charter contains the Group's commitments and rules of conduct towards its main stakeholders, namely, its employees, its customers and the consumers, its commercial partners and its competitors, the environment and civil society.

#### The Internal Control Charter

In 2015, the Elis Group established a Group Internal Control Charter which presents internal control, its components and its limits, to all managers. It also reminds them that internal control is everyone's business, from the Executive Committee to each and every one of the Group employees.

Management remains the operational player of internal control and must adopt a proactive behavior in the tasks and controls that it carries out or delegates.

### Human resources policy

The quality of human resources and management cohesion are key factors in the Group's success.

Elis therefore ensures that its various subsidiaries pursue human resources policies suited to their contexts and the challenges they face, while also meeting the best local standards. The principle of autonomy and accountability of its subsidiaries is applied, but the Group ensures that the policies implemented are consistent and aligned with Elis' values and actions defined centrally.

In terms of labor policy, subsidiaries practice high standards of dialogue and involvement of employees in the Company, while the Group supports dialogue with employees at the level of employee representative bodies.

As regards directors and senior managers, Elis is involved directly in the management of the Group's key men and women in order to guarantee consistency between subsidiaries. The Group therefore develops cross-functional training programs and performs yearly people reviews of subsidiaries' management resources. Elis thereby ensures that these management resources fit the challenges faced by subsidiaries. These reviews translate into promotions and transfers between departments, as well as external recruitment where necessary to acquire new skills.

The Group has set up cross-functional training programs which are described in chapter 3 of this 2016 registration document. Furthermore, the Group has developed cross-functional tools for assessing individual performance and external competitiveness of compensation packages. In this regard, one of the duties of the Appointments and Compensation Committee is to make recommendations on the compensation paid to members of the Executive Committee and the main directors in light of market practices.

## Oversight of internal control and risk management

The Group's risk management and internal control process is coordinated by the Management Board, under the control of the Supervisory Board, with the assistance of the Audit Committee. The Audit Committee's task is to notably 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 operating departments of each Group's subsidiaries are responsible for risk management and internal control. The role of central functions is to define the framework in which subsidiaries fulfill their risk management and internal control responsibilities, and to coordinate the whole system.

## Responsibilities for control activities

Control activities are performed first by functional and operating departments of subsidiaries and then by central support functions.

Monitoring of the management of internal control procedures is primarily the responsibility of the Audit Committee and the Risk Management and Internal Audit Department.

### The Audit Committee

The composition and functioning of the Audit Committee are detailed above in this 2016 registration document.

### The Risk Management and Internal Audit Department

The Risk Management and Internal Audit Department reports to the Group's Administrative and Finance Department. It informs the Management Board, the Administrative and Finance Department and the Audit Committee of the main results of its work (identification and monitoring of risks, preparation of the audit plan, and follow-up of the implementation of action plans).

The operating procedures for internal audit are described in the Audit Charter.

The Risk Management and Internal Audit Department assesses the operation of internal control and risk management procedures, and makes recommendations to improve their effectiveness. It also monitors internal control best practices.

The Risk Management and Internal Audit Department initiates, coordinates and reviews procedures formalized by the operating departments.

The role of the Risk Management and Internal Audit Department is to provide independent, objective assurance and support services helping to create added value and improve the degree of control of the Group's operations at all of its subsidiaries and in all of its activities. Internal audit helps the organization to achieve its targets by using a regular and methodological approach to assess its management, control and corporate governance processes, and by making suggestions to improve their effectiveness.

Internal audit also helps to ensure that all management, control and corporate governance processes are appropriate and guarantee that:

- risks are identified and managed appropriately;
- executives' and employees' actions comply with applicable rules, standards, procedures, laws and regulations;
- resources are acquired and used efficiently;

- significant financial, management and operating information is accurate, reliable and issued in due course;
- the targets defined and validated by the Executive Committee are respected.

Internal audit activities are performed in concert with the Audit Committee and the recommendations presented by the Statutory Auditors on completion of their review of internal control.

The annual audit plan is drawn up by the Risk Management and Internal Audit Department using a risk-based approach and takes into account of specific requests from the Executive Committee and operating departments.

The Risk Management and Internal Audit Department presents a report to the Audit Committee at least twice per year on progress made in the audit plan, as well as follow-up of action plans.

## Internal control and risk management analysis

### Overall risk management and internal control framework

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

- managing operational risks, described in chapter 2 "Risk factors and insurance policy" of the 2016 registration document;
- 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 works and makes recommendations in order to improve it;
- preventing and combating fraud.

The risks to which the consolidated subsidiaries that carry out most of the Group's activities are exposed are handled through specific procedures forming part of the following operating processes:

- investment decisions and monitoring of fixed assets;
- purchasing decisions and monitoring of trade payables;
- monitoring of inventories and production costs;
- monitoring of work in progress (workshops, work sites and IT projects);
- selling decisions and monitoring of trade receivables (credit and recovery);
- monitoring of petty 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 IT access and protection of data and hardware.

### Risk management process (Group's risk map)

The Group has mapped the main risks to which it is exposed. The main risk categories are based around four areas: strategic, operations, financial and compliance. Each of these risks is described in chapter 2 "Risk factors and insurance policy" of this 2016 registration document.

The risks have been identified by the primary managers of the Group and prioritized based on their criticality and level of control.

The incorporation of this exercise in strategic planning responds to the double objective of high involvement of management in managing risks and a focus on the action plans to carry out in order to better guarantee the fulfillment of the Group's strategic and operational targets.

These action plans are then regularly monitored during an Executive Committee meeting and reported to the Audit Committee twice per year. An operational follow-up is carried out by the Operations Committee, which is composed mainly of the chief executive officers, regional directors and country directors.

The risk map is updated annually with the main "risk owners" by incorporating possible new risks and the follow up of the action plans.

### 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 during assignments performed by the Internal Audit Department, which informs the divisional management teams of the results.

### Assessment of internal control and follow-up of action plans

#### The internal control self-assessment questionnaires

The Group has set up self-assessment questionnaires on the main activities carried out centrally, in each country and at each processing and service center. This exercise is one of the key components of the Group's risk management and internal control system.

For 2016, the following activities were self-assessed in France and abroad: corporate finance and accounting, finance and accounting in the centers, production, sales, maintenance, logistics and human resources.

During the self-assessment, the operational staff was asked to assess the level of internal control across key controls called "imperative" for the proper exercise of their activity, in order to identify areas of improvement and to implement corrective actions.

The questionnaire relating to the corporate finance and accounting process (for Group and countries) takes into account the AMF reference framework and, in particular, its application guide. It includes about 50 key controls for the Group.

The objectives of this exercise, which is repeated each year, are as follows:

- to create a trade knowledge base for operational staff members;
- to allow the centers to assess their degree of mastery of Elis' imperatives;
- to identify areas for improvement and initiate action plans;
- to capture best practices from the field;
- to contribute to the improvement of operational efficiency;
- to create a management tool (assessment of current situation, identification and follow-up of action plans).

These self-assessment questionnaires are reviewed annually by the Risk Management and Internal Audit Department, as well as by the support functions during visits to centers and foreign subsidiaries. The exercise consists in assessing the extent to which the "imperatives" are complied with. This approach makes it possible to:

- identify immediately and independently any gaps between the prescribed key control and how effectively it is being exercised;
- create a map of any remaining points requiring attention (by business line, geographic region, subsidiary and nature of shortcoming);
- define action plans to correct the gaps identified.

The results of the review together with the main action plans are shown to the Audit Committee which ensures that corrective measures are implemented effectively.

#### The follow-up of action plans

One of the responsibilities of the Risk Management and Internal Audit Department is to assess the functioning of the internal control and risk management system and make 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 foreign subsidiaries at least once every two years. A total of 50 assignments were performed in 2016 across all business lines.

The audit reports are systematically commented by the management of the audited sites, then are communicated to the Group's Executive Committee, as well as to managers at the headquarters and 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. The Risk Management and Internal Audit Department also reviews the implementation of action plans at least every quarter and its conclusions are presented to the Audit Committee twice per year.

The Group created a monitoring database centralizing all of the action plans related to the various types of assignments carried out, with the aim to monitor over time the action plans communicated by the operational staff following the recommendations issued, but also to compile and disseminate the best practices identified.

### Efforts to combat fraud

Preventing and combating fraud is a major issue for the Group and all of its employees. In this respect, and given its decentralized organization, the Group has set up a framework to improve its preventive measures and combat fraud with the specific aim of protecting its assets. In 2016, this meant sending regular alerts primarily to the Group's operational establishments to raise awareness about the economic risks of fraud.

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

The Audit Committee monitors the preparation and control of accounting and financial information, and ensures the high 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 Department, 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 chief financial officers or managers of each country concerned, and to the Group's Consolidation Department.

## Statutory Auditors

The role of the Statutory Auditors is to certify the regularity accuracy and fair presentation of the Group's annual statutory and consolidated financial statements and deliver a limited review report on the Group's half-year consolidated financial statements.

On performing their procedures, the Statutory Auditors present the Audit Committee with a summary of their work and the accounting options used in preparing the financial statements.

On reviewing the financial statements, the Statutory Auditors present to the Audit Committee a report highlighting the key aspects of the scope of consolidation, the results of the statutory audit, in particular the accounting options selected, audit adjustments and material internal control weaknesses identified in their work.

The Statutory Auditors' main recommendations are incorporated in an action plan and a monitoring procedure presented to the Audit Committee and senior management at least once per year.

The audit assignments are divided between Mazars and PriceWaterhouseCoopers, the Company's Principal Statutory Auditors.

### Developments and outlook of internal control

The Group is continuing to develop its internal control and risk management system. This process of continuous improvement relies in particular on updating the Group's risk map and on devising and disseminating new internal audit self- assessment questionnaires across the Group.

**Thierry Morin**

Chairman of the Supervisory Board

## 4.4 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF ELIS AFR

**Year ended Saturday, December 31, 2016**

To the Shareholders,

In our capacity as Statutory Auditors of Elis SA, and in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce), we hereby present to you our report on the report prepared by the Chairman of your Company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-68 of the French Commercial Code, in particular related to corporate governance.

It is our responsibility:

- to report on any matters related to the information contained in the Chairman's report about the internal control and risk management procedures related to the preparation and processing of accounting and financial information; and
- to certify that the report contains the other disclosures required by Article L. 225-68 of the French Commercial Code, without being responsible for verifying their fairness.

We conducted our work in accordance with professional standards applicable in France.

### INFORMATION REGARDING THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATED TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

The professional standards require that we perform the necessary procedures to assess the fair presentation of the information regarding the internal control and risk management procedures related to the preparation and processing of financial and accounting information provided in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures related to the preparation and processing of the financial and accounting information underlying the information presented in the Chairman's report and the existing documentation;
- obtaining an understanding of the work involved in preparing this information and the existing documentation;
- determining whether any material weaknesses in the internal control and risk management procedures related to the preparation and processing of accounting and financial information that we may have identified in the course of our audit have been properly disclosed in the Chairman's report.

On the basis of this work, we have no matters to report on the information regarding the internal control and risk management procedures related to the preparation and processing of accounting and financial information provided in the report prepared by the Chairman of the Supervisory Board in accordance with the provisions of Article L. 225-68 of the French Commercial Code.

### OTHER INFORMATION

We certify that the report of the Chairman of the Supervisory Board includes the other information required by Article L. 225-68 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, Wednesday, March 15, 2017

The Statutory Auditors

| **PricewaterhouseCoopers Audit** | **Mazars** |
|---|---|
| Bruno Tesnière | Isabelle Massa |

## 4.5 REPORT ON THE COMPENSATION AND BENEFITS GRANTED TO THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Pursuant to Article L. 225-82-2, the new article of the French Commercial Code introduced under the Sapin 2 Law of December 9, 2016 on Transparency, the Fight against Corruption and Economic Modernization (hereinafter the "Sapin 2 Law"), the Supervisory Board's report on the compensation policy for corporate officers to be submitted for shareholder approval is presented below, along with details of the components of total compensation and benefits in kind due or awarded to corporate officers for the financial year ended December 31, 2016 which will be submitted for the advisory vote of shareholders pursuant to the provisions of paragraph 26.2 of the AFEP-MEDEF Code of November 2016.

It should be noted that this report has been prepared with the help of the Appointments and Compensation Committee.

### 4.5.1 COMPENSATION POLICY FOR EXECUTIVE CORPORATE OFFICERS

Pursuant to Articles L. 225-102-1 and L. 225-82-2 of the French Commercial Code, the latter having been introduced under the Sapin 2 Law, the compensation policy for executive corporate officers approved by the Supervisory Board at its meeting of March 14, 2017 on the recommendations of the Appointments and Compensation Committee is presented below.

It should be noted that pursuant to this new Article L. 225-82-2 of the French Commercial Code and Article L. 225-100 as modified by the Sapin 2 Law, the say-on-pay system for executive compensation is now based on the principle of two binding shareholder votes instead of the advisory vote as provided for in paragraph 26 of the AFEP-MEDEF Code of November 2016. In particular, it requires:

- an *ex-ante* vote on the compensation policy for executive corporate officers, consisting in presenting a resolution to the shareholders on the principles and criteria for determining, structuring and awarding the fixed, variable and special components of total compensation and the benefits in kind that may be awarded to the Chairman and members of the Management Board and Supervisory Board commensurate with their office. **This *ex-ante* vote shall apply as from the 2017 general meeting and be required annually and at the time of every reappointment**;
- an *ex-post* vote on the implementation of the compensation policy, consisting in submitting for shareholder vote the fixed, variable and special components of total compensation and the benefits in kind paid or awarded in respect of the prior financial year. This vote must be covered under separate resolutions for the Chairman of the Management Board, the members of the Management Board and the Chairman of the Supervisory Board. **The *ex-post* vote as stipulated under the terms of the Sapin 2 Law shall apply as from the 2018 general meeting.**

## General principles of compensation for corporate officers

The general principles of the compensation policy for the Chairman and members of the Management Board and the Chairman and members of the Supervisory Board are decided upon by the Supervisory Board based on the recommendation of the Appointments and Compensation Committee.

This policy includes the principles of:

- balance (ensuring that no compensation item is disproportionate);
- competitiveness (carrying out compensation studies, including by outside firms, as needed), linked to the performance of the Company, especially through variable compensation dependent on the achievement of defined, measurable and demanding targets;
- Company performance: the compensation of Management Board members is closely associated with the Group's performance, mainly through annual variable compensation dependent on the achievement of targets based on quantifiable and qualitative criteria related to the Group's performance and strategy;
- alignment of the interests of management with those of the shareholders: a portion of the compensation of the members of the Management Board, including that of the Chairman, is awarded in shares and measured over long-term economic and share-price performance.

The compensation policy for the members of the Management Board and the Supervisory Board has been adapted to the usual practices of listed companies following the Company's initial public offering carried out on February 11, 2015. These principles for determining the compensation policy for corporate officers were drawn up within the framework of the AFEP-MEDEF Code as amended in November 2016 and the Sapin 2 Law and are reviewed annually by the Supervisory Board based on the recommendations of the Appointments and Compensation Committee.

## Compensation structure for the members of the Management Board

The compensation structure for each of the members of the Management Board comprises **cash compensation** made up of a fixed component and an annual variable component, and **share-based compensation** represented by performance shares, more details on each being provided below. It should be noted that the members of the Management Board, including the Chairman, receive no compensation in the form of directors' fees or otherwise in respect of the positions and offices held in the Group's companies. (For more details on the offices held by Management Board members, see section 4.1.1 of this chapter 4.)

The Supervisory Board reviews all of the compensation components of the Chairman and members of the Management Board and of the Chairman and members of the Supervisory Board on an annual basis, and sets the amount of said components at the beginning of each year based on the recommendations of the Appointments and Compensation Committee, which may refer to studies produced by independent firms.

On that basis, at its meeting of March 14, 2017 the Supervisory Board decided to keep the same structure for the compensation of the members of the Management Board as that of prior financial years. This structure is linked to the Company's performance and the maintaining of balance between short- and medium-term performance:

### Fixed compensation

The fixed compensation of each Management Board member reflects their responsibilities and expertise.

It should be noted that Management Board members' fixed compensation was adjusted in February 2015 during the Company's initial public offering, mainly to bring it in line with the compensation of executives of listed industrial companies of comparable size. The adjustment was made on the basis of a study conducted in 2014 by a firm specializing in compensation analysis. That study was based on a sectoral panel of some 20 SBF 120 companies (including Tarkett, Elior, Edenred, Europcar and Korian) and found a clear gap between the compensation (fixed and variable) awarded in prior years and that resulting from the market analysis. The study also helped determine the compensation package for the members of the Management Board.

The Supervisory Board decided that for each Management Board member, any changes in their compensation, especially fixed compensation, would be determined on the basis of analyses by a panel similar to that used in 2014, and that it would be up to the Appointments and Compensation Committee to recommend adjustments to the composition of that panel where necessary and on a regular basis.

The Supervisory Board also approved the principle according to which this fixed compensation may only be revised every three years, unless an earlier revision is considered warranted due to special circumstances (change in scope of consolidation, major gap in relation to the reference panel, and so on). Such circumstances would be explained by the Supervisory Board and made public.

Consequently, at the Supervisory Board meeting of March 14, 2017, it was agreed, based on the recommendations of the Appointments and Compensation Committee at its meeting of January 31, 2017, that Management Board members' current fixed compensation would remain unchanged in 2017 at an amount identical to the fixed compensation of 2015 and 2016, and that it could be revised in 2018.

In the event of the recruitment of a new Management Board member, those same principles for determining fixed compensation (reference market and revision timetable) shall apply.

## Variable compensation

The variable compensation of the Management Board members aims to closely associate the executives with the Group's short-term performance. In line with the AFEP-MEDEF Code, the variable compensation of each Management Board member corresponds to a percentage of their fixed compensation.

Determined on an annual basis, this variable component is composed of triggering thresholds below which no compensation is paid, target levels when the targets are reached, and maximum levels reflecting outperformance relative to set targets. Only outperformance relative to the financial indicators can give rise to a bonus amount higher than the target level.

The indicators taken into account for determining the variable component and the level of the targets to be achieved are defined by the Supervisory Board each year, on the recommendations made by the Appointments and Compensation Committee at the beginning of the reference period to which they apply. The targets are determined on the basis of the Group's key financial, non-financial and qualitative indicators in line with the Group's activities, strategy and goals, as regularly presented. This allows executives' variable compensation to be aligned with the Group's economic performance and strategy implementation.

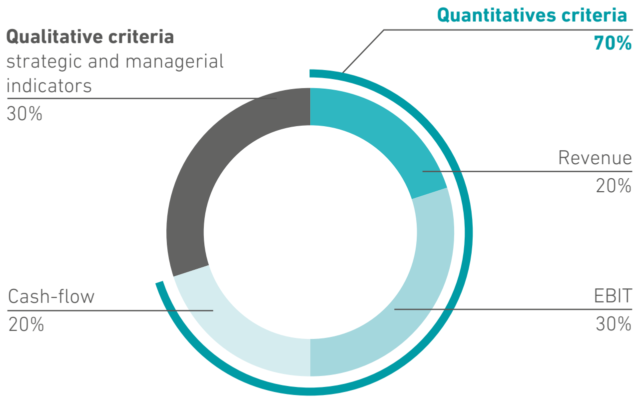
The quantitative targets based on financial indicators are set entirely on the basis of the budget pre-approved by the Supervisory Board and are subject to a triggering threshold whereby no sum is due in respect of the criterion in question if performance does not reach this minimum performance threshold.

With regard to determining the variable component of Management Board members' compensation, the Supervisory Board agreed at its meeting of March 14, 2017 that the financial performance indicators, their targets and their weighting would be strictly identical for each of the Management Board members.

The non-financial criteria used to determine annual variable compensation are individualized according to the responsibilities of each member and may be based on a qualitative and quantitative assessment of the member's performance. Non-financial criteria account for 30% of the total variable component and only give rise to additional compensation in the event of outperformance.

At its meeting of March 14, 2017, the Supervisory Board decided that with regard to the yearly variable component's non-financial indicators, the following principles would apply:

- retention of the principle of individualized criteria based on the responsibilities of each Management Board member;
- inclusion of at least one quantitative non-financial indicator based on one or more quantifiable factors determined each year against the Group's scope, strategy, objectives, and priorities, and tailored to the responsibilities of each Management Board member.




On that basis, at its meeting of March 14, 2017, the Supervisory Board determined that it would follow the principles for determining the target-based variable compensation component of the Chairman and members of the Management Board for 2017, as recommended by the Appointments and Compensation Committee at its meeting of January 31, 2017:

### Chairman of the Management Board:

The Chairman of the Management Board's target annual variable compensation is 100% of the amount of his fixed compensation and can go from 0% up to 170% in the event of outperformance. This is unchanged from 2016. This target-based variable component is based on the following financial and non-financial indicators and in the proportions shown:

- ***financial indicators* counting for 70% of the variable component (i.e., 70% of fixed compensation up to a maximum of 140% in the event of outperformance):** the economic indicators used correspond to the Company's business management tools, namely revenue (20%), EBIT (30%), and operating cash flow (20%), in line with the budgetary target discussed annually with the Board, said target being itself in line with the forecasts communicated to the market. The Supervisory Board wished to use the same financial criteria as previously, since they are a good reflection of the Company's overall performance in terms of growth, profitability and cash flow;

- ***non-financial indicators* count for 30% of the variable component (i.e., 30% of fixed compensation, this percentage being the maximum)** and are based on strategic and management criteria assessed either qualitatively or quantitatively.

The tables below shows the breakdown of financial and non-financial indicators used to determine the variable compensation targets of the Xavier Martiré for 2017, together with the weighting of each indicator.

| Xavier Martiré | Variable component weighting (at 100%) |
|---|---|
| Financial | **70%** |
| - Revenue compared to budget | 20% |
| - EBIT compared to budget | 30% |
| - Operating cash flow compared to budget | 20% |
| Non-financial | **30%** |
| - Integration of Indusal | 6% |
| - Integration of Lavebras | 6% |
| - Customers' satisfaction | 6% |
| - Improvement in cash-flow generation | 6% |
| - Acceleration in innovation and search of growth engines | 6% |

### Members of the Management Board

The target annual variable compensation of the two members of the Management Board is 40% of the amount of their fixed compensation and can go from 0% up to 68% in the event of outperformance. This is unchanged from 2016. This target-based variable component is based on the following financial and non-financial indicators and in the proportions shown:

- **financial indicators counting for 70% of the variable component (i.e., 28% of fixed compensation up to a maximum of 56% in the event of outperformance):** as noted above, these indicators are identical to those used to determine the variable component of the Management Board Chairman's compensation as shown above, and are determined based on the same goals;
- **non-financial indicators accounting for 30% of the variable component (or 12% of the fixed compensation, this percentage being a maximum)** are based on strategic and management criteria specific to each Management Board member.

The tables below show the breakdown of financial and non-financial indicators used to determine the annual variable compensation of each Management Board member for the 2017 financial year, together with the weighting of each indicator, which are respectively for Louis Guyot and Matthieu Lecharny:

| Louis Guyot | Variable component weighting (at 100%) |
|---|---|
| Financial indicators | **70%** |
| - Revenue compared to budget | 20% |
| - EBIT compared to budget | 30% |
| - Operating cash flow compared to budget | 20% |
| Non-financial indicators | **30%** |
| - Financial communication | 10% |
| - Risk management | 10% |
| - Improvement in cash flow generation | 10% |

| Matthieu Lecharny | Variable component weighting |
|---|---|
| Financial indicators | **70%** |
| - Revenue compared to budget | 20% |
| - EBIT compared to budget | 30% |
| - Operating cash flow compared to budget | 20% |
| Non-financial indicators | **30%** |
| - Integration of Lavebras | 10% |
| - Sales momentum on the scope | 10% |
| - Integration of Indusal | 10% |

The Supervisory Board believes that the financial and non-financial indicators on which the targets of the variable component of the compensation of the members and Chairman of the Management Board were based reflect the direct link between the compensation of Management Board members and the changes in the Group's results and overall performance.

The target levels set for each of the quantitative criteria represent strategic and economically sensitive information which cannot be made public. With regard to budgetary targets, these are in line with the forecasts communicated to the market by management at the beginning of the year and to which analysts' consensus is being adjusted.

The Supervisory Board also decided that in the event of the recruitment of a new Management Board member, those same principles shall apply, it being specified that should this recruitment occur during the second half of the financial year, the performance assessment shall take place on a discretionary basis based on the recommendations of the Appointments and Compensation Committee.

It should be noted that payment of the variable compensation components is subject to shareholder approval, in accordance with Article L. 225-100 of the French Commercial Code.

## Long-term equity-based compensation

In accordance with the general principles governing Elis' compensation policy, the Group wanted to align the interests of employees with the Company's performance by granting them performance shares. Accordingly, it set up a general policy of equity-based compensation which is described in Note 5.4 of the appendix to the consolidated financial statements for the year ended December 31, 2016, appearing in chapter 6 of this registration document. These grants also enable the alignment of shareholders' interests with those of the management.

Since the Company's IPO, performance shares have been granted to more than two hundred employees based on noted performance, and this includes the three members of the Management Board.

These grants fall under the scope of the authorization granted to the Management Board by shareholders at the general meeting of October 8, 2014 (21st resolution) and general meeting of May 27, 2016 (22nd resolution), and by the Supervisory Board.

Management Board members are eligible for performance share grants in respect of performance share plans set up by the Management Board on the authorization of the Supervisory Board under the Group's general equity-based compensation policy.

On that basis, on March 14, 2017 the Supervisory Board maintained the principle of equity-based compensation for each member of the Management Board in the form of performance shares to which is attached a medium-term economic and share-price performance condition in order to align the interests of the shareholders with those of the beneficiaries.

In light of this, and on the recommendation made by the Appointments and Compensation Committee at its meeting of January 31, 2017, the Supervisory Board adopted the following principles at its meeting of March 14, 2017 with regard to the granting of performance shares to members of the Management Board:

- the maximum proportion of performance shares that can be granted annually to the Chairman of the Management Board is set at 1.6 times his annual compensation (fixed + target variable) and 1.2 times the annual compensation (fixed + target variable) for the other members of the Management Board, in accordance with the recommendations of the AFEP-MEDEF Code and in line with market practices noted for SBF 120 companies;
- the vesting of performance shares granted to the Chairman and members of the Management Board is conditioned on the employment of these beneficiaries in the Group for the full vesting period starting from the grant date (except in special circumstances described below), the vesting period being a minimum of three years;
- the vesting of the performance shares granted to the Chairman and members of the Management Board is subject to economic and share-price performance conditions assessed over a period of at least two to three years. With regard to economic criteria, the Supervisory Board shall use appropriate criteria that can be assessed over time and may, where necessary, be identical to the financial criteria used to determine the annual variable component. With regard to share-price performance, this shall be assessed on the basis of a stable criterion based on the performance of Elis share's TSR compared to that of the SBF 120;

- the rights granted to the Chairman and members of the Management Board may not exceed 0.55% of all rights granted during the validity period of the general meeting's authorization, in accordance with the 22nd resolution of the annual general meeting of May 27, 2016;
- each Management Board member has an obligation to retain shares as follows:
  - for the Chairman of the Management Board, one-third of the shares vested to be retained until his Company share portfolio reaches a value representing three times the amount of his annual fixed compensation;
  - for the other members, one-third of the shares vested to be retained until their Company share portfolios reach a value representing two times the amount of their annual fixed compensation.

It should also be noted that the members of the Management Board are subject to lock-up periods of prohibition from trading in the Company's securities. To the best of the Company's knowledge, no hedging instrument was set up.

The number of performance shares that will vest to the Management Board members at the end of the performance assessment period will be calculated by applying to the number of performance shares initially granted a coefficient measuring the performance of each criterion, with the understanding that achievement of each target is binary such that if the criterion is not achieved, the proportion of performance shares attached to the achievement of the target will not vest.

At the end of the vesting period, the employment condition shall be verified, it being specified that the Supervisory Board has adopted the principle whereby in the event of departure from the Group of members of the Management Board during the vesting period for reason other than termination for gross negligence or willful misconduct, said members may, on the recommendation of the Appointments and Compensation Committee, in accordance with the recommendations of the AFEP-MEDEF Code, retain their rights to outstanding performance shares as at the date of departure, subject to the fulfillment of the performance conditions, it being specified that in this scenario, the overall grant shall be pro-rated to take into account the presence of the officer concerned in the Group during the vesting period.

In the case of recruitment of a new member to the Management Board, the general policy regarding long-term equity-based compensation approved by the shareholders shall be applied to that member. However, compensation for loss may be considered.

## Special compensation

The Supervisory Board has adopted the principle whereby the Chairman and other members of the Management Board may, under certain circumstances, be eligible for special compensation not to exceed the maximum amount of annual monetary compensation (fixed + maximum variable), it being specified that the payment of such compensation is subject to the prior approval of the shareholders in accordance with Article L. 225-100 of the French Commercial Code.

In the event that compensation of this nature is paid, such compensation would in principle be determined in accordance with the AFEP-MEDEF Code.

## Directors' fees

The Board has adopted the principle whereby no member of the Management Board receives directors' fees in respect of any office held within a Group company.

## Termination benefits for the members of the Management Board

### Severance pay in the event of forced departure

At its meeting of October 10, 2014 and on the recommendations of the Appointments and Compensation Committee, the Supervisory Board approved the award by the Company to each of the members of the Management Board of severance pay in the event of termination of their respective terms of office on the Management Board due to forced departure, with the understanding that the payment will not be due in the event of departure for negligence or if on the date of forced departure the member concerned is able to exercise his retirement rights in the short term. As a reminder, these commitments were approved under the terms of the 9th resolution of the ordinary general meeting of June 24, 2015.

The amount of benefits likely to be due is capped at 18 months of gross fixed and variable compensation calculated based on the average compensation received during the two full years preceding the departure.

In addition, the payment of the benefits is subject to the achievement of performance conditions defined and measured based on two quantitative criteria tied to revenue and EBIT calculated over the 12 consecutive months preceding the date of the last half-year-end prior to departure. Performance is measured in relation to the targets approved by the Supervisory Board for the same period.

The benefits are subject to achievement conditions, such that no benefit is payable if no target is achieved, whereas if one target is achieved, two-thirds of the benefit is payable (i.e., 12 months of average fixed and variable compensation) and if both targets are achieved, the benefits are payable in full.

These commitments made to the members of the Management Board were authorized by the Supervisory Board at its meeting of October 10, 2014 on the recommendations of the Appointments and Compensation Committee, and were approved by the shareholders at the ordinary general meeting of June 24, 2015.

No sum was paid during the 2016 financial year in respect of these commitments and, at its meeting of March 14, 2017, the Supervisory Board upheld the principle according to which members of the Management Board could be entitled to benefits in the event of forced departure.

### Compensation due under a non-compete agreement

Considering the expertise acquired by each of the members of the Management Board they are subject to a non-compete commitment, for a duration of one-year in the case of the Chairman of the Management Board or six months for the other members of the Management Board. This commitment starts at the end of their term of office or employment contract and is intended to protect the Group's interests in the event of departure.

If the Supervisory Board decides to implement said non-compete commitment it would result in the payment, during the entire period of the commitment, of non-compete benefits equal to 50% of the gross fixed and variable compensation received over the last full year prior to departure. The payment of these benefits is not subject to performance conditions.

If the severance payment in the event of forced departure mentioned above and non-compete payment were both to become payable, the total amount of compensation that could be received by each of the members of the Management Board will be capped at 24 months of compensation in accordance with the recommendations of the AFEP-MEDEF Code.

No sum was paid during the 2016 financial year in respect of these commitments and, at its meeting of March 14, 2017, the Supervisory Board upheld the principle of this commitment within the framework of the compensation policy for executive corporate officers.

## Employment contracts of the members of the Management Board

With the exception of Xavier Martiré, the members of the Management Board combine an employment contract with their corporate office. Louis Guyot and Matthieu Lecharny have an employment contract with the Company for their respective positions as Chief Financial Officer and Chief Operating Officer.

Xavier Martiré, Chairman of the Company's Management Board and previously President of the Company under its former structure as a French simplified limited liability company (*société par actions simplifiée*), had a permanent employment contract which was suspended after his appointment as President of the Company under its former structure as a French simplified limited liability company. Xavier Martiré resigned from the Company on February 11, 2015 in accordance with the recommendations of the AFEP-MEDEF Code that the Company adopted after its initial public offering.

## Benefits in kind

Within the framework of the general compensation policy for executive corporate officers, the Supervisory Board confirmed that each member of the Management Board is entitled to a company car which represents a benefit in kind.

## Supplemental retirement plans

No member of the Management Board benefits from a specific retirement plan beyond the plans legally required. Therefore, the Company did not reserve any specific amounts to pay pensions, retirement or other similar benefits to the members of the Management Board. As Company employees, Louis Guyot and Matthieu Lecharny benefit from the statutory retirement plan applicable to employees in France.

## Shareholder approval of the compensation policy for members of the Management Board

Pursuant to Article L. 225-82-2 of the French Commercial Code and Article L. 255-100 as amended by the Sapin II Law, the principles and criteria for determining, structuring and awarding the fixed, variable and non-recurring components of total compensation and benefits in kind attributable to the Chairman and members of the Management Board commensurate with their office as described above shall be submitted to the shareholders for approval. The Supervisory Board report and details of the resolution relating to the compensation policy for members of the Management Board can be found in chapter 7 of this 2016 registration document.

## 4.5.2 COMPENSATION COMPONENTS AND BENEFITS IN KIND DUE OR AWARDED TO EXECUTIVE CORPORATE OFFICERS WITH RESPECT TO THE 2016 FINANCIAL YEAR

In 2016, the Supervisory Board ensured that the policy and principles that have governed the determination of the Management Board members' compensation were aligned with the Group's strategic priorities and tailored both to the Group's economic performance and to the personal performance of each Management Board member.

Since the Company's IPO, the compensation package of the Management Board Chairman and members comprises direct monetary compensation and long-term compensation in the form of a performance share grant entirely subject to performance conditions.

It should be noted that no member of the Management Board received directors' fees in respect of any office held within the Elis Group.

Furthermore, all Management Board members are entitled to a compensation package in the event of termination of office.

Lastly, Management Board members were entitled to a company car in connection with their respective positions.

### Monetary compensation of members of the Management Board for the 2016 financial year

#### Principles for determining monetary compensation

On this basis, at its meeting of March 9, 2016 and on the proposal of the Appointments and Compensation Committee, the Supervisory Board approved the following principles concerning the Management Board members' compensation for the 2016 financial year:

Management Board members are entitled to monetary compensation structured as follows:

- a fixed component established on the basis of a study conducted in 2014 by a firm specializing in compensation analysis and based on a sectoral panel and SBF 120 companies. The compensation of Management Board members has remained unchanged since 2015, amounting to €550,000 for Xavier Martiré and €250,000 for the other members;
- a variable component based on financial and non financial criteria aligned with the Group's variable compensation policy and corresponding, in the case of the Chairman of the Management Board, to 100% of his fixed compensation and in the case of the Management Board members, to 40% of their fixed compensation. For each member of the Management Board, including the Chairman, this annual target-based variable compensation is determined on the basis of financial and non-financial indicators as presented below:

**Chairman:**

- ***Financial indicators common to all members of the Management Board*** (70% of the variable component, or 70% of fixed compensation that can go from 0% to 140% in the event of outperformance): revenue (20%), EBIT (30%) and operating cash flow (20%). The level of achievement required for these targets was established in a precise manner in relation to the items corresponding to the budget;
- ***Non-financial indicators:*** strategic and management indicators (30% of the variable component, this percentage being the maximum, i.e., 30% of target fixed compensation):it should be noted that the compensation of the Management Board Chairman reflects Elis' commitment to social, societal and environmental responsibility. To this end, a performance indicator measuring CSR performance has been included in the non-financial targets of the variable compensation component for 2016 fiscal year.

### Members of the Management Board:

- ***Financial indicators common to all members of the Management Board*** (70% of the variable component, or 28% of fixed compensation that can go from 0% to 56% in the event of outperformance): revenue (20%), EBIT (30%) and operating cash flow (20%). The level of achievement required for these targets was established in a precise manner in relation to the items corresponding to the budget;
- ***Non-financial indicators:*** strategic and management indicators (30% of the variable component, this percentage being the maximum, i.e., 12% of targeted fixed compensation).

The financial and non-financial indicators, along with their weighting and the expected and achieved targets for each member of the Management Board in 2016, are detailed below.

## Achievement of the performance conditions related to the annual variable compensation of members of the management board in respect of the 2016 financial year

At its meeting of March 14, 2017, the Supervisory Board reviewed the achievement of the performance conditions for the variable compensation of each Management Board member based on the principles outlined above, and decided that the level of achievement and satisfaction of the 2016 performance conditions was as follows:

### Financial indicators

- **Revenue (20% weighting): 114% achieved**

  In 2016, the Group's revenue was up 6.9% at €1,512.8 million. This performance exceeded budget, which itself was in line with the forecasts given to the markets at the beginning of the year (€1,500 million).

  Organic growth was 2.7% for the full year, a good performance given the dynamics of the underlying markets:

  - in France, organic growth was 0.6%, i.e., a positive number, despite the major impact of the Paris attacks on the hospitality industry (the Paris tourist office reported that hotel nights fell by 12% in the first 10 months) and a general environment that remained sluggish. The industry's trade union reported a market at best stagnant, while hoteliers noted a negative trend in their sector.
  - In Europe, organic growth stood at 5.0%, despite a negative base effect in Belgium. The Board believes the performance in Switzerland and Germany to have remained strong, and that in Spain and Portugal to be outstanding and well beyond the support provided by these growth markets in 2016.
  - In Latin America, organic growth stood at 15.0%, which, given the sharp recession that is hitting Brazil, Elis' main market in the region, was an excellent performance.

For its part, acquisition-driven growth was 4.7%, reflecting the strong momentum of the Group's acquisitions in 2015 and 2016, with 16 acquisitions in two years representing €330 million in revenue over the full year, in line with the Group's strategic goals to:

  - strengthen existing positions: build-up of networks in France, Switzerland, Germany and Spain;
  - develop the Latin America platform: strengthening of Brazil, entry into Chile and Colombia;

- innovate on an ongoing basis: acquisition of the start-up OnMyWay in Switzerland.
- **EBIT (30% weighting): 191% achieved**

  In 2016 the Group's EBIT stood at €214.7 million or 14.2% of revenue. This performance exceeded budget, which itself was in line with market consensus at the beginning of the year (€210 million).

  It reflected two major productivity efforts:

  - on operating expenses, the Group achieved major productivity gains and was able to adapt to volume in its markets; as a result, France only lost 42 bps of EBITDA, despite the attacks. Europe and Latin America continued to catch up with France, with 34 bps and 130 bps of EBITDA margin respectively;
  - on linen purchases, the Group set up greater control over ordering reasons, reducing investment by €40 million versus 2015 to 10.1% of revenue (versus an expected 11%), which had an immediate impact on depreciation expenses.

- **Operating cash flow (20% weighting): 200% achieved**

  In 2016, the Group's operating cash flow amounted to €214.1 million. This indicator measures cash flow after capital expenditure, changes in WCR and taxes. This performance exceeded budget, which itself was in line with market consensus at the beginning of the year (€190 million).

  In addition to its good performance on EBIDTA and investments in linen as described above, the Group stepped up its control over:

  - its industrial investments, which were limited to 7.3% of revenue, despite exceptional capital expenditure related to equipment for the new headquarters in Saint-Cloud;
  - changes in WCR, most notably with more control over customer payment terms, which were reduced by two days in France and one day in Europe, despite an unfavorable schedule for year-end receipts (Saturday, December 31).

Operating cash flow was also impacted by corporation tax and the sale of land in Puteaux, proportionate to what had been budgeted.

### Non-financial indicators

| Type of target | Respective weighting | Performance in 2016 | Justification |
|---|---|---|---|
| **Xavier Martiré, Chairman of the Management Board** | | | |
| Acquisitions | 20% | 20% | The Group had a record year with seven acquisitions amounting to €260 million (including Lavebras, not yet finalized), the most in Elis' history. These acquisitions are an integral part of the Group's value creation on four levels:<br>- small acquisitions in the Group's geographic host regions: Brazil, Germany and Switzerland;<br>- acquisition for the purposes of developing an innovative offer: OnMyWay in Switzerland;<br>- entry into a new country with strong potential: Colombia;<br>- two strategic acquisitions in the Group's flagship markets for the purposes of acquiring or consolidating a leadership position: Spain and Brazil. |
| Improved yield on invested capital by preserving organic growth (industrial and linen capital expenditure) | 20% | 20% | In 2016 investments amounted to just €263.5 million, or 17.4% of consolidated revenue, down sharply compared with 2015 (18.4%) and expectations (18%).<br>Furthermore, the Group sold land in Puteaux for €50 million, allowing it to reduce capital employed.<br>Organic growth, on the other hand, was 2.7%.<br>This excellent performance reflects firm control, especially over linen purchasing. |
| Structural improvement in cash | 20% | 20% | In the Board's view, the Group has implemented structural measures to improve cash *generation*, especially:<br>- the linen program, which exercises firm control over reasons for placing orders;<br>- procedures for customer collections. |
| Improvement in risk control/CSR | 20% | 15% | At its meeting of November 23, 2016, the Audit Committee noted an improvement in risk control; internal control is now incorporated into the Group's culture and action plans are in place.<br>A work meeting held with the Board on the CSR policy revealed the considerable progress made by the Group on this issue, described in chapter 3 of this 2016 registration document. |
| Contribution to the continuous improvement of the effectiveness of the Supervisory Board | 20% | 15% | The Board appreciated Xavier Martiré's involvement in the Group's strategic issues, particularly the work meetings dedicated to:<br>- the IT trend;<br>- CSR;<br>- strategy, especially innovation;<br>- acquisitions, especially strategic;<br>- related financing. |
| **Louis Guyot, member of the Management Board** | | | |
| Quality of financial communications | 20% | 20% | The resources and results in terms of financial communication were outstanding in 2016:<br>- 13 analysts now cover the Group's value, which is five more than during the IPO. As at December 31, 2016, nine were Buy and four were Hold;<br>- more than 450 investors were met at roadshows or forums;<br>- feedback has revealed the high quality of management's communications;<br>- the share price outperformed the SBF120 despite the dividend paid.<br>Furthermore, the Group was nominated by the *Club des 30*, and Louis Guyot received the Best Investor Relations Award in the CFO category. |
| Improvement in risk control | 20% | 15% | At its meeting of November 23, 2016, the Audit Committee noted an improvement in risk control; internal control is now incorporated into the Group's culture and action plans are in place. |
| Pricing program | 20% | 15% | The pricing program entered an active production phase which included deployment to all sales representatives. |
| Capital expenditure: indicators defined, method set up | 20% | 15% | Linen capex was brought under control thanks primarily to the indicators relating to reasons for ordering.<br>In addition, detailed reporting of industrial capex was extracted from SAP, giving a more detailed view of monitoring. |
| Improvement in cash | 20% | 20% | Cash flow for the year was well beyond expectations, largely through the efforts put into capital expenditure and customers. |

| Type of target | Respective weighting | Performance in 2016 | Justification |
|---|---|---|---|
| **Matthieu Lecharny, member of the Management Board** | | | |
| Pest control growth | 20% | 20% | The Prévention 3D service was worth some €15 million in 2016, versus €8 million in 2015. |
| Improvement in profitability in Spain (pricing, productivity, linen) | 20% | 20% | The Spanish margin has now reached the European average (approximately 25%), an increase of 3 points. |
| Integration in Chile | 20% | 15% | Elis acquired the Albia Group in October 2015. In 2016, the Chilean entities were fully integrated into Group reporting, both financial and operational. Managers took part in Group events and forged strong ties with their Spanish and Brazilian colleagues. The customer base and management teams were strengthened in 2016, with no loss or major departure. |
| Pricing in Brazil | 20% | 15% | Despite the major recession plaguing the country, our entity was able to increase rates by an average of 5%. However, that is still less than inflation (8–9%). |
| Productivity in Brazil | 20% | 15% | Industrial productivity at the Brazilian plants increased by 10% in 2016 compared to 2015, which is the result of some targeted investments and especially the dissemination of the Group's best practices. |

- For **Xavier Martiré**, Chairman of the Management Board, the percentage of targets achieved in respect of the 2016 financial year based on financial indicators was 171.6%, and 90% for targets based on non-financial indicators, giving an overall target achievement rate of 147% of the variable compensation, corresponding to variable compensation of €809,160.
- For **Louis Guyot**, member of the Management Board, the percentage of targets achieved in respect of the 2016 financial year based on financial indicators was 171.6%, and 85% for targets based on non-financial indicators, giving an overall target achievement rate of 146%, corresponding to variable compensation of €145,620.
- For **Matthieu Lecharny**, member of the Management Board, the percentage of targets achieved in respect of the 2016 financial year based on financial indicators was 171.6%, and 85% for targets based on non-financial indicators, giving an overall target achievement rate of 146%, corresponding to variable compensation of €145,620.

The amount of the variable compensation for the 2016 financial year of each of the members of the Management Board is provided in Table 2 below in section 4.5.4 "Summary tables of corporate officers' compensation for 2016."

## 2016 long-term compensation granted to members of the Management Board

### Principles for determining 2016 long-term compensation

In accordance with the authorization granted by the general meeting of May 27, 2016 under its 22nd resolution and by the Supervisory Board, a new performance-based share grant plan was implemented in the first half of 2016, on the recommendation of the Appointments and Compensation Committee. It reflects the new provisions of the Macron Law of August 6, 2015.

Accordingly, under this new plan, on June 15, 2016 Xavier Martiré, Chairman of the Management Board, was granted 207,520 performance shares in respect of his position as Chairman of the Management Board, and the other two members of the Management Board, Louis Guyot and Matthieu Lecharny, were each granted 35,071 performance shares in respect of their positions as Chief Financial Officer and Chief Operating Officer, respectively. This grant was part of an overall plan benefiting more than 200 senior managers and executives, for a total of 998,636 shares (representing 0.875% of the Company's share capital on the date of the grant decision, of which, 0.243% is for the members of the Management Board).

The vesting conditions for these performance shares were made more restrictive than those of the previous plan of April 7, 2015. From now on, all performance conditions must be met over a period of three years for a certain number of shares, while the vesting period has been increased from two years to three years.

With regard to the number of shares awarded in 2016, the Board was of the opinion that increasing the vesting period from two to three years would create a "blank year" in 2018 in terms of share vesting, and consequently wanted to increase the quantums of the

2016 plan on a non-recurring basis to compensate for this. As a result, the quantums of the 2016 plan are significantly higher than those of the 2015 plan.

The characteristics of the performance-based share grant plan of June 15, 2016 are as follows:

Performance shares granted in 2016 are split into two categories, A and B.

Each of these categories of shares granted to the Executive Committee (including the members of the Management Board) shall only vest at the end of a vesting period of three years from their grant date. Vesting is subject to employment and performance conditions, the latter being defined based on three quantitative criteria linked to consolidated revenue, consolidated EBIT, and the Company's share-price performance relative to the SBF 120 index for Category A performance shares, and based on two criteria linked to revenue and EBIT for Category B performance shares.

The number of shares that will vest at the end of the vesting period will be determined at the end of a two-year performance period (i.e., at the end of the 2017 financial year) for 67% of the performance shares granted in each category, and at the end of a three-year performance period (i.e., at the end of the 2018 financial year) for 33% of the performance shares granted in each category.

The number of shares that will vest will depend on the number of targets achieved, with the understanding that for each performance share category, achievement of the performance criteria is binary such that if the criterion is not achieved, the proportion of rights attached to the target concerned will not be due and the related shares will not vest.

As the first two criteria are related to revenue and EBIT forecasts in the business plan, they cannot be made public for confidentiality reasons. The number of shares that will vest will be communicated at the end of the performance assessment period.

On that basis, beneficiaries will acquire 20% of Category A performance shares if one criterion is achieved, 50% of Category A performance shares if two criteria are achieved, and 100% of Category A performance shares if all three criteria are achieved. Category B performance shares will only vest if at least one target is achieved, it being specified that the achievement of just one of the targets will allow vesting of 50% of the shares granted.

Each Management Board member is required to retain their shares until such time as they step down from their duties, according to the terms described below:

- for the Chairman of the Management Board, one-third of the shares vested to be retained until his Company share portfolio reaches a value representing three times the amount of his annual fixed compensation;
- for the other members, one-third of the shares vested to be retained until their Company share portfolios reach a value representing two times the amount of their annual fixed compensation.

## Assessment of the performance attached to the performance share plans whose assessment period ended in 2016

At its meeting of March 14, 2017, the Supervisory Board examined the performance attached to the performance share plan implemented on April 7, 2015 since its assessment period had ended on December 31, 2016. It should be noted that this plan was implemented on April 7, 2015 under the 21st resolution of the general meeting of shareholders of October 8, 2014 and of the Supervisory Board meetings of January 26 and April 3, 2015, and that:

- the authorization granted at the general meeting was subject to the successful listing of the Company's shares on the Euronext Paris regulated market;
- the performance shares granted on April 7, 2015 to the members of the Management Board are subject to the achievement of conditions of continued employment and performance defined based on three criteria linked to consolidated revenue, consolidated EBIT and the Company's share price performance relative to the SBF 120 index as established at the end of 2016. Achievement of each of the targets is binary such that 20% of the shares granted will vest if one of the criteria is achieved, 50% if two targets are achieved, and 100% if all three targets are achieved. No share will vest if none of the three criteria is achieved. For example, if actual revenue is below target revenue, the criterion has not been achieved. Likewise, if the Elis share price performs slightly less well than the SBF 120, that criterion has not been achieved.

It should be noted that the number of rights granted to all beneficiaries of the plan approved by the Management Board on April 7, 2015 was subject to an adjustment related to maintaining beneficiaries' rights under the issue of new shares with preferential subscription rights carried out in February 2017, said share issue having had a dilutive effect on the share's value following the removal of the preferential subscription rights.

This adjustment was made by transposing the rules on stock options provided for in paragraph 1, Article R. 228-91 of the French Commercial Code.

Accordingly, in application of the aforementioned provisions, the new bases for granting rights associated with performance shares were recalculated to take into account the relationship between firstly, the value of the preferential subscription rights, and secondly, the value of the share after removal of preferential subscription rights, as reflected in the average of the opening share prices at all market trading sessions during the capital increase subscription period.

Furthermore, at its meeting of March 14, 2017, the Board noted that two of the three criteria had been achieved: revenue, which stood at €1,512.8 million, and TSR (total shareholder return), which outperformed the SBF 120 (+39% versus +4%). However, the EBIT criterion was not achieved (€214.5 million) and therefore counted for zero. At its meeting of March 14, 2017, the Supervisory Board deemed that the number of shares that would vest on April 7, 2017 for each of the Management Board members, subject to compliance with the employment condition as at that date, in application of the performance conditions, would therefore be 50% of the adjusted grant, namely:

| Performance share plan | Xavier Martiré | Louis Guyot | Matthieu Lecharny |
|---|---|---|---|
| Number of performance shares initially granted[(a)] | 104,108[(a)] | 13,253[(a)] | 13,253[(a)] |
| Number of performance shares granted after rights adjustment | 110,504[(a)(b)] | 14,068[(a)(b)] | 14,068[(a)(b)] |
| Number of performance shares vested on April 7, 2017 in application of the performance conditions | 55,252 | 7,034 | 7,034 |
| Percentage of shares vested on April 7, 2017 compared with the number of performance shares granted on April 7, 2017 as adjusted | 50% | 50% | 50% |

*(a) Number corresponding to a target performance with 100% of targets achieved.*

*(b) After the €325-million capital increase, the necessary adjustments were made such that beneficiaries' rights to outstanding performance shares as at January 20, 2017 shall be maintained in accordance with applicable laws and regulations and the performance share plan rules. This information was published in the French Bulletin of Mandatory Legal Announcements (BALO) on January 20, 2017.*

## Benefits in kind

Each member of the Management Board is entitled to a company car which represents an in-kind benefit amounting to a total of €11,803 for the 2016 financial year. The amount represented by this benefit in kind for the 2016 financial year for each Management Board member is shown in Table 2 "Compensation due and paid to the members of the Management Board" in section 4.3 of this registration document.

Under the compensation policy for Management Board members, at its meeting of March 14, 2017 the Supervisory Board agreed to maintain the principle of this benefit in kind.

## Shareholders' opinion on the compensation components due or awarded to the members of the Management Board

The components of the Management Board members' compensation that will be submitted for the opinion of the shareholders at the general meeting called for May 19, 2017 pursuant to the AFEP-MEDEF Code are presented in chapter 7, section 7.2 "Management Board's report on the draft resolutions" of the 2016 registration document.

## Summary table of commitments made to the members of the Management Board

**(AFEP-MEDEF CODE – TABLE NO. 10 & AMF – TABLE NO. 11)**

| Members of the Management Board | Employment contract | | Supplementary retirement plan(f) | | Benefits due or potentially due on termination or change of position | | Non-compete benefits(e) | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| **Xavier Martiré**<br>Chairman of the Management Board<br>Start of term of office: September 5, 2014<br>End of term of office: September 4, 2018 | | ✓(a) | | ✓ | ✓(b) | | ✓ | |
| **Louis Guyot**<br>Member of the Management Board<br>Start of term of office: September 5, 2014<br>End of term of office: September 4, 2018 | ✓(c) | | | ✓ | ✓(b) | | ✓ | |
| **Matthieu Lecharny**<br>Member of the Management Board<br>Start of term of office: September 5, 2014<br>End of term of office: September 4, 2018 | ✓(d) | | | ✓ | ✓(b) | | ✓ | |

*(a) In accordance with the provisions of the AFEP-MEDEF Code that the Company adopted after its initial public offering, Xavier Martiré resigned from his positions on February 11, 2015 and no longer has an employment contract with the Company.*

*(b) The commitments made by the Company to Xavier Martiré, Louis Guyot and Matthieu Lecharny because of termination or change in their positions are detailed in this chapter 4 and are described in the Company's Statutory Auditors' special report incorporated in this chapter, section 4.2 of the 2016 registration document.*

*(c) Louis Guyot has an employment contract with Elis.*

*(d) Matthieu Lecharny has an employment contract with Elis.*

*(e) The compensation due or likely to be due by the Company for the non-compete commitment made by Xavier Martiré, Louis Guyot and Matthieu Lecharny, members of the Management Board, is detailed above in this chapter, and described in the special report of the Statutory Auditors, incorporated in this chapter, section 4.2 of the 2016 registration document.*

*(f) No member of the Management Board benefits from a supplementary retirement plan.*

### 4.5.3 COMPENSATION POLICY FOR NON-EXECUTIVE CORPORATE OFFICERS

The Company's general meeting of shareholders of May 27, 2015 set the total amount of directors' fees to be allocated to members of the Supervisory Board and its committees at €500,000.

Based on the recommendations of the Appointments and Compensation Committee, at its meeting of March 14, 2017 the Supervisory Board renewed the rules for allocating directors' fees in 2017 to its members and those of its committees on the same terms as had been set in 2015 and applied in the 2016 financial year.

These rules are based on an allocation formula including a fixed compensation component and a weighted variable compensation component linked to the regularity of attendance at the Supervisory Board meetings and the special committee meetings, in accordance with the recommendations of the AFEP-MEDEF Code, as follows, it being specified that this mechanism applies to all members of the Supervisory Board:

- Members of the Supervisory Board:
  - fixed: €15,000 for each member of the Supervisory Board;
  - fixed: an additional €15,000 for the Chairman of the Supervisory Board;
  - variable: €3,000 per member for effective attendance at a Board meeting.
- Members of the Audit Committee and of the Appointments and Compensation Committee:
  - variable: €2,000 per member for effective attendance at an Audit Committee meeting;
  - variable: an additional €1,000 for the Chairman for effective attendance at an Audit Committee meeting.

As the fixed component of directors' fees is allocated on an annual basis, the amount allocated to each of the members is calculated on a pro rata basis in the event of appointment or termination for any reason of the term of office of a Supervisory Board member during the financial year.

Lastly, the Supervisory Board decided that Board meetings held by telephone conference entitles to compensation equal to 50% of the above-mentioned sums.

On this basis, the total gross amount of directors' fees paid in 2016 for 2015 was €251,141 versus €128,207 paid in 2015 for 2014.

Details of the sums due to each of the members of the Supervisory Board for the 2016 financial year are presented below in Table 3 "Compensation and other benefits granted to the members of the Supervisory Board" in section 4.5.4 "Summary tables of corporate officers' compensation for 2016" of this registration document.

Current members of the Supervisory Board do not hold options or financial instruments giving access to the Company's share capital. Furthermore, there are no other commitments made by the Company to members of the Supervisory Board, corresponding to components of compensation, or benefits due or potentially due on termination or change of position.

#### Shareholder approval of the compensation policy for members of the Supervisory Board and Management Board

Pursuant to Article L. 225-82-2 of the French Commercial Code and Article L. 255-100 as amended by the Sapin 2 Law, the compensation policy for Supervisory Board members described above will be submitted for shareholder approval. Details of the resolution relating to this compensation policy for members of the Supervisory Board and Management Board appear in chapter 7 of this 2016 registration document.

## 4.5.4 SUMMARY TABLES OF CORPORATE OFFICERS' COMPENSATION FOR 2016

### Table 1: Summary of the Management Board members' compensation, options and shares granted in 2015 and 2016

The following table presents a summary of the compensation and performance shares granted to Xavier Martiré, Louis Guyot and Matthieu Lecharny for the years ended December 31, 2015 and 2016:

| *(In euros)* | Year ended December 31, 2016 | Year ended December 31, 2015 |
|---|---|---|
| **Xavier Martiré, Chairman of the Management Board** | | |
| Compensation due for the year[a] | 1,364,996 | 2,674,699 |
| Value of multi-year variable compensation granted during the year | 0 | 0 |
| Value of options granted during the year | 0 | 0 |
| Value of performance shares[b][c] | 2,827,647 | 552,813 |
| **TOTAL** | **4,192,643** | **3,227,512** |
| **Louis Guyot, member of the Management Board** | | |
| Compensation due for the year[a] | 417,732 | 829,205 |
| Value of multi-year variable compensation granted during the year | 0 | |
| Value of options granted during the year | 0 | |
| Value of performance shares[b][c] | 491,363 | 70,379 |
| **TOTAL** | **909,095** | **899,584** |
| **Matthieu Lecharny, member of the Management Board** | | |
| Compensation due for the year[a] | 418,091 | 603,486 |
| Value of multi-year variable compensation granted during the year | 0 | |
| Value of options granted during the year | 0 | |
| Value of performance shares[b][c] | 491,363 | 70,379 |
| **TOTAL** | **909,454** | **673,865** |

*(a) Compensation due, i.e., after application of the achievement condition to the basis of variable compensation. The variable compensation of the members of the Management Board is established based on the following criteria: financial indicators counting for 70% and non-financial indicators counting for 30%. The achievement condition corresponding to the fixed targets for 2016 which were approved by the Supervisory Board on March 14, 2017, is 147% for Xavier Martiré, 146% for Louis Guyot, and 146% for Matthieu Lecharny.*

*(b) All of the performance shares granted in 2016 to the members of the Management Board are subject to conditions of continued employment and performance defined based on three criteria linked to consolidated revenue, consolidated EBIT and the Company's share price performance relative to the SBF 120 index. Table 6 below as well as Note 5.4 to the 2016 financial statements included in chapter 6 "Financial statements for the year ended December 31, 2016" and in section 4.5 of the Chapter 4 of this Reference Document detail the rules of the performance share plans granted in 2016.*

*(c) The value of the performance shares is equal to that used to prepare the consolidated financial statements for the year ended December 31, 2016, calculated in accordance with the requirements of IFRS 2 by an independent appraiser. The valuation model applied is based on the underlying price of the portion not subject to market conditions and on the Monte Carlo method for the portion that is subject to market conditions. It takes account of data and assumptions prevailing at the grant date.*

## Table 2: compensation due and paid to the members of the Management Board

| (In euros) | Year ended December 31, 2016 | | Year ended December 31, 2015 | |
|---|---|---|---|---|
| | Amount due[(1)] | Amount paid[(2)] | Amount due[(1)] | Amount paid[(2)] |
| **Xavier Martiré, Chairman of the Management Board** | | | | |
| Fixed compensation | 550,000[(a)] | 550,000 | 550,000[(a)] | 549,996 |
| Annual variable compensation | 809,160[(b)] | 420,803[(e)] | 420,803[(e)] | 514,395[(f)] |
| Multi-year variable compensation | 0 | 0 | 0 | 0 |
| Special compensation | 0 | 0 | 1,700,000[(c)] | 1,700,000[(c)] |
| Directors' fees | 0 | 0 | 0 | 0 |
| Benefits in kind[(d)] | 5,836[(d)] | 5,836[(d)] | 3,896[(d)] | 3,896[(d)] |
| **TOTAL** | **1,364,996** | **976,639** | **2,674,699** | **2,768,287** |
| **Louis Guyot, member of the Management Board** | | | | |
| Fixed compensation | 250,000[(a)] | 250,000 | 250,000 | 249,996 |
| Annual variable compensation | 164,928[(b)(g)] | 76,510[(e)] | 76,510[(e)] | 108,024[(f)] |
| Multi-year variable compensation | 0 | 0 | 0 | 0 |
| Special compensation | | | 500,000[(c)] | 500,000[(c)] |
| Directors' fees | 0 | 0 | 0 | 0 |
| Benefits in kind[(c)] | 2,804[(d)] | 2,804[(d)] | 2,705 [(d)] | 2,705 [(d)] |
| **TOTAL** | **417,732** | **329,314** | **829,215** | **860,725** |
| **Matthieu Lecharny, member of the Management Board [(1)]** | | | | |
| Fixed compensation | 250,000[(a)] | 250,000 | 250,000[(a)] | 249,996 |
| Annual variable compensation[(2)] | 164,928[(b)(g)] | 79,510[(e)] | 79,510[(e)] | 109,430[(f)] |
| Multi-year variable compensation | 0 | 0 | 0 | 0 |
| Special compensation | | | 270,000[(c)] | 270,000[(c)] |
| Directors' fees | 0 | 0 | 0 | 0 |
| Benefits in kind[(d)] | 3,163[(d)] | 3,163[(d)] | 3,986[(d)] | 3,986[(d)] |
| **TOTAL** | **418,091** | **332,673** | **603,496** | **633,413** |

*(1) Fixed compensation due to the members of the Management Board during the year under consideration.*
*(2) Total compensation paid during the year, i.e., after application of the achievement condition to the basis of variable compensation.*
*(a) The fixed compensation of Xavier Martiré, Louis Guyot and Matthieu Lecharny for 2015 and 2016 has been determined based on the market practices of international listed companies. Their respective fixed compensation was adjusted following the Company's initial public offering and applies to the entire year of 2015 and 2016.*
*(b) The variable component of the 2016 compensation for each member of the Management Board is based on ambitious targets and pre-defined performance criteria, including quantitative criteria counting for 70% and qualitative criteria counting for 30%, which were set by the Supervisory Board on March 9, 2016 based on the opinion of the Appointments and Compensation Committee. The achievement condition corresponding to 2016 targets approved by the Supervisory Board on March 14, 2017 is 147% for Xavier Martiré, Chairman of the Management Board 146% for Louis Guyot, and 146% for Matthieu Lecharny.*
*(c) Special bonus decided upon by the Supervisory Board on October 10, 2014 and January 26, 2015, subject to the Company's successful initial public offering.*
*(d) The benefits in kind are measured for individual members and correspond to a company car made available to each of the members of the Management Board.*
*(e) In 2016, Xavier Martiré received an annual target-based variable compensation of €420,803 for 2015. Louis Guyot received an annual target-based variable compensation of €76,510 for 2015. Matthieu Lecharny received an annual target-based variable compensation of €79,510 for 2015.*
*(f) In 2015, Xavier Martiré received an annual target-based variable compensation of €481,900 for 2014 and bonus and profit-sharing compensation of €32,495 as an Elis employee for the period from January 1, 2014 to December 31, 2014. Louis Guyot received an annual target-based variable compensation of €96,919 for 2014. He also received profit-sharing compensation of €11,105 for 2014 as an employee of Elis Services. Matthieu Lecharny received an annual target-based variable compensation of €98,325 for 2014 and profit-sharing compensation of €11,105 for 2014 as an employee of Elis Services.*
*(g) Amount includes the payment of a bonus amounting to €19,308 in respect of their salaried positions at Elis.*

## Table 3: directors' fees and other compensation granted to members of the Supervisory Board

The table below shows the gross amount (before withholding tax of 15.5% and a tax installment payment of 21%) of directors' fees and other types of compensation due by the Company to members of the Supervisory Board and its committees for the years ended December 31, 2015 and 2016, respectively, calculated in accordance with the rules indicated above:

| Non-executive corporate officers | Gross amount in euros due in respect of the year ended December 31, 2016 | Gross amount in euros due in respect of the year ended December 31, 2015 |
|---|---|---|
| **Philippe Audouin – Member of the Supervisory Board and the Audit Committee[a]** | | |
| Directors' fees | 38,500 | 44,000 |
| Other compensation | - | - |
| **Michel Datchary – Member of the Supervisory Board and Chairman of the Appointments and Compensation Committee** | | |
| Directors' fees | 49,500 | 48,500 |
| Other compensation | - | |
| **Marc Frappier – Vice-Chairman of the Supervisory Board and member of the Appointments and Compensation Committee** | | |
| Directors' fees | 46,000 | 48,000 |
| Other compensation | | |
| **Virginie Morgon – Member of the Supervisory Board[b]** | | |
| Directors' fees | 25,500 | 36,000 |
| Other compensation | - | |
| **Thierry Morin – Chairman of the Supervisory Board and member of the Audit Committee** | | |
| Directors' fees | 62,000 | 65,000 |
| Other compensation | - | |
| **Florence Noblot – Member of the Supervisory Board and the Appointments and Compensation Committee** | | |
| Directors' fees | 46,000 | 43,000 |
| Other compensation | - | |
| **Agnès Pannier-Runacher – Member of the Supervisory Board and Chairman of the Audit Committee** | | |
| Directors' fees | 51,000 | 54,000 |
| Other compensation | - | |
| **Eric Schaefer[c] – Member of the Supervisory Board** | | |
| Directors' fees | 18,000 | 37,500 |
| Other compensation | - | |
| **Philippe Delleur[d] – Member of the Supervisory Board** | | |
| Directors' fees | 33,000 | 19,500 |
| Other compensation | | |
| **Maxime de Bentzmann – Member of the Supervisory Board[e]** | | |
| Directors' fees | 36,000 | - |
| Other compensation | | - |
| **Magali Chesse, Member of the Supervisory Board and Audit Committee[f]** | | |
| Directors' fees | 25,000 | - |
| Other compensation | - | |
| TOTAL DIRECTORS' FEES | 430,500 | |
| TOTAL OTHER COMPENSATION | 0 | |
| **TOTAL** | **430,500** | **395,500** |

*(a) Philippe Audouin resigned from his role on the Audit Committee without this impacting his term of office as a member of the Supervisory Board.*
*(b) Virginie Morgon resigned from her role as member of the Supervisory Board on June 1, 2016.*
*(c) Eric Schaefer resigned from his role as member of the Supervisory Board on March 9, 2016.*
*(d) Appointed by the general meeting of June 24, 2015.*
*(e) Co-opted on March 9, 2016.*
*(f) Co-opted on June 1, 2016.*

The amounts indicated in the above table constitute the only compensation due by the Company to the members of the Supervisory Board and its committees for 2015 and 2016.

## Table 4: stock options granted in 2016 to each member of the Company's Management Board by the Company or any Group company

No stock options were granted to the members of the Management Board in 2016.

The members of the Supervisory Board held no stock options.

## Table 5: stock options exercised in 2016 by each member of the Management Board

None

## Table 6: bonus shares granted to each corporate officer in 2016

| Name of executive corporate officer | No. of plan and date of grant | Number of shares granted in 2016[g] | Value of shares based on the method used for consolidated financial statements[a] *(In euros)* | Vesting date[b][f] | Availability date[c] | Performance conditions |
|---|---|---|---|---|---|---|
| **Xavier Martiré** Chairman of the Management Board | Plan no. 3 June 15, 2016 | 207,520[d], i.e., 0.18% of the share capital[e] | 2,827,647 | June 15, 2019 | June 15, 2019 | [d] |
| **Louis Guyot** Member of the Management Board | Plan no. 3 June 15, 2016 | 35,071[d], i.e., 0.03% of the share capital[e] | 491,363 | June 15, 2019 | June 15, 2019 | [d] |
| **Matthieu Lecharny** Member of the Management Board | Plan no. 3 June 15, 2016 | 35,071[d], i.e., 0.03% of the share capital[e] | 491,363 | June 15, 2019 | June 15, 2019 | [d] |
| **TOTAL** | | **277,662, I.E., 0.24% OF THE SHARE CAPITAL[e]** | | | | |

*(a) The value of the performance-related bonus shares is equal to that used to prepare the consolidated financial statements for the year ended December 31, 2016, calculated in accordance with the requirements of IFRS 2 by an independent appraiser. The valuation model applied is based on the underlying price of the portion not subject to market conditions and on the Monte Carlo method for the portion that is subject to market conditions. It takes account of data and assumptions prevailing at the grant date.*

*(b) The performance-related bonus shares vest at the end of a period of three years starting from the grant date (vesting period) under the combined conditions of continued employment and achievement of performance targets.*

*(c) At the end of the vesting period, the shares are immediately transferable, although Management Board members are still subject to the obligation to retain shares for the duration of their term of office.*

*(d) Includes 189,985 Category A shares and 17,535 Category B shares in respect of Xavier Martiré, 24,187 Category A shares and 10,884 Category B shares in respect of Louis Guyot, and 24,187 Category A shares and 10,884 Category B shares in respect of Matthieu Lecharny.*

*(e) On the basis of the share capital as at December 31, 2016.*

*(f) Performance shares granted in 2016 are split into two categories (A and B).*

*Each of these categories of shares granted to the Executive Committee (including the members of the Management Board) shall only vest at the end of a vesting period of three years from their grant date. Vesting is subject to employment and performance conditions, the latter being defined based on three quantitative criteria linked to consolidated revenue, consolidated EBIT, and the Company's share-price performance relative to the SBF 120 index for Category A performance shares, and based on two criteria linked to revenue and EBIT for Category B shares.*

*The number of shares that will vest at the end of the vesting period will be determined over a two-year performance period (the 2016 and 2017 financial years) for 67% of the performance shares granted in each category, and at the end of a three-year performance period (the 2016, 2017 and 2018 financial years) for 33% of the performance shares granted in each category.*

*The number of shares that will vest will depend on the number of targets achieved, with the understanding that for each performance share category, achievement of the performance criteria is binary such that if the criterion is not achieved, the proportion of rights attached to the target concerned will not be due and the related shares will not vest.*

*On that basis, beneficiaries will acquire 20% of Category A performance shares if one criterion is achieved, 50% of Category A performance shares if two criteria are achieved, and 100% of Category A performance shares if all three criteria are achieved. Category B performance shares will only vest if at least one target is achieved, it being specified that the achievement of one target will allow vesting of 50% of the shares granted.*

*As the criteria are related to revenue and EBIT forecast in the business plan, they cannot be made public for confidentiality reasons.*

*(g) Without taking into account adjustments related to maintaining beneficiaries' rights under the €325-million capital increase approved by the Management Board on January 17, 2017 as authorized by the combined general meeting of shareholders of May 27, 2016 (13th resolution) and authorized by the Audit Committee on January 17,2017.*

## Table 7: performance-related bonus shares granted that became available in 2016 for each member of the Management Board

No performance share granted by the 2015 and 2016 plans became available in 2016.

## Table 8: history of grants of stock options and other financial instruments giving access to the Company's share capital subscribed for by the members of the Management Board

No stock options were granted over the past five financial years.

As of the date of this registration document, all share purchase warrants issued on October 4, 2007 by the Company for members of the Management Board had been exercised as part of the reorganization transactions preceding the listing of the Company's shares on the Euronext Paris stock market, which are described in chapter 8 "Information about the Company and its capital" of this registration document.

The members of the Supervisory Board held no BSA.

## Table 9: stock options granted to the top ten employees who are not corporate officers and options exercised thereby

In 2016, no stock options were granted to employees who were not corporate officers and no financial instruments were issued for the top ten employees.

## Table 10: history of bonus share grants

The Company granted performance-related shares in the four financial years ended December 31, 2010, 2011, 2015 and 2016.

As the vesting conditions for the performance-related shares awarded in 2010 and 2011 as provided for in the terms of the rules of the plan governing these grants have not been met, no performance shares granted for the 2010 and 2011 plans vested, and the plan forfeited in 2014.

Details of the performance-related shares granted in 2015 and 2016 are included in Note 5.4 of the appendix to the Group's 2016 consolidated financial statements and in Note 5.2 to the separate financial statements for the year ended December 31, 2016, which are incorporated in chapter 6 "Financial statements for the year ended December 31, 2016" of this registration document.

No bonus shares were granted to the members of the Supervisory Board.

## Compensation paid by controlled companies or the company that controls the Company within the meaning of Article L. 233-16 of the French Commercial Code

No non-senior executive corporate officer of the Company received compensation of any kind from companies controlled by the Company. During the year ended December 31, 2016, the Company was not exclusively controlled by an entity within the meaning of Article L. 233-16 of the French Commercial Code.

# 5

# Comments on the 2016 financial year AFR

# 5.1 HIGHLIGHTS OF THE 2016 FINANCIAL YEAR

## 5.1.1 ACQUISITIONS

On January 7, 2016, Elis announced the completion of two acquisitions in Germany and Brazil, representing combined annual revenue of approximately €20 million. These were consolidated in the Group's financial statements as of January 1, 2016. In Germany, the Group acquired two laundries, primarily serving hospitality- and healthcare-sector customers in the north of the country. In Brazil, the Group acquired a laundry near Sao Paulo, which focuses exclusively on high-end healthcare customers.

On June 2016, Elis announced the acquisition of On My Way, a Swiss startup offering innovative laundry solutions for individual customers. On My Way provides customers with a linen-cleaning service, collecting their laundry at convenient pickup points (gas stations, supermarkets) or at their place of work.

On July 8, 2016, Elis announced the completion of a transaction in Switzerland. The Group acquired a laundry mostly geared toward catering customers in Zurich and surrounding area. This acquisition represents total annual revenue of around €5 million. It has been consolidated in the Group's financial statements since July 1, 2016.

On December 8, 2016, Elis announced the successful acquisition of the *Puschendorf Textilservice* group in Germany which it now owns outright. Puschendorf is a family business with five laundries in Germany and revenue of approximately €40 million in 2016.

On December 21, 2016, Elis announced the acquisition of Indusal in Spain and signed a memorandum of understanding to acquire Lavebras in Brazil.

A family business established in 1981, Indusal was Spain's second largest sector player (slightly ahead of Elis). Indusal operates in the textile rental and laundry sector and also has positions in the hospitality, healthcare and industry segments. In 2016, Indusal generated revenue of approximately €90 million and had an EBITDA margin of around 27%.

Synergies are estimated at approximately €10 million (€3 million in 2017, €8 million in 2018 and €10 million in 2019), which is 90% of cost synergies (mainly due to centralized procurement of linens and consumables and industrial optimization) and 10% of revenue synergies in total.

Lavebras, ranked second in the Brazilian market behind Elis, operates in 17 states in Brazil. A family business founded in 1997, Lavebras operates Brazil's most extensive network of industrial laundry facilities. The Lavebras Group operates in the healthcare, industry (especially agri-food) and hospitality segments. In 2016, the group posted revenue of approximately BRL. 370 million (€102 million) with an EBITDA margin of more than 30% and EBIT margin of around 19%. The acquisition of Lavebras is still subject to approval from the Brazilian competition authority.

Synergies are estimated at approximately BRL60 million (BRL10 million in 2017, BRL40 million in 2018 and BRL60 million in 2019), which is 67% of cost synergies (centralized procurement of linen and consumables and industrial optimization) and 33% of revenue synergies (primarily due to the improvement in operational efficiency). An expected tax credit of approximately RDL300 million (approximately €83 million) will be added to these synergies. This corresponds to tax-related goodwill that will be amortized over an estimated five-year period.

On December 29, 2016, Elis announced the successful acquisition of SIL in Colombia, buying the shareholding of Servicios Industriales de Lavado SIL S.A.S. outright. This gives the Group a foothold in a third country in the region after Brazil and Chile. SIL, which operates two laundries in Bogotá and Cali, has one of the sector's finest industrial facilities. Its total revenue in 2016 is expected to be COP 10 billion, which is around €3 million. The company will be consolidated in the Group's financial statements from January 1, 2017.

## 5.1.2 ACQUISITION FINANCING

To secure financing for the acquisitions of Indusal in Spain and Lavebras in Brazil by the M.A.J. subsidiary, Elis signed a €550-million bridge loan agreement on November 10, 2016 with an international banking syndicate. At December 31, 2016, the amount drawn from the bridge-to-debt tranche was €130 million.

## 5.1.3 SALE OF THE PUTEAUX SITE

On December 30, 2016, M.A.J. completed the sale agreement signed on July 15, 2015 with a real-estate development group for €50.4 million regarding a real-estate asset in Puteaux. The site was the location of the Group's headquarters and a former processing center. The Group moved its headquarters to Saint-Cloud (French department 92) at the end of November 2016.

# 5.2 GROUP RESULTS

The Group's consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union. Audit procedures have been performed on the consolidated financial statements.

## 5.2.1 KEY PERFORMANCE INDICATORS

| *(EUR million)* | **2016** | **2015** | **Change** |
|---|---|---|---|
| **Revenue** | **1,512.8** | **1,415.4** | **+6.9%** |
| **EBITDA** | **467.9** | **446.1** | **+4.9%** |
| *As a % of revenue* | *30.9%* | *31.5%* | |
| **EBIT** | **214.7** | **208.0** | **+3.2%** |
| *As a % of revenue* | *14.2%* | *14.7%* | |
| **Net income (loss) from ordinary operations**[(a)] | **108.2** | **72.8** | **+48.6%** |
| **Free cash flow from ordinary operations**[(c)] | **104.5** | **56.9** | **+83.7%** |
| **Adjusted net debt (as at the end of the period)** | **1,595.8** | **1,506.4** | |
| *Adjusted net debt (as at the end of the period)/EBITDA*[(d)] | *3,2×* | *3,2×* | |

*(a) The reconciliation of net income and net income (loss) from ordinary operations can be found on page 168.*
*(b) After elimination of transaction costs related to the initial public offering and refinancing in 2015, and the sale of the Puteaux headquarters in 2016.*
*(c) Free cash flow is the indicator that represents cash flow generated by the business, excluding subsidiary financing and acquisition operations, and after net debt. Current free cash flow provides a standardized reading of this indicator by restating IPO costs and refinancing operations, amounting to €134.8 million in 2015 and €1.8 million in 2016, as well as the impact of the sale of the Puteaux headquarters for €60.5 million in 2016.*
*(d) EBITDA for the last twelve months, pro forma for the full-year effect of acquisitions. Prior-year period comparative at June 30, 2016.*

See sections 1.11.1 and 5.2.4 of the registration document for information on the amount of investments for the past three years, as well as cash flows from operating, investing and financing activities and free cash for the past two years.

## 5.2.2 ANALYSIS OF REVENUE AND EBITDA BY OPERATING SEGMENT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016

This document contains EBIT and EBITDA indicators and ratios, as defined by the Group. The Group has included these indicators because management uses them to assess operating performance, for presentations to members of the Supervisory Board, 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 indicators as follows:

- EBIT is defined as net profit (loss) before net financial expense, income tax, share in net income of equity-accounted companies, amortization of customer relationships, goodwill impairment losses, other income and expense, miscellaneous financial items (bank fees recognized in operating income), and IFRS 2 expenses (share-based payments). For a reconciliation of EBIT with the consolidated income statement, please see Note 3.2 to the Group's consolidated financial statements for the financial year ended December 31, 2016;
- 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, please see Note 3.2 to the Group's consolidated financial statements for the financial year ended December 31, 2016.

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.

| *(In millions of euros)* | Year ended December 31 2016 | 2015 | 2014 |
|---|---|---|---|
| **France** | | | |
| Revenue | 984.2 | 978.1 | 954.0 |
| Inter-segment[(a)] | 1.6 | 1.7 | 2.3 |
| Revenue including inter-segment | 985.9 | 979.8 | 956.3 |
| EBITDA[(b)] | 344.5 | 346.5 | 345.1 |
| *As a % of revenue including inter-segment*[(c)] | *34.9%* | *35.4%* | *36.1%* |
| **Europe** | | | |
| Revenue | 376.8 | 327.7 | 274.3 |
| Inter-segment[(a)] | 0.6 | 0.5 | 0.4 |
| Revenue including inter-segment | 377.4 | 328.2 | 274.7 |
| EBITDA[(b)] | 94.3 | 80.9 | 65.9 |
| *As a % of revenue including inter-segment*[(c)] | 25.0% | 24.6% | 24.0% |
| **Latin America** | | | |
| Revenue | 132.9 | 92.2 | 85.3 |
| Inter-segment[(a)] | 0.0 | (0.0) | (0.0) |
| Revenue including inter-segment | 132.9 | 92.2 | 85.3 |
| EBITDA[(b)] | 30.2 | 19.8 | 17.3 |
| *As a %* of revenue including inter-segment[(c)] | 22.7% | 21.4% | 20.3% |
| **Manufacturing Entities** | | | |
| Revenue | 18.9 | 17.5 | 17.4 |
| Inter-segment[(a)] | 8.2 | 9.8 | 8.6 |
| Revenue including inter-segment | 27.1 | 27.3 | 26.0 |
| EBITDA[(b)] | 3.7 | 2.5 | 2.3 |
| *As a % of revenue including inter-segment*[(c)] | 13.8% | 9.2% | 8.8% |
| **Inter-segment eliminations & Holding companies** | | | |
| Revenue | - | - | - |
| Inter-segment[(a)] | (10.5) | (12.1) | (11.3) |
| Revenue including inter-segment | (10.5) | (12.1) | (11.3) |
| EBITDA[(b)(d)] | (4.8) | (3.6) | (1.5) |
| *As a %* of revenue including inter-segment[(c)] | - | - | - |
| **TOTAL** | | | |
| Consolidated revenue | 1,512.8 | 1,415.4 | 1,331.0 |
| EBITDA[(b)] | 467.9 | 446.1 | 429.1 |
| *As a % of total consolidated revenue* | 30.9% | 31.5% | 32.2% |
| Adjusted net debt[(e)] | 1,5958 | 1,440.2 | 2,019.1 |

*(a) Inter-segment reflects inter-company 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. Inter-company sales are not material in relation to sales to external customers for the France and Europe operating segments. Conversely, these inter-company sales account for a material portion of the Manufacturing Entities' revenue. For the year ended December 31, 2016, inter-segment sales recorded by the Manufacturing Entities amounted to €5.5 million for Kennedy Hygiene Products (€6.0 million for the year ended December 31, 215 and €5.7 million for the year ended December 31, 2014) and €2.8 million for Le Jacquard Français (€3.8 million for the year ended December 31, 2015 and €2.9 million for the year ended December 31, 2014).*

*(b) For a definition of EBITDA and EBIT, please see Note 3.2 to the Group's consolidated financial statements for the financial year ended December 31, 2016.*

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

*(d) The "Inter-segment eliminations & Holding companies" EBITDA corresponds to the EBITDA of the Group's holding companies. These companies incur certain administrative costs that are not allocated to the operating segments.*

*(e) For the Group, adjusted net debt consists of non-current debt, current debt and cash and cash equivalents, adjusted for the unamortized loan costs and the loan from the employee profit-sharing fund.*

| *(In millions of euros)* | 2016 | 2015 | Change | Organic growth |
|---|---|---|---|---|
| Hospitality | 313.6 | 309.5 | 1.3% | 1.3% |
| Industry | 187.8 | 189.6 | -0.9% | -0.9% |
| Trade and Services | 343.5 | 340.0 | 1.0% | 1.0% |
| Healthcare | 164.9 | 159.7 | 3.3% | 3.3% |
| **France[(a)]** | **984.2** | **978.1** | **0.6%** | **0.6%** |
| ***Northern Europe*** | **218.6** | **185.2** | **18.1%** | **1.1%** |
| ***Southern Europe*** | **158.1** | **142.5** | **10.9%** | **9.9%** |
| **Europe** | **376.8** | **327.7** | **15.0%** | **5.0%** |
| **Latin America** | **132.9** | **92.2** | **44.2%** | **15.0%** |
| **Manufacturing Entities** | **18.9** | **17.5** | **7.9%** | **13.2%** |
| **TOTAL** | **1,512.8** | **1,415.4** | **6.9%** | **2.7%** |

*Percentage changes are calculated on the basis of exact values.*
*(a) After Others including Reductions on sales.*

In 2016, the Group's revenue was up by 6.9% to €1,512.8 million. Organic growth (+2.7%) and acquisition impact (+4.7%) were partially offset by an adverse foreign exchange impact (-0.5%).

### FRANCE

In 2016, revenue growth of +0.6% in France was driven entirely by organic growth.

- revenue for Trade and Services was up by 1.0%. However, the economic climate is still challenging and growth is limited, despite robust commercial performance in the services segment;
- revenue in the Hospitality segment was up by 1.3%. The year was marked by the July 14 attack in Nice which had a major impact on the markets in Paris and the South of France in the third quarter. The rollout of large hotel contracts in 2016 was nevertheless in line with expectations;
- revenue for the Industry segment was down by 0.9%. The year was impacted by the loss of a number of contracts, while the challenging economic environment continued to have a negative effect on our customers' business;
- revenue for the Healthcare segment grew by 3.3%, driven by the rollout of large contracts for short and long stays.

### EUROPE (EXCLUDING FRANCE)

The strong growth in revenue in Northern Europe (+18.1%) was driven by acquisitions in Germany and Switzerland. Organic performance, while limited (+1.1%), was nevertheless up by 1.8% excluding the base effect. (For the record, Belgium sold €1.6 million of Ultra-Clean workwear in 2015 versus just €0.4 million in 2016.) Switzerland and Germany, our main markets in the region, showed satisfactory organic growth, despite a lukewarm end of year for the hospitality sector.

Revenue for Southern Europe was also up sharply (+10.9%, of which 9.9% in organic growth) in a still-favorable economic climate. This performance was again driven by Spain, which posted double-digit organic growth. In addition to high tourism figures in the Iberian Peninsula, this performance reflects the Group's strong business momentum as it takes advantage of the region's recovery to open up new markets.

### LATIN AMERICA

Revenue growth for Latin America was 44.2%, for the most part driven by acquisitions in Brazil in July 2015 and January 2016, and the acquisition of Albia in Chile (consolidated since October 1, 2015). Organic growth was 15.0%, driven by a very good year in Brazil. This was the result of four main factors: (i) new contracts with key accounts that adopted our rental/laundry/maintenance model for the first time, (ii) price increases, (iii) high volume of business from hospitals, laboratories and medical practices due to epidemics in the first quarter in Brazil, and (iv) a number of contracts related to the Olympic Games for total revenue of approximately €2 million. Although the economic context in Brazil continues to be challenging, this solid organic performance underscores the market's strong potential. In addition, we posted a negative foreign exchange impact for the year of -4.5% but the currency effect was reversed in the second half.

### EBITDA

| *(In millions of euros)* | 2016 | 2015 | Change |
|---|---|---|---|
| **France** | **344.5** | **346.5** | **-0.6%** |
| *As a % of revenue* | *34.9%* | *35.4%* | *-42 bp* |
| **Europe** | **94.3** | **80.9** | **+16.6%** |
| *As a % of revenue* | *25.0%* | *24.6%* | *+34 bp* |
| **Latin America** | **30.2** | **19.8** | **+52.9%** |
| *As a % of revenue* | *22.7%* | *21.4%* | *+130 bp* |
| **Manufacturing Entities** | **3.7** | **2.5** | **+47.7%** |
| *As a % of revenue* | *13.8%* | *9.2%* | *+452 bp* |
| **Holding companies** | **(4.8)** | **(3.6)** | **n/a** |
| **TOTAL** | **467.9** | **446.1** | **+4.9%** |
| *As a % of revenue* | *30.9%* | *31.5%* | *-58 bp* |

*Percentage changes are calculated on the basis of exact values.*

In 2016, the Group's EBITDA was up by 4.9% to €467.9 million. EBITDA margin was down 58 basis points, in line with the drop in EBITDA margin in France (-42 bp) and the negative mix impact: revenue growth in Europe and Latin America, regions with the lowest margins, was far higher than that of France.

In France, EBITDA as a percentage of revenue was down by 42 basis points, consistent with our expectations, primarily because of the still-challenging operating conditions but also because of the impact of the tragic events of July 14 in Nice. The decline in business volume in some facilities during the summer required us to make operational adjustments, which sometimes took several days to implement. The drop in margin was nevertheless partially offset by the productivity improvement initiatives we introduced.

In Europe (excluding France), the consolidation of our positions and improved productivity continued to bear fruit, with a 34-basis point increase in the EBITDA margin.

In Latin America, productivity gains and the successful integration of the Chilean subsidiary improved the EBITDA margin by 130 basis points.

## 5.2.3 INCOME STATEMENT ANALYSIS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016

The table below shows certain line items from the income statement for the years ended December 31, 2016 and December 31, 2015.

| | Year ended December 31 | | | |
|---|---|---|---|---|
| *(In millions of euros)* | 2016 | 2015 | Change (€) | Change % |
| **Revenue** | **1,512.8** | **1,415.4** | **97.3** | **+6.9%** |
| Cost of linen, equipment and other consumables | (247.5) | (240.4) | (7.0) | +2.9% |
| Processing costs | (568.9) | (518.3) | (50.6) | +9.8% |
| Distribution costs | (238.7) | (224.8) | (13.8) | +6.2% |
| **Gross margin** | **457.7** | **431.9** | **25.8** | **+6.0%** |
| Selling, general and administrative expenses | (249.2) | (225.3) | (23.8) | +10.6% |
| OPERATING INCOME BEFORE OTHER INCOME AND EXPENSE AND AMORTIZATION OF CUSTOMER RELATIONSHIPS | 208.6 | 206.5 | +2.0 | 1.0% |
| Amortization of customer relationships | (45.6) | (46.2) | 0.6 | -1.3% |
| Goodwill impairment | - | (14.6) | 14.6 | n/a |
| Other income and expense | 24.5 | (33.4) | 57.9 | n/a |
| OPERATING INCOME | 187.4 | 112.3 | 75.1 | 66.9% |
| Net financial expense | (55.7) | (170.9) | 115.3 | -67.4% |
| INCOME (LOSS) BEFORE TAX | 131.7 | (58.6) | 190.4 | N/A |
| Income tax benefit (expense) | (38.1) | 0.9 | (39.0) | n/a |
| Share of net income of equity-accounted companies | - | - | - | n/a |
| **NET INCOME (LOSS)** | **93.7** | **(57.7)** | **151.4** | **-262.3%** |

## Revenue

The Group's consolidated revenue increased by €97.3 million or 6.9% from €1,415.4 million for the year ended December 31, 2015 to €1,512.8 million for the year ended December 31, 2016.

The increase in revenue was due to a larger scope of consolidation arising from acquisitions, along with organic growth, particularly in France, Latin America and southern European countries. The table below presents a breakdown of revenue by operating segment for the years ended December 31, 2016 and December 31, 2015.

| | Year ended December 31 | | | |
|---|---|---|---|---|
| *(In millions of euros)* | **2016** | **2015** | **Change (€)** | **Change %** |
| France | 984.2 | 978.1 | 6.2 | +0.6% |
| Europe | 376.8 | 327.7 | 49.1 | +15.0% |
| Latin America | 132.9 | 92.2 | 40.7 | +44.2% |
| Manufacturing Entities | 18.9 | 17.5 | 1.4 | +7.9% |
| Revenue | 1,512.8 | 1,415.4 | 97.3 | +6.9% |

## Cost of linen, equipment and other consumables

Linen, equipment and other consumables costs increased by €7.0 million or 2.9% from €240.4 million for the year ended December 31, 2015 to €247.5 million for the year ended December 31, 2016. This increase was due to the impact of revenue growth. The percentage increase was nevertheless lower than that of revenue because of the impact of acquisitions that have a smaller share of linen costs.

## Processing costs

Processing costs increased by €50.6 million or 9.8% from €518.3 million for the year ended December 31, 2015 to €568.9 million for the year ended December 31, 2016. This increase was largely the result of higher staffing costs due to increased revenue and new acquisitions, mainly involving industrial operations (flat linen and workwear).

## Distribution costs

Distribution costs increased by €13.8 million or 6.2% from €224.8 million for the year ended December 31, 2015 to €238.7 million for the year ended December 31, 2016. The increase in distribution costs was similar to the increase in revenue.

## Gross margin

Gross margin increased by €25.8 million or 6.0% from €431.9 million for the year ended December 31, 2015 to €457.7 million for the year ended December 31, 2016.

## Selling, general and administrative expenses

Selling, general and administrative expenses increased by €23.8 million or 10.6% from €225.3 million for the year ended December 31, 2015 to €249.2 million for the year ended December 31, 2016. This increase was related to acquisitions, the reinforcement of sales and marketing teams in France, and the €5.4-million increase in profit-sharing.

## 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 €2.0 million or 1.0% from €206.5 million for the year ended December 31, 2015 to €208.6 million for the year ended December 31, 2016.

## Amortization of customer relationships

Amortization of customer relationships fell by €0.6 million or -1.3% from €46.2 million for the year ended December 31, 2015 to €45.6 million for the year ended December 31, 2016. Contracts and customer relationships are amortized on a straight-line basis over periods of 4-11 years. The carrying amount of customer relationships was €108.2 million at December 31, 2016, most of it due to be amortized by 2018.

## Goodwill impairment

No goodwill impairment losses were recognized for the year ended December 31, 2016. For the record, for the year ended December 31, 2015, the Group recognized impairment losses of €5.4 million on the goodwill of the Kennedy CGU as a result of the downward revision of its future cash flow projections, and impairment losses of €9.2 million on the goodwill of the Belgian CGU reflecting a decline in its profitability due to a highly competitive market.

## Other income and expense

Other income and expense increased by €57.9 million (i.e. +44.5%) from a net expense of €33.4 million for the year ended

December 31, 2015 to a net income of €24.5 million for the year ended December 31, 2016. For the year ended December 31, 2016, other income and expense was mainly related to net income from site sales (in particular the Puteaux site) totaling +€35.6 million and expenses related to acquisitions totaling -€4.4 million. Please see Note 4.4 to the Group's consolidated financial statements for the financial year ended December 31, 2016.

### Net financial expense

Net financial expense showed an improvement of €115.3 million, dropping from -€170.9 million for the year ended December 31, 2015 to -€55.7 million for the year ended December 31, 2016. This change was primarily due to (i) the refinancing that followed the initial public offering in the first half of 2015. Gross finance cost in 2015 included accelerated amortization of debt issuance costs of €24.9 million; (ii) losses on traded derivatives in respect of the partial termination on May 11, 2015 of the interest rate hedging swap agreements. The par value was reduced from €650 million to €450 million (including €8.4 million paid in respect of the partial termination); (iii) losses related to the early repayment of the principal and interests due under the Senior Secured Notes and Senior Subordinated Notes maturing in 2018 and in respect of approximately 40% of the Legendre Holding 27 loan (PIK Proceeds Loan). They are included for an amount of €68.9 million in the "Other" line item in the above table for 2015.

### Income tax benefit (expense)

Income tax expense increased by €39.0 million, from a benefit of €0.9 million for the year ended December 31, 2015 to an expense of €38.1 million for the year ended December 31, 2016. This line item includes €10.3 million for the CVAE business tax in France and the IRAP regional tax on productive activity in Italy. The income tax expense was primarily caused by the shift from negative pre-tax income of -€58.6 for the year ended December 31, 2015 to positive pre-tax income of +€131.7 for the year ended December 31, 2016. This line item also includes €15.0 million related to the tax rate change passed in France reducing the rate to 28.92% (including the additional contribution to corporate income tax) for all companies as from 2020 (versus 34.43% in 2016).

### Net income (loss)

Net income increased by €151.4 million from a loss of -€57.7 million for the year ended December 31, 2015 to a gain of +€93.7 million for the year ended December 31, 2016 for the aforementioned reasons.

| *(In millions of euros)* | 2016 | 2015 |
|---|---|---|
| NET INCOME (LOSS) AS REPORTED | 93.7 | (57.7) |
| Goodwill impairment | - | 14.6 |
| Amortization of customer relationships (net from taxes) | 32.8 | 33.3 |
| IPO and refinancing expenses (net from taxes) | - | 80.8 |
| IFRS 2 expenses (net from taxes) | 5.1 | 1.8 |
| Puteaux sale (net from taxes and employees participation) | 23.4 | - |
| NET INCOME (LOSS) FROM ORDINARY OPERATIONS | 108.2 | 72.8 |

Net income (loss) from ordinary operations amounted to €108.2 million in 2016, an increase of +48.6% over 2015.

## 5.2.4 CAPITAL RESOURCES

### Overview

The Group's financing needs arise mainly from its working capital requirement, capital expenditure (including acquisitions and linen purchases), and financial expense hedging.

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. The Group uses its various financing sources and cash and cash equivalents to cover its ordinary financing needs. Its cash position is denominated in euros.

## Presentation and analysis of the main ways in which the Group uses cash

### Capital expenditure

Part of the Group's cash flow is allocated to financing its capital expenditure (excluding acquisitions), which breaks 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 hygiene appliances; and
- expenditure on linen, which varies according to the schedule for providing linen to the Group's customers.

The Group's gross capital expenditure for the years ended December 31, 2014, 2015 and 2016 (excluding acquisitions) totaled €236.4 million, €268.0 million and €263.6 million respectively.

### Financial expenses

The Group paid financial interest (net of financial income) amounting to €76.9 million for the year ended December 31, 2015 and €50.0 million for the year ended December 31, 2016. This drop in financial expenses followed the restructuring of the Group's debt which began in 2015 and continued in 2016 with the optimization of financial expenses, including a broader set of financial resources consisting of: bank debt, and short- and long-term capital markets.

## Consolidated cash flows

The table below summarizes the Group's cash flows for the years ended December 31, 2015 and December 31, 2016:

| | December 31 | |
|---|---|---|
| *(In millions of euros)* | **2016** | **2015** |
| Net cash from operating activities | 424.8 | 293.9 |
| Net cash used in investing activities | (425.3) | (375.3) |
| Net cash from (used in) financing activities | 108.7 | 78.8 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **108.2** | **(2.7)** |

### Cash flows from operating activities

The table below breaks down the Group's cash flows from operating activities for the years ended December 31, 2015 and December 31, 2016:

| | December 31 | |
|---|---|---|
| *(In millions of euros)* | **2016** | **2015** |
| Consolidated net income (loss) | 93.7 | (57.1) |
| Cash flows after finance costs and tax | 352.4 | 243.8 |
| Cash flows before finance costs and tax | 445.1 | 344.5 |
| Income tax paid | (47.1) | (17.3) |
| Change in inventories | (7.0) | 6.0 |
| Change in trade and other receivables | 8.9 | (17.9) |
| Change in other assets | (1.4) | 0.6 |
| Change in trade and other payables | 6.6 | (14.2) |
| Change in other liabilities | 20.0 | (7.2) |
| Change in other items | (0.2) | (0.2) |
| Employee benefits | (0.0) | (0.5) |
| **NET CASH FROM OPERATING ACTIVITIES** | **424.8** | **293.9** |

Net movements in working capital requirements are mainly due to the use of receivables related to France's tax credit for competitiveness and employment (CICE) to pay French corporate income tax, efforts made regarding collections at the end of the financial year and the increase in business volume, VAT to be paid on the sale of the Puteaux site amounting to €10.1 million and income tax paid.

## Cash flows from investing activities

The table below breaks down the Group's cash flows from investing activities for the years ended December 31, 2015 and December 31, 2016:

| | December 31 | |
|---|---|---|
| *(In millions of euros)* | **2016** | **2015** |
| Acquisition of intangible assets | (11.1) | (6.5) |
| Proceeds from sale of intangible assets | 0.0 | 0.0 |
| Acquisition of property, plant and equipment | (252.5) | (261.5) |
| Proceeds from sale of property, plant and equipment | 53.1 | 8.9 |
| Acquisition of subsidiaries, net of cash acquired | (216.3) | (117.3) |
| Proceeds from disposal of subsidiaries, net of cash transferred | 1.0 | 1.0 |
| Changes in loans and advances | 0.4 | (0.2) |
| Dividends from equity-accounted companies | 0.0 | 0.0 |
| Investment grants | 0.1 | 0.1 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(425.3)** | **(375.3)** |

Ordinary investments in 2016 (€263.6 million) comprised capital expenditure, IT and item rental (linens and HWB appliances).

These were down as a result of major savings made in linen expenditure during the year (down by €14.5 million), which offset the increase in capital expenditure and IT expenditure related to the increase in revenue.

Subsidiary acquisitions correspond to the acquisitions made throughout 2016.

The table below shows inflows/outflows for 2015 and 2016.

| *(In millions of euros)* | **2016** | **2015** |
|---|---|---|
| Purchases of linen & and other items for rental/laundry/maintenance services | (167.7) | (184.5) |
| Purchases excluding linen & other items for rental/laundry/maintenance services | (95.9) | (83.4) |
| Asset disposals[(a)] | 53.1 | 8.9 |
| **OUTFLOWS/INFLOWS RELATING TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS** | **(210.5)** | **(259.0)** |

*(a) Disposals in 2016 relate primarily to the sale of the Puteaux site.*

## Cash flows from financing activities

The table below breaks down the Group's cash flows from financing activities for the years ended in December 31, 2015 and December 31, 2016:

| | December 31 | |
|---|---|---|
| *(In millions of euros)* | **2016** | **2015** |
| Capital increase | 0.5 | 689.4 |
| Treasury shares | 0.7 | (2.2) |
| Dividends paid | (39.9) | (39.9) |
| Change in borrowings[(a)] | 197.7 | (490.8) |
| *Proceeds from new borrowings* | *1,514.8* | *3,962.5* |
| *Repayment of borrowings* | *(1,317.2)* | *(4,453.3)* |
| Net interest paid | (50.0) | (76.9) |
| Other flows related to financing activities | (0.2) | (0.9) |
| **Net cash from (used in) financing activities** | **108.7** | **78.8** |

*(a) Net change in credit lines.*

## Equity

Equity attributable to owners of the parent totaled €1,054.2 million as at December 31, 2015 and €1,147.0 million as at December 31, 2016. Changes in Group equity during the 2016 financial year arose for the most part from earnings for the year, the distribution of premiums at the end of the annual general meeting of May 27, 2016, and by gains (losses) recognized directly in equity (mainly the change in currency translation reserves resulting from the translation into euros of the financial statements of subsidiaries working in foreign currencies, particularly the Brazilian real).

## Off-balance sheet commitments

The Group's off-balance sheet commitments are presented in notes 2.6, 6.4 and 8.9 to the Group's consolidated financial statements for the financial year ended December 31, 2016.

# 5.2.5 FINANCIAL RESOURCES AND LIABILITIES

## Financial resources

The Group's main financing sources are as follows:

- *net cash from operating activities*, which totaled €293.9 million for the year ended December 31, 2015 and €424.8 million for the year ended December 31, 2016;
- *available cash*. Cash and cash equivalents amounted to €56.7 million as at December 31, 2015, versus €169.6 million as at December 31, 2016; and
- *debt in 2016* related to the High-Yield Bond issued in April 2015, maturing in April 2022, the syndicated credit facility, the commercial paper program, the employee profit-sharing fund, finance leases and other loans.

## Financial liabilities

The table in Note 8.5 to the consolidated financial statements breaks down the Group's net debt as at December 31, 2015 and December 31, 2016:

For the Group, net debt consists of the sum of non-current debt, current debt and cash and cash equivalents.

The Group's adjusted net debt/EBITDA ratio, calculated in application of the banking agreements, was 3.1x as at December 31, 2015 and 3.2x as at December 31, 2016.

Adjusted net debt is calculated as follows:

| | December 31 | |
|---|---|---|
| *(In millions of euros)* | **2016** | **2015** |
| **Net debt** | **1,601.3** | **1,446.2** |
| Unamortized loan costs | 22.8 | 27.9 |
| Loan from employee profit-sharing fund | (28.4) | (33.9) |
| **Adjusted net debt** | **1,595.8** | **1,440.2** |

The above ratios are calculated on the basis of EBITDA defined as EBIT before depreciation and amortization, net of the portion of grants transferred to income.

All financial liabilities are described in chapter 1, section 1.12.1: Financing policy of this registration document.

## 5.3 EVENTS AFTER THE REPORTING PERIOD

Significant events that occurred between the reporting date and the approval date of the financial statements are described in notes 2.8 and 12 to the consolidated financial statements.

Significant changes: With the exception of the recent events referred to in the description of the Group and its activities (Chapter 1), in notes 2.8 and 12 to the consolidated financial statements and in the management report, no significant event has occurred that is likely to impact the Group's financial or commercial position since December 31, 2016, the year-end date of the last financial year for which the audited financial statements have been reported by the Company.

## 5.4 OUTLOOK

The outlook is based on the Group's strategy, which has four main strands:

- consolidating its positions through organic growth and acquisitions;
- developing the Latin America platform;
- continuing to improve the Group's operational excellence;
- introducing new products and services at limited marginal cost.

The Group expects similar momentum to that of 2016 in all its markets in 2017. Organic revenue growth in 2017 in each geographic region should therefore be more or less the same as in 2016.

The impact of acquisitions completed in 2016 are expected to increase Group revenue by 10% in 2017 (excluding the contribution from Lavebras).

The consolidation date for Lavebras depends on the date on which the acquisition is completed. This cannot be determined until approval is obtained from the Brazilian competition authority.

The Group furthermore aims to maintain its EBITDA margin in France and improve its margin in other regions in 2017.

On the recommendation of the Management Board, shareholders will be asked to vote at the general meeting of May 19, 2017 on a dividend of €0.37 per share. The Company will determine the amount of any distributions 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 pursue and applicable statutory provisions.

In light of the risks that may occur during the reporting period the targets presented in this paragraph, as well as the profit forecasts or estimates within the meaning of the Commission regulation (EC) No. 809/2004 as amended and of the European securities and markets authority (ESMA) recommendations on forecast data, in no way represent an undertaking by the Group.

## 5.5 ELIS RESULTS OF OPERATIONS

Given that Elis merged with its subsidiary Novalis on July 9, 2015 through a transfer of all assets and liabilities, and that this transaction had no retroactive impact, it is difficult to compare the two financial years presented in the income statement.

Elis shows an operating loss of -€10,145 thousand for the 2016 financial year, versus a net loss of -€4,309 thousand the previous year. The increased operating loss was largely due to higher commission for not using the revolving credit facilities, which were not drawn down because of the success of the commercial paper program, and the commission related to setting up the bridge loan for the purpose of financing the acquisitions of Indusal and Lavebras by the M.A.J. subsidiary.

Net financial expense stood at -€8,174 thousand versus -€77,613 thousand for 2015. This included a dividend received in 2016 from M.A.J. amounting to €22,357 thousand, whereas in 2015 an expense of €52,151 thousand had been paid as part of the refinancing.

Non-recurring income (loss) showed a profit of €277 thousand and primarily includes income and expenses corresponding to unrealized and realized gains (losses) determined using the FIFO method to account for treasury shares under the liquidity agreement.

Income tax represented a benefit of €33,754 thousand (€24,698 thousand in 2015). This benefit arose from tax consolidation, since the tax paid by the subsidiaries was higher than the tax owed by the tax group of which Elis is the parent company.

Elis's equity totaled €1,330,126 thousand, down -€24,148 thousand compared to December 31, 2015 due to the cash dividend distributed after the 2016 annual general meeting less the profit for the year.

The Company is expecting an improvement in the interest rates that apply to its financial debt following the refinancing in early 2017.

## 5.6 SIGNIFICANT EQUITY INVESTMENT IN FRANCE

The Company did not acquire any companies in France during the financial year.

## 5.7 OTHER INFORMATION

The Company's research and development activities are described in section 1.14 of the registration document.

The Company has no other research and development activities.

In accordance with Article L. 232-1 of the French Commercial Code, it is hereby specified that the Company had no branches as at the date of the filing of this registration document.

## 5.8 INFORMATION ABOUT PAYMENT TERMS AND TRADE PAYABLES

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the balance of trade payables at the end of the financial year (excluding accrued expenses) was €892,177.

| *(In euros)* | **Not due payable in more than 60 days** | **Not due payable in 30 to 60 days** | **Not due payable in less than 30 days** | **Due** | **Total** |
|---|---|---|---|---|---|
| Suppliers of goods and services | - | 158,060 | 91,623 | 642,494 | 892,177 |
| Ratio (%) | - | 17.7% | 10.3% | 72.0% | 100% |

By way of comparison, trade payables as at December 31, 2015, amounted to €179,267 (excluding accrued expenses).

| *(In euros)* | **Not due payable in more than 60 days** | **Not due payable in 30 to 60 days** | **Not due payable in less than 30 days** | **Due** | **Total** |
|---|---|---|---|---|---|
| Suppliers of goods and services | - | 91,704 | 4,376 | 83,187 | 179,267 |
| Ratio (%) | - | 51.2% | 2.4% | 46.4% | 100% |

## 5.9 INJUNCTIONS OR FINES FOR ANTI-COMPETITIVE PRACTICES

None[1].

*(1) Article L. 464-2 I of the French Commercial Code stipulates that when injunctions or fines for anti-competitive practices are imposed by the French competition authorities (Autorité de la concurrence), said authorities can ask for its decision or the extract thereof to be included in the Management Board's report.*

## 5.10 INFORMATION ABOUT NON-TAX-DEDUCTIBLE EXPENSES

During the year ended December 31, 2016, the Company:

- recognized €21,033 in sumptuary expenses that were not deductible from taxable income within the meaning of Article 39-4 of the French Tax Code (*Code général des impôts*) (lines WE and WF of the tax return);
- did not exclude any general expenses from tax deductible expenses in the income taxable pursuant to Articles 39-5 and 223 *quinquies* of the French Tax Code;
- added back an amount of €510,373 for directors' fees exceeding the deductible threshold of €457 per Board member.

## 5.11 FIVE-YEAR FINANCIAL SUMMARY

| **Financial year**<br>**Type of indication**<br>*(In euros)* | **2012** | **2013** | **2014** | **2015** | **2016** |
|---|---|---|---|---|---|
| **I. Financial position at the reporting date** | | | | | |
| - Share capital | 214,663,565 | 461,177,277 | 497,610,410 | 1,140,061,670 | 1,140,061,670 |
| - Number of shares issued | 214,663,565 | 922,354,554 | 49,761,041 | 114,006,167 | 114,006,167 |
| - Number of bonds convertible into shares | | | | | |
| **II. Results of operations** | | | | | |
| - Revenue excl. tax | 1,500,000 | 1,500,000 | 1,500,000 | 1,114,900 | 1,043,582 |
| - Net income (loss) before tax, depreciation, amortization and provisions | (55,800,776) | (95,160,441) | (55,378,009) | (90,884,608) | (18,026,719) |
| - Income tax benefit (expense) | 44,292,116 | 52,344,348 | 45,726,208 | 24,698,314 | 33,754,357 |
| - Net income (loss) after tax, depreciation, amortization and provisions | (13,237,268) | (42,825,339) | (9,632,341) | (54,840,383) | 15,712,964 |
| - Amount of earnings distributed | 0 | 0 | 0 | 0 | 0 |
| **III. Per share data** | | | | | |
| - Net income (loss) after tax, but before depreciation, amortization and provisions | (0.05) | (0.05) | (0.20) | (0.62) | 0.14 |
| - Net income (loss) after tax, depreciation, amortization and provisions | (0.06) | (0.05) | (0.19) | (0.52) | 0.14 |
| - Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **IV. Employees** | | | | | |
| - Number of employees | 3 | 3 | 3 | 3 | 3 |
| - Payroll expenses | 1,146,771 | 1,403,842 | 1,572,954 | 4,381,986 | 1,641,594 |
| - Employee benefits (social security, etc.) | 345,949 | 349,808 | 558,368 | 957,449 | 596,565 |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# 6

# Financial statements for the year ended December 31, 2016 AFR

# 6.1 CONSOLIDATED FINANCIAL STATEMENTS

## 6.1.1 CONSOLIDATED INCOME STATEMENT

| *(In thousands of euros)* | Notes | 2016 | 2015 |
|---|---|---|---|
| **Revenue** | **3.1/4.1** | **1,512,764** | **1,415,418** |
| Cost of linen, equipment and other consumables | | (247,463) | (240,421) |
| Processing costs | | (568,942) | (518,320) |
| Distribution costs | | (238,657) | (224,819) |
| **Gross margin** | | **457,702** | **431,858** |
| Selling, general and administrative expenses | | (249,150) | (225,346) |
| **Operating income before other income and expense and amortization of customer relationships** | **3.2** | **208,552** | **206,512** |
| Amortization of customer relationships | 4.3 | (45,610) | (46,222) |
| Goodwill impairment | 6.1 | 0 | (14,575) |
| Other income and expense | 4.4 | 24,451 | (33,432) |
| **Operating income** | | **187,392** | **112,284** |
| Net financial expense | 8.2 | (55,679) | (170,932) |
| **Income (loss) before tax** | | **131,714** | **(58,648)** |
| Income tax benefit (expense) | 9 | (38,054) | 929 |
| Share of net income of equity-accounted companies | | 0 | 0 |
| **Net income (loss)** | | **93,660** | **(57,719)** |
| Attributable to: | | | |
| - owners of the parent | | 93,669 | (58,194) |
| - non-controlling interests | | (9) | 475 |
| Earnings (loss) per share (EPS) / Earnings (loss) per share (EPS) from continuing operations (in euros): | | | |
| - basic, attributable to owners of the parent | 10.3 | €0.82 | €(0.55) |
| - diluted, attributable to owners of the parent | 10.3 | €0.82 | €(0.55) |
| EBITDA | 3.2 | 467,943 | 446,108 |

## 6.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(In thousands of euros)* | Notes | 2016 | 2015 |
|---|---|---|---|
| **Net income (loss)** | | **93,660** | **(57,719)** |
| Gains (losses) on change in fair value of hedging instruments | 8.7 | (3,862) | (2,972) |
| Hedging reserve reclassified to income | | 4,065 | 6,283 |
| **Total change in hedging reserve** | 8.8 | **203** | **3,311** |
| Related tax | | (68) | (1,140) |
| **Translation reserve** | | **39,176** | **(34,010)** |
| **Other comprehensive income (loss) which may be subsequently reclassified to income** | | **39,311** | **(31,839)** |
| **Actuarial gains and losses recognized in equity** | | **(2,712)** | **(3,823)** |
| Related tax | | 533 | 833 |
| **Other comprehensive income (loss) which may not be subsequently reclassified to income** | | **(2,179)** | **(2,990)** |
| **Other comprehensive income** | | **37,132** | **(34,830)** |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **130,792** | **(92,549)** |
| Attributable to: | | | |
| - owners of the parent | | 130,760 | (92,469) |
| - non-controlling interests | | 32 | (80) |

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 detailed in Note 8.8 “Derivative financial instruments and hedges.”

Translation reserves arise from the translation, during consolidation, of assets and liabilities of Group entities denominated in foreign currencies as described in Note 2.3 “Foreign currency translation.”

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.

## 6.1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Assets

| *(In thousands of euros)* | Notes | 12/31/2016 net | 12/31/2015 net |
|---|---|---|---|
| Goodwill | 6.1 | 1,755,695 | 1,583,432 |
| Intangible assets | 6.2 | 350,877 | 379,477 |
| Property, plant and equipment | 6.3 | 896,508 | 784,204 |
| Equity-accounted companies | | 0 | 0 |
| Available-for-sale financial assets | | 85 | 146 |
| Other non-current assets | 8.7 | 4,230 | 5,757 |
| Deferred tax assets | 9 | 19,414 | 12,478 |
| TOTAL NON-CURRENT ASSETS | | 3,026,809 | 2,765,494 |
| Inventories | 4.5 | 62,401 | 52,479 |
| Trade and other receivables | 4.2 | 392,613 | 356,847 |
| Current tax assets | | 6,597 | 4,099 |
| Other assets | 4.7 | 16,972 | 13,799 |
| Cash and cash equivalents | 8.4 | 169,578 | 56,722 |
| Assets held for sale | 6.3 | 1,146 | 0 |
| TOTAL CURRENT ASSETS | | 649,307 | 483,946 |
| **TOTAL ASSETS** | | **3,676,116** | **3,249,440** |

### Equity and liabilities

| *(In thousands of euros)* | Notes | 12/31/2016 | 12/31/2015 |
|---|---|---|---|
| Share capital | 10.1 | 1,140,062 | 1,140,062 |
| Additional paid-in capital | 10.2 | 280,874 | 320,777 |
| Treasury share reserve | | (1,582) | (2,175) |
| Other reserves | | 724 | 724 |
| Retained earnings (accumulated deficit) | | (266,976) | (360,754) |
| Other components of equity | | (6,103) | (44,411) |
| Equity attributable to owners of the parent | | 1,146,999 | 1,054,223 |
| Non-controlling interests | 2.7 | 3,954 | (338) |
| TOTAL EQUITY | | 1,150,953 | 1,053,885 |
| Non-current provisions | 7.1 | 24,247 | 24,650 |
| Employee benefit liabilities | 5.3 | 62,927 | 59,042 |
| Non-current borrowings | 8.5 | 1,276,797 | 1,267,421 |
| Deferred tax liabilities | 9 | 176,845 | 183,819 |
| Other non-current liabilities | 8.7 | 22,611 | 38,926 |
| TOTAL NON-CURRENT LIABILITIES | | 1,563,427 | 1,573,859 |
| Current provisions | 7.1 | 4,921 | 5,766 |
| Current tax liabilities | | 3,886 | 1,906 |
| Trade and other payables | 4.6 | 162,554 | 134,999 |
| Other liabilities | 4.7 | 296,283 | 243,544 |
| Bank overdrafts and current borrowings | 8.5 | 494,092 | 235,482 |
| Liabilities directly associated with assets held for sale | | 0 | 0 |
| TOTAL CURRENT LIABILITIES | | 961,736 | 621,697 |
| **TOTAL EQUITY AND LIABILITIES** | | **3,676,116** | **3,249,440** |

## 6.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

| *(In thousands of euros)* | Note | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| CONSOLIDATED NET INCOME (LOSS) | | 93,660 | (57,719) |
| Depreciation, amortization and provisions | 4.3 | 295,338 | 285,565 |
| Portion of grants transferred to income | 4.3 | (115) | (128) |
| Goodwill impairment | 6.1 | 0 | 14,575 |
| Share-based payments | | 4,744 | 981 |
| Discounting adjustment on provisions and retirement benefits | 8.2 | 994 | 824 |
| Net gains and losses on disposal of assets | | (41,233) | 1,229 |
| Share of net income of equity-accounted companies | | 0 | 0 |
| Other | | (986) | (1,478) |
| Dividends received (from non-consolidated entities) | | (25) | (12) |
| CASH FLOWS AFTER FINANCE COSTS AND TAX | | 352,377 | 243,836 |
| Net finance costs | 8.2 | 54,635 | 101,606 |
| Income tax expense | 9 | 38,054 | (929) |
| CASH FLOWS BEFORE FINANCE COSTS AND TAX | | 445,067 | 344,514 |
| Income tax paid | | (47,091) | (17,280) |
| Change in inventories | 4.5 | (6,958) | 5,980 |
| Change in trade and other receivables | 4.2 | 8,872 | (17,883) |
| Change in other assets | 4.7 | (1,424) | 602 |
| Change in trade and other payables | 4.6 | 6,595 | (14,198) |
| Change in other liabilities | 4.7 | 20,023 | (7,159) |
| Other changes | | (244) | (231) |
| Employee benefits | | (31) | (455) |
| NET CASH FROM OPERATING ACTIVITIES | | 424,810 | 293,889 |
| **Cash flows from investing activities** | | | |
| Acquisition of intangible assets | | (11,091) | (6,481) |
| Proceeds from sale of intangible assets | | 23 | 0 |
| Acquisition of property, plant and equipment | | (252,505) | (261,475) |
| Proceeds from sale of property, plant and equipment | | 53,110 | 8,910 |
| Acquisition of subsidiaries, net of cash acquired | 2.4 | (216,336) | (117,107) |
| Proceeds from disposal of subsidiaries, net of cash transferred | | 1,007 | 1,000 |
| Changes in loans and advances | | 378 | (226) |
| Dividends from equity-accounted companies | | 25 | 12 |
| Investment grants | | 95 | 50 |
| NET CASH FROM INVESTING ACTIVITIES | | (425,294) | (375,317) |
| **Cash flows from financing activities** | | | |
| Capital increase | | 459 | 689,400 |
| Treasury shares | | 700 | (2,175) |
| Dividends paid | | | |
| - to owners of the parent | | (39,871) | (39,881) |
| - to non-controlling interests | | 0 | (5) |
| Change in borrowings [(a)] | | 197,651 | (490,785) |
| - proceeds from new borrowings | | 1,514,807 | 3,962,527 |
| - repayment of borrowings | | (1,317,156) | (4,453,312) |
| Net interest paid | | (50,032) | (76,939) |
| Other flows related to financing activities | | (194) | (853) |
| NET CASH USED IN FINANCING ACTIVITIES | | 108,713 | 78,762 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 108,228 | (2,665) |
| Cash and cash equivalents at beginning of period | | 55,825 | 58,523 |
| Effect of changes in foreign exchange rates on cash and cash equivalents | | 1,824 | (33) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 8.4 | 165,877 | 55,825 |

*(a) Net change in credit lines.*

## 6.1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2016

| *(In thousands of euros)* | Share capital | Additional paid-in capital | Treasury share reserve | Other reserves |
|---|---|---|---|---|
| **Balance as at December 31, 2015** | **1,140,062** | **320,777** | **(2,175)** | **724** |
| Increase in share capital | | | | |
| Decrease in share capital | | | | |
| Amounts paid to shareholders | | (39,902) | | |
| Share-based payments | | | | |
| Changes in treasury shares | | | 593 | |
| Acquisition of NCI without a change in control | | | | |
| Acquisition of subsidiary - NCI | | | | |
| Other | | | | |
| Net income (loss) for the period | | | | |
| Other comprehensive income | | | | |
| **TOTAL COMPREHENSIVE INCOME** | | | | |
| **Balance as at December 31, 2016** | **1,140,062** | **280,874** | **(1,582)** | **724** |

## 6.1.6 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2015

| *(In thousands of euros)* | Share capital | Additional paid-in capital | Treasury share reserve | Other reserves |
|---|---|---|---|---|
| **Balance as at December 31, 2014** | **497,610** | **175,853** | | **7,224** |
| Increase in share capital | 658,805 | 181,789 | | |
| Decrease in share capital | (16,354) | (3,463) | | |
| Amounts paid to shareholders | | (33,402) | | (6,500) |
| Share-based payments | | | | |
| Changes in treasury shares | | | (2,175) | |
| Changes in consolidation scope | | | | |
| Other | | | | |
| Net income (loss) for the period | | | | |
| Other comprehensive income | | | | |
| **TOTAL COMPREHENSIVE INCOME** | | | | |
| **Balance as at December 31, 2015** | **1,140,062** | **320,777** | **(2,175)** | **724** |

| Retained earnings (accumulated deficit) | Hedging reserves | Translation reserve | Actuarial gains and losses | Owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| **(360,754)** | **(6,543)** | **(33,344)** | **(4,524)** | **1,054,223** | **(338)** | **1,053,885** |
| (0) | | | | (0) | 459 | 459 |
| | | | | | | |
| 31 | | | | (39,871) | | (39,871) |
| 4,744 | | | | 4,744 | | 4,744 |
| | | | | 593 | | 593 |
| (4,666) | | 1,669 | (452) | (3,449) | 475 | (2,974) |
| (0) | | | | | 3,326 | 3,326 |
| (1) | | | | (1) | (0) | (1) |
| 93,669 | | | | 93,669 | (9) | 93,660 |
| | 135 | 39,135 | (2,179) | 37,091 | 41 | 37,132 |
| **93,669** | **135** | **39,135** | **(2,179)** | **130,760** | **32** | **130,792** |
| **(266,976)** | **(6,408)** | **7,460** | **(7,155)** | **1,146,999** | **3,954** | **1,150,953** |
| | | | **(6,103)** | | | |

| Retained earnings (accumulated deficit) | Hedging reserves | Translation reserve | Actuarial gains and losses | Owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| **(302,305)** | **(8,680)** | **574** | **(1,999)** | **368,277** | **(125)** | **368,152** |
| | | | | 840,594 | | 840,594 |
| (1,410) | | | | (21,227) | | (21,227) |
| 21 | | | | (39,881) | | (39,881) |
| 981 | | | | 981 | | 981 |
| | | | | (2,175) | | (2,175) |
| 166 | (34) | | | 132 | (132) | |
| (12) | | 2 | | (10) | | (10) |
| (58,194) | | | | (58,194) | 475 | (57,719) |
| | 2,171 | (33,920) | (2,525) | (34,274) | (555) | (34,830) |
| **(58,194)** | **2,171** | **(33,920)** | **(2,525)** | **(92,468)** | **(80)** | **(92,549)** |
| **(360,754)** | **(6,543)** | **(33,344)** | **(4,524)** | **1,054,223** | **(338)** | **1,053,885** |
| | | | **(44,411)** | | | |

## 6.1.7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Elis Group is a leader in textile rental and laundering and hygiene services in Continental Europe and Latin America. Elis is a company governed by French law and listed on the Euronext market in Paris. Its registered office is located at 5, boulevard Louis Loucheur, 92210 Saint-Cloud, France.

The IFRS consolidated financial statements of the Elis Group for the year ended December 31, 2016 were approved by the Management Board on March 14, 2017 and reviewed by the Audit Committee on March 10, 2017 and by the Supervisory Board on March 14, 2017.

# Note 1 SIGNIFICANT ACCOUNTING POLICIES

## 1.1 BASIS OF PREPARATION

The Elis Group's consolidated financial statements include the financial statements of Elis as well as its subsidiaries. The Elis Group refers to Elis, the parent company of the Elis Group, and the companies included in its consolidation scope (see Note 2 "Scope of consolidation").

The consolidated financial statements have been prepared on a going concern basis, and 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.

## 1.2 ACCOUNTING STANDARDS APPLIED

The accounting policies used to prepare the consolidated financial statements comply with the IFRS and IFRIC interpretations as adopted by the European Union as at December 31, 2016 and available on the website: http://ec.europa.eu/finance/company-reporting/standards-interpretations/.

The accounting policies adopted are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2015 except for the following standards and amendments effective for annual periods beginning on or after January 1, 2016:

- amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception,"
- amendments to IAS 27 "Equity Method in Separate Financial Statements,"
- amendments to IAS 1 "Disclosure Initiative,"
- annual improvements to IFRSs 2012-2014 Cycle,
- amendment to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization,"
- amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations,"
- amendments to IAS 19R "Defined Benefit Plans: Employee Contributions,"
- annual improvements to IFRSs 2010-2012 Cycle;

These new texts did not have a material impact on the Elis Group's consolidated financial statements. 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.

Lastly, the standards and amendments that have been published but not yet adopted by the European Union or whose application date is subsequent to the reporting date of these financial statements are:

- for annual periods beginning on or after January 1, 2017:
  - amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets".

    The Group expects no material impact of these amendments on its consolidated financial statements,
  - amendments to IAS 7 "Disclosure Initiative."

    To meet the requirements for new notes, the Group intends to include a reconciliation of its beginning and closing debt balances with cash flows from financing activities in the notes to the financial statements for the year ended on December 31, 2017;
- for annual periods beginning on or after January 1, 2018:
  - IFRS 9 "Financial Instruments,"
  - IFRS 15 "Revenue from Contracts with Customers,"
  - amendments in "Clarifications to IFRS 15,"
  - amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions."

  Diagnostics relating to the impact of these new texts are currently underway. At this stage, the Group does not anticipate any material impact from the first application of IFRS 15 "Revenue from Contracts with Customers." The first application of IFRS 9 "Financial Instruments" should reflect a decrease in equity through the new impairment model that it sets out for trade receivables;
- for annual periods beginning on or after January 1, 2019:
  - IFRS 16 "Leases".

    The Group is currently assessing the impact of this standard.

    The Group does not plan to apply these standards prior to their required effective date in the European Union.

## 1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires the Elis Group to make estimates and assumptions that affect the carrying amount of assets, liabilities, income and expenses and related disclosures. The Elis Group 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.

### Critical accounting estimates and assumptions

#### 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. Concerning goodwill, the estimates used, together with an analysis of assumption sensitivity are presented in Note 6.1 "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 retirement benefits. Any change in the assumptions affects the carrying amount of the employee benefit liabilities.

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 5.3 "Employee benefit liabilities" provides further details on the matter.

### Critical judgments in applying accounting policies

#### Recognition of assets related to rental, laundry and maintenance services

Rental, laundry and maintenance services agreements are not deemed to transfer to the lessee substantially all the risks and rewards incident to ownership of the assets (linen, equipment, etc.) associated with the service agreements. Accordingly, items subject to rental, laundry and maintenance 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 benefit (expense)."

## 1.4 CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF PRIOR-YEAR FINANCIAL INFORMATION

IFRS 3 requires previously published comparative periods to be retrospectively restated in the event of business combinations (recognition of the final fair value of the assets acquired and liabilities and contingent liabilities assumed if fair value had been estimated on a provisional basis at the end of the previous reporting period).

In connection with adjustments recorded following acquisitions made in 2015, the amount of goodwill increased by €5,909 thousand compared with the amount presented in the consolidated financial statements for the year ended December 31, 2015 published for the purposes of the registration document.

| *(In thousands of euros)* | 2015 published | IFRS 3 | 2015 restated |
|---|---|---|---|
| **Revenue** | **1,415,418** | | **1,415,418** |
| Cost of linen, equipment and other consumables | (240,048) | (373) | (240,421) |
| Processing costs | (518,275) | (45) | (518,320) |
| Distribution costs | (224,819) | | (224,819) |
| **Gross margin** | **432,276** | **(418)** | **431,858** |
| Selling, general and administrative expenses | (225,346) | | (225,346) |
| **Operating income before other income and expense and amortization of customer relationships** | **206,930** | **(418)** | **206,512** |
| Amortization of customer relationships | (45,584) | (638) | (46,222) |
| Goodwill impairment | (14,575) | | (14,575) |
| Other income and expense | (33,413) | (19) | (33,432) |
| **Operating income** | **113,359** | **(1,076)** | **112,284** |
| Net financial expense | (170,932) | | (170,932) |
| **Income (loss) before tax** | **(57,573)** | **(1,076)** | **(58,648)** |
| Income tax benefit (expense) | 435 | 494 | 929 |
| Share of net income of equity-accounted companies | 0 | | 0 |
| **NET INCOME (LOSS)** | **(57,138)** | **(582)** | **(57,719)** |
| Attributable to: | | | |
| - owners of the parent | (57,613) | (582) | (58,194) |
| - non-controlling interests | 475 | | 475 |
| Earnings (loss) per share (EPS) / Earnings (loss) per share (EPS) from continuing operations (in euros): | | | |
| - basic, attributable to owners of the parent | €(0.54) | | €(0.55) |
| - diluted, attributable to owners of the parent | €(0.54) | | €(0.55) |
| **EBITDA** | **446,108** | **0** | **446,108** |

| *(In thousands of euros)* | 12/31/2015 published | IFRS 3 | 12/31/2015 restated |
|---|---|---|---|
| Goodwill | 1,589,340 | (5,909) | 1,583,432 |
| Intangible assets | 368,778 | 10,699 | 379,477 |
| Property, plant and equipment | 774,923 | 9,281 | 784,204 |
| Equity-accounted companies | 0 | 0 | 0 |
| Available-for-sale financial assets | 146 | 0 | 146 |
| Other non-current assets | 6,270 | (512) | 5,757 |
| Deferred tax assets | 12,118 | 360 | 12,478 |
| TOTAL NON-CURRENT ASSETS | 2,751,575 | 13,919 | 2,765,494 |
| Inventories | 52,547 | (68) | 52,479 |
| Trade and other receivables | 358,341 | (1,494) | 356,847 |
| Current tax assets | 4,099 | 0 | 4,099 |
| Other assets | 12,780 | 1,019 | 13,799 |
| Cash and cash equivalents | 56,594 | 128 | 56,722 |
| Assets held for sale | 0 | 0 | 0 |
| TOTAL CURRENT ASSETS | 484,361 | (415) | 483,946 |
| **TOTAL ASSETS** | **3,235,936** | **13,504** | **3,249,440** |

| *(In thousands of euros)* | 12/31/2015 published | IFRS 3 | 12/31/2015 restated |
|---|---|---|---|
| Share capital | 1,140,062 | 0 | 1,140,062 |
| Additional paid-in capital | 320,777 | 0 | 320,777 |
| Treasury share reserve | (2,175) | 0 | (2,175) |
| Other reserves | 724 | 0 | 724 |
| Retained earnings (accumulated deficit) | (360,161) | (593) | (360,754) |
| Other components of equity | (44,422) | 11 | (44,411) |
| Equity attributable to owners of the parent | 1,054,804 | (582) | 1,054,223 |
| Non-controlling interests | (338) | 0 | (338) |
| TOTAL EQUITY | 1,054,466 | (582) | 1,053,885 |
| Non-current provisions | 22,918 | 1,732 | 24,650 |
| Employee benefit liabilities | 58,259 | 783 | 59,042 |
| Non-current borrowings | 1,267,386 | 35 | 1,267,421 |
| Deferred tax liabilities | 182,131 | 1,689 | 183,819 |
| Other non-current liabilities | 39,639 | (713) | 38,926 |
| TOTAL NON-CURRENT LIABILITIES | 1,570,332 | 3,526 | 1,573,859 |
| Current provisions | 5,766 | 0 | 5,766 |
| Current tax liabilities | 1,848 | 58 | 1,906 |
| Trade and other payables | 135,059 | (60) | 134,999 |
| Other liabilities | 232,546 | 10,998 | 243,544 |
| Bank overdrafts and current borrowings | 235,919 | (437) | 235,482 |
| Liabilities directly associated with assets held for sale | 0 | 0 | 0 |
| TOTAL CURRENT LIABILITIES | 611,138 | 10,559 | 621,697 |
| **TOTAL EQUITY AND LIABILITIES** | **3,235,936** | **13,504** | **3,249,440** |

| (In thousands of euros) | 2015 published | IFRS 3 | 2015 restated |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| CONSOLIDATED NET INCOME (LOSS) | (57,138) | (582) | (57,719) |
| Depreciation, amortization and provisions | 284,508 | 1,057 | 285,565 |
| Portion of grants transferred to income | (128) | | (128) |
| Goodwill impairment | 14,575 | | 14,575 |
| Share-based payments | 981 | | 981 |
| Discounting adjustment on provisions and retirement benefits | 824 | | 824 |
| Net gains and losses on disposal of assets | 1,229 | | 1,229 |
| Share of net income of equity-accounted companies | 0 | | 0 |
| Other | (1,478) | | (1,478) |
| Dividends received (from non-consolidated entities) | (12) | | (12) |
| CASH FLOWS AFTER FINANCE COSTS AND TAX | 243,361 | 475 | 243,836 |
| Net finance costs | 101,606 | | 101,606 |
| Income tax expense | (435) | (494) | (929) |
| CASH FLOWS BEFORE FINANCE COSTS AND TAX | 344,532 | (19) | 344,514 |
| Income tax paid | (17,280) | | (17,280) |
| Change in inventories | 5,980 | | 5,980 |
| Change in trade and other receivables | (17,883) | | (17,883) |
| Change in other assets | 602 | | 602 |
| Change in trade and other payables | (14,198) | | (14,198) |
| Change in other liabilities | (7,159) | | (7,159) |
| Other changes | (231) | | (231) |
| Employee benefits | (455) | | (455) |
| NET CASH FROM OPERATING ACTIVITIES | 293,908 | (19) | 293,889 |
| **Cash flows from investing activities** | | | |
| Acquisition of intangible assets | (6,481) | | (6,481) |
| Proceeds from sale of intangible assets | 0 | | 0 |
| Acquisition of property, plant and equipment | (261,475) | | (261,475) |
| Proceeds from sale of property, plant and equipment | 8,910 | | 8,910 |
| Acquisition of subsidiaries, net of cash acquired | (117,253) | 147 | (117,107) |
| Proceeds from disposal of subsidiaries, net of cash transferred | 1,000 | | 1,000 |
| Changes in loans and advances | (226) | | (226) |
| Dividends from equity-accounted companies | 12 | | 12 |
| Investment grants | 50 | | 50 |
| NET CASH FROM INVESTING ACTIVITIES | (375,463) | 147 | (375,317) |
| **Cash flows from financing activities** | | | |
| Capital increase | 689,400 | | 689,400 |
| Treasury shares | (2,175) | | (2,175) |
| Dividends paid | | | |
| - to owners of the parent | (39,881) | | (39,881) |
| - to non-controlling interests | (5) | | (5) |
| Change in borrowings [(a)] | (490,785) | | (490,785) |
| - Proceeds from new borrowings | 3,962,527 | | *3,962,527* |
| - Repayment of borrowings | (4,453,312) | | *(4,453,312)* |
| Net interest paid | (76,939) | | (76,939) |
| Other flows related to financing activities | (853) | | (853) |
| NET CASH USED IN FINANCING ACTIVITIES | 78,762 | 0 | 78,762 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,793) | 128 | (2,665) |
| Cash and cash equivalents at beginning of period | 58,523 | | 58,523 |
| Effect of changes in foreign exchange rates on cash and cash equivalents | (33) | | (33) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 55,697 | 128 | 55,825 |

*(a) Net change in credit lines.*

# Note 2 SCOPE OF CONSOLIDATION

## 2.1 BASIS OF CONSOLIDATION

### Fully consolidated companies

Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Net income or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss.

### Associates and joint ventures

Investments in companies over which the Group has significant influence on financial and operating decisions but does not exercise control and joint ventures are accounted for using the equity method.

## 2.2 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 transaction costs are expensed as incurred (see Note 4.4 "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.

## 2.3 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 currency translation 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."

## 2.4 CHANGES IN THE SCOPE OF CONSOLIDATION

### 2016 acquisitions

The Group made the following investments during the financial year ended December 31, 2016:

**In Germany**

The Group acquired:

- two laundries in Wismar and Stralsund on January 7, 2016, employing 340 people. The two laundries had combined revenue of €16.1 million in 2016, with the Wismar plant's customers split equally between the hospitality and healthcare sectors, and the Stralsund plant, located on the Baltic Coast, serving mainly Hotel customers;
- Puschendorf Textilservice on December 8, 2016, a family-owned company with five laundries in Germany, which posted revenue of €40.2 million in 2016. This transaction strengthens the company's positions in the German *Länder* where at present the Group has only limited operations, mostly along an axis connecting the Lower Saxony cities of Hanover and Wolfsburg, Magdeburg in Saxony-Anhalt and Leipzig in Saxony. In these regions, Puschendorf is the uncontested market leader in the Healthcare sector, servicing hospitals and retirement homes, and has established an innovative system for tracking flat linen. Elis now operates 16 laundries in the country.

**In Brazil**

The Group acquired:

- Uniforme Lavanderia e Locação Eireli on June 15, 2016, operating a laundry in Camaçari providing services mainly to the industry in the Bahia region (revenue of €0.3 million). This company employed some 26 people;
- two companies - Prontlav Lavanderia and Toalshão locação e higienização e Higienização de Enxoval - on October 1, 2016, operating a laundry at Fortaleza (State of Ceará), in the Healthcare market serving hospitals and clinics, with revenue of €2.0 million in 2016 and employing 80 people. This acquisition increases Elis' breadth in this northeastern State of Brazil.

**In Colombia**

Elis finalized its acquisition of Servicios Industriales de Lavado SIL in Colombia on December 27, 2016, thus moving into its third Latin American country, after Brazil and Chile. Elis purchased 100% of SIL shares from its owner, who will continue to assist the Group in its development in Colombia, with the stated goal of rapidly becoming the market leader. The company, which operates two laundries in Bogotá and in Cali, essentially serves private Healthcare players. SIL finished 2016 with revenue of 11 billion Colombian peso, or approximately €3.5 million.

**In Spain**

Elis Manomatic acquired:

- the assets of Servicios Hosteleros Textil Rent on June 2, 2016, a company in liquidation proceedings operating a laundry in Almansa, Albacete, catering primarily to the Hospitality market in the area of Valencia, Alicante and Murcia, with revenue of around €1.5 million and a staff of some 40 people;

- Compañia Navarra de Servicios Integrales SL (Indusal) on December 21, 2016. With this acquisition, Elis became the leading operator in the sector in Spain. A family-owned company founded in 1981, Indusal is the second largest operator in the sector in Spain, slightly ahead of Elis. Indusal operates in the textile rental and laundry sector and serves the Hospitality, Healthcare and Industry end markets. Indusal has 24 production facilities and in 2016 recorded revenue of €90 million.

**In France**

On April 1, 2016, the Group acquired BMF, based in Yerres (department of Essonne). Active in the 3D Pest Control market and employing 16 people, BMF posted total revenue of €1.2 million in 2016.

On November 14, 2016, Elis acquired the company Hygiène Technique et Protection de l'Environnement, based in Bobigny (department of Seine-Saint-Denis). Active in the 3D Pest Control market and employing some 40 people, HTPE posted total revenue of €3 million. Its primary customers are local authorities, town halls and providers of social housing.

These acquisitions consolidated Elis' hold on the 3D market in the Île-de-France region.

Furthermore, the Group now owns all shares of SCI Maine Beauséjour, an owner of buildings in the profit center of Limoges (department of Haute-Vienne).

**In Switzerland**

On June 9, 2016, the Group acquired On My Way, a Swiss start-up that offers innovative dry cleaning solutions to private customers (www.on-my-way.ch). On My Way offers private customers dry cleaning services including the pickup up of their laundry at collection points located along their daily commutes (service stations, supermarkets) and within their companies. These activities are a natural extension of the Group's services.

In early July, the Group completed two acquisitions:

- Hygienis SA, a company specializing in 3D Pest Control. Hygienis generated revenue of CHF2.3 million in 2016 and employs 12 people;
- Wäscherei Mariano, a laundry near Zurich whose customers are primarily restaurants. The company employs 45 people and generated revenue of CHF7.3 million in 2016. This acquisition enables Elis to extend its coverage in the canton of Zurich, which is the country's leading Hotel market. The Group is now the leading player in Switzerland with 18 production sites across the country, providing it with an unrivaled network to serve its historical customers in Hospitality and Healthcare, but also in Industry with its workwear offering.

### Summary of the aforementioned acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

| *(In thousands of euros)* | Fair value at the acquisition date | of which France | of which Germany | of which Spain | of which Switzerland | of which Brazil | of which Columbia |
|---|---|---|---|---|---|---|---|
| **Statement of financial position** | | | | | | | |
| Intangible assets | 8,432 | *830* | *752* | *173* | *6,674* | *0* | *2* |
| Property, plant and equipment | 107,959 | *1,805* | *37,639* | *66,412* | *648* | *746* | *708* |
| Available-for-sale financial assets | 8 | *0* | *8* | *0* | *0* | *0* | *0* |
| Other non-current assets | 366 | *0* | *4* | *339* | *24* | *0* | *0* |
| Deferred tax assets | 6,872 | *0* | *536* | *6,336* | *0* | *0* | *0* |
| Inventories | 1,895 | *11* | *500* | *1,063* | *163* | *9* | *148* |
| Trade and other receivables | 37,101 | *1,546* | *5,359* | *26,913* | *1,522* | *904* | *857* |
| Current tax assets | 818 | *25* | *50* | *743* | *0* | *0* | *0* |
| Other assets | 663 | *13* | *310* | *251* | *70* | *0* | *20* |
| Cash and cash equivalents | 12,973 | *1,042* | *1,008* | *6,317* | *4,399* | *194* | *13* |
| Non-current provisions | (67) | *(67)* | *0* | *0* | *0* | *0* | *0* |
| Employee benefit liabilities | (38) | *(11)* | *(27)* | *0* | *0* | *0* | *0* |
| Non-current borrowings | (12,974) | *(6)* | *(10,743)* | *(2,042)* | *(128)* | *(54)* | *0* |
| Deferred tax liabilities | (3,998) | *(284)* | *(2,257)* | *0* | *(1,457)* | *0* | *0* |
| Other non-current liabilities | (4,423) | *(535)* | *(3,320)* | *(568)* | *0* | *0* | *0* |
| Current provisions | (46) | *(26)* | *(20)* | *0* | *0* | *0* | *0* |
| Current tax payables | (101) | *49* | *(118)* | *0* | *57* | *(55)* | *(35)* |
| Trade and other payables | (20,657) | *(637)* | *(4,317)* | *(15,117)* | *(163)* | *(70)* | *(353)* |
| Other liabilities | (12,225) | *(590)* | *(5,855)* | *(4,271)* | *(625)* | *(744)* | *(140)* |
| Bank overdrafts and current borrowings | (51,579) | *0* | *(9,317)* | *(42,109)* | *(143)* | *(9)* | *(0)* |
| **TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE** | **70,979** | **3,165** | **10,190** | **44,442** | **11,040** | **922** | **1,220** |
| Non-controlling interests [(a)] | (5,146) | *0* | *0* | *(3,326)* | *(1,820)* | *0* | *0* |
| Goodwill | 148,583 | *5,103* | *31,478* | *95,681* | *10,435* | *3,123* | *2,762* |
| **PURCHASE PRICE** | **214,416** | **8,268** | **41,669** | **136,796** | **19,656** | **4,045** | **3,982** |

*(a) Switzerland: at the fair value : Spain: at portion of acquired net assets*

## CASH FLOWS FROM ACQUISITIONS

| *(In thousands of euros)* | 12/31/2016 | of which France | of which Germany | of which Spain | of which Switzerland | of which Brazil | of which Columbia |
|---|---|---|---|---|---|---|---|
| Net cash acquired | 6,481 | 1,042 | (5,474) | 6,317 | 4,389 | 194 | 13 |
| Amount paid | (222,817) | (7,543) | (41,332) | (136,093) | (22,309) | (12,692) | (2,848) |
| **NET CASH FLOW** | **(216,336)** | **(6,501)** | **(46,806)** | **(129,776)** | **(17,920)** | **(12,498)** | **(2,835)** |

As at December 31, 2016, given the recent acquisitions made in the second half of the year, the initial accounting for the business combinations had not been completed and the amounts recognized were therefore provisional.

Since the acquisition date, the acquired subsidiaries have contributed €27.3 million in revenue, €7.1 million in EBITDA and €3.5 million in operating income (before amortization of customer relationships). If the acquisitions had taken place at the beginning of the year, additional revenue would have been €141.7 million, additional EBITDA €33.8 million and additional operating income (before amortization of customer relationships) €10.4 million.

### Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the expected synergies arising from the acquisitions.

## 2015 acquisitions

The Group made the following investments during the financial year ended December 31, 2015:

**In Germany**

The Group acquired:

- Kress Textilpflege on January 7, 2015, a company operating a processing center in the Munich area. The company generated annual revenue of €7 million in 2015 and serves customers in the Hospitality sector;
- Zischka Textilpflege on March 31, 2015, a company operating two laundries in the Frankfurt area with annual revenue of €10 million. This new acquisition extends the Elis network to nine laundries across the country, and in particular along the axis between Stuttgart and Essen.

**In Brazil**

On July 1, 2015 the Group acquired Teclav, a laundry company in Fortaleza (State of Ceará) and AJS Industria e Comercio de Confeccoes on the country's north-east coast. Teclav offers rental and laundry solutions to the region's main hospitals. The company generates annual revenue of approximately €10 million and has around 400 employees. This acquisition gave Elis the opportunity to expand its operations in Brazil and enter a new region where market prices are favorable.

Elis continued its targeted acquisitions policy in December 2015 with four new transactions designed to:

- strengthen its leadership position in the healthcare market in São Paulo with the acquisition of Martins e Lococo, and in Fortaleza (State of Ceará) with the acquisition of Multilav;
- stand out in the Ultra-Clean market with MPW in Piracicaba (State of São Paulo);
- expand into new regions with LavES in Vitória (State of Espírito Santo), the leader in the hospital market.

These acquisitions represented annual revenue of approximately €13 million (based on the Brazilian real exchange rate as at December 31, 2015).

**In Chile**

On September 30, 2015 the Group finalized the acquisition of Albia, Chile's market leader with a market share of approximately 25%, which operates eight laundries across the country mainly serving customers in the Healthcare, Hospitality and Mining industries. Its national network covers the largest cities in Chile, including Santiago and Valparaiso. Albia's revenue for the full year amounted to 15 billion Chilean peso or €20 million. Having become the number one player in Brazil in 2014 with the acquisition of Atmosfera, the Group now ranks number one in a new Latin American market.

**In Spain**

On March 31, 2015 Elis Manomatic acquired the Lavalia Group, the market's fourth-ranked player operating two laundries in Alicante and the Balearic Islands mainly serving hotels. It posts annual revenue of more than €10 million. This acquisition means that Elis now owns a plant in the highly popular tourist area of Costa Blanca. The other site it acquired, in the Balearic Islands, gives Elis a good market share in the archipelago.

**In France**

On April 1, 2015 the Group acquired the business goodwill of Hytop Service, a company specializing in hygiene and wellbeing and serving Trade and Services customers in the Greater Paris region (annual revenue: approximately €1.6 million). This acquisition will help further optimize the Group's regional operations.

The Group also continued to expand into 3D Pest Control services with:

- the acquisition on July 31, 3015 of Hygiène Contrôle Île-de-France (annual revenue: €1.5 million);
- the acquisition on November 1, 2015 of the business goodwill of Traitements Service Plus in Avignon (annual revenue: €0.4 million).

In addition, the acquisition on April 1, 2015 of Blanchisserie Professionnelle d'Aquitaine, which operates a laundry primarily serving the Hospitality sector in the Gironde region (2014 revenue: €3.3 million), followed by the acquisition on November 30, 2015 of Blanchisserie Le Grand Blanc (annual revenue: €0.9 million) serving the same market in Bordeaux, have boosted the customer portfolio in south-west France.

**In Switzerland**

On April 1, 2015 InoTex acquired the Wäscheria Textil Service group, which operates three laundries in the cantons of Grisons and Saint-Gall serving mainly hotels. The acquisition has enabled the Group to supplement its geographic coverage of the country, especially in Grisons, which is Switzerland's second most popular tourist canton. The Wäscheria Group generated revenue of around €12 million in 2015.

On July 9, 2015 the Group acquired Prohotel, a laundry near the airport of Zurich mainly serving hotels. The company has

70 employees and generated annual revenue of around €8 million in 2015. This acquisition enables Elis to extend its coverage in the canton of Zurich, which is the country's leading Hotel market.

The Group is now the leading player in Switzerland with 15 laundries across the country, providing it with an unrivaled network to serve its historical customers in Hospitality and Healthcare, but also in Industry with its workwear offering.

### Summary of the aforementioned acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

| *(In thousands of euros)* | Fair value at the acquisition date | of which France | of which Germany | of which Spain | of which Switzerland | of which Brazil | of which Chile |
|---|---|---|---|---|---|---|---|
| **Statement of financial position** | | | | | | | |
| Intangible assets | 21,712 | 1,130 | 4,702 | 504 | 3,916 | 8,971 | 2,488 |
| Property, plant and equipment | 69,418 | 4,121 | 9,279 | 9,159 | 20,684 | 15,995 | 10,180 |
| Available-for-sale financial assets | 3 | 3 | 0 | 0 | 0 | (0) | 0 |
| Other non-current assets | (447) | 20 | 0 | 0 | 0 | (512) | 45 |
| Deferred tax assets | 740 | 0 | 0 | 0 | 0 | 319 | 421 |
| Inventories | 1,034 | 163 | 45 | 142 | 46 | 342 | 296 |
| Trade and other receivables | 18,595 | 823 | 1,878 | 1,367 | 4,459 | 5,369 | 4,698 |
| Current tax assets | 342 | 0 | 3 | 33 | 0 | 0 | 305 |
| Other assets | 1,472 | 69 | 5 | 0 | 173 | 1,054 | 171 |
| Cash and cash equivalents | 4,065 | 738 | 255 | 530 | 1,298 | 1,055 | 189 |
| Non-current provisions | (1,732) | 0 | (820) | (40) | (41) | (268) | (563) |
| Employee benefit liabilities | (4,345) | (42) | 0 | 0 | (4,303) | 0 | 0 |
| Non-current borrowings | (11,388) | (2,018) | 0 | (2,481) | (2,664) | (2,268) | (1,957) |
| Deferred tax liabilities | (4,321) | (465) | (1,128) | 0 | (1,509) | 0 | (1,218) |
| Other non-current liabilities | 656 | 0 | 0 | 0 | 0 | 713 | (57) |
| Current provisions | (511) | 0 | 0 | 0 | 0 | 0 | (511) |
| Current tax payables | (1,256) | 53 | (191) | (76) | 0 | (418) | (624) |
| Trade and other payables | (9,347) | (298) | (750) | (2,145) | (4,032) | (1,290) | (831) |
| Other liabilities | (9,942) | (1,211) | (1,335) | (774) | (1,224) | (4,135) | (1,265) |
| Bank overdrafts and current borrowings | (8,658) | (1,025) | (2,240) | (1,182) | 301 | (1,935) | (2,577) |
| **TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE** | **66,090** | **2,061** | **9,704** | **5,038** | **17,103** | **22,994** | **9,189** |
| Non-controlling interests [(a)] | (125) | (125) | 0 | 0 | (0) | 0 | 0 |
| Goodwill | 87,759 | 7,283 | 14,418 | 3,418 | 9,533 | 48,863 | 4,243 |
| **PURCHASE PRICE** | **153,724** | **9,220** | **24,122** | **8,456** | **26,636** | **71,857** | **13,432** |

*(a) France: at fair value / Switzerland: at portion of acquired net assets.*

### CASH FLOWS FROM ACQUISITIONS

| *(In thousands of euros)* | 12/31/2015 | of which France | of which Germany | of which Spain | of which Switzerland | of which Brazil | of which Chile |
|---|---|---|---|---|---|---|---|
| Net cash acquired | 3,641 | 757 | (207) | 530 | 1,298 | 1,075 | 189 |
| Amount paid | (120,748) | (8,773) | (24,122) | (9,249) | (28,712) | (36,270) | (13,623) |
| **NET CASH FLOW** | **(117,107)** | **(8,016)** | **(24,329)** | **(8,719)** | **(27,414)** | **(35,195)** | **(13,434)** |

Since the acquisition date, the acquired subsidiaries contributed €45.5 million in revenue and €4.7 million in operating income (before amortization of customer relationships) in 2015. If the acquisitions had taken place at the beginning of 2015, additional revenue would have been €50.8 million and additional operating income (before amortization of customer relationships) would have been €7.5 million.

#### Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the expected synergies arising from the acquisitions.

## 2.5 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.

## 2.6 OFF-BALANCE SHEET COMMITMENTS RELATING TO CHANGES IN THE CONSOLIDATION SCOPE

Commitments given relate to guarantees granted by Elis in connection with divestments. These totaled €2,150 thousand as at December 31, 2016 (versus €2,150 thousand as at December 31, 2015).

Commitments received totaled €137,898 thousand as at December 31, 2016 (€103,393 thousand as at December 31, 2015) and correspond to guarantees granted to Elis in connection with its acquisitions.

## 2.7 NON-CONTROLLING INTERESTS

No detailed information is provided under IFRS 12 as there is no subsidiary with material non-controlling interests.

## 2.8 EVENTS AFTER THE REPORTING PERIOD RELATING TO CHANGES IN THE CONSOLIDATION SCOPE

On January 5, 2017 the Group signed an agreement to acquire Lavebras Gestão de Têxteis S.A. ("Lavebras") in Brazil. Lavebras is the number two player in the Brazilian market behind Elis and has operations in 17 States of Brazil, employing around 4,000 people across over 76 industrial sites. This family-owned company established in 1997 has the densest industrial laundry complex in Brazil. The Lavebras Group serves customers in the Healthcare, Industry (particularly Agri-food) and Hospitality sectors. The Lavebras Group's revenue should exceed €370 million reals (€103 million) for 2016. As at the reporting date of these consolidated financial statements, the completion of the acquisition of Lavebras was still under review by the Brazilian competition authority, with the approval expected to be obtained during the first half of 2016.

Elis Group also acquired:

- on March 3, 2017, the company HTE Sanitation, based in Les Martigues, active in the 3D Pest Control market in the area of Aix-Avignon-Marseille. HTE generates a turnover of approximately €0,9 million and is employing 9 people.
- on March 13, 2017, the company Blanchisserie Blésoise SAS, which holds a laundry unit in Blois and operates with customers in both Healthcare and Hospitality sectors. This company – which has a turnover of approximately €12 million in 2006 – is operating in the Val de Loire and Île-de-France areas and is employing approximately 180 people.

# Note 3 SEGMENT INFORMATION AND SIGNIFICANT EVENTS OF THE YEAR

The Group is organized into four main operating segments, based on the products and services offered and/or the target geographic region:

- France, representing the original rental, laundry and maintenance services business in France;
- Europe, representing the same activities across the rest of Europe;
- Latin America: representing business in Brazil, Chile and Colombia;
- Manufacturing Entities, regrouping operations of the cash-generating units (CGUs) Le Jacquard Français and Kennedy Hygiene.

To track performance, management monitors each segment's EBITDA. Financing costs and income tax expense are primarily monitored at Group level.

## 3.1 REVENUE

### 2016

| *(In millions of euros)* | France | Europe | Latin America | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|
| External customers | 984.2 | 376.8 | 132.9 | 18.9 | 0.0 | 1,512.8 |
| Inter-segment | 1.6 | 0.6 | 0.0 | 8.2 | (10.5) | 0.0 |
| **SEGMENT REVENUE** | **985.9** | **377.4** | **132.9** | **27.1** | **(10.5)** | **1,512.8** |

### 2015

| *(In millions of euros)* | France | Europe | Latin America | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|
| External customers | 978.1 | 327.7 | 92.2 | **17.5** | | 1,415.4 |
| Inter-segment | 1.7 | 0.5 | 0.0 | 9.8 | (12.1) | 0.0 |
| **SEGMENT REVENUE** | **979.8** | **328.2** | **92.2** | **27.3** | **(12.1)** | **1,415.4** |

## 3.2 EARNINGS

### Non-IFRS indicators

EBIT is defined as net income (loss) before net financial expense, income tax, share in net income of equity-accounted companies, amortization of customer relationships, goodwill impairment losses, other income and expense, miscellaneous financial items (bank fees recognized in operating income) and IFRS 2 expense (share-based payments). A reconciliation of EBIT with the consolidated income statement is presented below.

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 below.

### 2016

| *(In millions of euros)* | France | Europe | Latin America | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|
| **Operating income before other income and expense and amortization of customer relationships** | **181.2** | **26.6** | **7.1** | **2.3** | **(8.8)** | **208.6** |
| *Miscellaneous financial items* | *0.5* | *0.3* | *1.3* | *0.1* | *0.1* | *2.3* |
| *Expenses related to share-based payments* | *0.0* | *0.0* | *0.0* | *0.0* | *3.8* | *3.8* |
| EBIT | 181.8 | 27.0 | 8.4 | 2.4 | (4.8) | 214.7 |
| *Depreciation and amortization including portion of grants transferred to income* | *162.8* | *67.3* | *21.8* | *1.3* | *0.0* | *253.2* |
| **EBITDA** | **344.5** | **94.3** | **30.2** | **3.7** | **(4.8)** | **467.9** |
| | *34.9%* | *25.0%* | *22.7%* | *13.8%* | | *30.9%* |

### 2015

| *(In millions of euros)* | France | Europe | Latin America | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|
| **Operating income before other income and expense and amortization of customer relationships** | **187.8** | **19.4** | **1.9** | **1.1** | **(3.7)** | **206.5** |
| *Miscellaneous financial items* | *0.6* | *0.3* | *0.4* | *0.1* | *0.1* | *1.5* |
| *Expenses related to share-based payments* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* |
| EBIT | 188.4 | 19.7 | 2.3 | 1.2 | (3.6) | 208.0 |
| *Depreciation and amortization including portion of grants transferred to income* | *158.2* | *61.2* | *17.5* | *1.3* | *0.0* | *238.1* |
| **EBITDA** | **346.5** | **80.9** | **19.8** | **2.5** | **(3.6)** | **446.1** |
| | *35.4%* | *24.6%* | *21.4%* | *9.2%* | | *31.5%* |

## 3.3 INFORMATION BY REGION

| *(In millions of euros)* | 2016 | 2015 |
|---|---|---|
| France (including Le Jacquard Français) | 995.8 | 988.9 |
| Other countries | 516.9 | 426.5 |
| **REVENUE** | **1,512.8** | **1,415.4** |

| *(In millions of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| France (including Le Jacquard Français) | 2,142.8 | 2,173.6 |
| Other countries | 860.3 | 573.5 |
| **NON-CURRENT ASSETS** | **3,003.1** | **2,747.1** |

The non-current assets presented above comprise goodwill, property, plant and equipment and intangible assets.

## 3.4 INFORMATION ON REVENUE FROM SERVICES

Revenue from services is generated equally by three main activities: hygiene and well-being, flat linen and workwear.

| *(In millions of euros)* | 2016 | 2015 |
|---|---|---|
| Flat linens | 741.4 | 659.5 |
| Workwear | 449.1 | 433.9 |
| Hygiene and well-being | 321.5 | 319.6 |
| Other | 0.7 | 2.4 |
| **REVENUE** | **1,512.8** | **1,415.4** |

These services are rendered to customers who mainly operate in the Hospitality, Industry, Trade and Services, and Healthcare sectors.

## 3.5 INFORMATION BY SECTOR, INDUSTRY END MARKET OR COUNTRY

| *(In millions of euros)* | 2016 | 2015 |
|---|---|---|
| *Hospitality* | *313.6* | *309.5* |
| *Industry* | *187.8* | *189.6* |
| *Trade & Services* | *343.5* | *340.0* |
| *Healthcare* | *164.9* | *159.7* |
| *Other* | *(25.5)* | *(20.6)* |
| **France** | **984.2** | **978.1** |
| *Germany* | *80.6* | *57.0* |
| *Belgium & Luxembourg* | *29.1* | *31.0* |
| *Czech Republic* | *1.8* | *1.7* |
| *Switzerland* | *107.2* | *95.4* |
| **Northern Europe** | **218.6** | **185.2** |
| *Spain & Andorra* | *86.9* | *75.6* |
| *Italy* | *27.4* | *26.6* |
| *Portugal* | *43.8* | *40.3* |
| **Southern Europe** | 158.1 | 142.5 |
| **Europe** | **376.8** | **327.7** |
| *Brazil* | *112.8* | *87.4* |
| *Chile* | *20.1* | *4.8* |
| *Colombia* | *0.0* | |
| **Latin America** | **132.9** | **92.2** |
| **Manufacturing entities** | **18.9** | **17.5** |
| **REVENUE** | **1,512.8** | **1,415.4** |

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.

## 3.6 SIGNIFICANT EVENTS OF THE YEAR

### Financing

In order to secure financing for the acquisition of Indusal in Spain and Lavebras in Brazil by its M.A.J. subsidiary, Elis signed a €550 million bridge loan on November 10, 2016 with a syndicate of international bankers. As at December 31, 2016, the amount drawn down from the "bridge to debt" tranche was €130 million.

### Sale of the Puteaux site

On December 30, 2016, M.A.J. completed the sale of its Puteaux site under the sale agreement signed on July 15, 2015 with a real-estate development group for €50.4 million. The site was the location of the Group's headquarters and a former production center. The move of the Company's headquarters to Saint-Cloud (department of Hauts-de-Seine) in France was completed at the end of November, 2016.

# Note 4 OPERATING DATA

## 4.1 REVENUE

Revenue is recognized to the extent where 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 or receivable, excluding any trade discounts, volume rebates and other sales 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 4.7 "Other current 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.

| *(In millions of euros)* | **2016** | **2015** |
|---|---|---|
| Rendering of services | 1,484,586 | 1,392,787 |
| Sales of goods | 28,155 | 22,619 |
| Recurrent dividends | 24 | 12 |
| **REVENUE** | **1,512,764** | **1,415,418** |

## 4.2 TRADE AND OTHER RECEIVABLES

Trade and other 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.

Trade and notes receivables may be written down for impairment. An impairment loss is recognized when it is probable that the receivable will not be recovered and when the amount of the loss can be measured reliably. Impairment losses are estimated taking into account historical loss experience and the age of the receivables. They are recognized in operating income.

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.

| *(In millions of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Trade receivables and notes receivable (gross) | 378,441 | 325,641 |
| Allowance for bad debts | (37,354) | (29,638) |
| **TRADE RECEIVABLES AND NOTES RECEIVABLE** | **341,087** | **296,003** |
| Other receivables | 51,526 | 60,844 |
| **TOTAL TRADE AND OTHER RECEIVABLES** | **392,613** | **356,847** |
| collection expected in less than one year | 392,613 | 356,847 |
| collection expected in more than one year | - | - |

Changes in trade and other receivables during the financial years presented are analyzed as follows:

| *(In millions of euros)* | 2016 | 2015 |
|---|---|---|
| **AT JANUARY 1** | **356,847** | **327,863** |
| *Change in gross WC* | *(9,347)* | 17,480 |
| *Change in write-downs* | *475* | *403* |
| Change in net WC | (8,872) | 17,883 |
| Change in consolidation scope | 37,101 | 18,595 |
| Translation differences | 5,941 | (5,506) |
| Change in receivable on disposal of assets | *(836)* | (72) |
| Other | 2,432 | (1,915) |
| **AT DECEMBER 31** | **392,613** | **356,847** |

Net movements in working capital requirements are mainly due to the increase or decrease in receivables related to France's tax credit for competitiveness and employment (CICE), which were not prefinanced, and the increase in business volume.

### Credit risk

The management of credit risk is described in detail in Note 8.1 "Financial risk management".

## 4.3 DEPRECIATION, AMORTIZATION, PROVISIONS AND OTHER COSTS BY NATURE

| *(In thousands of euros)* | **2016** | **2015** |
|---|---|---|
| **Depreciation and amortization (including portion of grants)** | | |
| - *included in Operating income before other income and expense and amortization of customer relationships* | | |
| Property, plant and equipment and intangible assets | (73,117) | (66,117) |
| Rental-cleaning items | (163,745) | (155,752) |
| Other leased items | (16,502) | (16,402) |
| Portion of grants transferred to income | 115 | 128 |
| - *included in Other income and expense* | *0* | *(2,717)* |
| - *amortization of customer relationships* | *(45,610)* | *(46,222)* |
| **TOTAL DEPRECIATION AND AMORTIZATION (INCLUDING PORTION OF GRANTS)** | **(298,860)** | **(287,083)** |
| **Additions to or reversals of provisions** | | |
| - *included in Operating income before other income and expense and amortization of customer relationships* | *3,021* | *940* |
| - *included in Other income and expense* | *616* | *703* |
| **TOTAL ADDITIONS TO OR REVERSALS OF PROVISIONS** | **3,637** | **1,643** |
| **Operating lease expense** | **(36,097)** | **(34,291)** |

## 4.4 OTHER INCOME AND EXPENSE

Items of material amounts that are unusual, abnormal or infrequent are disclosed separately in the income statement under "Other income and expense", in order to better reflect Group performance.

| *(In thousands of euros)* | **2016** | **2015** |
|---|---|---|
| Transaction costs | (4,083) | (2,347) |
| Put option over non controlling interests - liability adjustment | | 1,478 |
| Restructuring costs | (2,273) | (2,285) |
| Uncapitalizable costs for change in IT systems | (1,105) | (1,760) |
| Contingencies | (1,212) | 0 |
| Net gains on site disposals | 42,216 | 16 |
| Expenses relating to site disposal | (6,582) | (854) |
| Environmental rehabilitation costs | (55) | (200) |
| IPO expenses & related non recurring compensation | 0 | (21,094) |
| Expense associated with free shares granted, post IPO | (1,562) | (2,274) |
| Badwill | 802 | 0 |
| Other | (1,695) | (4,112) |
| **OTHER INCOME AND EXPENSE** | **24,451** | **(33,432)** |

## 4.5 INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Impairment losses are recognized whenever the probable realizable value is lower than production cost.

Inventories of raw materials, consumables, spare parts and goods for resale 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.

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Raw materials, supplies | 22,827 | 15,717 |
| Work in progress | 893 | 468 |
| Intermediate and finished goods | 13,051 | 10,186 |
| Goods for resale | 25,630 | 26,107 |
| **INVENTORIES** | **62,401** | **52,479** |
| o/w inventories (at cost) | 63,242 | 53,385 |
| o/w impairment | (840) | (906) |

Changes in net inventories during the financial years presented are analyzed as follows:

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| **AT JANUARY 1** | **52,479** | **58,641** |
| *Change in gross inventory* | *6,894* | (5,881) |
| *Change in write-downs* | *64* | (99) |
| Change in net inventory | 6,958 | (5,980) |
| Change in consolidation scope | *1,895* | 1,034 |
| Translation differences | *1,069* | (1,217) |
| Other change | (0) | (0) |
| **AT DECEMBER 31** | **62,401** | **52,479** |

## 4.6 TRADE AND OTHER PAYABLES

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Trade payables | 143,209 | 116,264 |
| Trade payables (fixed assets) | 16,297 | 15,193 |
| Other payables | 3,048 | 3,542 |
| **TOTAL TRADE AND OTHER PAYABLES** | **162,554** | **134,999** |

Changes in trade and other payables during the financial years presented are analyzed as follows:

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| **At January 1** | **134,999** | **139,718** |
| Change in WC | 6,595 | (14,198) |
| Change in consolidation scope | 23,045 | 9,366 |
| Translation differences | 1,812 | (1,146) |
| Change in trade payables (fixed assets) | (2,237) | 1,259 |
| Other change | (1,660) | 0 |
| **AT DECEMBER 31** | **162,554** | **134,999** |

## 4.7 OTHER CURRENT ASSETS AND LIABILITIES

| *(In thousands of euros)* | Note | 12/31/2016 | 12/31/2015 |
|---|---|---|---|
| Prepaid expenses | | 13,745 | 11,533 |
| Other current asset derivatives | 8.8 | 2,773 | 2,053 |
| Other assets | | 454 | 213 |
| **TOTAL OTHER ASSETS** | | **16,972** | **13,799** |
| Deposits received | | 8,719 | 8,926 |
| Payroll-related liabilities | | 115,740 | 97,262 |
| Taxes payable | | 124,176 | 91,087 |
| Other current liability derivatives | 8.8 | 0 | 0 |
| Unearned revenue | | 47,648 | 46,269 |
| **TOTAL OTHER LIABILITIES** | | **296,283** | **243,544** |

Unearned revenue primarily consists of services invoiced that will be rendered in the following month.

Changes in other current assets during the financial years presented are analyzed as follows:

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| **AT JANUARY 1** | **13,799** | **13,461** |
| Change in gross WC | 1,424 | (602) |
| Change in consolidation scope | 663 | 1,472 |
| Translation differences | 126 | 35 |
| Other change | 960 | (568) |
| **AT DECEMBER 31** | **16,972** | **13,799** |

Changes in other current liabilities during the financial years presented are analyzed as follows:

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| **AT JANUARY 1** | **243,544** | **234,836** |
| Change in gross WC | 20,023 | (7,159) |
| Change in consolidation scope | 12,225 | 21,125 |
| Translation differences | 5,126 | (2,251) |
| Change in debt related to business combination | 15,280 | 0 |
| Other change | 85 | (3,008) |
| **AT DECEMBER 31** | **296,283** | **243,544** |

Movements in WC are mainly due to VAT to be refunded on the sale of the Puteaux site in the amount of €10.1 million.

# Note 5 EMPLOYEE BENEFITS EXPENSE

## 5.1 AVERAGE NUMBER OF EMPLOYEES

| *(In number of people)* | 2016 | 2015 |
|---|---|---|
| Executives | 1,449 | 1,449 |
| Supervisory personnel | 1,438 | 1,475 |
| Office employees | 2,128 | 1,775 |
| Service employees | 3,601 | 3,157 |
| Other employees | 14,435 | 13,633 |
| **TOTAL EMPLOYEES PER CATEGORY** | **23,052** | **21,488** |
| France | 12,520 | 12,589 |
| Other countries | 10,532 | 8,898 |
| **TOTAL EMPLOYEES** | **23,052** | **21,488** |

## 5.2 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 this 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.

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| Wages and salaries | (480,465) | (441,009) |
| Social security contributions | (153,787) | (147,493) |
| Crédit d'impôt pour la compétitivité des entreprises | 15,300 | 15,044 |
| Mandatory/optional profit-sharing | (30,200) | (17,431) |
| Other employee benefits | 37 | 454 |
| Equity-settled share-based payments [(a)] | (5,408) | (2,274) |
| **TOTAL EMPLOYEE BENEFIT EXPENSES** | **(654,524)** | **(592,708)** |

*(a) charge related to the plan awarded following the initial public offering figure was restated in "Other income and expense" (see Note 4.4).*

## 5.3 EMPLOYEE BENEFIT LIABILITIES

### Defined contribution plans

The Group pays contributions under a range of mandatory systems or on a voluntary basis under contractual agreements. The Group's obligation is limited to paying the contribution.

### Defined benefit plans

The Elis Group's commitments to defined benefit plans and other post-employment benefits are chiefly related to its French subsidiaries and consist of:

- supplementary retirement benefits paid to a category of senior executives. the supplementary retirement plan for which the beneficiaries have already retired is now closed;
- retirement benefits paid to employees when they retire in accordance with French regulations;
- long-service awards, for which the amount paid depends on seniority.

The Swiss subsidiaries of Elis have employee benefit liabilities in accordance with Swiss Law on Occupational Benefits.

### Employee-related liabilities

The corresponding obligations are measured using the projected unit credit method.

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 Elis Group's statement of financial position:

| *(In thousands of euros)* | Obligation | Fair value of plan assets | Liability |
|---|---|---|---|
| **As at December 31, 2014** | **82,447** | **34,124** | **48,323** |
| Current service cost | 1,825 | | 1,825 |
| Interest expense | 1,003 | 533 | 470 |
| Benefit paid | (1,658) | (1,658) | 0 |
| Employee contributions | 2,256 | 2,256 | 0 |
| Employer contributions | (2,180) | (332) | (1,848) |
| Past service cost | (63) | | (63) |
| Plan amendments | | | |
| Plan curtailments or settlements | | | |
| Return on plan assets | | (358) | 358 |
| Actuarial gains and losses | 4,013 | | 4,013 |
| Changes in scope of consolidation | 10,534 | 7,007 | 3,527 |
| Reclassification to liabilities directly related to assets held for sale | | | |
| Translation adjustments | 8,670 | 6,233 | 2,437 |
| **As at December 31, 2015** | **106,847** | **47,805** | **59,042** |
| Current service cost | 4,840 | | 4,840 |
| Interest expense | 1,267 | | 1,267 |
| Benefit paid | (3,920) | (1,678) | (2,242) |
| Employee contributions | 1,957 | 1,953 | 4 |
| Employer contributions | 0 | 2,557 | (2,557) |
| Past service cost | 0 | | 0 |
| Plan amendments | | | |
| Plan curtailments or settlements | | | |
| Return on plan assets | | 2,526 | (2,526) |
| Actuarial gains and losses | 4,247 | | 4,247 |
| Changes in scope of consolidation | 107 | | 107 |
| Reclassification to liabilities directly related to assets held for sale | | | |
| Translation adjustments | 1,328 | 583 | 745 |
| **AS AT DECEMBER 31, 2016** | **116,673** | **53,746** | **62,927** |

## FUNDED STATUS OF EMPLOYEE BENEFIT OBLIGATION

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Present value of unfunded obligations | 39,684 | 36,483 |
| resent value of fully or partially funded obligations | 76,989 | 70,364 |
| TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1) | 116,673 | 106,847 |
| Fair value of plan assets (2) | 53,746 | 47,805 |
| **TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)** | **62,927** | **59,042** |

## INFORMATION BY REGION

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| France | 38,476 | 35,206 |
| Switzerland | 23,132 | 22,452 |
| Other countries | 1,319 | 1,384 |
| **EMPLOYEE BENEFIT LIABILITIES** | **62,927** | **59,042** |

## FRANCE – DETAILS

Retirement obligations and provisions break down as follows:

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Present value of unfunded obligations | 38,476 | 35,206 |
| Present value of fully or partially funded obligations | | |
| TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1) | 38,476 | 35,206 |
| Fair value of plan assets (2) | | |
| **TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)** | **38,476** | **35,206** |

The actuarial assumptions used to measure the liability and obligation for France are as follows:

| | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Discount rate | 1.3% | 2.0% |
| Expected salary increase rate | inflation+0/6% | inflation+0/6% |
| Expected retirement benefit increase rate | 1.1% | 1.1% |

A 1.00% increase or decrease in the discount rate and a 0.25% increase or decrease in the expected increase rate would have the following impact on the projected benefit obligation as at December 31, 2016:

| | Sensitivity France |
|---|---|
| Discount rate: -1.0% impact | +10.9% |
| Discount rate: +1.0% impact | -9.6% |
| Expected salary/retirement benefit increase rate: -0.25 impact | -2.1% |
| Expected salary/retirement benefit increase rate: +0.25 impact | +2.1% |

An indication of future cash flows is shown below:

| | France |
|---|---|
| Expected contribution for next financial year | 2,197 |
| Weighted average duration of the obligation | 10.6 |

### SWITZERLAND – DETAILS

Retirement obligations and provisions break down as follows:

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Present value of unfunded obligations | | |
| resent value of fully or partially funded obligations | 76,794 | 70,179 |
| TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1) | 76,794 | 70,179 |
| Fair value of plan assets (2) | 53,662 | 47,727 |
| **TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)** | **23,132** | **22,452** |

The actuarial assumptions used to measure the liability and obligation for Switzerland are as follows:

| | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Discount rate | 0.25% | 0.75% |
| Expected salary increase rate | 1.00% | 1.25% |
| Expected retirement benefit increase rate | 0.00% | 1.00% |

A 0.5% increase or decrease in these rates would have the following impact on the projected benefit obligation as at December 31, 2016:

| | Sensitivity Switzerland |
|---|---|
| Discount rate: -0.5% impact | +9.6% |
| Discount rate: +0.5% impact | -8.3% |
| Expected salary/retirement benefit increase rate: -0.5 impact | -0.4% |
| Expected salary/retirement benefit increase rate: +0.5 impact | +0.4% |

An indication of future cash flows is shown below:

| | Switzerland |
|---|---|
| Expected contribution for next financial year | 3,793 |
| Weighted average duration of the obligation | 8.9 |

The breakdown of plan assets as at December 31, 2016 is shown below:

| | Switzerland |
|---|---|
| Cash and cash equivalents | 8,662 |
| Share | 14,913 |
| Bonds | 20,415 |
| Properties & mortgages | 7,096 |
| Derivatives | 2,576 |
| **TOTAL** | **53,662** |

## 5.4 SHARE-BASED PAYMENTS

Pursuant to IFRS 2, Elis estimated the plan's fair value based on the fair value of the equity instruments granted. That fair value was based on the share price at grant date, weighted by a reasonable estimate as to what extent the share allocation criteria had been fulfilled. The cost, recognized with an offsetting entry to equity, is spread over the vesting period following the Management Board decision and is mentioned in Note 5.2 "Employee benefits."

Outstanding share grants as at the reporting date have the following characteristics:

| **Free performance share grants** | **Plan no. 1 - 2015** | **Plan no. 2 - 2015** | **Plan no. 3 - 2016** | **Plan no. 4 - 2016** | **Plan no. 5 - 2016** |
|---|---|---|---|---|---|
| Date of shareholders' meeting | 10/08/2014 | 10/08/2014 | 05/27/2016 | 05/27/2016 | 05/27/2016 |
| Date of the Supervisory Board Meeting | 04/03/2015 | 04/03/2015<br>12/14/2015 | 03/09/2016<br>05/03/2016 | 03/09/2016<br>05/03/2016 | 03/09/2016<br>05/03/2016 |
| Date of decision of the Management Board | 04/07/2015 | 12/21/2015 | 06/15/2016 | 06/15/2016 | 12/20/2016 |
| Number of rights originally granted | 524,684 | 44,027 | 978,380 | 8,465 | 54,466 |
| - of which, members of the Executive Committee | 188,716 | 0 | 469,583 | 0 | 0 |
| - of which, corporate officers: | 130,614 | 0 | 277,662 | 0 | 0 |
| Xavier Martiré | 104,108 | - | 207,520 | - | - |
| Louis Guyot | 13,253 | - | 35,071 | - | - |
| Matthieu Lecharny | 13,253 | - | 35,071 | - | - |
| Number of grantees | 152 | 29 | 206 | 7 | 43 |
| - of which, members of the Executive Committee | 8 | - | 9 | - | - |
| - of which, corporate officers | 3 [a] | - | 3 [a] | - | - |
| Grant date | 04/07/2015 | 12/21/2015 | 06/15/2016 | 06/15/2016 | 12/21/2016 |
| Vesting date | | | | | |
| France | | | | | |
| - members of the Management Board and the Executive Committee | 04/07/2017 [1] | - | 06/15/2019 [3] | - | - |
| - other beneficiaries | 04/07/2017 [1] | 12/21/2017 [1] | 06/15/2018 [3] | 06/15/2018 [4] | 12/21/2018 [4] |
| Rest of the world | 04/07/2017 [1] | 12/21/2017 [1] | 06/15/2018 [3] | 06/15/2018 [4] | 12/21/2018 [4] |
| End of share lock-up period | | | | | |
| - members of the Management Board and the Executive Committee | 04/07/2019 [2] | - | 06/15/2019 [5] | - | - |
| - other beneficiaries | 04/07/2019 [2] | 12/21/2019 [2] | 06/15/2018 [5] | 06/15/2018 [5] | 12/21/2018 [5] |
| Rights vested in 2016 | 0 | 0 | 0 | 0 | 0 |
| Number of rights lapsed or forfeited as at 12/31/2016 | 46,781 | 5,003 | 8,769 | 0 | 0 |
| Number of rights outstanding as at 12/31/2016 | 477,903 | 39,024 | 969,611 | 8,465 | 54,466 |
| - of which, members of the Executive Committee | 188,716 | 0 | 469,583 | 0 | 0 |
| - of which, corporate officers: | 130,614 | 0 | 277,662 | 0 | 0 |
| Xavier Martiré | 104,108 | - | 207,520 | - | - |
| Louis Guyot | 13,253 | - | 35,071 | - | - |
| Matthieu Lecharny | 13,253 | - | 35,071 | - | - |

| Free performance share grants | Plan no. 1 - 2015 | Plan no. 2 - 2015 | Plan no. 3 - 2016 | Plan no. 4 - 2016 | Plan no. 5 - 2016 |
|---|---|---|---|---|---|
| Number of working beneficiaries as at 12/31/2016 | 130 | 25 | 201 | 7 | 43 |
| - of which, members of the Executive Committee | 8 | 0 | 9 | | 0 |
| - of which, corporate officers: | 3 [(b)] | 0 | 3[(b)] | | 0 |

*(a) Xavier Martiré, Louis Guyot and Matthieu Lecharny.*

*(b) Xavier Martiré, Louis Guyot and Matthieu Lecharny.*

*(1) Shares vest at the end of a vesting period set at two years from the date of the award of the performance shares, and vesting is contingent on cumulative continued employment conditions and meeting performance conditions related to i) the Group's consolidated revenue, (ii) EBIT as stated in the financial statements for the 2016 financial year, and (iii) the Group's stock market performance relative to changes in the SBF 120, with the understanding that:*

*- the change in the Company's share price corresponds to the difference (as a percentage) between (i) the moving average of the share value over the twenty trading days preceding the last trading day of 2016 plus dividends paid between February 11, 2015 and December 31, 2016, and (ii) the IPO price (€13);*

*- the change in the SBF 120 corresponds to the difference (as a percentage) between (i) the moving average of the index over the twenty trading days preceding the last trading day of 2016 and (ii) the value of the index as at February 10, 2015 (€3,701.09).*

*Only 20% of the granted shares will be delivered to beneficiaries if just one of those performance conditions is met, 50% if two of the conditions are met, and 100% if all three conditions are met. No share shall vest if none of the conditions is met.*

*(2) The plan rules stipulate a lock-up period of two years from the vesting date. At the end of the lock-up period, the shares will be available and may be freely transferred by the beneficiaries subject to statutory blackout periods and the provisions of the French Code of Conduct for Trading and Market Activities. Throughout their term of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board and corresponding to one-third of vested shares up to three times the amount of their annual fixed compensation for the Chairman of the Management Board, and one-third of vested shares up to two times the amount of their compensation for the other members of the Management Board.*

*(3)(4) Shares vest at the end of a vesting period set at two years from the date of the grant of the performance shares for all beneficiaries, except for the members of the Management Board and the Executive Committee for whom the vesting period is set at three years from the date of the grant. There are two categories of share grants, A and B.*

*Vesting of each category of shares is subject to continued employment and performance conditions, which are determined based on three quantitative criteria linked to i) consolidated revenue of the Group and ii) EBIT as they appear in the financial statements for 2017, and iii) Elis' share-price performance relative to the SBF 120 index for Category A performance shares, and based on two criteria linked to revenue and EBIT for Category B shares.*

*Determining the final number of shares vested at the end of the vesting period will be evaluated over a two-year performance period for all beneficiaries except for the members of the Executive Committee (including the members of the Management Board), for whom the performance will be evaluated over a two-year period (2016 and 2017) for 67% of the performance shares granted, and over a three-year period (2016, 2017 and 2018) for 33% of the performance shares granted.*

*It should be noted that:*

*- the change in the Company's share price corresponds to the difference (as a percentage) between (i) the moving average of the share value over the twenty trading days preceding the last trading day of 2017 plus dividends paid between January 1, 2016 and December 31, 2017, and (ii) the closing price as at the last trading day of 2015 (€15.25).*

*- the change in the SBF 120 corresponds to the difference (as a percentage) between (i) the moving average of the index over the twenty trading days preceding the last trading day of 2017 and (ii) the value of the index as at December 31, 2015 (3,663.88 points).*

*The number of shares that will vest will depend on the number of targets achieved, with the understanding that for each performance share category, achievement of the performance criteria is binary such that if the criterion is not achieved, the proportion of rights attached to the target concerned will not be due and the related shares will not vest. On that basis, beneficiaries will acquire 20% of Category A performance shares if one criterion is achieved, 50% of Category A performance shares if two criteria are achieved, and 100% of Category A performance shares if all three criteria are achieved. Category B performance shares will only vest if at least one target is achieved, it being specified that the achievement of just one of the targets will allow vesting of 50% of the shares granted.*

*(5) There is no lock-up period under this plan so the shares will be available and may be freely transferred by the beneficiaries at the end of the vesting period, subject to statutory blackout periods and the provisions of the French Code of Conduct for Trading and Market Activities. Furthermore, each Management Board member is required to retain their shares until such time as they step down from their duties.*

## 5.5 EXECUTIVE COMPENSATION (RELATED PARTY TRANSACTIONS)

As at December 31, 2016, executives comprise the seven members of the Executive Board, along with the President of the Management Board. Total compensation (paid or payable) of the main executives is as follows:

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| Short-term employee benefits | 5,028 | 9,712 |
| Post-employment benefits | 18 | 62 |
| Termination benefits | 0 | 74 |
| Share-based payments | 6,509 | 1,002 |

As at December 31, 2016, employee benefit liability accrued in respect of termination benefits amounted to €288 thousand (€235 thousand as at December 31, 2015).

Compensation allocated to members of the Supervisory Board and expensed as directors' fees amounted to €515 thousand (€467 thousand as at December 31, 2015).

# Note 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

## 6.1 GOODWILL

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Gross value | 1,651,119 | 1,589,083 |
| Accumulated impairment | (67,687) | (52,985) |
| **Carrying amount at beginning of period** | **1,583,432** | **1,536,098** |
| Acquisitions | 148,583 | 87,759 |
| Disposals | 0 | 0 |
| Translation adjustments | 22,435 | (25,722) |
| Other changes | 5 | 0 |
| CHANGES IN GROSS CARRYING AMOUNT | 171,023 | 62,037 |
| Impairment | 0 | (14,575) |
| Translation adjustments | 1,240 | (128) |
| Other changes | 0 | 0 |
| CHANGES IN IMPAIRMENT | 1,240 | 0 (14,703) |
| **CARRYING AMOUNT AT END OF PERIOD** | **1,755,695** | **1,583,432** |
| Gross value | 1,822,142 | 1,651,119 |
| Accumulated impairment | (66,447) | (67,687) |

In accordance with IAS 36, the Elis 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)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| FRANCE CGU/SEGMENT | 1,394,145 | 1,389,042 |
| CGU Spain | 100,711 | 5,030 |
| CGU Belgium & Luxembourg | 10,588 | 10,588 |
| CGU Germany | 47,851 | 16,373 |
| CGU Italy | 1,669 | 1,669 |
| CGU Switzerland | 60,540 | 49,585 |
| EUROPE SEGMENT | 221,359 | 83,245 |
| CGU Brazil | 120,266 | 92,632 |
| CGU Chile | 4,767 | 4,294 |
| CGU Columbia | 2,730 | 0 |
| LATIN AMERICA SEGMENT | 127,763 | 96,927 |
| CGU Kennedy Hygiene | 12,428 | 14,218 |
| MANUFACTURING ENTITIES SEGMENT | 12,428 | 14,218 |
| **CARRYING AMOUNT OF GOODWILL** | **1,755,695** | **1,583,432** |

In view of the way the Group manages its business in Belgium and Luxembourg, under unique management and using joint reporting, the "Belgium" and "Luxembourg" cash-generating units were combined for the purposes of impairment testing as from December 31, 2016.

### Recognition of impairment

The method and assumptions used for impairment tests are described in Note 6.5.

Following the impairment tests carried out as at December 31, 2016, the Group recorded no impairment losses.

As at December 31, 2015, the Group recognized the following impairment losses for 2015:

- €5.4 million on the Kennedy Hygiene CGU, reflecting the decline in estimated future cash flows;
- €9.2 million on the Belgian UGT, reflecting a decline in its profitability due to a highly competitive market. These impairment losses were recorded on the basis of a valuation by multiples of economic indicators.

## 6.2 INTANGIBLE ASSETS

### Brands

Brands acquired in a business combination are recognized at fair value (based on discounted royalties) 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.

### 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 and relationships: 4 to 11 years.

Amortization expense is recognized from the date the asset is first used.

| *(In thousands of euros)* | Brands | Customer relationships | Other | Total |
|---|---|---|---|---|
| **Gross value** | **215,966** | **539,082** | **78,476** | **833,524** |
| **Accumulated depreciation and impairment** | **(6,851)** | **(369,131)** | **(53,160)** | **(429,142)** |
| NET CARRYING AMOUNT AT DEC 31, 2014 | 209,115 | 169,951 | 25,316 | 404,383 |
| Investments | 136 | 0 | 6,345 | 6,481 |
| Changes in scope of consolidation | 6 | 21,392 | 363 | 21,761 |
| Retirements and disposals | 0 | 0 | 68 | 68 |
| Amortization | (222) | (46,244) | (4,767) | (51,233) |
| Translation adjustments | 78 | (1,920) | (14) | (1,856) |
| Impairment | 0 | 0 | 0 | 0 |
| Other | 109 | 0 | (237) | (128) |
| **Gross value** | **216,295** | **557,950** | **57,002** | **831,247** |
| **Accumulated depreciation and impairment** | **(7,073)** | **(414,771)** | **(29,926)** | **(451,769)** |
| NET CARRYING AMOUNT AT DEC 31, 2015 | 209,222 | 143,180 | 27,076 | 379,477 |
| Investments | 132 | 0 | 10,759 | 10,891 |
| Changes in scope of consolidation | 98 | 7,790 | 544 | 8,432 |
| Retirements and disposals | 0 | 0 | (91) | (91) |
| Amortization | (247) | (45,610) | (6,435) | (52,293) |
| Translation adjustments | (190) | 2,846 | 73 | 2,729 |
| Impairment | 0 | 0 | 0 | 0 |
| Other | 142 | 0 | 1,591 | 1,732 |
| **Gross value** | **216,797** | **571,101** | **71,283** | **859,181** |
| **Accumulated depreciation and impairment** | **(7,641)** | **(462,895)** | **(37,767)** | **(508,304)** |
| NET CARRYING AMOUNT AT DEC 31, 2016 | 209,156 | 108,205 | 33,516 | 350,877 |

Other intangible assets consist primarily of software.

The Group's brand values, which are derived from a business combination when measuring their fair value for the purpose of allocating goodwill, are as follows:

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 | Amortization |
|---|---|---|---|
| Elis brands in France | 184,700 | 184,700 | Not amortized |
| Elis brands in Europe | 21,800 | 21,800 | Not amortized |
| - *Le Jacquard Français brand* | *900* | *900* | *Impaired* |
| - *Kennedy trademark* | *1,316* | *1,505* | Not amortized |
| Brands of manufacturing entities | 2,216 | 2,405 | |
| Other | 440 | 316 | |
| **TOTAL BRANDS** | **209,156** | **209,222** | |

## Recognition of impairment

No brand impairment loss was recognized in the last two financial years. The Le Jacquard Français brand, worth €6,800 thousand gross, has an accumulated impairment loss of €5,900 thousand.

## 6.3 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 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 loans 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, laundry and maintenance service agreements (textiles, equipment and other leased items) are initially recognized as inventories 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 expense is recognized from the date the asset is first used. Land is not depreciated.

| *(In thousands of euros)* | Land and buildings | Vehicles | Plant & equipment | Rental-cleaning items | Total |
|---|---|---|---|---|---|
| **Gross value** | **232,618** | **81,428** | **433,006** | **596,922** | **1,343,974** |
| **Accumulated depreciation and impairment** | **(75,274)** | **(53,709)** | **(197,734)** | **(310,172)** | **(636,888)** |
| NET CARRYING AMOUNT AS AT DEC. 31, 2014 | 157,344 | 27,719 | 235,273 | 286,750 | 707,086 |
| Investments | 10,007 | 10,355 | 58,728 | 184,522 | 263,612 |
| Changes in scope of consolidation | 23,021 | 2,647 | 32,807 | 10,943 | 69,418 |
| Retirements and disposals | (9,105) | (208) | (1,103) | (291) | (10,707) |
| Depreciation | (12,076) | (9,485) | (42,307) | (172,156) | (236,024) |
| Translation adjustments | 2,247 | (389) | (7,345) | (3,269) | (8,756) |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| Other movements | 441 | 708 | (2,056) | 482 | (425) |
| **Gross value** | **258,222** | **95,640** | **532,090** | **650,435** | **1,536,387** |
| **Accumulated depreciation and impairment** | **(86,342)** | **(64,293)** | **(258,093)** | **(343,455)** | **(752,183)** |
| NET CARRYING AMOUNT AS AT DEC. 31, 2015 | 171,880 | 31,347 | 273,997 | 306,980 | 784,204 |
| Investments | 23,885 | 12,019 | 45,450 | 169,255 | 250,609 |
| Changes in scope of consolidation | 29,981 | 2,976 | 36,752 | 38,250 | 107,959 |
| Retirements and disposals | (8,440) | (227) | (2,252) | (56) | (10,975) |
| Depreciation | (11,637) | (10,162) | (44,631) | (180,242) | (246,672) |
| Translation adjustments | 1,341 | 569 | 8,299 | 4,592 | 14,800 |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| Other movements | (994) | 302 | (3,074) | 348 | (3,418) |
| **Gross value** | **318,263** | **116,085** | **695,709** | **823,148** | **1,953,204** |
| **Accumulated depreciation and impairment** | **(112,245)** | **(79,261)** | **(381,168)** | **(484,021)** | **(1,056,696)** |
| NET CARRYING AMOUNT AS AT DEC. 31, 2016 | 206,017 | 36,823 | 314,540 | 339,127 | 896,508 |

In 2016, "Other movements" includes a reclassification to non-current assets held for sale in the amount of €1,146 thousand relating to a site formerly operated by Lavalia in Mallorca, Spain.

### Finance leases

Assets financed by leases with purchase options or long-term leases, which in essence transfer to the lessee virtually all the risks and rewards incident to ownership of the asset, 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.

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Owned property, plant and equipment | 888,653 | 775,510 |
| Leased property, plant and equipment | 7,855 | 8,694 |
| **TOTAL PROPERTY, PLANT AND EQUIPMENT** | **896,508** | **784,204** |

## 6.4 OFF-BALANCE SHEET COMMITMENTS RELATING TO NON-CURRENT ASSETS AND LEASES

Outstanding future minimum operating lease commitments are as follows:

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| **Future minimum lease payments under non-cancellable operating leases** | | |
| Within one year | 28,875 | 23,761 |
| Between 1 and 5 years | 85,804 | 67,281 |
| After 5 years | 137,207 | 121,002 |
| **TOTAL** | **251,885** | **212,004** |

## 6.5 IMPAIRMENT LOSSES ON NON-CURRENT ASSETS

Impairment tests are 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 losses may not subsequently be reversed.

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 (mainly EBITDA).

If the recoverable amount is less than the carrying amount, an impairment loss is recognized, corresponding to the difference between the two amounts.

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).

In accordance with IAS 36 "Impairment of Assets", whenever the value of intangible assets and property, plant and equipment with definite useful lives 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.

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.

## 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, validated by the Management Board and presented to the Supervisory Board. 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 – income tax at standard rate – capital expenditure);
- the terminal value is calculated on a perpetual growth 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

Elis used the following inputs for calculating WACC:

- risk-free rate: the average risk-free interest rate over a two-to-five year observation period by country;
- 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.

The WACC used for impairment testing on each CGU was as follows:

| Country | France | Portugal | Spain | Belgium | Germany | UK | Switzerland | Italy | Brazil | Chile |
|---|---|---|---|---|---|---|---|---|---|---|
| Risk-free rate | 1.7% | 5.7% | 3.5% | 1.9% | 1.1% | 2.0% | 0.4% | 3.4% | 12.1% | 4.5% |
| *Credit spread* | *1.4%* | *1.4%* | *1.4%* | *1.4%* | *1.4%* | *1.4%* | *1.4%* | *1.4%* | *1.4%* | *1.4%* |
| **Cost of debt (before tax)** | **3.0%** | **7.0%** | **4.8%** | **3.2%** | **2.5%** | **3.4%** | **1.8%** | **4.8%** | **13.5%** | **5.8%** |
| Tax rate | 28.9% | 22.5% | 25.0% | 34.0% | 29.7% | 20.0% | 21.9% | 31.4% | 34.0% | 24.0% |
| **Cost of debt, net of tax** | **2.2%** | **5.5%** | **3.6%** | **2.1%** | **1.7%** | **2.7%** | **1.4%** | **3.3%** | **8.9%** | **4.4%** |
| Risk premiums | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% |
| **Levered beta** | **0.83** | **0.83** | **0.83** | **0.82** | **0.82** | **0.84** | **0.84** | **0.82** | **0.82** | **0.83** |
| **Cost of equity** | **6.1%** | **10.1%** | **7.9%** | **6.3%** | **5.5%** | **6.5%** | **4.9%** | **7.8%** | **16.5%** | **8.9%** |
| Gearing | 15.9% | 15.9% | 15.9% | 15.9% | 15.9% | 15.9% | 15.9% | 15.9% | 15.9% | 15.9% |
| **WACC 2016** | **5.5%** | **9.4%** | **7.2%** | **5.6%** | **4.9%** | **5.9%** | **4.3%** | **7.1%** | **15.3%** | **8.2%** |
| **WACC 2015** | **6.1%** | **10.7%** | **8.1%** | **6.4%** | **5.6%** | **6.4%** | **4.9%** | **7.8%** | **14.9%** | **8.3%** |
| **Pre-tax discount rate 2016 (approximation)** | **7.7%** | **12.1%** | **9.6%** | **8.5%** | **7.0%** | **7.3%** | **5.5%** | **10.3%** | **23.1%** | **10.8%** |
| Pre-tax discount rate 2015 (approximation) | 9.2% | 13.7% | 10.8% | 9.7% | 7.9% | 8.0% | 6.2% | 11.4% | 22.5% | 10.9% |

## Fundamental assumptions for impairment tests

The business plans of the CGUs were prepared on the basis of management's best estimates. Projected cash flows are therefore reasonable and reflect, where appropriate, the resilience of the CGU's business.

## Sensitivity of tests related to goodwills

The most significant sensitivities of the impairment tests are as follows (difference between the carrying amount and the recoverable amount of the CGU):

| | | Perpetuity growth rate | | |
|---|---|---|---|---|
| **France** *(in millions of euros)* | | **1.5%** | **2.0%** | **2.5%** |
| WACC | *5.0%* | *1,974* | *2,549* | *3,357* |
| | **5.5%** | 1,490 | **1,913** | 2,479 |
| | 6.0% | 1,114 | 1,438 | 1,854 |

| | | EBITDA Plan 2017 | | |
|---|---|---|---|---|
| **Brazil** *(in millions of euros)* | | **-10.0%** | **-** | **10.0%** |
| Multiple | 6,5x | (44) | (25) | (7) |
| | **7x** | (31) | **(11)** | 9 |
| | 7,5x | (18) | 3 | 25 |

| | | Perpetuity growth rate | | |
|---|---|---|---|---|
| **Spain** *(in millions of euros)* | | **1.5%** | **2.0%** | **2.5%** |
| WACC | *6.7%* | *137* | *173* | *218* |
| | **7.2%** | 103 | **133** | 169 |
| | 7.7% | 75 | 100 | 129 |

| | | EBITDA Plan 2017 | | |
|---|---|---|---|---|
| **Belgium-Luxembourg** *(in millions of euros)* | | **-10.0%** | **-** | **10.0%** |
| Multiple | **6,5x** | 8 | 13 | 17 |
| | 7x | 11 | **16** | 21 |
| | **7,5x** | 14 | 20 | 25 |

| | | Perpetuity growth rate | | |
|---|---|---|---|---|
| **Kennedy** *(in millions of euros)* | | **1.5%** | **2.0%** | **2.5%** |
| WACC | *5.4%* | *8* | *11* | *16* |
| | **5.9%** | 5 | **7** | 11 |
| | 6.4% | 2 | 4 | 7 |

The sensitivity analysis presented above shows that the recoverable amount of the CGUs exceeds the carrying amount. In accordance with IAS 36, impairment tests are performed and resulting impairment losses are recognized on all the other CGUs.

### Sensitivity of tests related to brands

The assumptions used for the purposes of impairment testing based on the discounted royalties of Elis' brands are as follows:

| | Elis | Le Jacquard Français | Kennedy |
|---|---|---|---|
| Discount rate | 6.5% | 6.5% | 7.0% |
| Growth rate of revenue generated by the brand over 5 years | 3% | 3% | 3% |
| 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:

| **Discount rate** *(In thousands of euros)* | **Perpetuity growth rate** | | |
|---|---|---|---|
| | **1.5%** | **2.0%** | **2.5%** |
| 6.0% | 200 | 244 | 301 |
| **6.5%** | **159** | **194** | **237** |
| 7.0% | 126 | 154 | 188 |

## Note 7 PROVISIONS AND CONTINGENT LIABILITIES

### 7.1 PROVISIONS

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.

The amount recognized represents the best estimate made by management with respect to risks and their likelihood of occurrence, based on information available at the date of reporting the consolidated financial statements.

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.

Provisions are also recognized for obligations arising from onerous contracts.

#### 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

Provisions for litigation chiefly includes provisions for employee-related risks.

#### Other provisions

Other provisions include provisions for tax risks, provisions for restructuring costs, provisions for onerous contracts and provisions for disputes arising in the ordinary course of the Group's operations.

| *(in thousands of euros)* | Compliance | Litigation | Other | Total |
|---|---|---|---|---|
| **As at December 31, 2015** | **16,332** | **9,598** | **4,486** | **30,417** |
| Increases/additions for the year | 392 | 1,327 | 204 | 1,923 |
| Changes in consolidation scope | | | 114 | 114 |
| Decreases/reversals of provisions used | (1,367) | (3,849) | (341) | (5,558) |
| Translation adjustments | 432 | 1,085 | 755 | 2,272 |
| Other | 0 | 0 | 0 | 0 |
| AS AT DECEMBER 31, 2016 | 15,789 | 8,161 | 5,218 | 29,168 |
| **Current portion** | | **3,539** | **1,382** | **4,921** |
| **Non-current portion** | **15,789** | **4,622** | **3,835** | **24,247** |
| *France* | *10,802* | *3,022* | *878* | *14,701* |
| *Europe* | *2,775* | *440* | *199* | *3,414* |
| *Latin America* | *2,212* | *4,699* | *4,142* | *11,053* |
| *Manufacturing Entities* | | | | |

## 7.2 CONTINGENT LIABILITIES

The Elis Group has contingent liabilities relating to legal or arbitration proceedings arising in the normal course of its business, including:

### In Brazil

#### Proceedings related to alleged acts of administrative improbity

Atmosfera filed a preliminary response in December 2014 to a public action filed against several industrial laundry service providers, including Atmosfera, relating to alleged bribery regarding contracts in the State of Rio de Janeiro. The public prosecutor rejected arguments put forward by Atmosfera and ruled to continue the action.

As at December 31, 2016, Atmosfera was still awaiting additional information and therefore is unable to estimate the contingent liability incurred and the indemnification asset to be received under the vendor warranty. The Atmosfera Group's former owners, who were notified of the proceedings through interim measures on November 26, 2014 with respect to the December 20, 2013 guarantee agreement relating to the acquisition of the Atmosfera Group, have disputed Atmosfera's compensation request.

#### Proceedings related to degrading working conditions

- Proceedings initiated by the national prosecuting authority

After a hearing held on April 20, 2015, the public prosecutor and Atmosfera failed to reach an agreement on a settlement that would have required Atmosfera to adopt a series of measures. In December 2016 the national prosecuting authority filed a public civil action aimed at preventing Atmosfera from using subcontractors to carry out its main business activities, in particular with regard to manufacturing textile products used in its business, and to comply with certain provisions of Brazilian legislation in the area of labor law, hygiene and safety related to findings by the federal police during an inspection. The motion lodged by the prosecuting authority also seeks damages from Atmosfera in the amount of €830 thousand under a collective moral damages charge. Currently, Atmosfera no longer uses subcontractors in these businesses. As at the reporting date of the consolidated financial statements, the Company had not received official notification of the motion lodged by the prosecuting authority.

- Proceedings initiated by Atmosfera before the Labor Court against Brazil's Ministry of Work and Employment

Atmosfera filed an appeal that challenged the decision of the Ministry of Labor which provided for the inclusion of Atmosfera on the blacklist of companies convicted of this type of practice.

The decision on the substance of the case is to be rendered by the Labor Court. A hearing was held on February 1, 2017. As at the reporting date of the consolidated financial statements, no decision has been rendered.

In the interim, 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 submitted an 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.

### In France

- Inquiry by DIRECCTE

The Group was informed of an inquiry by the French competition authorities following a complaint relating to some of the Group's pricing practices, which was filed by a self-catering cottage, a customer of the Group, with the Pays de Loire regional Board for companies, competition, consumption, labor and employment (DIRECCTE). The Group cannot rule out the investigation being extended to practices other than pricing practices.

No provision was recognized as at December 31, 2016 since at this stage it is difficult to assess whether this risk will materialize and what might be the consequences, especially financial, for the Group.

- Other information

Following an accident occurring in March, 2012 at the Carcassonne laundry site leading to the death of an employee of one of the Group's laundry products suppliers who was on site, M.A.J. was summoned to appear before the Carcassonne Criminal Court for having involuntarily caused the death of a person by carelessness, recklessness, inattention, negligence, or a breach of the duty of care or prudence in accordance with applicable laws and regulations. The related maximum fine can amount to €225,000, in addition to penalties such as displaying the judgment or publishing it in the print media. The hearing is scheduled for May 2017.

# Note 8 FINANCING AND FINANCIAL INSTRUMENTS

## 8.1 FINANCIAL RISK MANAGEMENT

### Credit and 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 customers, there is no material concentration of credit risk (meaning no one counterparty or group of counterparties accounting for a material proportion of trade receivables). 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:

| | 12/31/2016 | | |
|---|---|---|---|
| *(in thousands of euros)* | Gross value | Impairment | Net value |
| Not yet due or less than 4 months overdue | 319,095 | (1,104) | 317,992 |
| between 5 and 12 months overdue | 17,948 | (5,294) | 12,654 |
| More than 1 year overdue | 41,398 | (30,956) | 10,442 |
| **TRADE RECEIVABLES** | **378,441** | **(37,354)** | **341,087** |

| | 12/31/2015 | | |
|---|---|---|---|
| *(in thousands of euros)* | Gross value | Impairment | Net value |
| Not yet due or less than 4 months overdue | 287,072 | (1,212) | 285,860 |
| Between 5 and 12 months overdue | 7,944 | (3,182) | 4,762 |
| More than 1 year overdue | 30,625 | (25,244) | 5,381 |
| **TRADE RECEIVABLES** | **325,641** | **(29,638)** | **296,003** |

- the Group's policy is to invest cash in money market funds (OPCVM) with short-term maturities or in bank deposits with financing counterparties of the Group, against a backdrop of historically low and significantly negative interest rates, in compliance with diversification and counterparty rules. As at December 31, 2016, short-term investments totaled €10.7 million and consisted mainly of bank deposits with major counterparties who also provide financing to the Group. In the Group's view, therefore, those investments do not expose it to any material counterparty risk.

## 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 (bank financing or bonds/commercial paper). 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 and facilitate cash flow to M.A.J., the Group's central treasury entity.

The Group's adjusted net debt (adjusted for capitalized debt issuance costs to be amortized using the effective interest rate method, and for the loan from the employee profit-sharing fund) as at December 31, 2016 amounted to €1,595.8 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 notably include an obligation for the Group to maintain certain financial ratios. Based on these consolidated financial statements, the Group was in compliance with its main commitment as at December 31, 2016:

- Leverage ratio = 3.2 (must be below 3.75).

As at December 31, 2016, the repayment dates for consolidated debt and related interest are presented hereafter.

The future contractual cash flows are based on the liabilities shown in the statement of financial position at the end of the financial 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 as at the reporting date.

| | Carrying value | Cash flow 2017 | | Cash flow 2018 | | Cash flow 2019-2020-2021 | | Cash flow 2022 and beyond | | Estimate of future cash flows as of 12/31/2016 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Amortized cost | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| High-Yield Bonds 3% | 804,067 | | 24,000 | | 24,000 | | 72,000 | 800,000 | 12,000 | 800,000 | 132,000 |
| Senior Credit Facilities Agreement EURIBOR +2,125% | 451,672 | | 10,065 | | 9,669 | 450,000 | 12,139 | | | 450,000 | 31,873 |
| Swaps | | | 7,163 | | 6,312 | | 7,319 | | | | 20,794 |
| Bridge loan/revolving | 130,043 | 130,000 | 112 | | | | | | | 130,000 | 112 |
| Commercial paper | 303,800 | 303,800 | | | | | | | | 303,800 | |
| Unamortized loan costs | (22,827) | | | | | | | | | | |
| Loan from employee profit-sharing fund | 28,374 | 5,582 | 1,113 | 6,495 | 998 | 14,431 | 1,397 | | 41 | 26,508 | 3,549 |
| Financial leases | 12,746 | 2,255 | 234 | 2,484 | 506 | 2,831 | 1,168 | 5,150 | 3,508 | 12,720 | 5,416 |
| Other | 59,315 | 46,847 | 492 | 5,611 | 337 | 5,170 | 414 | 776 | 133 | 58,404 | 1,376 |
| Overdrafts | 3,701 | 3,695 | 137 | | | | | | | 3,695 | 137 |
| **TOTAL INTEREST-BEARING LOANS AND BORROWINGS** | **1,770,889** | **492,179** | **43,317** | **14,590** | **41,821** | **472,432** | **94,438** | **805,926** | **15,682** | **1,785,127** | **195,258** |

## Market risks

The Elis 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 mainly includes the risk of future fluctuations in flows relating to floating-rate debt, which is partly linked to Euribor. As at December 31, 2016, the Group had €618.1 million of floating-rate debt outstanding (before taking into account any hedging instruments) and €1,152.8 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. As at December 31, 2016, the Group was a party to interest rate hedging contracts covering a total par amount outstanding of €450 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 as at December 31, 2016, before and after hedging, was as follows:

| | | | Floating | | |
|---|---|---|---|---|---|
| *(in thousands of euros)* | **12/31/2016** | **Fixed** | **hedged** | **unhedged** | **Maturities** |
| High-Yield Bonds 3% | 804,067 | 804,067 | | | 2022 |
| Senior Credit Facilities Agreement EURIBOR +2,125% | 451,672 | | 451,672 | | 2020 |
| Bridge loan/Revolving | 130,043 | | | 130,043 | 2017 |
| Commercial paper | 303,800 | 303,800 | | | Less than 12 months |
| Unamortized loan costs | (22,827) | (7,965) | (14,862) | 0 | |
| Loan from employee profit-sharing fund | 28,374 | 28,374 | | | |
| Financial leases | 12,746 | 12,311 | | 434 | |
| Other | 59,315 | 12,230 | 28,302 | 18,783 | |
| Overdrafts | 3,701 | | | 3,701 | |
| **TOTAL INTEREST-BEARING LOANS AND BORROWINGS** | **1,770,889** | **1,152,816** | **465,112** | **152,961** | |

In accordance with IFRS 7, a sensitivity analysis of the change in interest is presented hereafter. 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 derivative financial instruments 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 derivative financial instruments (interest rate swaps, caps, etc.) that are not eligible for hedge accounting insofar as the changes affect their fair value. These movements in fair value 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 the Elis 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:

| | +100 bp | | -100 bp | |
|---|---|---|---|---|
| *(Type)* | **Hedging reserves** | **Net financial expense** | **Hedging reserves** | **Net financial expense** |
| Financial instruments designated as hedging instruments | | | | |
| Non-derivative variable-rate financial instruments (not hedged) | | 1,398 | | (4,463) |
| Total derivatives not eligible for hedge accounting | | 13,107 | | (13,664) |
| **TOTAL IMPACT (PRE-TAX)** | **0** | **14,505** | **0** | **(18,127)** |
| ***Sensitivity of equity to interest rate changes*** | ***+100 bp*** | ***0.0%*** | ***-100 bp*** | ***0.0%*** |
| ***Sensitivity of consolidated net income to interest rate changes*** | ***+100 bp*** | ***-10.2%*** | ***-100 bp*** | ***10.2%*** |

The Group does not have any material interest-bearing assets.

## Currency risk

The majority of the Group's operations are located in eurozone countries. For the year ended December 31, 2016, countries outside the eurozone – mainly Brazil, Chile, Switzerland and the UK, where the Group operates through its Kennedy Hygiene Products subsidiary – accounted for 16.5% of consolidated revenue (Brazil – 7.5%, Chile – 1.3%, Switzerland – 7.1%, and the UK – 0.5%).

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' statements of financial position and income statements.

The Group's external financing is generally denominated in euros.

As at December 31, 2016, the Group's sensitivity to fluctuations in exchange rates arose mainly from:

- fluctuations of 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 financial year ended December 31, 2016 would cause equity to vary by €23.1 million and consolidated net income by €0.5 million;
- fluctuations of the Chilean peso against the euro: a 10% rise or fall of the Chilean peso against the euro relative to the exchange rates seen for the financial year ended December 31, 2016 would cause equity to vary by €2.0 million and consolidated net income by €0.2 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 financial year ended December 31, 2016 would cause equity to vary by €2.5 million and consolidated net income by €0.2 million.
- 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 financial year ended December 31, 2016 would cause equity to vary by €14.3 million and consolidated net income by €1.1 million.

The Group is also exposed to operational exchange rate risk through its purchases of goods, which are partly denominated in US dollars and to a lesser extent in pounds sterling. In 2016, purchases of goods denominated in foreign currencies totaled $46.0 million and £3.7 million. However, the Group seeks to reduce the impact of exchange rate movements on its income by using currency hedging in relation with the procurement of goods. As at December 31, 2016, the Group had made forward purchases with a 2017 maturity amounting to $41.5 million ($50.0 million one year ago). Furthermore, the Group had made forward purchases with a 2017 maturity amounting to £4 million.

In addition, as the acquisition price for Lavebras was stipulated in Brazilian real, the Group is exposed to exchange rate risk related to the fluctuation of the euro relative to the Brazilian real between January 5, 2017, the date of signing the purchase agreement, and the date of completion of the transaction which is expected to occur in the first half of 2017. This risk concerns the amount to be paid out for the acquisition of Lavebras, i.e. 1,300 million reals (€360 million, at an exchange rate of 3.60 reals to the euro). As at the reporting date of the consolidated financial statements, the Group took out no hedges against this exchange rate risk in view of forecasts relating to fluctuations of the Brazilian real against the euro in 2017.

### Equity risk

As at December 31, 2016, the Group's exposure to equity risk mainly involves the 148,147 Elis treasury shares held for the requirements of the liquidity agreement implemented on April 13, 2015. These shares were valued at €2,259 thousand based on the December 31, 2016 closing price (€15.25). As an illustration of the risk, a 10% drop in the Elis share price compared with the December 31, 2016 closing price would have an impact of approximately €226 thousand on the Group's equity. Accordingly, the Group did not consider it necessary to introduce an equity risk management policy.

### Commodities risk

While the Group does not purchase raw materials directly, it is indirectly exposed to raw material volatility through its purchases of linens and workwear, the manufacturing price of which is partially linked to the price of cotton or polyester, and through its consumption of oil products (mainly gas and fuel).

## 8.2 NET FINANCIAL EXPENSE

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| Interest expense on borrowings and employee profit-sharing fund | (55,589) | (95,678) |
| GROSS FINANCE COSTS | (55,589) | (95,678) |
| Gains (losses) on traded derivatives | 827 | (6,317) |
| Other financial income | 127 | 389 |
| NET FINANCE COSTS | (54,635) | (101,606) |
| Foreign exchange gains | 610 | 268 |
| Foreign exchange losses | (288) | (471) |
| Interest expense on provisions and retirement benefits | (994) | (824) |
| Other | (371) | (68,299) |
| TOTAL OTHER FINANCIAL INCOME AND EXPENSES | (1,043) | (69,326) |
| **NET FINANCIAL EXPENSE** | **(55,679)** | **(170,932)** |

The main changes were mainly due to:

- refinancing in the wake of the initial public offering in the first half of 2015. Gross finance costs in 2015 include accelerated amortization of debt issuance costs of €24.9 million;
- losses on traded derivatives in respect of the partial termination on May 11, 2015 of the interest rate hedging swap agreements. The nominal amount was reduced from €650 million to €450 million (including €8.4 million paid in respect of the partial termination);
- costs related to the early redemption of the principal amount and interests due under the Senior Secured Notes and Senior Subordinated Notes due 2018 and of approximately 40% of the Legendre Holding 27's loan (PIK Proceeds Loan). They are included for an amount of 68.9 million in the line item "Other" for 2015 in the table above.

## 8.3 GROSS DEBT

Borrowings are initially recognized at fair value, net of related transaction costs. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (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 they are classified as non-current liabilities.

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.

As at December 31, 2016, consolidated debt mainly comprised the following:

### 2022 Bonds

On April 28, 2015, Elis issued bonds with a principal amount of €800 million, paying interest at an annual rate of 3% and maturing in 2022 (the "High-Yield Bonds"). Interest is payable every six months. 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).

### Senior Credit Facilities Agreement

Elis entered into a Senior Credit Facilities Agreement on September 2, 2014 with a syndicate of international banks. It was subsequently amended on December 8, 2014, February 12, 2015, July 6, 2015, and December 15, 2016, with Elis and M.A.J. acting as borrowers as at the date of filing of this registration document.

The Senior Credit Facilities Agreement includes 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 €450 million and a maturity of five years from the settlement date of shares offered in connection with the initial public offering; and
- a secured credit facility (allowing multiple drawdowns, mainly in the form of a revolving facility or swingline loan) with a principal amount of €400 million and the same maturity as the Senior Term Loan (five years).
- These Senior Credit Facilities were refinanced on January 17, 2017 (see Note 12).

### Bridge Loan Agreement

On November 10, 2016 Elis entered into a Bridge Loan Agreement with a bank syndicate for a total principal amount of €550 million, in order to finance the acquisition price of Indusal and Lavebras including associated costs and expenses and to pay the full amount due by virtue of the refinancing of the existing debt of Indusal and Lavebras. This agreement consists of two tranches:

- tranche 1, "bridge to equity", in an amount of €325 million, undrawn as at December 31, 2016.
- tranche 2, "bridge to debt", in an amount of €225 million, of which €130 million had been drawn down as at December 31, 2016.

### Commercial paper

In September 2015, the Group launched a commercial paper program with a maximum amount of €400 million, governed by Articles D.213-9 II, paragraph 1 and 213-11 of the French Monetary and Financial Code and Article 1 of the amended Decree of February 13, 1992 and subsequent regulations. The program supplements bank-related financing and gives the Elis Group access to short-term funding on favorable terms. As at December 31, 2016 outstandings under this program totaled €303.8 million, versus €169.5 million as at December 31, 2015.

As at December 31, 2016, the Group had an undrawn revolving credit line of €400 million.

### Maturity of financial liabilities

| *(in thousands of euros)* | 12/31/2016 | 2017 | 2018 | 2019-2021 | 2022 and beyond |
|---|---|---|---|---|---|
| High-Yield Bonds 3% | 804,067 | 4,067 | 0 | 0 | 800,000 |
| Senior Credit Facilities Agreement EURIBOR +2,125% | 451,672 | 1,672 | 0 | 450,000 | 0 |
| Bridge loan/revolving | 130,043 | 130,043 | | | |
| Commercial paper | 303,800 | 303,800 | 0 | 0 | 0 |
| Unamortized loan costs | (22,827) | (6,419) | (5,989) | (9,884) | (536) |
| Loan from employee profit-sharing fund | 28,374 | 6,616 | 6,844 | 14,914 | 0 |
| Financial leases | 12,746 | 2,258 | 2,566 | 2,772 | 5,150 |
| Other | 59,315 | 47,747 | 5,622 | 5,248 | 698 |
| Overdrafts | 3,701 | 3,701 | 0 | 0 | 0 |
| **TOTAL INTEREST-BEARING LOANS AND BORROWINGS** | **1,770,889** | **493,485** | **9,043** | **463,050** | **805,312** |

## 8.4 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.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Demand deposits | 158,864 | 22,018 |
| Term deposits and marketable securities | 10,714 | 34,703 |
| CASH AND CASH EQUIVALENTS | 169,578 | 56,722 |
| Cash classified as assets held for sale | 0 | 0 |
| Bank overdrafts | (3,701) | (897) |
| **CASH AND CASH EQUIVALENTS, NET** | **165,877** | **55,825** |

In Latin America, where exchange control restrictions may exist, cash and cash equivalents amounted to €19,456 thousand as at December 31, 2016 (€3,965 thousand as at December 31, 2015).

In France, cash allocated to the Elis liquidity agreement implemented on April 10, 2015 amounted to €1,512 thousand as at December 31, 2016 (€812 thousand as at December 31, 2015).

## 8.5 NET DEBT

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| BOND DEBT | 800,000 | 800,000 |
| Senior facilities | 450,000 | 450,000 |
| Bridge loan/revolving | 130,000 | 50,000 |
| Commercial paper | 303,800 | 169,500 |
| Finance lease liabilities | 12,746 | 8,335 |
| Other loans and overdrafts | 62,137 | 12,446 |
| Loan from employee profit-sharing fund | 28,374 | 33,864 |
| LOANS | 987,057 | 724,145 |
| ACCRUED INTEREST | 6,660 | 6,620 |
| UNAMORTIZED LOAN COSTS | (22,827) | (27,862) |
| **BORROWINGS** | **1,770,889** | **1,502,902** |
| Of which maturing in less than one year | 494,092 | 235,482 |
| Of which maturing in more than one year | 1,276,797 | 1,267,421 |
| **CASH AND CASH EQUIVALENTS (ASSETS)** | **169,578** | **56,722** |
| **NET DEBT** | **1,601,311** | **1,446,181** |
| **Loans and borrowings by currency** | | |
| EUR | 1,765,636 | 1,493,522 |
| BRL | 299 | 1,215 |
| CHF | 2,575 | 3,840 |
| CLP | 2,380 | 4,325 |
| COP | 0 | 0 |
| CZK | 0 | 0 |
| GBP | 0 | 0 |
| **Reconciliation to adjusted net debt** | | |
| **Net debt** | **1,601,311** | **1,446,181** |
| Unamortized loan costs | 22,827 | 27,862 |
| Loan from employee profit-sharing fund | (28,374) | (33,864) |
| **Adjusted net debt** | **1,595,765** | **1,440,179** |

## 8.6 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 (transaction costs, commissions, professional fees, taxes, etc.) are added to the amount initially recognized for assets and deducted from liabilities.

Fair value and carrying amount of financial assets and liabilities

### The key measurement methods used are as follows:

- items recognized at fair value through profit or loss are measured based on market prices for listed instruments (level 1 of fair value – quoted prices in active markets);
- non-current derivative instruments are measured using a valuation technique based on interbank 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 is deemed to be the same as their carrying amount.

| *(In thousands of euros)* | 12/31/2016 | | Breakdown by category of financial instrument | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Fair value through income | Fair value through equity | Loans and receivables | Debt at amortized cost | Derivative financial instruments |
| Available-for-sale financial assets (non-current) | 85 | 85 | | 85 | | | |
| Other non-current assets | 4,230 | 4,230 | | | 4,230 | | 0 |
| Trade and other receivables | 392,613 | 392,613 | | | 392,613 | | |
| Other current assets | 16,972 | 16,972 | | | 14,199 | | 2,773 |
| Cash and cash equivalents | 169,578 | 169,578 | 169,578 | | | | |
| **FINANCIAL ASSETS** | **583,479** | **583,479** | **169,578** | **85** | **411,042** | **0** | **2,773** |
| Loans and borrowings | 1,276,797 | 1,297,747 | | | | 1,276,797 | |
| Other non-current liabilities | 22,611 | 22,611 | | | 3,256 | | 19,356 |
| Trade and other payables | 162,554 | 162,554 | | | 162,554 | | |
| Other liabilities | 296,283 | 296,283 | | | 296,283 | | 0 |
| Bank overdrafts and portions of loans due in less than one year | 494,092 | 499,903 | | | | 494,092 | |
| **FINANCIAL LIABILITIES** | **2,252,338** | **2,279,099** | **0** | **0** | **462,093** | **1,770,889** | **19,356** |

| (In thousands of euros) | 12/31/2015 Carrying amount | Fair value | Breakdown by category of financial instrument Fair value through income | Fair value through equity | Loans and receivables | Debt at amortized cost | Derivative financial instruments |
|---|---|---|---|---|---|---|---|
| Available-for-sale financial assets (non-current) | 146 | 146 | | 146 | | | |
| Other non-current assets | 5,757 | 5,757 | | | 5,757 | | 0 |
| Trade and other receivables | 356,847 | 356,847 | | | 356,847 | | |
| Other current assets | 13,799 | 13,799 | | | 11,746 | | 2,053 |
| Cash and cash equivalents | 56,722 | 56,722 | 56,722 | | | | |
| **FINANCIAL ASSETS** | **433,270** | **433,270** | **56,722** | **146** | **374,350** | **0** | **2,053** |
| Loans and borrowings | 1,267,421 | 1,275,622 | | | | 1,267,421 | |
| Other non-current liabilities | 38,926 | 38,926 | | | 19,666 | | 19,260 |
| Trade and other payables | 134,999 | 134,999 | | | 134,999 | | |
| Other liabilities | 243,544 | 243,544 | | | 243,544 | | 0 |
| Bank overdrafts and portions of loans due in less than one year | 235,482 | 241,124 | | | | 235,482 | |
| **FINANCIAL LIABILITIES** | **1,920,372** | **1,934,215** | **0** | **0** | **398,209** | **1,502,903** | **19,260** |

The table below shows the level at which each fair value is ranked in the fair value hierarchy:

| | 12/31/2016 | Fair value hierarchy | | |
|---|---|---|---|---|
| (In thousands of euros) | Fair value | Level 1 | Level 2 | Level 3 |
| Current asset derivatives (currency forward) | 2,773 | | 2,773 | |
| ASSETS MEASURED AT FAIR VALUE | 2,773 | 0 | 2,773 | 0 |
| Non-current derivatives - liabilities (interest rate swap) | 19,356 | | 19,356 | |
| LIABILITIES MEASURED AT FAIR VALUE | 19,356 | 0 | 19,356 | 0 |
| High-Yield Bonds 3% | 808,000 | 808,000 | | |
| **LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED** | **808,000** | **808,000** | **0** | **0** |

| | 12/31/2015 | Fair value hierarchy | | |
|---|---|---|---|---|
| *(In thousands of euros)* | Fair value | Level 1 | Level 2 | Level 3 |
| Current asset derivatives (currency forward) | 2,053 | | 2,053 | |
| ASSETS MEASURED AT FAIR VALUE | 2,053 | 0 | 2,053 | 0 |
| Non-current derivatives - liabilities (interest rate swap) | 19,260 | | 19,260 | |
| LIABILITIES MEASURED AT FAIR VALUE | 19,260 | 0 | 19,260 | 0 |
| High-Yield Bonds 3% | 780,800 | 780,800 | | |
| **LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED** | **780,800** | **780,800** | **0** | **0** |

## 8.7 OTHER NON-CURRENT ASSETS AND LIABILITIES

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not listed on an active market. They are included in current assets, apart from those with maturity dates greater than 12 months after the reporting date, which are classified as non-current assets.

Put options over non-controlling interests are recognized as liabilities. Subsequent changes in the value of the put option strike price are recognized in the income statement under "Other income and expense," in accordance with IAS 39, paragraph AG8.

| *(In thousands of euros)* | Note | 12/31/2016 | 12/31/2015 |
|---|---|---|---|
| Non-current asset derivatives | 8.8 | 0 | 0 |
| Loans and receivables | | 4,230 | 5,757 |
| **OTHER NON-CURRENT ASSETS** | | **4,230** | **5,757** |
| Non-current liability derivatives | 8.8 | 19,356 | 19,260 |
| Deferred consideration payable on acquisitions | | 326 | 19,602 |
| Liability for put options over a non-controlling interest | | 1,820 | 125 |
| Other non-current liabilities | | 1,110 | (61) |
| **OTHER NON-CURRENT LIABILITIES** | | **22,611** | **38,926** |

## 8.8 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 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 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 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 net income.

When the transaction settlement results in the recognition of a non-financial asset (for example, a non-current asset or inventory), the hedge gain or loss, deferred as equity, is capitalized at the entry value of the hedged item on the reporting date (method known as basis adjustment).

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.

### Interest rate derivatives

Interest rate derivatives are classified as other non-current assets and liabilities (see Note 8.7 “Other non-current assets and liabilities”).

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 - level 2 - is calculated using the discounted cash flow model.

The table below details the impact of interest rate derivatives on the consolidated financial statements of Elis:

| *(In thousands of euros)* | Principal | Fair values as at 12/31/2016 | Changes in fair value during the reporting period | Impact on net financial expense [(a)] | Impact on equity |
|---|---|---|---|---|---|
| Interest rate swaps maturing in 2020 1,143% | 450,000 | 18,702 | 501 | 872 | (371) |
| Other interest rate swaps | 28,302 | 654 | (23) | (45) | 23 |
| TOTAL NON-CURRENT DERIVATIVES - LIABILITIES | | 19,356 | | | |
| **TOTAL INTEREST-RATE DERIVATIVES ELIGIBLE FOR HEDGE ACCOUNTING** | | **19,356** | **478** | **827** | **(348)** |

*(a) Ineffective portion/impact of dequalifying derivative instruments eligible for hedge accounting and change in fair value.*

- In view of the negative forward rates up until the maturity of the swaps, these instruments were disqualified for hedge accounting from July 1, 2016.

| *(In thousands of euros)* | Nominal | Fair values as at 12/31/2015 | Changes in fair value during the reporting period | Impact on net financial expense [(a)] | Impact on equity |
|---|---|---|---|---|---|
| Interest rate swaps maturing in 2020 1,143% [(b)] | 450,000 | 19,203 | (2,225) | (6,283) | 4,058 |
| Other interest rate swap | 909 | 57 | | | |
| TOTAL NON-CURRENT DERIVATIVES - LIABILITIES | | 19,260 | | | |
| **TOTAL INTEREST-RATE DERIVATIVES ELIGIBLE FOR HEDGE ACCOUNTING** | | **19,260** | **(2,225)** | **(6,283)** | **4,058** |

*(a) Ineffective portion/impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.*
*(b) principal amount reduced to m€ 450 during the period, against a cash payment.*

## Currency derivatives

Forward currency purchases are classified as other current assets and liabilities (see Note 4.7 "Other current assets and liabilities").

| *(In thousands of euros)* | Nominal (in foreign currencies) | Fair values as at 12/31/2016 | Changes in fair value during the reporting period | Impact on net financial expense | Impact on equity |
|---|---|---|---|---|---|
| Currency forward USD/EUR | 41,500 | 2,546 | 493 | 169 | 324 |
| Currency forward GBP/EUR | 4,000 | 227 | 227 | 0 | 226 |
| TOTAL CURRENT DERIVATIVES - ASSET | | 2,773 | 720 | 169 | 551 |
| Currency forward USD/EUR | | | | | |
| TOTAL CURRENT DERIVATIVES - LIABILITIES | | 0 | | | |
| **TOTAL CURRENCY DERIVATIVES** | | **2,773** | **720** | **169** | **551** |

| *(In thousands of euros)* | Nominal (in foreign currencies) | Fair values as at 12/31/2015 | Changes in fair value during the reporting period | Impact on net financial expense | Impact on equity |
|---|---|---|---|---|---|
| Currency forward USD/EUR | 50,000 | 2,053 | (781) | (34) | (747) |
| TOTAL CURRENT DERIVATIVES - ASSET | | 2,053 | (781) | (34) | (747) |
| Currency forward USD/EUR | | | | | |
| TOTAL CURRENT DERIVATIVES - LIABILITIES | | 0 | | | |
| **TOTAL CURRENCY DERIVATIVES** | | **2,053** | **(781)** | **(34)** | **(747)** |

## 8.9 OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP FINANCING AND OTHER COMMITMENTS

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| **Commitments given** | | |
| Assignment and pledge of receivables as collateral | | |
| Pledges, mortgages and sureties | 47,865 | |
| Pledges, endorsements and guarantees given | 7,938 | 24,229 |
| Other commitments given | | |
| **Commitments received** | | |
| Pledges, mortages and sureties | | |
| Pledges, endorsements and guarantees received | 12,532 | 9,694 |
| Other commitments received | | |

## Note 9 INCOME TAX EXPENSE

### 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 variable balance sheet liability method for all timing differences between the tax base of assets and liabilities shown in the consolidated statement of financial position and their tax base as at the reporting date.

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 differences, tax loss carryforwards and unused tax credits 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.

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| Consolidated net income (loss) | 93,660 | (57,719) |
| Equity-accounted companies | 0 | 0 |
| Current taxes | 47,618 | 16,314 |
| Deferred taxes | (9,564) | (17,243) |
| Pre-tax income (loss) | 131,714 | (58,648) |
| Theoretical tax rate | 34.43% | 34.43% |
| THEORETICAL TAX EXPENSE | 45,349 | (20,193) |
| ACTUAL TAX EXPENSE | 38,054 | (929) |
| Effect of tax not not based on net income [(a)] | 10,300 | 10,199 |
| DIFFERENCE | 17,595 | (9,065) |
| **Breakdown of difference** | | |
| Tax rate differences and transactions taxed at reduced rates | 18,298 | 2,398 |
| Permanent differences (including nondeductible interests) | (8,096) | (15,101) |
| Unrecognized tax loss carryforwards/Utilization of previously unrecognized tax losses | (2,324) | (656) |
| Goodwill impairment | 0 | (5,018) |
| Other (deductible CVAE, nontaxable CICE…) | 9,717 | 9,312 |

*(a) CVAE in France, IRAP in Italy.*

The line item "Tax rate differences and transactions taxed at reduced rates" includes an amount of €15.0 million related to a change in tax rates approved in France reducing the rate for all companies to 28.92% from 2020 (including the additional corporate tax contribution), compared with 34.43% in 2016.

The following table shows the sources of deferred tax assets and liabilities:

| *(In thousands of euros)* | 12/31/ 2015 net | Changes in consolidation scope | Reclassification as current | Income | Recognized directly in equity | 12/31/ 2016 net |
|---|---|---|---|---|---|---|
| Intangible assets | (114,244) | (1,069) | 0 | 24,436 | (370) | (91,247) |
| Property, plant and equipment | (115,805) | (2,007) | 0 | 8,538 | (127) | (109,402) |
| Other assets | 842 | 709 | 0 | (278) | (112) | 1,160 |
| Derivative instruments - assets | (707) | 0 | 0 | (58) | (190) | (955) |
| Provisions | 7,545 | 0 | 0 | (1,370) | 767 | 6,942 |
| Retirement benefit liabilities | 14,296 | 0 | 0 | (2,057) | 561 | 12,800 |
| Interest-bearing loans and borrowings | (8,994) | 0 | 0 | 1,808 | (204) | (7,390) |
| Derivative instruments - liabilities | 6,627 | 142 | 0 | (300) | 123 | 6,591 |
| Other current liabilities | 3,414 | 1,445 | 0 | 2,162 | 14 | 7,036 |
| Other | (33) | 0 | 0 | 387 | (70) | 284 |
| Unused tax losses and credits/Recognized tax losses | 35,717 | 3,654 | 0 | (23,703) | 1,080 | 16,749 |
| **NET DEFERRED TAX ASSETS (LIABILITIES)** | **(171,341)** | **2,874** | **0** | **9,564** | **1,472** | **(157,432)** |
| **Deferred tax assets** | **12,478** | **6,872** | | | **1,325** | **19,414** |
| **Deferred tax liabilities** | **(183,819)** | **(3,998)** | | | **147** | **(176,845)** |

Deferred tax assets are recognized for tax loss carryforwards when it is probable that they can be utilized against future taxable profit.

As at December 31, 2016, the Group had tax losses of €42.6 million (base) for which no deferred tax assets had been recognized. The majority of these tax losses, which are almost all related to foreign subsidiaries, have no expiration date.

# Note 10 STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

## 10.1 SHARE CAPITAL AND RESERVES

### Changes in share capital

| | |
|---|---|
| **Number of shares as at December 31, 2014** | **49,761,041** |
| **Number of shares as at December 31, 2015** | **114,006,167** |
| **Number of shares as at December 31, 2016** | **114,006,167** |
| Number of authorized shares | 114,006,167 |
| Number of shares issued and fully paid up | 114,006,167 |
| Number of shares issued and not fully paid up | - |
| Par value of shares | 10.00 |
| Treasury shares | 119,000 |
| Shares reserved for issue under options and sales agreements | - |

On February 10, 2015, prior to the initial public offering, the following capital transactions were carried out:

- share capital increase amounting to €19,398 thousand resulting from the exercise of warrants by Quasarelis SAS and Eurazeo (€14,700 thousand and €4,698 thousand respectively). As at December 31, 2015 there were no exercisable warrants outstanding;
- share capital increase amounting to €16,319 thousand through the issue of 1,631,863 new shares as consideration for the contribution granted to Elis in connection with the merger by absorbtion of Quasarelis SAS under the terms of a draft merger agreement dated December 22, 2014. The merger premium amounted to €4,864 thousand. The capital increase was followed by a capital reduction in an amount of €16,354 thousand by cancellation of €1,635,406 Elis treasury shares as a consequence of the merger. The difference between the carrying amount of the Elis shares in Quasarelis SAS's accounting records and their par value, i.e. the sum of €3,463 thousand, was deducted from the merger premium;
- share capital increase subscribed in cash in an amount of €84,627 thousand through the issue of 8,462,715 new shares with a par value of €10 each, issued at the subscription price of €13 per share, i.e., additional paid-in capital of €3 per share representing total additional paid-in capital of €25,388 thousand. The share capital increase was fully subscribed by Legendre Holding 27, which paid up the amount of its subscription by offsetting the receivable held on the Company through the shareholder loan that was therefore fully capitalized.

As part of the Company's initial public offering, share capital was increased by €538,462 thousand through the issue of 53,846,153 new shares with a par value of €10 each, issued at a subscription price of €13 per share, i.e. additional paid-in capital of €3 per share, representing total additional paid-in capital of €161,538 thousand (before recognition of issue costs net of income tax benefit amounting to €10,002 thousand).

No movement in share capital occurred in 2016.

On April 13, 2015, the Group also implemented a liquidity agreement consistent with the Code of Conduct issued by the French Financial Market Professional Association (*Association française des marchés financiers - AMAFI*) on March 8, 2011 and approved by the French Financial Markets Authority (*Autorité des Marchés Financiers- AMF*) on March 21, 2011. Resources allocated to the implementation of the liquidity agreement and credited to the liquidity account amounted to €3,000 thousand. As at December 31, 2016, treasury shares accounted for 119,000 shares valued at €1,760 thousand based on the historic share price, deducted from equity (148,147 shares, or €2,150 thousand as at December 31, 2015).

## 10.2 DIVIDENDS AND DISTRIBUTIONS PAID AND PROPOSED

The general meeting of June 24, 2015 approved the payment of an amount of €0.35 per share. The total amount paid to shareholders therefore was €39,881 thousand.

The general meeting of May 27, 2016 approved the payment of an amount of €0.35 per share. The amount distributed to shareholders therefore was €39,871 thousand.

An amount of €0.37 per share or approximately €51.8 million will be proposed to the next annual general meeting.

## 10.3 EARNINGS PER SHARE

As disclosed in Note 10.1 "Share capital and reserves". As a result, the calculation of earnings per share (basic and diluted) for the relevant period is based on the new number of shares. Earnings per share for the prior periods have been adjusted retrospectively.

**Basic earnings per share**

Basic earnings per share (EPS) 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)* | 2016 | 2015 |
|---|---|---|
| **NET INCOME OR LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT** | **93,669** | **(58,194)** |
| Weighted average number of shares | 113,877,072 | 106,461,658 |
| Weighted average number of shares used for diluted EPS | **114,135,536** | **106,461,658** |

**Diluted earnings per share**

Diluted earnings per share (DEPS) 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 11 RELATED PARTY DISCLOSURES

The main transactions undertaken were with Legendre Holding 27 during the 2015 financial year:

| *(In thousands of euros)* | 2016<br>Expense | 2015<br>Expense | 12/31/2016<br>Payables with related parties | 12/31/2015<br>Payables with related parties |
|---|---|---|---|---|
| **Entity with significant influence over the Group** | | | | |
| Legendre Holding 27 (interests) | - | (2,482) | - | - |
| Legendre Holding 27 (PIK proceed note) | - | (8,678) | - | - |

Furthermore, under the agreement between Elis, Eurazeo and the banks responsible for the investment with respect to the Company's initial public offering, in 2015 Elis and Eurazeo paid amounts of €11.9 million and €2.6 million respectively.

Except for compensation paid to executives as shown in Note 5.5, there no other transactions were carried out with related parties in 2016.

## Subsidiaries and consolidated companies

The consolidated financial statements include the financial statements of Elis and of all the following integrated consolidated subsidiaries:

| Company name | Registered office | Principal activity | % interest 2016 | % interest 2015 |
|---|---|---|---|---|
| Elis | St-Cloud | Parent Company | 100 | 100 |
| FRANCE | | | | |
| M.A.J. | Pantin | Textile & hygiene services | 100 | 100 |
| Les Lavandières | Avrillé | Textile & hygiene services | 100 | 100 |
| Régionale de Location et Services Textiles | Marcq en Baroeul | Textile & hygiene services | 100 | 100 |
| Pierrette - T.B.A. | Malzeville | Textile & hygiene services | 100 | 100 |
| Le Jacquard Français | Gerardmer | Manufacturing entity | 100 | 100 |
| Elis Services | St-Cloud | Other activity | 100 | 100 |
| Thimeau | Meaux | Textile & hygiene services | 100 | 100 |
| Grenelle Service | Gennevilliers | Textile & hygiene services | 100 | 100 |
| Maison de Blanc Berrogain | Anglet | Textile & hygiene services | 100 | 100 |
| Société des Oreillers et Couvertures | St-Cloud | Other activity | 100 | 100 |
| Pro Services Environnement | Rochetoirin | Textile & hygiene services | 100 | 100 |
| Poulard 1836 | Nanterre | Dormant | - | Merger |
| AD3 | Dardilly | Textile & hygiene services | 100 | 100 |
| Novalis | Puteaux | Other activity | - | Merger |
| S.C.I. Château de Janville | St-Cloud | Other activity | 100 | 100 |
| Lovetra | St Ouen l'Aumône | Textile & hygiene services | 100 | 100 |
| G.I.E. Eurocall Partners | Villeurbanne | Other activity | 100 | 100 |
| Blanchisserie Moderne | Montlouis sur Loire | Textile & hygiene services | 96 | 96 |
| S.C.I. Maine Beauséjour | Limoges | Other activity | 100 | - |
| S.C.I. La Forge | Bondoufle | Other activity | 100 | 100 |
| Société de Participations Commerciales et Industrielles | St Ouen l'Aumône | Other activity | 100 | 100 |
| S.C.I. 2 Sapins | Grenoble | Other activity | 100 | 100 |
| SHF Holding | St-Cloud | Other activity | 100 | 100 |
| SHF | St-Cloud | Textile & hygiene services | 100 | 100 |
| BMF | Yerres | Textile & hygiene services | 100 | - |
| LSP | St-Cloud | Textile & hygiene services | 100 | - |
| Hygiène Technique et Protection de l'Environnement | Bobigny | Textile & hygiene services | 100 | - |
| Sud-Ouest Hygiène Services | Puteaux | Textile & hygiene services | - | Merger |
| Blanchisserie Professionnelle d'Aquitaine | Mios | Textile & hygiene services | 96 | 96 |
| Aquitaine Services Developpement | Mios | Other activity | 100 | 100 |
| France Tapis Hygiène Service | Marcq en Baroeul | Textile & hygiene services | Merger | 100 |
| Districlean Service | Puteaux | Textile & hygiene services | - | Merger |
| Hygiène Contrôle Ile de France | Serris | Textile & hygiene services | 100 | 100 |
| Quasarelis | Puteaux | Other activity | - | Merger |

| Company name | Registered office | Principal activity | % interest 2016 | % interest 2015 |
|---|---|---|---|---|
| GERMANY | | | | |
| Elis Holding GmbH | Rehburg-Loccum | Other activity | 100 | 100 |
| Elis Textil-Service GmbH | Mörlenbach | Textile & hygiene services | 100 | 100 |
| RWV Textilservice Beteiligungs GmbH | Rehburg-Loccum | Other activity | Merger | 100 |
| Schäfer Wäsche-Vollservice GmbH | Ibbenbüren | Textile & hygiene services | 100 | 100 |
| Rolf und Horst Schäfer GmbH & Co. KG | Ibbenbüren | Other activity | 100 | 100 |
| Wolfsperger Textilservice GmbH & Co. KG | Freiburg im Breisgau | Textile & hygiene services | 100 | 100 |
| Wolfsperger Verwaltungs GmbH | Freiburg im Breisgau | Other activity | 100 | 100 |
| Cleantex Potsdam Textilpfelge GmbH | Potsdam | Textile & hygiene services | 100 | 100 |
| Kress Textilpflege GmbH | München-Trudering | Textile & hygiene services | 100 | 100 |
| Zischka Textilpflege GmbH | Ochtendung | Textile & hygiene services | 100 | 100 |
| Wismarer Wäscherei GmbH | Wismar | Textile & hygiene services | 100 | - |
| KlinTex GmbH | Waren/Müritz | Other activity | 100 | - |
| Textilpflege Stralsund GmbH | Stralsund | Textile & hygiene services | 100 | - |
| Textilpflege Stralsund Verwaltungs GmbH | Stralsund | Other activity | Merger | - |
| Puschendorf Textilservice GmbH Mannheim | Mannheim | Textile & hygiene services | 100 | - |
| Servicegesellschaft der Zentralwäscherei Rein-Neckar mbH | Mannheim | Other activity | 100 | - |
| Puschendorf Textilservice GmbH | Schönebeck/Elbe | Textile & hygiene services | 100 | - |
| ANDORRA | | | | |
| Auxiliar Hotelera Arly | Andorra | Textile & hygiene services | 100 | 100 |
| Arly les Valls (en liquidation) | Andorra | Other activity | 100 | 100 |
| BELGIUM | | | | |
| Hades | Anderlecht | Textile & hygiene services | 100 | 100 |
| BRAZIL | | | | |
| Atmosfera Gestao e Higienização de Têxteis Ltda | Jundiai | Textile & hygiene services | 100 | 100 |
| SC Lavanderia Ltda | Sete Lagoas | Textile & hygiene services | - | Merger |
| L'Acqua Lavanderias Ltda | Ponta Grossa | Textile & hygiene services | 100 | 100 |
| AJS Industria e Comercio de Confeccoes Ltda | Eusébio | Other activity | Liquidation | 100 |
| Teclav Tecnologia e Lavagem Industrial Ltda | Eusébio | Textile & hygiene services | 100 | 100 |
| Lavanderia Verde Ltda | Caieiras | Other activity | 100 | 100 |
| Martins e Lococo Lavanderia Ltda | Caieiras | Textile & hygiene services | 100 | 100 |
| Reis & Nóbrega Lavanderia Ltda | Fortaleza | Textile & hygiene services | 100 | 100 |
| MPW Lavanderia, Comércio e Serviços Ltda | Piracicaba | Textile & hygiene services | 100 | 100 |
| Lavanderia Espírito Santo Norte Ltda | Serra | Textile & hygiene services | Merger | 100 |
| Megalav Lavanderia Hospitalar Ltda | Serra | Textile & hygiene services | 100 | 100 |
| Uniforme Lavanderia e Locação Eireli EPP | Camaçari | Textile & hygiene services | 100 | - |
| Prontlav Lavanderia Ltda | Fortaleza | Textile & hygiene services | 100 | - |
| Toalhão locação e Higienização de Enxoval Ltda | Fortaleza | Textile & hygiene services | 100 | - |
| CHILE | | | | |
| Elis Chile S.A. | Santiago | Other activity | 100 | 100 |
| Albia S.A. | Recoleta | Textile & hygiene services | 100 | 100 |
| Servicios Hospitalarios S.A. | Recoleta | Textile & hygiene services | 100 | 100 |
| COLOMBIA | | | | |
| Servicios Industriales de Lavado SIL S.A.S. | Bogota D.C. | Textile & hygiene services | 100 | - |

| Company name | Registered office | Principal activity | % interest 2016 | % interest 2015 |
|---|---|---|---|---|
| SPAIN | | | | |
| Elis Manomatic | Parets del Vallès (Barcelona) | Textile & hygiene services | 100 | 100 |
| Azelab Productos | Parets del Vallès (Barcelona) | Textile & hygiene services | Merger | 100 |
| Explotadora de Lavanderias | Consell (Mallorca) | Textile & hygiene services | Merger | 100 |
| Lavanderia Hotelera Del Mediterraneo | La Nucia (Alicante) | Textile & hygiene services | 100 | 100 |
| Lavalia Balears Servicios y Renting Textil | La Nucia (Alicante) | Textile & hygiene services | 100 | 100 |
| Lavalia Sur Servicios y Renting Textil | La Nucia (Alicante) | Dormant | In liquidation | 100 |
| Lavalia c. e. e. | La Nucia (Alicante) | Dormant | 100 | 100 |
| UTE Elis Indusal | Parets del Vallès (Barcelona) | Textile & hygiene services | 100 | - |
| Indusal Centro, S.A. | Guadalajara (Guadalajara) | Textile & hygiene services | 100 | - |
| Indusal Navarra, S.A. | Marcilla (Navarra) | Textile & hygiene services | 100 | - |
| Lavanderías del Ebro, S.A. | Huesca (Huesca) | Textile & hygiene services | 100 | - |
| Indusal Rías Baixas, S.A. | Porriño (Pontevedra) | Textile & hygiene services | 100 | - |
| Lavandería Industrial Navarra, S.A. | Tudela (Navarra) | Textile & hygiene services | 100 | - |
| Lavandería Industrial Olimpia, S.L | Mutilva Baja (Navarra) | Textile & hygiene services | 100 | - |
| Servicios de Lavandería Industrial de Castilla la Mancha, S.A. | Yeles (Toledo) | Textile & hygiene services | 100 | - |
| Indusal Alandalus, S.L. | Córdoba (Córdoba) | Textile & hygiene services | 100 | - |
| Ibérica de Renting y Lavanderías Industriales, S.A. | Venta de Baños (Palencia) | Textile & hygiene services | 100 | - |
| Indusal, S.A. | Arrigorriaga (Vizcaya) | Textile & hygiene services | 100 | - |
| Indusal Renting Cataluña, S.A. | Arrigorriaga (Vizcaya) | Textile & hygiene services | 100 | - |
| Industrias del Lavado y Planchado, S.L. | Quart de Poblet (Valencia) | Textile & hygiene services | 100 | - |
| Lavandería Miele, S.L. | Sueca (Valencia) | Textile & hygiene services | 100 | - |
| Lavandería Indusal Cantabria, S.A. | Cabezón de la Sal (Cantabria) | Textile & hygiene services | 100 | - |
| Indusal Rías Altas, S.A. | Sergude Boqueixon (A Coruña) | Textile & hygiene services | 100 | - |
| Indusal La Rioja, S.L. | Quel (La Rioja) | Textile & hygiene services | 100 | - |
| Indusal Castilla La Mancha, S.A. | Alcázar de San Juan(Ciudad Real) | Dormant | 100 | - |
| Indusal Renting Catalunya Siglo XXI, S.L. | Vilafranca del Penedés (Barcelona) | Dormant | 100 | - |
| Lavandería Industrial La Condesa, S.L. | Venta de Baños (Palencia) | Textile & hygiene services | 100 | - |
| Indusal Galicia Siglo XXI, S.L | Porriño (Pontevedra) | Other activity | 100 | - |
| Tudela Patrimonial Siglo XXI, S.L. | Tudela (Navarra) | Other activity | 100 | - |
| Rías Altas Patrimonial Siglo XXI, S.L. | Sergude Boqueixon (A Coruña) | Other activity | 100 | - |
| Serlasa Patrimonial Siglo XXI, S.L. | Abanto y Ciervana (Vizcaya) | Other activity | 51 | - |
| Naserinco Patrimonial S. XXI, S.L. | Tudela (Navarra) | Other activity | 100 | - |

| Company name | Registered office | Principal activity | % interest 2016 | % interest 2015 |
|---|---|---|---|---|
| Lavanderías Industriales Salamanca, S.L. | Villares de la Reina (Salamanca) | Textile & hygiene services | 100 | - |
| Goiz Ikuztegia, S.L. | Zumárraga (Guipúzcoa) | Textile & hygiene services | 100 | - |
| Energías Margua S.A. | Pamplona (Navarra) | Other activity | 100 | - |
| Malsin, S.A. | Pamplona (Navarra) | Other activity | 100 | - |
| Serclothes, S.L. | Pamplona (Navarra) | Textile & hygiene services | 100 | - |
| Gulluri, Sociedad Anónima | Arrigorriaga (Vizcaya) | Textile & hygiene services | 100 | - |
| Lain-Pak, Sociedad Anónima | Arrigorriaga (Vizcaya) | Other activity | 100 | - |
| Indusal Textil, S.L. | Pamplona (Navarra) | Dormant | 100 | - |
| Indusal Sur, S.A. | Escacena del Campo (Huelva) | Textile & hygiene services | 60 | - |
| Serlasa, S.A. | Abanto y Ciervana (Vizcaya) | Textile & hygiene services | 51 | - |
| Cogeneración Martiartu, Sociedad Limitada | Arrigorriaga (Vizcaya) | Other activity | 100 | - |
| Lesa Inmuebles Siglo XXI, S.L. | Pamplona (Navarra) | Other activity | 100 | - |
| Insernaco Patrimonial S. XXI, Sociedad Limitada | Abanto y Ciervana (Vizcaya) | Other activity | 51 | - |
| Gestytex Ibérica, Sociedad Limitada | Arrigorriaga (Vizcaya) | Other activity | 50 | - |
| Lavanderías El Cantábrico, Sociedad Limitada | Santurtzi (Vizcaya) | Textile & hygiene services | 87 | - |
| Casbu, S.L. | Igualada (Barcelona) | Textile & hygiene services | 50 | - |
| Compañía Navarra Servicios Integrales | Pamplona (Navarra) | Other activity | 100 | - |
| UTE Tasubinsa | Marcilla (Navarra) | Textile & hygiene services | 68 | - |
| UTE Goiz ikuzteguia | Zumarraga (Guipuzcua) | Textile & hygiene services | 75 | - |
| ITALY | | | | |
| Elis Italia S.p.A. | San Giuliano Milanese | Textile & hygiene services | 100 | 100 |
| LUXEMBOURG | | | | |
| Elis Luxembourg | Bascharage | Textile & hygiene services | 100 | 100 |
| PORTUGAL | | | | |
| Garment Finishing and Distribution European Services | Samora Correira | Other activity | 100 | 100 |
| Sociedade Portuguesa de Aluguer e Serviço de Texteis | Samora Correira | Textile & hygiene services | 100 | 100 |
| SPAST II | Samora Correira | Textile & hygiene services | 100 | 100 |
| CZECH REPUBLIC | | | | |
| SNDI S.R.O. | Slavkov ù Brna | Textile & hygiene services | 100 | 100 |
| UNITED KINGDOM | | | | |
| Kennedy Hygiene Products LTD | Uckfield | Manufacturing entity | 100 | 100 |
| Kennedy Exports LTD | Uckfield | Other activity | 100 | 100 |

| Company name | Registered office | Principal activity | % interest 2016 | % interest 2015 |
|---|---|---|---|---|
| SWITZERLAND | | | | |
| Blanchâtel S.A. | La Chaux-de-Fonds | Textile & hygiene services | 100 | 100 |
| Blanchisserie des Epinettes S.A. | Plan-les-Ouates | Textile & hygiene services | 100 | 100 |
| Blanchisserie des Epinettes, Acacias S.A. | Nyon | Other activity | Merger | 100 |
| Blanchival S.A. | Sion | Textile & hygiene services | 100 | 100 |
| Großwäscherei Domeisen AG | Endingen | Textile & hygiene services | 100 | 100 |
| Hedena S.A. | Nyon | Other activity | Merger | 100 |
| Hygienis S.A. | Carouge | Textile & hygiene services | 100 | - |
| InoTex Bern AG | Bern | Textile & hygiene services | 100 | 84 |
| Laventex S.A. | Givisiez | Textile & hygiene services | 100 | 100 |
| Lavopital S.A. | Plan-les-Ouates | Dormant | Merger | 100 |
| Lavotel S.A. | Nyon | Textile & hygiene services | 100 | 100 |
| Lavotel Textilleasing GmbH | Rüdtligen-Alchenflüh | Textile & hygiene services | Merger | 100 |
| On my Way | Lausanne | Textile & hygiene services | 50 | - |
| Picsou Management AG | Muri Bei Bern | Other activity | 100 | 51 |
| Prohotel Wäscherei AG | Kloten | Textile & hygiene services | 100 | 100 |
| SiRo Holding AG | Muri Bei Bern | Other activity | 100 | 51 |
| SNDI (Suisse) S.A. | Brügg | Textile & hygiene services | 100 | 100 |
| Wäscherei Kunz AG | Hochdorf | Textile & hygiene services | 100 | 100 |
| Wäscherei Mariano AG | Schlieren | Textile & hygiene services | 100 | - |
| Wäscherei Papritz AG | Rüdtligen-Alchenflüh | Textile & hygiene services | 100 | 100 |
| Wäscheria Textil Service AG | Ilanz | Textile & hygiene services | 100 | 84 |
| Wäscheria Textil Service Bad Ragaz AG | Bad Ragaz | Textile & hygiene services | 100 | 84 |
| WashTex Holding AG | Bern | Other activity | 100 | 84 |

## Note 12 EVENTS AFTER THE REPORTING PERIOD

On January 17, 2017, Elis entered into a new Syndicated Senior Credit Facilities Agreement in the amount of €1,150 million to refinance the previous Senior Credit Facilities of the Company and the bridge-to-debt tranche of the Bridge Loan Agreement. The new agreement extends the maturity of the debt by around two years (to January 2022 as opposed to January, 2020 for the previous agreement), increases its amount (to €1,150 million versus €850 million for the previous agreement) and reduces the interest rate margin by around 50 bps.

At the same time, the Company amended its interest rate swap contracts to hedge the new Syndicated Senior Credit Facilities Agreement in full through its maturity on January 20, 2022, with a reduction of the fixed rate paid out of 68.3 bps and in exchange for a cash payment of €10 million.

In order to finance its acquisitions of Indusal and Lavebras, Elis also carried out a capital increase with preferential subscription rights in the amount of €325 million (gross amount before deduction of issuance costs) through the issue of 25,910,490 new shares with settlement and delivery occurring on February 13, 2017.

In order to proceed to this operation, beneficiaries of performance shares have been informed that their rights will be adjusted by a public notice published in the Bulletin des Annonces Légales Obligatoires (BALO), these adjustments occured on February 13, 2017.

## Note 13 STATUTORY AUDITORS' FEES

| | Mazars | | | | PricewaterhouseCoopers Audit | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount (excl.tax) | | % | | Amount (excl.tax) | | % | |
| *(In thousands of euros)* | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Independent audit | 486 | 1,089 | 80% | 88% | 240 | 867 | 82% | 86% |
| Other services different from independent audit | 123 | 144 | 20% | 12% | 52 | 145 | 18% | 14% |
| **TOTAL** | **609** | **1,233** | **100%** | **100%** | **292** | **1,012** | **100%** | **100%** |

In accordance with the ANC (the French Accounting Standards Authority) Regulation no. 2016-09, these tables do not include fees paid to other legal entities of the audit networks by fully consolidated subsidiaries.

# 6.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Elis SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

## I OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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 give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## II JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

### Impairment tests for intangible assets with indefinite useful lives

We assessed the methods used by the Company to measure goodwill and intangible assets with indefinite useful lives, as described in Note 1.3 "Critical accounting estimates and judgments – The recoverable amount of goodwill and intangible assets with indefinite useful lives" to the consolidated financial statements. Our work consisted in assessing the data and assumptions on which these estimates and the methods used to determine recoverable amounts are based, and reviewing the calculations made by the Company. We ensured that these estimates were reasonable and verified that Note 1.3, Note 6.1 "Goodwill", Note 6.2 "Intangible assets – Brands" and Note 6.5 "Impairment losses on non-current assets" provide appropriate disclosure.

### Pension obligations

Note 1.3 "Critical accounting estimates and judgments – Employee benefit liabilities" to the consolidated financial statements sets out the valuation methods used for pension and other employee benefit obligations. Our work consisted in examining the data and assumptions used, reviewing the calculations made and verifying that Note 5.3 "Employee benefit liabilities" provides appropriate disclosure.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III SPECIFIC VERIFICATION

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, March 15, 2017

The Statutory Auditors

| **PricewaterhouseCoopers Audit** | **Mazars** |
|---|---|
| Bruno Tesnière | Isabelle Massa |

# 6.3 ELIS PARENT COMPANY FINANCIAL STATEMENTS

## 6.3.1 STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

### Assets

| *(In thousands of euros)* | Gross | Accum. depr./ amort. & impairm. losses | Net 12/31/2016 | Net 12/31/2015 |
|---|---|---|---|---|
| Subscribed capital uncalled | | | | |
| **Intangible assets** | | | | |
| Start-up costs | | | | |
| Development costs | | | | |
| Concessions, patents and other rights | | | | |
| Business goodwill | | | | 1,365,291 |
| Other intangible assets | | | | |
| Advances and prepayments on intangible assets | | | | |
| **Property, plant and equipment** | | | | |
| Land | | | | |
| Buildings | | | | |
| Fittings, machinery and equipment | | | | |
| Other property, plant and equipment | | | | |
| Assets in progress | | | | |
| Advances and prepayments | | | | |
| **Financial assets** | | | | |
| Equity-accounted companies | | | | |
| Other equity investments | 1,121,187 | 1,221 | 1,119,966 | 1,119,960 |
| Loans and advances to equity investees | 88,448 | | 88,448 | 89,627 |
| Other investments | 111 | | 111 | 111 |
| Loans | | | | |
| Other financial assets | 1,368,562 | | 1,368,562 | 2,962 |
| TOTAL NON-CURRENT ASSETS | 2,578,308 | 1,221 | 2,577,087 | 2,577,951 |
| **Inventories and work in progress** | | | | |
| Raw materials and supplies | | | | |
| Goods in progress | | | | |
| Services in progress | | | | |
| Finished and semi-finished goods | | | | |
| Goods purchased for resale | | | | |
| Advances and prepayments on orders | 7 | | 7 | |
| **Receivables** | | | | |
| Trade receivables | 627 | | 627 | 595 |
| Other receivables | 337,275 | | 337,275 | 179,044 |
| Subscribed capital called but not paid | | | | |
| **Other current assets** | | | | |
| Marketable securities | | | | |
| (Of which treasury shares): | | | | |
| Cash and cash equivalents | 105 | | 105 | 0 |
| **Accruals** | | | | |
| Prepaid expenses | 1,106 | | 1,106 | 309 |
| TOTAL CURRENT ASSETS | 339,120 | | 339,120 | 179,948 |
| Deferred debt issuance costs | | | | |
| Bond discounts | | | | |
| Unrealized foreign currency translation losses | | | | |
| **TOTAL ASSETS** | **2,917,429** | **1,221** | **2,916,208** | **2,757,899** |

## Equity and liabilities

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| Issued capital (o/w paid-up: 1,140,062) | 1,140,062 | 1,140,062 |
| Additional paid-in capital | 280,874 | 320,776 |
| Remeasurement adjustments (o/w for equity-accounted companies:) | | |
| Legal reserve | 724 | 724 |
| Regulatory or contractual reserves | | |
| Regulated reserves (including translation reserve:) | | |
| Other reserves (o/w purchases of original works of art:) | | |
| Retained earnings (accumulated losses) | (107,246) | (52,437) |
| **Net income (loss) for the period** | **15,713** | **(54,840)** |
| Investment grants | | |
| Regulated provisions | | |
| TOTAL EQUITY | 1,330,127 | 1,354,285 |
| Proceeds from issuance of profit-sharing loans | | |
| Conditional advances | | |
| TOTAL QUASI-EQUITY | | |
| Provisions for risks | 0 | 0 |
| Provisions for expenses | 35 | 24 |
| TOTAL PROVISIONS | 36 | 25 |
| **Financial liabilities** | | |
| Convertible bonds | | |
| Other bonds | 804,067 | 804,133 |
| Bank loans | 473,676 | 393,601 |
| Sundry loans & other borrowings (o/w profit-sharing:) | 303,800 | 169,500 |
| Advances and deposits on orders in progress | | |
| **Operating liabilities** | | |
| Trade payables | 3,079 | 1,239 |
| Tax and employee-related liabilities | 1,424 | 1,468 |
| **Sundry liabilities** | | |
| Amounts due to suppliers of non-current assets | | |
| Other liabilities | | 33,648 |
| **Accruals** | | |
| Deferred income | | |
| TOTAL LIABILITIES | 1,586,046 | 1,403,589 |
| Unrealized foreign currency translation gains | | |
| **TOTAL EQUITY AND LIABILITIES** | **2,916,208** | **2,757,899** |

## 6.3.2 INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

| | 2016 | | | |
|---|---|---|---|---|
| *(In thousands of euros)* | France | Exports | Total | 2015 |
| Sale of goods purchased for resale | | | | |
| Sales of goods | | | | |
| Sales of services | 1,044 | | 1,044 | 1,115 |
| **Revenue** | **1,044** | | **1,044** | **1,115** |
| Production inventoried | | | | |
| Production capitalized | | | | |
| Operating grants | | | | |
| Reinvoiced expenses, reversals of prov. & accum. depr./amort. & impairm. | | | | 3,433 |
| Other income | | | | |
| **Recurring operating income** | | | **1,044** | **4,548** |
| Purchases of goods for resale (including customs duties) | | | | |
| Change in inventories – goods purchased for resale | | | | |
| Purchases of raw materials and supplies | | | 4 | 4 |
| Change in inventories – raw materials and supplies | | | | |
| Other purchases and external expenses | | | 8,234 | 2,958 |
| Taxes and duties | | | 145 | 83 |
| Salaries and wages | | | 1,688 | 4,382 |
| Social security contributions | | | 597 | 957 |
| Depreciation, amortization, impairment and provisions: | | | | |
| Non-current assets: depreciation and amortization expense | | | | |
| Non-current assets: impairment losses | | | | |
| Current assets: impairment losses | | | | |
| Additions to provisions | | | 6 | 0 |
| Other expenses | | | 515 | 473 |
| **Recurring operating expenses** | | | **11,189** | **8,857** |
| OPERATING INCOME (LOSS) | | | (10,145) | (4,309) |
| **Joint operations** | | | | |
| Net income transferred in or net loss transferred out | | | | |
| Net loss transferred in or net income transferred out | | | | |
| **Financial income** | | | **29,210** | **3,410** |
| Financial earnings from equity investments | | | 22,357 | |
| Income from other securities and long-term loans and receivables | | | | |
| Other interest income | | | 6,853 | 3,361 |
| Reinvoiced expenses and reversals of provisions | | | | 47 |
| Foreign currency translation gains | | | | 1 |
| Net gain on disposals of marketable securities | | | | |
| **Financial expenses** | | | **37,384** | **81,023** |
| Amortization and provisions on financial assets | | | 4 | |
| Interest expense | | | 37,380 | 81,020 |
| Foreign currency translation losses | | | | 2 |

| (In thousands of euros) | 2016 France | 2016 Exports | 2016 Total | 2015 |
|---|---|---|---|---|
| Net (loss) on disposals of marketable securities | | | | |
| NET FINANCIAL EXPENSE | | | (8,174) | (77,613) |
| NET RECURRING INCOME (LOSS) BEFORE TAX | | | (18,319) | (81,922) |
| **Non-recurring income** | | | **477** | **11,731** |
| Non-recurring income from management transactions | | | | 132 |
| Non-recurring income from capital transactions | | | 477 | 310 |
| Reinvoiced expenses and reversals of provisions | | | | 11,289 |
| **Non-recurring expenses** | | | **200** | **9,348** |
| Non-recurring expenses on management transactions | | | 30 | 8,992 |
| Non-recurring expenses on capital transactions | | | 165 | 348 |
| Non-recurring depreciation, amortization and provisions | | | 5 | 8 |
| NET NON-RECURRING INCOME (LOSS) | | | 277 | 2,383 |
| Employee profit-sharing | | | | |
| Income tax expense | | | (33,754) | (24,698) |
| **Total income** | | | **30,731** | **19,689** |
| **Total expenses** | | | **15,018** | **74,529** |
| **NET INCOME (LOSS)** | | | **15,713** | **(54,840)** |

## 6.3.3 NOTES TO ELIS PARENT COMPANY FINANCIAL STATEMENTS



## Note 1 COMPANY'S BUSINESS AND SIGNIFICANT EVENTS OF THE YEAR

### 1.1 COMPANY'S BUSINESS

Business activity of holding companies.

### 1.2 SIGNIFICANT EVENTS OF THE YEAR

Elis parent company financial statements cover the 12-month period from January 1, 2016 to December 31, 2016 and show net income of €15,713 thousand.

In 2015:

- Elis finalized its initial public offering on the regulated market of Euronext Paris on February 11, 2015, which resulted in recording non-recurring expenses of €8,992 thousand for IPO transaction costs (including special compensation of €3,048 thousand paid in connection with the transaction), as described in Note 6.6;
- Elis merged with its subsidiary Novalis via the transfer of all the assets and liabilities of Novalis on July 9, 2015. Given that the transaction had no retroactive impact, it is difficult to compare the two financial years presented in the income statement.

In 2016, the Company received a dividend of €22,357 thousand from its M.A.J. subsidiary.

In order to secure financing for the acquisition of Indusal in Spain and Lavebras in Brazil by its M.A.J. subsidiary, Elis entered into a €550 million Bridge Loan Agreement completed on November 10, 2016 with a syndicate of international bankers. As at December 31, 2016, the amount drawn down from the "bridge to debt" tranche was €130 million.

## Note 2 EVENTS AFTER THE REPORTING PERIOD

On January 17, 2017, Elis entered into a new Syndicated Senior Credit Facilities Agreement in the amount of €1,150 million to refinance the previous Senior Credit Facilities of the Company and the bridge-to-debt tranche of the Bridge Loan Agreement. The new agreement extends the maturity of the debt by around two years (to January 2022 as opposed to January, 2020 for the current agreement), increases its amount (to €1,150 million versus €850 million for the current agreement) and reduces the interest rate margin by around 50 bps.

At the same time, the Company amended its interest rate swap contract to hedge the new Syndicated Senior Credit Facilities Agreement in full through its maturity on January 20, 2022, with a reduction of the swap fixed rate paid out of 68.3 bps (in exchange for a cash payment of €10 million).

In order to finance its acquisitions of Indusal and Lavebras, Elis also carried out a capital increase with preferential subscription rights in the amount of €325 million (gross amount before deduction of issuance costs) through the issue of 25,910,490 new shares with settlement and delivery occurring on February 13, 2017.

In order to proceed to this operation, beneficiaries of performance shares have been informed that their rights will be adjusted by a public notice published in the *Bulletin des Annonces Légales Obligatoires (BALO)*, these adjustments occured on February 13, 2017.

## Note 3 SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles have been applied, including the principle of prudence, in accordance with the following basic assumptions: going concern, consistency of accounting methods from one financial year to the next, independence of financial years (accrual basis), in accordance with the general rules governing the preparation and presentation of annual financial statements defined by the French General Chart of Accounts.

The basic method used to measure the items recognized in the financial statements is the historical cost method.

### Changes in measurement method

There were no notable changes in measurement method during the year.

### Changes in presentation method

Following the initial application of the ANC Regulation no. 2015-06 of November 23, 2015, the company reclassified the merger losses of €1,365,291 thousand previously recorded under "Business goodwill" to "Merger losses on financial assets" under "Other financial assets."

The main accounting policies applied are as follows:

## 3.1 NON-CURRENT ASSETS

### Financial assets

#### Equity investments and other securities

Their gross amount has been the acquisition cost, including any ancillary costs, since the first application of Opinion no. 2007-C issued on June 15, 2007 by the Urgent Issues Committee of the French National Accounting Board (CNC). Prior to this Opinion, transfer taxes, fees and commissions, and cost of deeds were recognized in expenses for the year. An accelerated amortization over five years is then applied to these costs.

When the value in use is less than the gross amount, an impairment loss is recognized for the difference. The value in use is estimated based on the share of the net assets held by the Company at the end of the last known financial year, with the significant items of property, plant and equipment and intangible assets being remeasured.

#### Other financial assets

**Merger losses on financial assets**

"Merger losses on financial assets" of €1,365,291 thousand corresponds to the merger loss generated during the transfer of Novalis' assets and liabilities to Elis on July 9, 2015. This merger loss has been fully allocated to equity investments. The merger loss is tested for impairment on an annual basis. As it is not possible to determine the current value of the merger loss taken individually, it is grouped together with equity investments for the purposes of the impairment test. An impairment loss is recognized whenever the cumulated present value of the merger loss and equity securities is less than their carrying amount as at the reporting date.

**Liquidity agreement**

The transactions related to the Company's liquidity agreement signed with an investment services provider (see the section on significant events of the year) are recognized in accordance with the CNC Urgent Issues Committee Opinion no. 98-D and with Bulletin no. 137 issued in March 2005 by the French Institute of Statutory Auditors (CNCC):

- treasury shares are recognized in "Other financial assets – treasury shares". An impairment loss is recorded if the average share price in the last month of the financial year is less than the purchase price. The first-in-first-out (FIFO) method is used to determine gains and losses on disposals;
- cash paid to the intermediary and not yet used is recognized in the financial statements under "Other financial assets – other long-term receivables".

## 3.2 RECEIVABLES AND LIABILITIES

Receivables are recorded at their face value.

An impairment loss is recognized when the recoverable amount is less than the carrying amount.

## 3.3 MARKETABLE SECURITIES

Marketable securities are stated in the statement of financial position at their purchase price. If their expected trading value at the end of the financial year is less than their purchase price, an impairment loss is recognized for the difference.

## 3.4 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCIES

Income and expenses denominated in foreign currencies are recorded at their transaction-date equivalent amount.

Where applicable liabilities, receivables, cash and cash equivalents denominated in foreign currencies are converted and accounted for on the statement of financial position based on the latest known quoted price on the reporting date.

Resulting differences are recognized on the statement of financial position under "Foreign currency translation gains" and "Foreign currency translation losses."

The amount of unrealized foreign currency translation losses not offset by foreign exchange risk hedge is recorded under "Provisions for risks."

## 3.5 REGULATED PROVISIONS

Regulated provisions are reported under "Equity" on the statement of financial position and are detailed in Note 5.5 "Provisions." They are tax items corresponding to the provision for accelerated depreciation and amortization calculated according to the French tax regulations, in particular the accelerated amortization of transaction costs related to purchases of securities.

The additions to or reversals of accumulated accelerated depreciation and amortization are recognized in net non-recurring income.

## 3.6 EMPLOYEE BENEFIT LIABILITIES

Provisions for employee retirement benefits are calculated and recognized in accordance with Method 2 of Recommendation no. 2013-02 issued on November 7, 2013 by the French Accounting Standards Authority (ANC). Changes in retirement benefit obligations resulting from changes in actuarial assumptions or retirement plans occurring during the year are recognized directly in net non-recurring income: the provisions recorded as at the reporting date are thus equal to the actuarial obligation determined in accordance with Revised IAS 19.

Additional provisions are recorded for long-service award obligations, calculated in accordance with the Company's internal procedures on the basis of statistical and discounting assumptions. Changes in these provisions during the year are immediately and collectively recognized in income.

# Note 4 NOTES TO THE STATEMENT OF FINANCIAL POSITION – ASSETS

## 4.1 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

### ACQUISITIONS AND DISPOSALS FOR THE YEAR

| *(In thousands of euros)* | 12/31/2015 | Acquisitions | Reclassifications and corrections +/- | Disposals | 12/31/2016 |
|---|---|---|---|---|---|
| Set-up and development costs | | | | | |
| Other intangible assets | 1,365,291 | | (1,365,291) | | 0 |
| TOTAL INTANGIBLE ASSETS | 1,365,291 | | (1,365,291) | | 0 |
| Land | | | | | |
| Buildings on own land | | | | | |
| Buildings on leased land | | | | | |
| Building fixtures and fittings | | | | | |
| General installations and fittings | | | | | |
| Technical installations, machinery and equipment | | | | | |
| Transportation equipment | 20 | | | 20 | 0 |
| **Office and computer equipment, and furniture** | | | | | |
| Recyclable and other packaging | | | | | |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | 20 | | | 20 | 0 |
| Property, plant and equipment in progress | | | | | |
| TOTAL AMOUNTS DUE TO SUPPLIERS OF PP&E | 0 | 0 | 0 | 0 | 0 |
| Prepayments | | | | | |
| **TOTAL** | **1,365,311** | | **(1,365,291)** | **20** | **0** |

### ACCUMULATED DEPRECIATION/AMORTIZATION

| *(In thousands of euros)* | 12/31/2015 | Additions | Decreases or reversals | 12/31/2016 |
|---|---|---|---|---|
| Set-up and development costs | | | | |
| Other intangible assets | | | | |
| TOTAL DEPRECIATION/AMORTIZATION – INTANGIBLE ASSETS | 0 | 0 | 0 | 0 |
| Land | | | | |
| Buildings | | | | |
| General installations and fittings | | | | |
| Technical installations, machinery and equipment | | | | |
| Transportation equipment | 20 | | 20 | 0 |
| Office and computer equipment, and furniture | | | | |
| Recyclable and other packaging | | | | |
| TOTAL DEPRECIATION/AMORTIZATION – PP&E | 20 | | 20 | 0 |
| **TOTAL** | **20** | | **20** | **0** |

## 4.2 FINANCIAL ASSETS

Movements for the year:

| *(In thousands of euros)* | Gross – 12/31/2015 | Acquisitions and reclassifications/ contributions | Disposals and reclassifications | Gross – 12/31/2016 | Accumulated impairment losses | Net – 12/31/2016 |
|---|---|---|---|---|---|---|
| Equity-accounted companies | | | | | | |
| Other equity investments | 1,210,804 | 2,775 | 3,944 | 1,209,635 | 1,221 | 1,208,414 |
| Other investments | 111 | | | 111 | | 111 |
| Loans and other financial assets | 2,962 | 1,376,678 | 11,078 | 1,368,562 | | 1,368,562 |
| **TOTAL** | **1,213,877** | **1,379,553** | **15,022** | **2,578,308** | **1,221** | **2,577,087** |

As at December 31, 2016, treasury shares amounted to 119,000 shares, i.e. €1,760 thousand.

## 4.3 ACCUMULATED IMPAIRMENT LOSSES OF NON-CURRENT ASSETS

| *(In thousands of euros)* | 12/31/2015 | Additions/ contributions | Reversals | 12/31/2016 |
|---|---|---|---|---|
| Accumulated impairment losses – intangible assets | | | | |
| Accumulated impairment losses – PP&E | | | | |
| Accumulated impairment losses – equity-accounted companies | | | | |
| Accumulated impairment losses – equity investments | 1,217 | 4 | | 1,221 |
| Accumulated impairment losses – other financial assets | | | | |
| **TOTAL** | **1,217** | **4** | | **1,221** |

## 4.4 LIST OF SUBSIDIARIES AND OTHER EQUITY INVESTMENTS

| *(In thousands of euros)* | Share capital | Equity, excluding share capital and retained earnings | Percent of ownership *(in %)* | Carrying amount of shares held – Gross | Carrying amount of shares held – Net | Loans and advances granted by the Company | Deposits and endorsements given by the Company | 2016 Revenue | 2016 Net income (loss) | Dividends received by the Company in 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **A. Detailed information about equity investments whose carrying amount exceeds 1% of the Company's share capital** | | | | | | | | | | |
| **1.** Subsidiaries – ownership of more than 50% | | | | | | | | | | |
| M.A.J. - Pantin (93) - 775,733,835 | 142,515 | 362,051 | 100.00 | 1,091,055 | 1,091,055 | 408,520 | 112,854 | 561,335 | 100,199 | 22,357 |
| Société de Participations Commerciales et Industrielles - Saint-Ouen l'Aumône (95) – 409,900,149 | 28,684 | 2,515 | 100.00 | 28,682 | 28,682 | 451,150 | 451,000 | 267,400 | (33) | 0 |
| **2.** Equity investment – ownership of between 10% and 50% | | | | | | | | | | |
| **B. General information about other investments** | | | | | | | | | | |
| **1.** Subsidiaries (not included in Section A above) | | | | | | | | | | |
| **a.** French subsidiaries (total) | | | | | | | | | | |
| **b.** Foreign subsidiaries (total) | | | | | | | | | | |
| **2.** Investments (not included in Section A above) | | | | | | | | | | |
| **a.** In French companies (total) | | | | | | | | | | |
| **b.** In foreign companies (total) | | | | 1,450 | 229 | | | | | |
| **TOTAL EQUITY INVESTMENTS TO STATEMENT OF FINANCIAL POSITION** | | | | **1,121,187** | **1,119,966** | | | | | |

## 4.5 TRANSACTIONS WITH RELATED PARTIES

The major 2016 transactions with related parties not concluded on arm's length terms are as follows:

| Name of related party | Description of transaction | Amount (receivable or income) | Amount (liability or expense) |
|---|---|---|---|
| M.A.J. | Loan agreement | | |
| | Principal amount | 87,753 | |
| | Interest | 2,766 | |
| M.A.J. | Current account agreement | | |
| | Advance granted to M.A.J. | 318,880 | |
| | Interest paid by M.A.J. | 4,087 | |
| Elis Services | Service agreement | | |
| | Services provided by Elis Services to Elis | | 752 |
| | Services provided by Elis to Elis Services | 1,044 | |

## 4.6 SUMMARY OF MATURITIES OF RECEIVABLES

| *(In thousands of euros)* | Gross | Due within one year | Due beyond one year |
|---|---|---|---|
| TOTAL NON-CURRENT ASSETS | 1,457,010 | 3,966 | 1,453,044 |
| Loans and advances to equity investees | 88,448 | 695 | 87,753 |
| Loans | | | |
| Other financial assets | 1,368,562 | 3,271 | 1,365,291 |
| TOTAL CURRENT ASSETS | 339,008 | 339,008 | 0 |
| Trade | 627 | 627 | |
| Impaired trade | | | |
| Employees | | | |
| Social security | | | |
| Taxes and duties | 16,508 | 16,508 | |
| Group and associates | 320,767 | 320,767 | |
| Sundry receivables | 0 | 0 | |
| Prepaid expenses | 1,106 | 1,106 | |
| **TOTAL** | **1,796,018** | **342,974** | **1,453,044** |
| Loans granted during the year | | | |
| Repayments received during the year | | | |
| Loans and advances granted to partners (individuals) | | | |

## 4.7 TRADE RECEIVABLES

| *(In thousands of euros)* | Gross | Accumulated impairment losses | Net 12/31/2016 | Net 12/31/2015 |
|---|---|---|---|---|
| Trade receivables | 627 | | 627 | 595 |
| Other receivables | 337,275 | | 337,275 | 179,044 |
| Subscribed capital called but not paid | | | | |
| **TOTAL** | **337,902** | **0** | **337,902** | **179,639** |

## 4.8 ACCUMULATED IMPAIRMENT LOSSES OF RECEIVABLES

None.

## 4.9 RECEIVABLES REPRESENTED BY COMMERCIAL PAPER

None.

## 4.10 ACCRUED INCOME

The amounts of accrued income included in the following statement of financial position items were as follows:

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Interest accrued on loans and receivables due from equity investees | 695 | 1,874 |
| Accrued trade receivables | 203 | |
| Prepaid taxes and duties | | 132 |
| **TOTAL** | **898** | **2,006** |

## 4.11 ACCRUALS

### Prepaid expenses

Prepaid expenses totaled €1,106 thousand.

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Recurring operating expenses | 679 | 96 |
| Financial expenses | 427 | 213 |
| Non-recurring expenses | 0 | 0 |
| **TOTAL** | **1,106** | **309** |

# Note 5 NOTES TO THE STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

## 5.1 EQUITY

Share capital was divided into 114,006,167 fully paid-up common shares with a par value of €10 each.

Changes in equity for the year:

*(In thousands of euros)*

| | |
|---|---|
| **12/31/2015** | **1,354,285** |
| Dividends | (39,871) |
| Net income (loss) for the year | 15,713 |
| Change in investment grants | |
| Change in regulated provisions (accelerated depr./amort., etc.) | |
| **12/31/2016** | **1,330,126** |

The general meeting of May 27, 2016 approved the distribution of a reserve in the amount of €0.35 per share, or €39,871 thousand.

## 5.2 DESCRIPTION OF BONUS SHARE PLANS

Outstanding share grants as at the reporting date have the following characteristics:

| Free performance share grants | Plan no. 1 - 2015 | Plan no. 2 - 2015 | Plan no. 3 - 2016 | Plan no. 4 - 2016 | Plan no. 5 - 2016 |
|---|---|---|---|---|---|
| Date of shareholders' meeting | 10/08/2014 | 10/08/2014 | 05/27/2016 | 05/27/2016 | 05/27/2016 |
| Date of the Supervisory Board Meeting | 04/03/2015 | 04/03/2015<br>12/14/2015 | 03/09/2016<br>05/03/2016 | 03/09/2016<br>05/03/2016 | 03/09/2016<br>05/03/2016 |
| Date of decision of the Management Board | 04/07/2015 | 12/21/2015 | 06/15/2016 | 06/15/2016 | 12/20/2016 |
| Number of rights originally granted | 524,684 | 44,027 | 978,380 | 8,465 | 54,466 |
| - of which, members of the Executive Committee | 188,716 | 0 | 469,583 | 0 | 0 |
| - of which, corporate officers: | 130,614 | 0 | 277,662 | 0 | 0 |
| Xavier Martiré | 104,108 | - | 207,520 | - | - |
| Louis Guyot | 13,253 | - | 35,071 | - | - |
| Matthieu Lecharny | 13,253 | - | 35,071 | - | - |
| Number of grantees | 152 | 29 | 206 | 7 | 43 |
| - of which, members of the Executive Committee | 8 | - | 9 | - | - |
| - of which, corporate officers | 3 [(a)] | - | 3 [(a)] | - | - |
| Grant date | 04/07/2015 | 12/21/2015 | 06/15/2016 | 06/15/2016 | 12/21/2016 |
| Vesting date | | | | | |
| France | | | | | |
| - members of the Management Board and the Executive Committee | 04/07/2017 [(1)] | - | 06/15/2019 [(3)] | - | - |
| - other beneficiaries | 04/07/2017 [(1)] | 12/21/2017 [(1)] | 06/15/2018 [(3)] | 06/15/2018 [(4)] | 12/21/2018 [(4)] |
| Rest of the world | 04/07/2017 [(1)] | 12/21/2017 [(1)] | 06/15/2018 [(3)] | 06/15/2018 [(4)] | 12/21/2018 [(4)] |
| End of share lock-up period | | | | | |
| - members of the Management Board and the Executive Committee | 04/07/2019 [(2)] | - | 06/15/2019 [(5)] | - | - |
| - other beneficiaries | 04/07/2019 [(2)] | 12/21/2019 [(2)] | 06/15/2018 [(5)] | 06/15/2018 [(5)] | 12/21/2018 [(5)] |
| Rights vested in 2016 | 0 | 0 | 0 | 0 | 0 |
| Number of rights lapsed or forfeited as at 12/31/2016 | 46,781 | 5,003 | 8,769 | 0 | 0 |

| **Free performance share grants** | **Plan no. 1 - 2015** | **Plan no. 2 - 2015** | **Plan no. 3 - 2016** | **Plan no. 4 - 2016** | **Plan no. 5 - 2016** |
|---|---|---|---|---|---|
| Number of rights outstanding as at 12/31/2016 | 477,903 | 39,024 | 969,611 | 8,465 | 54,466 |
| - of which, members of the Executive Committee | 188,716 | 0 | 469,583 | 0 | 0 |
| - of which, corporate officers: | 130,614 | 0 | 277,662 | 0 | 0 |
| Xavier Martiré | 104,108 | - | 207,520 | - | - |
| Louis Guyot | 13,253 | - | 35,071 | - | - |
| Matthieu Lecharny | 13,253 | - | 35,071 | - | - |
| Number of working beneficiaries as at 12/31/2016 | 130 | 25 | 201 | 7 | 43 |
| - of which, members of the Executive Committee | 8 | 0 | 9 | | 0 |
| - of which, corporate officers: | 3 (b) | 0 | 3 (b) | | 0 |

*(a) Xavier Martiré, Louis Guyot and Matthieu Lecharny.*

*(b) Xavier Martiré, Louis Guyot and Matthieu Lecharny.*

*(1) Shares vest at the end of a vesting period set at two years from the date of the award of the performance shares, and vesting is contingent on cumulative continued employment conditions and meeting performance conditions related to i) the Group's consolidated revenue, (ii) EBIT as stated in the financial statements for the 2016 financial year, and (iii) the Group's stock market performance relative to changes in the SBF 120, with the understanding that:*

*the change in the Company's share price corresponds to the difference (as a percentage) between (i) the moving average of the share value over the twenty trading days preceding the last trading day of 2016 plus dividends paid between February 11, 2015 and December 31, 2016, and (ii) the IPO price (€13);*

*the change in the SBF 120 corresponds to the difference (as a percentage) between (i) the moving average of the index over the twenty trading days preceding the last trading day of 2016 and (ii) the value of the index as at February 10, 2015 (€3,701.09).*

*Only 20% of the granted shares will be delivered to beneficiaries if just one of those performance conditions is met, 50% if two of the conditions are met, and 100% if all three conditions are met. No share shall vest if none of the conditions is met.*

*(2) The plan rules stipulate a lock-up period of two years from the vesting date. At the end of the lock-up period, the shares will be available and may be freely transferred by the beneficiaries subject to statutory blackout periods and the provisions of the French Code of Conduct for Trading and Market Activities. Throughout their term of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board and corresponding to one-third of vested shares up to three times the amount of their annual fixed compensation for the Chairman of the Management Board, and one-third of vested shares up to two times the amount of their compensation for the other members of the Management Board.*

*(3)(4) Shares vest at the end of a vesting period set at two years from the date of the grant of the performance shares for all beneficiaries, except for the members of the Management Board and the Executive Committee for whom the vesting period is set at three years from the date of the grant. There are two categories of share grants, A and B.*

*Vesting of each category of shares is subject to continued employment and performance conditions, which are determined based on three quantitative criteria linked to i) consolidated revenue of the Group and ii) EBIT as they appear in the financial statements for 2017, and iii) Elis' share-price performance relative to the SBF 120 index for Category A performance shares, and based on two criteria linked to revenue and EBIT for Category B shares.*

*Determining the final number of shares vested at the end of the vesting period will be evaluated over a two-year performance period for all beneficiaries except for the members of the Executive Committee (including the members of the Management Board), for whom the performance will be evaluated over a two-year period (2016 and 2017) for 67% of the performance shares granted, and over a three-year period (2016, 2017 and 2018) for 33% of the performance shares granted.*

*It should be noted that:*

- *the change in the Company's share price corresponds to the difference (as a percentage) between (i) the moving average of the share value over the twenty trading days preceding the last trading day of 2017 plus dividends paid between January 1, 2016 and December 31, 2017, and (ii) the closing price as at the last trading day of 2015 (€15.25).*
- *the change in the SBF 120 corresponds to the difference (as a percentage) between (i) the moving average of the index over the twenty trading days preceding the last trading day of 2017 and (ii) the value of the index as at December 31, 2015 (3,663.88 points).*

*The number of shares that will vest will depend on the number of targets achieved, with the understanding that for each performance share category, achievement of the performance criteria is binary such that if the criterion is not achieved, the proportion of rights attached to the target concerned will not be due and the related shares will not vest. On that basis, beneficiaries will acquire 20% of Category A performance shares if one criterion is achieved, 50% of Category A performance shares if two criteria are achieved, and 100% of Category A performance shares if all three criteria are achieved. Category B performance shares will only vest if at least one target is achieved, it being specified that the achievement of just one of the targets will allow vesting of 50% of the shares granted.*

*(5) There is no lock-up period under this plan so the shares will be available and may be freely transferred by the beneficiaries at the end of the vesting period, subject to statutory blackout periods and the provisions of the French Code of Conduct for Trading and Market Activities. Furthermore, each Management Board member is required to retain their shares until such time as they step down from their duties.*

## 5.3 PARENT COMPANY

| | |
|---|---|
| Name and headquarters of the company that prepared the consolidated financial statements for the largest group | Elis S.A., 92210 Saint Cloud, France, SIRET 499668440,00039 |
| Name and headquarters of the company that prepared the consolidated financial statements for the smallest group | Elis S.A., 92210 Saint Cloud, France, SIRET 499668440,00039 |
| Place where copies of these consolidated financial statements may be obtained | 5, boulevard Louis Loucheur, 92210 Saint-Cloud, France |

## 5.4 PROVISIONS

Breakdown by type:

### PROVISIONS FOR RISKS

| *(In thousands of euros)* | 12/31/2015 | Additions | Reversals | 12/31/2016 |
|---|---|---|---|---|
| Provision for legal proceedings | | | | |
| Provision for warranty claims | | | | |
| Provisions for losses on futures markets | | | | |
| Provisions for fines and penalties | | | | |
| Provision for unrealized foreign currency translation losses | | | | |
| Provisions for post-employment benefits | 24 | 11 | | 35 |
| **TOTAL** | **24** | **11** | | **35** |

## 5.5 SUMMARY OF MATURITIES OF LIABILITIES

| *(In thousands of euros)* | Gross 12/31/2016 | Less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|
| Convertible bonds | | | | |
| Other bonds | 804,067 | 4,067 | | 800,000 |
| Bank loans: | | | | |
| - initially within one year | 663 | 663 | | |
| - initially beyond one year | 473,012 | 131,012 | 342,000 | |
| Sundry loans and other borrowings | 303,800 | 303,800 | | |
| Trade payables | 3,079 | 3,079 | | |
| Employees | 899 | 899 | | |
| Social security and similar | 426 | 426 | | |
| Government and other public authorities: | | | | |
| Income tax expense | 40 | 40 | | |
| Value added tax | | | | |
| Guaranteed bonds | | | | |
| Other taxes | 59 | 59 | | |
| Amounts due to suppliers of non-current assets | | | | |
| Group and associates | | | | |
| Other liabilities | | | | |
| Securities borrowed or received as collateral | | | | |
| Deferred income | | | | |
| **TOTAL** | **1,586,046** | **444,046** | **342,000** | **800,000** |
| Loans taken during the year | 1,510,800 | | | |
| Loans repaid over the year | 1,296,500 | | | |

As at December 31, 2016, liabilities mainly included:

- the 2022 Bonds with a principal amount of €800 million, paying interest at an annual rate of 3% and maturing in 2022 (the "High Yield Bonds"). Interest is payable every six months. 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);
- the Senior Credit Facilities Agreement entered into on September 2, 2014 with a syndicate of international banks. It was subsequently amended on December 8, 2014, February 12, 2015, July 6, 2015, and December 15, 2016, with Elis and M.A.J. acting as borrowers as at the date of filing of this registration document. The Senior Credit Facilities Agreement includes two credit facilities with a total principal amount of €850 million, breaking down as follows: (i) a medium-term facility (Senior Term Loan Facility) with a principal amount of €450 million and a maturity of five years from the settlement date of shares offered in connection with the initial public offering; and (ii) a secured credit facility (allowing multiple drawdowns, mainly in the form of a revolving facility or swingline loan) with a principal amount of €400 million and the same maturity as the Senior Term Loan (five years). As at December 31, 2016, the principal amount borrowed by Elis under the Senior Term Loan was €342 million, interest rate hedged via a swap of the same nominal amount subscribed for with BNP Paribas;
- commercial paper: in September 2015, the Group launched a commercial paper program with a maximum amount of €400 million, governed by Articles D.213-9 II, paragraph 1 and 213-11 of the French Monetary and Financial Code and Article 1 of the amended Decree of February 13, 1992 and subsequent regulations. The program supplements bank-related financing and gives Elis access to short-term funding on favorable terms;
- on November 10, 2016 the Company entered into a Bridge Loan Agreement with a bank syndicate for a total principal amount of €550 million, in order to finance the acquisition price of Indusal and Lavebras including associated costs and expenses and to pay the full amount due by virtue of the refinancing of the existing debt of Indusal and Lavebras. This agreement consists of two tranches:
  - tranche 1, "bridge to equity", in an amount of €325 million, undrawn as at December 31, 2016,
  - tranche 2, "bridge to debt", in an amount of €225 million, of which €130 million had been drawn down as at December 31, 2016.

## 5.6 TRADE PAYABLES

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Group suppliers | 206 | 102 |
| Suppliers | 686 | 77 |
| Suppliers of non-current assets | | |
| Accruals – Group | | |
| Accruals | 1,785 | 705 |
| Accruals – Group | 5 | |
| Accruals – bank fees | 397 | 355 |
| **CARRYING AMOUNT** | **3,079** | **1,239** |

## 5.7 ACCRUED EXPENSES

The amounts of accrued expenses included in the following statement of financial position items were as follows:

| *(In thousands of euros)* | 2016 | 2015 |
|---|---|---|
| **Operating liabilities** | | |
| Trade payables | 2,187 | 1,060 |
| Tax and employee-related liabilities | 1,256 | 1,116 |
| **Financial liabilities** | | |
| Interest accrued on sundry loans and other borrowings | 5,742 | 5,734 |
| **TOTAL** | **9,185** | **7,910** |

## 5.8 OTHER ACCRUALS

### Deferred income

None.

# Note 6 NOTES TO THE INCOME STATEMENT

## 6.1 BREAKDOWN OF REVENUE

2016 revenue by business segment and region breaks down as follows:

| | 2016 | | | 2015 |
|---|---|---|---|---|
| *(In thousands of euros)* | France | EEC + Rest of the world | Total | Total |
| Sale of goods purchased for resale | | | | |
| Sales of goods | | | | |
| Sales of services | 1,044 | | 1,044 | 1,115 |
| **REVENUE** | **1,044** | | **1,044** | **1,115** |
| **PERCENTAGE** | **100%** | **0%** | **100%** | |

## 6.2 REINVOICED EXPENSES

| *(In thousands of euros)* | 12/31/2016 | 12/31/2015 |
|---|---|---|
| Employee expenses | 0 | 3,066 |
| Other expenses | 0 | 269 |
| **TOTAL** | **0** | **3,335** |

## 6.3 AVERAGE NUMBER OF EMPLOYEES

The average number of employees during 2016 breaks down as follows:

| | 2016 | |
|---|---|---|
| | Number of employees | Number of secondees |
| Managers | 3 | |
| Other staff | | |
| **TOTAL** | **3** | **0** |

## 6.4 COMPENSATION OF MANAGEMENT BODIES

Members of the Supervisory Board: total amount of 2015 directors' fees paid in 2016: €396 thousand.

Management Board: €1,639 thousand.

## 6.5 NET FINANCIAL EXPENSE

Net financial expense for the year amounted to -€8,174, broken down as follows:

| *(In thousands of euros)* | **2016** | **2015** |
|---|---|---|
| FINANCIAL INCOME | 29,210 | 3,410 |
| Financial earnings from equity investments | 22,357 | |
| Income from other securities and non-current assets loans | | |
| Other interest income | 6,853 | 3,361 |
| Reinvoiced expenses and reversals of provisions | | 47 |
| Foreign currency translation gains | | 1 |
| Net gain on disposals of marketable securities | | |
| FINANCIAL EXPENSES | 37,384 | 81,023 |
| Amortization and provisions on financial assets | 4 | |
| Interest expense | 37,380 | 81,020 |
| Foreign currency translation losses | | 2 |
| Net (loss) on disposals of marketable securities | | |
| **NET FINANCIAL EXPENSE** | **(8,174)** | **(77,613)** |

## 6.6 NET NON-RECURRING INCOME (LOSS)

2016 net non-recurring income of €277 thousand breaks down as follows:

| *(In thousands of euros)* | **2016** | **2015** |
|---|---|---|
| NON-RECURRING INCOME | **477** | **11,731** |
| Non-recurring income from management transactions | | 132 |
| Non-recurring income from capital transactions | 477 | 310 |
| Reinvoiced expenses and reversals of provisions | | 11,289 |
| NON-RECURRING EXPENSES | **200** | **9,348** |
| Non-recurring expenses on management transactions | 30 | 8,992 |
| Non-recurring expenses on capital transactions | 165 | 348 |
| Non-recurring depreciation, amortization and provisions | 5 | 8 |
| **NET NON-RECURRING INCOME (LOSS)** | **277** | **2,383** |

- Non-recurring income and expenses on capital transactions correspond to realized and unrealized gains and losses on treasury shares under the liquidity contract, as measured using the first-in-first-out (FIFO) method.
- In 2015, non-recurring expenses on management transactions comprised transaction costs related to the initial public offering and special compensation paid following the transaction.
- Following the cancellation of Novalis shares as part of the transfer of its assets and liabilities to Elis, the accumulated accelerated amortization related to said shares was recognized in net non-recurring income during 2015.

## 6.7 INCOME TAX

On March 1, 2008, the Company elected to determine French income taxes on a consolidated basis in accordance with Article 223 A et seq. of the French Tax Code, together with its subsidiaries and sub-subsidiaries included in the following list as at December 31, 2016:

- M.A.J.;
- Les Lavandières;
- Régionale de location et services textiles;
- Pierrette – T.B.A.;
- Le Jacquard Français;
- Elis Services;
- Thimeau;
- Grenelle Service;
- Maison de Blanc Berrogain;
- Blanchisserie Moderne;
- Lovetra;
- Société de Participations Commerciales et Industrielles;
- Société des Oreillers et Couvertures des Grands Réseaux de Chemins de Fer "S.O.C.";
- Aquitaine Services Développement;
- Pro Services Environnement.

A new agreement was signed on October 30, 2009 effective July 1, 2009.

As the head company of the consolidated group, Elis consolidates the taxable income of all the members of the group and pays the corresponding tax to the French Treasury. It receives from its subsidiaries the amount of tax that they would have borne in the absence of tax consolidation. As at December 31, 2016, Elis recorded in its financial statements a tax benefit amount of €33,754 thousand corresponding to the difference between the amounts received from the subsidiaries and those actually paid.

Elis applies the tax payable method and therefore does not recognize the amounts that it would have to pay to subsidiaries with tax losses in future years where they have taxable income. Tax loss carryforwards for certain members of the tax consolidation group and Elis' related deferred tax liabilities are detailed below:

| *(In thousands of euros)* | Unused loss carryforwards (basis) | Tax rate | Deferred tax liabilities |
|---|---|---|---|
| Société de Participations Commerciales et Industrielles | 1,479 | 33.33 | 493 |
| S.O.C. | 492 | 33.33 | 164 |
| Lovetra | 626 | 33.33 | 208 |
| Le Jacquard Français | 2,232 | 33.33 | 744 |
| Aquitaine Services Développement | 8 | 33.33 | 3 |
| **TOTAL** | **4,837** | | **1,612** |

### DEFERRED TAX

| *Base (In thousands of euros)* | 01/01/2016 | Change in net income (loss) for the year | 12/31/2016 |
|---|---|---|---|
| **Accelerated amounts for tax relief** | | | |
| Regulated provisions | | | |
| **Differences between accounting and tax bases of certain income and expense items** | | | |
| Provision for retirement benefits | 24 | 11 | 35 |
| Equity investment | | | |
| Corporate social solidarity contribution | | | |
| Provision for impairment losses on trade receivables | | | |
| Other provisions for risks | | | |
| TAX LOSS CARRYFORWARDS | 67,398 | (67,398) | |
| **TOTAL** | **67,422** | **(67,387)** | **35** |

| **Income tax expense** *(In thousands of euros)* | **01/01/2016** | **Change in net income (loss) for the year** | **12/31/2016** |
|---|---|---|---|
| **Accelerated amounts for tax relief** | | | |
| Regulated provisions | | | |
| **Differences between accounting and tax bases of certain income and expense items** | | | |
| Provision for retirement benefits | 7 | 3 | 10 |
| Equity investment | | | |
| Corporate social solidarity contribution | | | |
| Provision for impairment losses on trade receivables | | | |
| Other provisions for risks | | | |
| TAX LOSS CARRYFORWARDS | 23,205 | (23,205) | |
| **TOTAL** | **23,213** | **(23,203)** | **10** |

### USE OF THE COMPETITIVENESS AND EMPLOYMENT TAX CREDIT (CICE)

The use of the CICE received for 2014 compensation in the amount of €1.5 thousand was not material.

# Note 7 MISCELLANEOUS INFORMATION

## 7.1 FINANCIAL COMMITMENTS

### COMMITMENTS GIVEN

| *(In thousands of euros)* | **Total** | **Less than 1 year** | **1 to 5 years** | **More than 5 years** |
|---|---|---|---|---|
| Related to cash and cash equivalents | | | | |
| Related to financing | 112,854 | 0 | 112,854 | |
| Endorsements, sureties and guarantees on behalf of subsidiaries | | | | |
| Related to rentals | | | | |
| Related to services rendered | | | | |
| | **112,854** | **0** | **112,854** | **0** |

Endorsements, sureties and guarantees on behalf of subsidiaries mainly concern commitments made to banks to cover the subsidiaries' commitments thereto. The commitments given by Elis concern the commitments subscribed by M.A.J. for the Senior Term and Revolving Facilities Agreement.

Endorsements, sureties and guarantees on behalf of third parties mainly concern commitments given to customers, covered by bank guarantees.

### COMMITMENTS RECEIVED

| *(In thousands of euros)* | Total | Less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|
| Related to operations/property/international expansion | | | | |
| Related to financing | 1,277,079 | 135,079 | 342,000 | 800,000 |
| Guaranteed receivables | | | | |
| | **1,277,079** | **135,079** | **342,000** | **800,000** |

Commitments received include a joint and several guarantee granted by M.A.J. within the limit provided for by applicable local regulations and a joint and several guarantee granted by the subsidiaries SCPI, Atmosfera, Lavotel and Spast for the commitments given for the Senior Term and Revolving Facilities Agreement, the High Yield Bonds and the Bridge Loan Agreement within the limit provided for by applicable local regulations.

### FINANCIAL INSTRUMENTS

Elis has contracted interest rate swaps to exchange the interest rates on its variable rate debt for a fixed rate over the term of the loan.

As at December 31, 2016, all of Elis' long-term debt had fixed interest rates after interest risk management. The swaps maturing on October 4, 2017 and subscribed with BNP Paribas had a negative mark-to-market value of -€15,371 thousand as at December 31, 2016.

## 7.2 EMPLOYEE BENEFIT LIABILITIES

### Personal training account

Employees earned individual rights to training (DIF) under the professional training regime in effect until December 31, 2014 totaling 284 hours. On January 1, 2015 these rights were transferred to Personal training accounts and can be used until January 1, 2021.

# 6.4 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of Elis SA;
- the justification of our assessments;
- the specific verifications and information required by French law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

## I OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the 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 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 financial statements give a true and fair view of the assets and liabilities and of the financial position of Elis SA and of the results of its operations for the year just ended in accordance with French accounting rules and principles.

Without calling into question the opinion expressed above, we wish to draw your attention to note 3 to the financial statements "Significant accounting policies – Changes in presentation" which details the impact of the first-time application of ANC regulation No. 2015-06 of November 23, 2015 relating to technical losses on mergers and goodwill.

## II JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we draw your attention to the following matters:

As stated in note 3.1 to the financial statements, "Significant accounting policies – non-current assets," the impact of the merger loss on the financial assets and equity investments was measured for their recoverable amount. We examined the relevance of the methods used by the Company based on information available as at the date hereof and verified that the assumptions used and the resulting measurements were reasonable. We also verified the appropriateness of the above-mentioned change in accounting method and the resulting presentation.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III SPECIFIC VERIFICATIONS AND INFORMATION

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management Board and in the documents sent to the shareholders on the financial position and the financial statements.

As regards the information provided in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code on compensation and benefits paid to corporate officers and commitments made in their favor, we verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. On the basis of this audit, we certify that the information is true and fair.

In accordance with French law, we have verified that the required information concerning reciprocal interests and the identity of shareholders and holders of voting rights has been properly disclosed in the management.

Neuilly-sur-Seine and Courbevoie, March 15, 2017

The Statutory Auditors

| **PricewaterhouseCoopers Audit** | **Mazars** |
|---|---|
| Bruno Tesnière | Isabelle Massa |


*Elis shareholders are invited to the combined (ordinary and extraordinary) general meeting to be held on May 19, 2017 at 3:00 p.m. at the Capital 8 Conference Center, 32 rue de Monceau, 75008 Paris, France.*

*All Elis shareholders, regardless of the number of shares they hold, may attend and vote at the general meeting. Elis informs its shareholders of meetings by public notices published in the French Bulletin of Mandatory Legal Announcements (*Bulletin des annonces légales obligatoires *– BALO), in a daily newspaper authorized to publish legal announcements and on its website (www.corporate-elis.com).*

*Documents related to the general meeting will be available on the Company's website within the required deadline.*

# 7

# Combined general meeting of May 19, 2017

# 7.1 AGENDA

## 7.1.1 MEETING AS AN ORDINARY GENERAL MEETING

- The Management Board's management report on the financial statements for the financial year ended December 31, 2016 and the Supervisory Board's report on the Management Board's management report and the financial statements for said financial year;
- The Management Board's report on the draft resolutions within the authority of the ordinary general meeting;
- The Supervisory Board's report on the financial year ended December 31, 2016 and the draft resolutions;
- The chairman of the Supervisory Board's report pursuant to Article L. 225-68 of the French Commercial Code;
- The Supervisory Board's report pursuant to Article L. 225-82-2 of the French Commercial Code;
- Statutory Auditors' reports on the parent company financial statements and the consolidated financial statements for the year ended December 31, 2016;
- Statutory Auditors' special report on the chairman of the Supervisory Board's report prepared in accordance with Article L. 225-68 of the French Commercial Code;
- Statutory Auditors' special report on the regulated agreements and commitments referred to in Articles L. 225-86 *et seq.* of the French Commercial Code;
- Approval of the parent company financial statements for the year ended December 31, 2016 ***(1st resolution)***;
- Approval of the consolidated financial statements for the year ended December 31, 2016 ***(2nd resolution)***;
- Appropriation of net income for the financial year ended December 31, 2016 ***(3rd resolution)***;
- Special dividend in an amount to be deducted from share, merger and contribution premiums ***(4th resolution)***;
- Approval of regulated agreements and commitments with related parties referred to in Articles L. 225-86 *et seq.* of the French Commercial Code ***(5th resolution)***;
- Reappointment of Philippe Audouin as a member of the Supervisory Board ***(6th resolution)***;
- Reappointment of Florence Noblot as a member of the Supervisory Board ***(7th resolution)***;
- Ratification of the co-optation of Magali Chesse as a member of the Supervisory Board ***(8th resolution)***;
- Appointment of Anne-Laure Commault as a member of the Supervisory Board ***(9th resolution)***
- Approval of the 2017 compensation policy for the Chairman of the Supervisory Board ***(10th resolution)***;
- Approval of the 2017 compensation policy for the members of the Supervisory Board ***(11th resolution)***;
- Approval of the 2017 compensation policy for the Chairman of the Management Board ***(12th resolution)***;
- Approval of the 2017 compensation policy for the members of the Management Board ***(13th resolution)***;
- Opinion on the compensation components due or paid to Thierry Morin, Chairman of the Supervisory Board, in respect of the 2016 financial year ***(14th resolution)***;
- Opinion on the compensation components due or paid to Xavier Martiré, Chairman of the Management Board, in respect of the 2016 financial year ***(15th resolution)***;
- Opinion on the compensation components due or paid to members of the Management Board (Louis Guyot et Matthieu Lecharny) in respect of the 2016 financial year ***(16th resolution)***;
- Ratification of the transfer of the Company's registered office ***(17th resolution**)*;
- Authorization to be granted to the Management Board to trade in the Company's shares ***(18th resolution)***.

## 7.1.2 MEETING AS AN EXTRAORDINARY GENERAL MEETING

- The Management Board's report on the draft resolutions within the authority of the extraordinary general meeting;
- Statutory Auditors' reports on the reduction in share capital for reasons other than losses for the purpose of increasing the share capital, and on financial delegations to be granted to the Management Board under the terms of the 22nd, 23rd, 24th, 25th, 26th, 27th and 28th resolutions;
- Amendment to Article 17 *"Composition of the Supervisory Board"* of the Company's articles of incorporation to include the means of appointing employee representatives to the Supervisory Board ***(19th resolution)***;
- Amendment to Article 4 *"Registered office"* of the Company's articles of incorporation ***(20th resolution)***;
- Authorization to be granted to the Supervisory Board in order to make the necessary amendments to the Company's articles of incorporation under the terms of Article L. 225-65 of the French Commercial Code ***(21st resolution)***;
- Reduction in share capital for reasons other than losses by reducing the nominal value of the Company shares and allocating the amount of the reduction to the "Share, merger and contribution premiums" account ***(22nd resolution)***;

- Amendment of Article 6 "*Share Capital*" of the Company's articles of incorporation ***(23rd resolution);***
- Delegation of authority to be granted to the Management Board to issue shares or securities giving access immediately or in the future to the Company's share capital, with preferential subscription rights ***(24th resolution)***;
- Delegation of authority to be granted to the Management Board to issue shares or securities, giving access, immediately or in the future, to the Company's share capital, without preferential subscription rights, through a public offering or as part of a public exchange offer, with a priority subscription option for shareholders ***(25th resolution)***;
- Delegation of authority to be granted to the Management Board to issue shares and/or securities giving access, immediately or in the future, to the Company's share capital without preferential subscription rights, as part of an offering referred to in section II of Article L. 411-2 of the French Monetary and Financial Code ***(26th resolution)***;
- Authorization to be granted to the Management Board to set the issue price at an amount not to exceed 10% of the share capital in the event of an issue of shares and/or securities giving access, immediately or in the future, to the Company's share capital, without preferential subscription rights ***(27th resolution)***;
- Authorization to be granted to the Management Board to increase the number of shares or other securities to be issued in the event of a capital increase with or without preferential subscription rights ***(28th resolution)***;
- Overall limits on the amount of the issues carried out pursuant to the 24th to 28th resolutions ***(29th resolution)***;
- Powers to carry out legal formalities ***(30th resolution)***.

# 7.2 MANAGEMENT BOARD'S REPORT ON THE DRAFT RESOLUTIONS

To the Shareholders,

We have convened this combined general meeting for May 19, 2017 to submit for your approval the following 30 resolutions, the draft of which was approved by your Management Board at its meeting of March 14, 2017.

The first 18 resolutions fall within the authority of the general meeting voting as an ordinary general meeting, and resolutions 19 to 30 fall within the authority of the general meeting voting as an extraordinary general meeting.

The detailed information pertaining to the parent company and consolidated financial statements for the financial year ended December 31, 2016 and the Group's performance during that financial year are included in the 2016 registration document registered with the French Financial Markets Authority (AMF) on April 7, 2017, available to you in accordance with laws and regulations, in particular on the Company's website www.corporate-elis.com.

In addition, the Management Board has reported to you on the Group's performance since the beginning of the 2016 financial year in the 2016 registration document, as well as on the final terms and conditions of the capital increase carried out on February 13, 2017 following the January 17, 2017 decision of the Management Board acting under the delegation granted by the general meeting of shareholders of May 27, 2016 (13th resolution) and the authorization of the Supervisory Board of January 17, 2017.

Shareholders are furthermore invited to refer to the cross-reference tables on pages 340, 341 and 342 of the 2016 registration document, which identify the parts of that registration document corresponding to information that must be included in the annual financial report and in the management report.

## 7.2.1 RESOLUTIONS WITHIN THE AUTHORITY OF THE ORDINARY GENERAL MEETING

### 1st and 2nd resolutions

#### Approval of the parent company and consolidated financial statements for the year ended December 31, 2016

In view of the reports of your Statutory Auditors, you are asked to approve the parent company financial statements for the financial year ended December 31, 2016, showing profit of €15,712,964.34 and the consolidated financial statements for the financial year ended December 31, 2016, showing profit attributable to owners of the parent company of €93,669 thousands. These results are detailed in the management report and in the financial statements. You are also asked to note that non-deductible expenses referred to in Article 39, paragraph 4 of the French Tax Code (*Code général des impôts*) amounted to €21,033 for 2016.

### 3rd resolution

#### Appropriation of net income for the financial year ended December 31, 2016

As the financial year ended December 31, 2016 showed net income of €15,712,964.34, you are asked to allocate this amount to accumulated losses for the prior year.

In accordance with Article 223 bis of the French Tax Code, we in accordance with the Company's articles of incorporation, this proposed appropriation has been submitted for the prior approval of the Supervisory Board.

As a reminder, no dividend was paid in respect of the financial years ended December 31, 2013, 2014 or 2015.

## 4th resolution

### Special dividend in an amount to be deducted from share, merger and contribution premiums

The purpose of the 4th resolution is to ask you to approve a special cash dividend in an amount to be deducted from additional paid-in share, merger and contribution premiums. In this context, the general meeting is asked to approve, in accordance with the provisions of Article L. 232-11 of the French Commercial Code, the distribution of a special dividend in an amount of €51,861,808.13, i.e. €0.37 per share, based on capital composed of 140,167,049 shares at the date of this general meeting. This payment would be fully deducted from additional paid-in share, merger and contribution premiums.

This right to a special dividend would have an ex-dividend date of May, 29, 2017 and would be paid on May 31, 2017. It is specified that should the Company hold any of its own shares when these rights are paid, the amounts corresponding to the unpaid rights attaching to these shares would be allocated to accumulated losses.

To facilitate the dividend payment, you are asked to grant full powers to the Management Board, with the ability to further delegate such powers to the Chairman of the Management Board, to decide on the terms and conditions of this dividend payment.

Shareholders are hereby advised that this proposed payment of an amount to be deducted from additional paid-in share, merger and contribution premiums has been authorized in advance by the Supervisory Board.

## 5th resolution

### Approval of regulated agreements and commitments with related parties referred to in Articles L. 225-86 *et seq.* of the French Commercial Code

In this resolution, we ask you to approve the regulated agreements and commitments made or pursued with related parties during the financial year ended December 31, 2016, as presented in the Statutory Auditors' special report.

In this respect, we inform you that no new agreement falling within the scope of regulated agreements was entered into during the 2016 financial year.

You are therefore asked to take due note of the absence of any new regulated agreements entered into during 2016 and of the continuation of the agreements and commitments referred to in Articles L. 225-79-1, L. 225-86 and L. 225-90-1 of the French Commercial Code entered into during previous financial years and duly authorized and approved by the general meeting of shareholders.

## 6th to 9th resolutions

### Composition of the Supervisory Board (reappointment of members of the Supervisory Board, ratification of the co-optation of a member of the Supervisory Board and appointment of a member of the Supervisory Board)

You are asked under the **6th and 7th resolutions**, on the recommendation of the Appointments and Compensation Committee, to reappoint Philippe Audouin and Florence Noblot to the Supervisory Board for further four-year terms. (Their current terms of office expire at the end of this general meeting.)

You are also asked, under the terms of the **8th resolution**, to ratify the co-optation of Magali Chesse, who was co-opted by the Supervisory Board on June 1, 2016 on the recommendation of the Appointments and Compensation Committee, to replace Virginie Morgon, who had resigned. Magali Chesse will exercise her duties for the remainder of her predecessor's term of office, i.e. until the end of the annual general meeting called to approve the financial statements for the financial year ending December 31, 2018.

Magali Chesse has been Head of Equity Investment Strategies at Crédit Agricole Assurances since 2010. She started her career in private equity (venture capital and growth capital) in 1999. She was Director of Investments at Crédit Agricole Private Equity before joining Predica to take charge of managing and monitoring the Equity, Private Equity and Infrastructure asset classes. Magali Chesse holds degrees in economics and management from the Universities of Strasbourg and Paris Dauphine and a diploma from the French Association of Financial Analysts.

As a reminder, Law No. 2011-103 of January 27, 2011 introduced gender quotas for Boards of Directors and Supervisory Boards, obliging listed companies to have at least 40% of members of each gender on the Supervisory Board. This legislation came into force on January 1, 2017 following a transitional period, and this proportion must be attained by the end of the first general meeting of shareholders held after January 1, 2017. As a result of the foregoing, and in order to meet this requirement, we will ask you under the terms of the **9th resolution** to approve the appointment of Anne-Laure Commault as a new member of the Supervisory Board for a four-year term, i.e. until the end of the general meeting called in 2021 to approve the financial statements for the year ending December 31, 2020.

Since April 2016 Anne Laure Commault has been chief executive officer of Générale de Téléphone, the distribution subsidiary of the Orange Group, which she joined in 2002 as Marketing Manager (2002-2005). She then went on to serve as Project Manager (2005-2008), Office Manager for the chief executive officer (2006-2008), Senior Vice-President, Sales (2008-2010), Senior Vice-President, Marketing – mobile offers (2010-2013) and Operational Senior Vice-President, Marketing – retail offers (2013-2016). Prior to that she was a consultant with Expertel Consulting (1998-1999) and project manager for telecommunications in the Foreign Commercial Service of the French Embassy in Malaysia (1999-2001). Anne Laure Commault is a graduate of the École des Hautes Etudes Commerciales and holds a master's degree in telecommunications management and new media from the University of Paris Dauphine.

At its meeting of March 14, 2017, the Supervisory Board once again reviewed the independence of its members and considered that Michel Datchary, Florence Noblot, Philippe Delleur, Thierry Morin and Agnès Pannier-Runacher continued to meet the independence criteria referred to in Article 1 of the Supervisory Board's rules of procedure. Furthermore, the Supervisory Board considered that Anne-Laure Commault, whose appointment is submitted for your approval, could be considered an independent member.

The Board also reviewed the availability of its members in accordance with the recommendations of the AFEP-MEDEF Code as amended in November 2016. This review revealed that no member served on an excessive number of Boards of listed companies external to the Group, thus allowing each member of the Company's Supervisory Board to devote the time and attention necessary to perform their duties. The Board also assessed their respective contributions to its work and to the work of its committees, both in terms of skills and personal commitment, and considered that maintaining all of them in their roles was in the Company's interest. In particular, the Board decided that if Florence Noblot were reappointed to the Supervisory Board by the shareholders, she would continue to perform her duties on the Appointments and Compensation Committee.

If the shareholders' meeting rules in favor of all these resolutions, at the end of the meeting the composition of the Supervisory Board will therefore be as follows (the dates in brackets indicate the year in which the terms of office will expire):

- Agnès Pannier-Runacher/Maxime de Bentzmann (2018);
- Thierry Morin/Magali Chesse/Philippe Delleur (2019);
- Marc Frappier/Michel Datchary (2020);
- Philippe Audouin/Florence Noblot/Anne-Laure Commault (2021).

The biographies of the current Supervisory Board members are included in chapter 4 "Corporate governance," section 4.1.2 "Information about Supervisory Board members" of the 2016 registration document.

It should be noted that at the end of your general meeting, if these resolutions are adopted, at least half of the members of your Supervisory Board will be independent members, in accordance with the principles of the AFEP-MEDEF Code in its revised version dated November 2016 (Article 8.3), and four of them will be women, i.e. 40% of the total in accordance with the legal provisions.

## 10th to 13th resolutions

### Approval of the 2017 compensation policy for corporate officers

Resolutions 10 to 13 presented to you concern the compensation policy for executive corporate officers for the fiscal year 2017.

The Say on Pay rules underwent significant changes in 2016 especially with the application of the Law No. 2016-1691 on Transparency, the Fight against Corruption and Economic Modernization, which came into force on December 11, 2016 (the "Sapin II" law).

The new Say on Pay rules deriving from the Sapin II law and introduced in Article L. 225-82-2 of the French Commercial Code for corporations (*sociétés anonymes*) with a Management Board and a Supervisory Board, is now based on the principle of a double vote of the executive corporate officers compensation, namely:

- an *ex ante* vote on the compensation policy for corporate officers, consisting in presenting a resolution to the ordinary general meeting of shareholders relating to the principles and criteria for determining, distributing and allocating the fixed, variable and special components of the total compensation and benefits in kind accruing to the Chairman and members of the Management Board and the Supervisory Board by reason of their office; this vote being required annually and upon each renewal of a term of office; and
- an *ex post* vote on the implementation of the compensation policy, consisting in submitting to shareholders' vote the fixed, variable and special components forming the total compensation and benefits in kind paid or allocated in respect of the last reported financial year. This vote must be the subject of separate resolutions in respect of the Chairman of the Management Board, the members of the Management Board and the Chairman of the Supervisory Board.

It is specified that the *ex post* vote does not take place until the year following that of the *ex ante* vote on the compensation policy.

As a result of the foregoing, and in view of the fact that the Sapin 2 Law came into force on December 11, 2016, the *ex ante* vote as provided for in the terms of Article L. 225-82-2 of the French Commercial Code is applicable with effect from the 2017 general meeting, the *ex post* vote not applying until the 2018 general meeting (Article 161, II of the Sapin 2 Law).

The ex post vote as provided for in the terms of paragraph 26.2 of the AFEP-MEDEF Code remains applicable for 2016 financial year.

It is in this context that shareholders are called upon under the terms of separate resolutions to:

- approve the compensation policy for the Chairman and members of the Supervisory Board ***(10th and 11th resolutions)***, the Chairman and members of the Management Board ***(12th and 13th resolutions)***, as set forth in chapter 4 "Corporate Governance", section 4.5 "Report on the compensation and benefits granted to the members of the Management Board and the Supervisory Board" of this Reference Document and compiled in the table hereafter. The compensation components determined in application of this compensation policy will be the subject of an ex post vote at the general meeting to be held in 2018, it being specified that **payment of the variable and special compensation components established on the basis of this policy will be subject to the approval of the general meeting of shareholders ruling in the ordinary form on the compensation components allocated to the designated person:**

### 2017 COMPENSATION POLICY FOR THE CHAIRMAN OF THE SUPERVISORY BOARD (10th RESOLUTION)

| | |
|---|---|
| Fixed compensation | None |
| Annual variable compensation | None |
| Deferred variable compensation | None |
| Multi-year variable compensation | None |
| Special compensation | None |
| Long-term compensation component: stock options | None |
| Long-term compensation component: performance shares | None |
| Long-term compensation component: other compensation | None |
| Directors' fees | For 2017, Thierry Morin will receive directors' fees consisting of a fixed portion equal to €30,000 in respect of his role as member and Chairman of the Supervisory Board, and a predominant variable portion based on attendance at Supervisory Board meetings, in accordance with the AFEP-MEDEF Code. For 2017, this variable portion is set at €3,000 for each Supervisory Board meeting attended, this amount being reduced to €1,500 for meetings attended by conference call. Thierry Morin also receives an additional payment for his role as member of the Audit Committee, the amount of which is based on attendance at the meetings of said Committee. Attendance at a committee meeting entitles to compensation equal to €2,000, this amount being reduced to €1,000 for meetings attended by conference call. |
| Benefits in kind | None |
| Termination benefits | None |
| Service agreements | None |
| Non-compete benefits | None |
| Supplementary retirement plan | None |

### 2017 COMPENSATION POLICY FOR MEMBERS OF THE SUPERVISORY BOARD (11th RESOLUTION)

| | |
|---|---|
| Fixed compensation | None |
| Annual variable compensation | None |
| Deferred variable compensation | None |
| Multi-year variable compensation | None |
| Special compensation | None |
| Long-term compensation component: stock options | None |
| Long-term compensation component: performance shares | None |
| Long-term compensation component: | None |
| Directors' fees | Each member of the Supervisory Board receives directors' fees consisting of a fixed portion equal to €15,000, and a predominant variable portion based on attendance at Supervisory Board meetings, in accordance with the AFEP-MEDEF Code. For 2017, this variable portion is set at €3,000 for each Supervisory Board meeting attended, this amount being reduced to €1,500 for meetings attended by conference call. Supervisory Board members serving on a special committee receive additional variable compensation based on their attendance at meetings of the committees of which they are members. Attendance at a committee meeting entitles to compensation equal to €2,000, this amount being reduced to €1,000 for meetings attended by conference call. |
| Benefits in kind | None |
| Termination benefits | None |
| Service agreements | None |
| Non-compete benefits | None |
| Supplementary retirement plan | None |

## 2017 COMPENSATION POLICY FOR THE CHAIRMAN OF THE MANAGEMENT BOARD (12th RESOLUTION)

| | |
|---|---|
| Fixed compensation | €550,000, unchanged from 2015 and 2016. |
| Annual variable compensation | €550,000 target annual variable compensation, or 100% of the amount of fixed compensation which can go from 0% up to 170% in the event of outperformance. This is unchanged from 2016. This target-based variable component is based on the following financial and non-financial indicators and in the proportions shown:<br>• financial indicators counting for 70% of the variable component (i.e., 70% of fixed compensation up to a maximum of 140% in the event of outperformance): the economic indicators used correspond to the Company's business management tools, namely revenue (20%), EBIT (30%), and operating cash flow (20%), in line with the budgetary target discussed annually with the Board, said target being itself in line with the forecasts communicated to the market. The Supervisory Board wanted to use the same financial criteria as previously, since they are a good reflection of the Company's overall performance in terms of growth, profitability and cash flow;<br>• non-financial indicators count for 30% of the variable component (i.e. 30% of fixed compensation, this percentage being the maximum) and are based on strategic and management criteria assessed either qualitatively or quantitatively. |
| Deferred variable compensation | None |
| Multi-year variable compensation | None |
| Special compensation | None |
| Long-term compensation component: stock options | None |
| Long-term compensation component: performance shares | The maximum proportion of performance shares that can be granted annually to the Chairman of the Management Board is set at 1.6 times his annual compensation (fixed + target variable) in accordance with the recommendations of the AFEP-MEDEF Code and in line with market practices of SBF 120 companies. |
| Long-term compensation component: other compensation | None |
| Directors' fees | None |
| Benefits in kind | The Chairman of the Management Board will continue to enjoy the use of a company car. |
| Termination benefits | At its meeting of March 14, 2017, the Supervisory Board upheld the principle according to which the Chairman of the Management Board could be entitled to severance pay in the event of forced departure, as approved by the general meeting of June 24, 2015 under the terms of the 9th resolution. This payment, the terms and conditions of which were approved by the Supervisory Board at its meeting of October 10, 2014 on the recommendation of the Appointments and Compensation Committee, is set at 18 months' gross fixed and variable compensation calculated based on the average compensation paid to Xavier Martiré during the last two full financial years preceding his departure, in accordance with the recommendations of the AFEP-MEDEF Code. The payment would be due only in the event of forced departure, except in the case of negligence or in the event that Xavier Martiré is able to exercise his retirement rights in the short term. The severance payment is contingent on meeting two performance conditions: (i) a revenue target, and (ii) EBIT, both targets being measured over the 12 consecutive months preceding the date of the last half-year-end prior to his departure. If neither of those targets is achieved, no benefit is payable, whereas if one target is achieved, two-thirds of the benefit is payable (i.e. 12 months of average gross fixed and variable compensation) and if both targets are achieved, the severance payment is payable in full. |
| Service agreements | None |
| Non-compete benefits | Xavier Martiré remains subject to a one-year non-compete agreement. As consideration for this agreement, Xavier Martiré will receive a non-compete payment equal to 50% of the annual gross fixed and variable compensation paid in respect of the last full financial year prior to his departure. In accordance with the recommendations of the AFEP-MEDEF Code, the Supervisory Board must approve the activation of the non-compete clause contained in that agreement upon Xavier Martiré's departure. If the severance payment and non-compete payment were both to become payable, the amount that could be received by Xavier Martiré in respect thereof would be capped at two years of gross fixed and variable compensation. |
| Supplementary retirement plan | The Chairman of the Management Board is not entitled to any supplementary retirement plan in respect of 2017. |

### 2017 COMPENSATION POLICY FOR MEMBERS OF THE MANAGEMENT BOARD (13th RESOLUTION)

| | |
|---|---|
| Fixed compensation | €250,000, unchanged from 2015 and 2016. |
| Annual variable compensation | €100,000 target annual variable compensation, or 40% of the amount of fixed compensation which can go from 0% up to 140% in the event of outperformance. This is unchanged from 2016. This target-based variable component is based on the following financial and non-financial indicators and in the proportions shown:<br>- financial indicators counting for 70% of the variable component (i.e., 28% of fixed compensation up to a maximum of 56% in the event of outperformance): the economic indicators used correspond to the Company's business management tools, namely revenue (20%), EBIT (30%), and operating cash flow (20%), in line with the budgetary target discussed annually with the Board, said target being itself in line with the forecasts communicated to the market. The Supervisory Board wanted to use the same financial criteria as previously, since they are a good reflection of the Company's overall performance in terms of growth, profitability and cash flow;<br>- non-financial indicators count for 30% of the variable component (i.e. 12% of fixed compensation, this percentage being the maximum) and are based on strategic and management criteria assessed either qualitatively or quantitatively. |
| Deferred variable compensation | None |
| Multi-year variable compensation | None |
| Special compensation | None |
| Long-term compensation component: stock options | None |
| Long-term compensation component: performance shares | The maximum proportion of performance shares that can be granted annually to the members of the Management Board is set at 1.2 times their annual compensation (fixed + target variable) in accordance with the recommendations of the AFEP-MEDEF Code and in line with market practices of SBF 120 companies. |
| Long-term compensation component: other compensation | None |
| Directors' fees | None |
| Benefits in kind | The members of the Management Board will continue to enjoy the use of a company car. |
| Termination benefits | At its meeting of March 14, 2017, the Supervisory Board upheld the principle according to which the members of the Management Board could be entitled to severance pay in the event of forced departure, as approved by the general meeting of June 24, 2015 under the terms of the 10th resolution (in respect of Louis Guyot, and the 11th resolution in respect of Matthieu Lecharny). This payment, the terms and conditions of which were approved by the Supervisory Board at its meeting of October 10, 2014 on the recommendation of the Appointments and Compensation Committee, is set at 18 months' gross fixed and variable compensation calculated based on the average compensation paid to Louis Guyot and Matthieu Lecharny during the last two full financial years preceding his departure, in accordance with the recommendations of the AFEP-MEDEF Code. The payment would be due only in the event of forced departure, except in the case of negligence or in the event that Louis Guyot is able to exercise his retirement rights in the short term. The severance payment is contingent on meeting two performance conditions: (i) a revenue target, and (ii) EBIT, both targets being measured over the 12 consecutive months preceding the date of the last half-year-end prior to his departure. If neither of those targets is achieved, no benefit is payable, whereas if one target is achieved, two-thirds of the benefit is payable (i.e. 12 months of average gross fixed and variable compensation) and if both targets are achieved, the severance payment is payable in full. |
| Service agreements | None |
| Non-compete benefits | Members of the Management Board remain subject to a six-month non-compete agreement. As consideration for this agreement, members of the Management Board will receive a non-compete payment equal to 50% of the annual gross fixed and variable compensation paid in respect of the last full financial year prior to his departure. In accordance with the recommendations of the AFEP-MEDEF Code, the Supervisory Board must approve the activation of the non-compete clause contained in that agreement upon a member of the Management Board's departure. If the severance payment and non-compete payment were both to become payable, the amount that could be received by Louis Guyot or Matthieu Lecharny in respect thereof would be capped at two years of gross fixed and variable compensation. |
| Supplementary retirement plan | The members of the Management Board are not entitled to any supplementary retirement plan in respect of 2017. |

## 14th to 16th resolutions

### Opinion on the compensation components due or paid to Xavier Martiré, Chairman of the Management Board, Louis Guyot and Matthieu Lecharny, members of the Management Board, and Thierry Morin, Chairman of the Supervisory Board, for the financial year ended December 31, 2016

Under the terms of the 14th, 15th and 16th resolutions, and in accordance with paragraph 26.2 of the AFEP-MEDEF Code, shareholders are asked to give their opinion on the compensation components due or paid to Xavier Martiré, Chairman of the Management Board, Louis Guyot and Matthieu Lecharny, members of the Management Board, and Thierry Morin, Chairman of the Supervisory Board for the financial year 2016. Your opinion covers all of the compensation components of each executive, as described hereafter, it being specified that details of all compensation components of each executive are included in chapter 4 "Corporate governance", section 4.5 above, of the 2016 Registration Document.

### DESCRIPTION OF THE COMPENSATION OF THIERRY MORIN, CHAIRMAN OF THE SUPERVISORY BOARD IN RESPECT OF 2016 (14th RESOLUTION)

| Compensation components due or paid for the financial year ended December 31, 2016 | Amounts or carrying amounts submitted for vote *(In euros)* | Description and comments |
|---|---|---|
| **Fixed compensation** | 0 | |
| **Annual variable compensation** | 0 | |
| **Deferred variable compensation** | 0 | |
| **Multi-year variable compensation** | 0 | |
| **Special compensation** | 0 | |
| **Subscription of stock options, performance shares or any other long-term compensation component** | 0 | |
| **Directors' fees** | 62,000(*) | Thierry Morin received directors' fees in respect of his role as Chairman of the Supervisory Board and member of the Audit Committee. |
| **Value of benefits in kind** | 0 | |
| **Termination benefits** | 0 | |
| **Non-compete benefits** | 0 | |
| **Supplementary retirement plan** | 0 | |
| **Executive liability insurance** | | Applicable. |

*(*) Gross amount before 15.5% withholding at source and a tax installment payment of 21%.*

## DETAILS OF THE COMPENSATION OF XAVIER MARTIRÉ, CHAIRMAN OF THE MANAGEMENT BOARD, FOR THE 2016 FINANCIAL YEAR: (APPROVAL RATE OF THE COMPENSATION COMPONENTS IN RESPECT OF 2015: 87.56%) (15th RESOLUTION)

| Compensation components due or paid for the financial year ended December 31, 2016 | Amounts or carrying amounts submitted for vote *(In euros)* | Description and comments |
|---|---|---|
| **Fixed compensation** | 550,000 | Annual amount<br>Xavier Martiré's gross fixed compensation has been unchanged since January 1, 2015. |
| **Annual variable compensation** | 809,160 (147% of the target variable compensation component) | Specific variable compensation objectives were established by the Supervisory Board based on the recommendation of the Appointments and Compensation Committee at the beginning of the reference period to which they apply. The target amount of variable compensation is 100% of the amount of fixed compensation, capped at 170% in the event of outperformance, it being specified that only performance linked to the financial indicators can lead to an amount of bonus in excess of the target.<br>Annual variable compensation objectives (2016 financial year):<br>Objectives based on financial indicators (target of 70% of the variable component up to a maximum of 140% in the event of outperformance), linked to:<br>• Revenue compared to budget (20%);<br>• EBIT compared to budget (30%);<br>• Operating cash flow compared to budget (20%).<br>Objectives based on the following non-financial indicators and assessed qualitatively and quantitatively (target of 30% of the variable compensation, this percentage being a maximum):<br>• Organic growth;<br>• Cash management;<br>• Management of Group risks;<br>• CSR policy;<br>• Financial communication.<br>The weighting of each of these indicators used to determine the variable compensation of the Chairman of the Management Board and their satisfaction levels are set out in section 4.5 of the 2016 registration document. |
| **Deferred variable compensation** | 0 | Xavier Martiré has no deferred variable compensation. |
| **Multi-year variable compensation** | 0 | Xavier Martiré has no deferred multi-year variable compensation. |
| **Special compensation** | 0 | Xavier Martiré did not receive any special compensation in 2016. |
| **Subscription of stock options, performance shares or any other long-term compensation component** | 2,827,647 | No stock options were granted to Xavier Martiré in 2016.<br>On June 15, 2016 Xavier Martiré was granted 207,520 performance shares (0.18% of the share capital as at December 31, 2016). This grant falls under the authorization granted by the Company's general meeting of shareholders of May 27, 2016 in its 22nd resolution and the authorization granted at the meetings of the Supervisory Board of March 9 and May 3, 2016. The vesting of the performance shares thus granted is subject to performance conditions and a condition of continued employment with the Company.<br>The value of the performance shares is equal to that used to prepare the consolidated financial statements for the year ended December 31, 2016, calculated in accordance with the requirements of IFRS 2 by an independent appraiser. The valuation model applied is based on the underlying price of the portion not subject to market conditions and on the Monte Carlo method for the portion that is subject to market conditions. It takes account of data and assumptions prevailing at the grant date. |
| **Directors' fees** | 0 | Xavier Martiré does not receive directors' fees. |
| **Value of benefits in kind** | 5,836 | Xavier Martiré has the use of a company car (annual amount). |

| Compensation components due or paid for the financial year ended December 31, 2016 | Amounts or carrying amounts submitted for vote *(In euros)* | Description and comments |
|---|---|---|
| **Termination benefits** | 0 | Severance pay that may be due to Xavier Martiré in the event of forced departure was approved by the general meeting of June 24, 2015 under the terms of the 9th resolution. The terms and conditions of this severance pay, which was approved by the Supervisory Board on October 10, 2014 on the recommendation of the Appointments and Compensation Committee, set the compensation at 18 months of gross fixed and variable compensation calculated based on the average compensation paid to Xavier Martiré during the last two full financial years preceding his departure, in accordance with the recommendations of the AFEP-MEDEF Code. The payment would be due only in the event of forced departure, except in the case of negligence or in the event that Xavier Martiré were able to exercise his retirement rights in the short term. The severance payment is contingent on two performance conditions being met: (i) a revenue target, and (ii) an EBIT target, both being measured over the 12 consecutive months preceding the date of the last half-year-end prior to his departure. If neither of the aforementioned targets is achieved, no benefit is payable, if one of the above targets is achieved, two-thirds of the benefit is payable (i.e. 12 months of average gross fixed and variable compensation), and if both the above targets are achieved, the severance payment is payable in full. |
| **Non-compete benefits** | 0 | Xavier Martiré is subject to a one-year non-compete agreement. As consideration for this agreement, Xavier Martiré will receive a non-compete payment equal to 50% of the annual gross fixed and variable compensation received for the last full financial year prior to his departure. In accordance with the recommendations of the AFEP-MEDEF Code, the Supervisory Board must approve the activation of the non-compete clause contained in that agreement upon Xavier Martiré's departure. If the severance payment and non-compete payment were both to become payable, the amount that could be received by Xavier Martiré in respect thereof would be capped at two years of annual gross fixed and variable compensation. |
| **Supplementary retirement plan** | 0 | Xavier Martiré does not have a supplementary retirement plan. |
| **Executive liability insurance** | | Applicable. |

## DETAILS OF THE COMPENSATION OF OTHER MANAGEMENT BOARD MEMBERS IN RESPECT OF THE 2016 FINANCIAL YEAR (APPROVAL RATE OF THE COMPENSATION COMPONENTS OF OTHER MANAGEMENT BOARD MEMBERS IN RESPECT OF 2015: 88.52%) (16th RESOLUTION)

### LOUIS GUYOT, MEMBER OF THE MANAGEMENT BOARD

| Compensation components due or paid for the financial year ended December 31, 2016 | Amounts or carrying amounts submitted for vote *(In euros)* | Description and comments |
|---|---|---|
| **Fixed compensation** | 250,000 | Annual amount<br>Louis Guyot's gross fixed compensation has been unchanged since January 1, 2015. |
| **Annual variable compensation** | 145,620 (146% of the target variable compensation component) | Specific variable compensation objectives were established by the Supervisory Board based on the recommendation of the Appointments and Compensation Committee at the beginning of the reference period to which they apply. The target amount of variable compensation is 40% of the amount of fixed compensation, capped at 68% in the event of outperformance, it being specified that only performance linked to the financial indicators can lead to an amount of bonus in excess of the target.<br>Annual variable compensation objectives (2016 financial year):<br>Objectives based on financial indicators (target of 70% of the variable component up to a maximum of 140% in the event of outperformance), linked to:<br>- Revenue compared to budget (20%);<br>- EBIT compared to budget (30%);<br>- Operating cash flow compared to budget (20%).<br>Objectives based on the following non-financial indicators and assessed qualitatively and quantitatively (target of 30% of the variable compensation, this percentage being a maximum):<br>- Bond refinancing;<br>- Financial communication;<br>- Internal control and cash maturity.<br>The weighting of each of these indicators used to determine the variable compensation of Louis Guyot, a member of the Management Board, and the extent to which they were attained are set out in section 4.5 of the 2016 registration document. |
| **Deferred variable compensation** | 0 | Louis Guyot has no deferred variable compensation. |
| **Multi-year variable compensation** | 0 | Louis Guyot has no multi-year variable compensation. |
| **Special compensation** | 0 | Louis Guyot did not receive any special compensation in 2016. |
| **Subscription of stock options, performance shares or any other long-term compensation component** | 491,363 | No stock options were granted to Louis Guyot in 2016.<br>On June 15, 2016 Louis Guyot was granted 35,071 performance shares (0.03% of the share capital as at December 31, 2016). This grant falls under the authorization granted by the Company's general meeting of shareholders of May 27, 2016 in its 22nd resolution and the authorization granted at the meetings of the Supervisory Board of March 9 and May 3, 2016. The vesting of the performance shares thus granted is subject to performance conditions and a condition of continued employment with the Company. The value of the performance shares is equal to that used to prepare the consolidated financial statements for the year ended December 31, 2016, calculated in accordance with the requirements of IFRS 2 by an independent appraiser. The valuation model applied is based on the underlying price of the portion not subject to market conditions and on the Monte Carlo method for the portion that is subject to market conditions. It takes account of data and assumptions prevailing at the grant date. |
| **Directors' fees** | 0 | Louis Guyot does not receive directors' fees. |

| Compensation components due or paid for the financial year ended December 31, 2016 | Amounts or carrying amounts submitted for vote *(In euros)* | Description and comments |
|---|---|---|
| **Value of benefits in kind** | 2,804 | Louis Guyot has the use of a company car (annual amount). |
| **Termination benefits** | 0 | Severance pay that may be due to Louis Guyot in the event of forced departure was approved by the general meeting of June 24, 2015 under the terms of the 10th resolution. The terms and conditions of this severance pay, which was approved by the Supervisory Board on October 10, 2014 on the recommendation of the Appointments and Compensation Committee, sets the compensation at 18 months of gross fixed and variable compensation calculated based on the average compensation paid to Louis Guyot during the last two full financial years preceding his departure, in accordance with the recommendations of the AFEP-MEDEF Code. The payment would be due only in the event of forced departure, except in the case of negligence or in the event that Louis Guyot were able to exercise his retirement rights in the short term. The severance payment is contingent on two performance conditions being met: (i) a revenue target, and (ii) an EBIT target, both being measured over the 12 consecutive months preceding the date of the last half-year-end prior to his departure. If neither of those targets is achieved, no benefit is payable, if one of the above objectives is achieved, two-thirds of the benefit is payable (i.e. 12 months of average gross fixed and variable compensation) and if both targets are achieved, the severance payment is payable in full. |
| **Non-compete benefits** | 0 | Louis Guyot is subject to a six-month non-compete agreement. As consideration for this agreement, Louis Guyot will receive a non-compete payment equal to 50% of the annual gross fixed and variable compensation received for the last full financial year prior to his departure. If the severance payment and non-compete payment were both to become payable, the amount that could be received by Louis Guyot in respect thereof would be capped at two years of annual gross fixed and variable compensation.<br>In accordance with the recommendations of the AFEP-MEDEF Code, the Supervisory Board must approve the activation of the non-compete clause contained in that agreement upon Louis Guyot's departure. |
| **Supplementary retirement plan** | 0 | Louis Guyot does not have a supplementary retirement plan. |
| **Profit sharing** | 19,308 | Louis Guyot received a profit-sharing payment as an employee of the Company. |
| **Executive liability insurance** | | Applicable. |

### MATTHIEU LECHARNY, MEMBER OF THE MANAGEMENT BOARD

| Compensation components due or paid for the financial year ended December 31, 2016 | Amounts or carrying amounts submitted for vote *(In euros)* | Description and comments |
|---|---|---|
| **Fixed compensation** | 250,000 | Annual amount<br>Matthieu Lecharny's gross fixed compensation has been unchanged since January 1, 2015. |
| **Annual variable compensation** | 145,620 (146% of the target variable compensation component) | Specific variable compensation objectives were established by the Supervisory Board based on the recommendation of the Appointments and Compensation Committee at the beginning of the reference period to which they apply. The target amount of variable compensation is 40% of the amount of fixed compensation, capped at 68% in the event of outperformance, it being specified that only performance linked to the financial indicators can lead to an amount of bonus in excess of the target.<br><u>Annual variable compensation objectives (2016 financial year):</u><br><u>Objectives based on financial indicators</u> (target of 70% of the variable component up to a maximum of 140% in the event of outperformance), linked to:<br>➢ Revenue compared to budget (20%);<br>➢ EBIT compared to budget (30%);<br>➢ Operating cash flow compared to budget (20%).<br><u>Objectives based on the following non-financial indicators and assessed qualitatively and quantitatively</u> (target of 30% of variable compensation, this percentage being a maximum):<br>➢ Customer satisfaction;<br>➢ Organization of Brazil;<br>➢ M&A.<br>The weighting of each of these indicators used to determine the variable compensation of Matthieu Lecharny, a member of the Management Board, and the extent to which they were attained are set out in section 4.5 of the 2016 registration document. |
| **Deferred variable compensation** | 0 | Matthieu Lecharny has no deferred variable compensation. |
| **Multi-year variable compensation** | 0 | Matthieu Lecharny has no deferred multi-year compensation. |
| **Special compensation** | 0 | Matthieu Lecharny did not receive any special compensation in 2016. |
| **Subscription of stock options, performance shares or any other long-term compensation component** | 491,363 | No stock options were granted to Matthieu Lecharny in 2016.<br>On June 15, 2016 Matthieu Lecharny was granted 35,071 performance shares (0.03% of the share capital as at December 31, 2016). This grant falls under the authorization granted by the Company's general meeting of shareholders of May 27, 2016 in its 22nd resolution and the authorization granted at the meetings of the Supervisory Board of March 9, 2016 and May 3, 2016. The vesting of the performance shares thus granted is subject to performance conditions and a condition of continued employment with the Company. The value of the performance shares is equal to that used to prepare the consolidated financial statements for the year ended December 31, 2016, calculated in accordance with the requirements of IFRS 2 by an independent appraiser. The valuation model applied is based on the underlying price of the portion not subject to market conditions and on the Monte Carlo method for the portion that is subject to market conditions. It takes account of data and assumptions prevailing at the grant date. |
| **Directors' fees** | 0 | Matthieu Lecharny does not receive directors' fees. |
| **Benefits in kind** | 3,163 | Matthieu Lecharny has the use of a company car (annual amount). |

| Compensation components due or paid for the financial year ended December 31, 2016 | Amounts or carrying amounts submitted for vote *(In euros)* | Description and comments |
|---|---|---|
| **Termination benefits** | 0 | Severance pay that may be due to Matthieu Lecharny in the event of forced departure was approved by the general meeting of June 24, 2015 under the terms of the 11th resolution. The terms and conditions of this severance pay, which was approved by the Supervisory Board on October 10, 2014 on the recommendation of the Appointments and Compensation Committee, sets the compensation at 18 months of gross fixed and variable compensation calculated based on the average compensation paid to Matthieu Lecharny during the last two full financial years preceding his departure, in accordance with the recommendations of the AFEP-MEDEF Code. The payment would be due only in the event of forced departure, except in the case of negligence or in the event that Matthieu Lecharny were able to exercise his retirement rights in the short term.<br>The severance payment is contingent on two performance conditions being met: (i) a revenue target, and (ii) an EBIT target, both being measured over the 12 consecutive months preceding the date of the last half-year-end prior to his departure. If neither of those targets is achieved, no benefit is payable, if one of the above objectives is achieved, two-thirds of the benefit is payable (i.e. 12 months of average gross fixed and variable compensation) and if both targets are achieved, the severance payment is payable in full. |
| **Non-compete benefits** | 0 | Matthieu Lecharny is subject to a six-month non-compete agreement. As consideration for this agreement, Matthieu Lecharny will receive a non-compete payment equal to 50% of the annual gross fixed and variable compensation received for the last full financial year prior to his departure. If the severance payment and non-compete payment were both to become payable, the amount that could be received by Matthieu Lecharny in respect thereof would be capped at two years of annual gross fixed and variable compensation.<br>In accordance with the recommendations of the AFEP-MEDEF Code, the Supervisory Board must approve the activation of the non-compete clause contained in that agreement upon Matthieu Lecharny's departure. |
| **Supplementary retirement plan** | N/A | Matthieu Lecharny does not have a supplementary retirement plan. |
| **Profit sharing** | 19,308 | Matthieu Lecharny received a profit-sharing payment as an employee of the Company. |
| **Executive liability insurance** | | Applicable. |

## 17th resolution

### Ratification of the transfer of the Company's registered office

We inform you that the Company's registered office has been transferred to 5, Boulevard Louis Loucheur, 92210 Saint-Cloud, France, effective November 28, 2016 by decision of the Supervisory Board of October 27, 2016. We will ask you under the terms of the 17th resolution to ratify this transfer of the registered office.

## 18th resolution

### Authorization to be granted to the Management Board to trade in the Company's shares

Under the 11th resolution, the general meeting of May 27, 2016 renewed the authorization granted to the Company to trade in its own shares for a period of 18 months, in accordance with Article L. 225-209 of the French Commercial Code and the directly applicable provisions of regulation (EC) 2273/2003 of December 22, 2003. A liquidity agreement was set up under this authorization and resulted in the following movements during the 2016 financial year:

- 666,084 shares were purchased for a total price of €10,378,437.15, i.e. an average price of €15.5813 per share;
- 695,231 shares were sold for a total price of €11,077,976.65, i.e. an average price of €15.9342 per share.

As at December 31, 2016, the Company directly held 119,000 shares, representing 0.1% of the Company's share capital at that date.

As the authorization to the Management Board currently in force is due to expire in November 2017, the Management Board proposes that it be replaced by a new authorization for a period of 18 months as from the date of this shareholders' meeting.

As a reminder, this proposed resolution regarding the buyback of shares has been submitted for the prior approval of the Supervisory Board in accordance with the Company's articles of incorporation.

This new delegation would allow the Company to trade in its shares (including by using derivative financial instruments), notably with the following aims, which are subjected to necessary amendments under regulation (EU) No. 596/2014 of April 16, 2014 on market abuse, related European Commission regulations and market practices allowed by the French Financial Markets Authority (AMF):

- to increase share liquidity in connection with a liquidity agreement consistent with the Code of Conduct issued by the French Financial Market Professional Association (AMAFI), using an investment services provider as intermediary;
- to honor obligations deriving from the exercise of rights attaching to securities giving the right by conversion, exercise, redemption, exchange or any other means to the allocation of shares in the Company in compliance with applicable regulations;
- to honor obligations related to stock option plans, the grant of bonus shares to employees and corporate officers, the grant or transfer of shares to employees as part of the Company's expansion-related profit sharing plan, employee share ownership or company savings plans, and any other forms of share grant, allotment, sale or transfer to employees and corporate officers of the Company or Group, and to carry out any hedging transactions in respect of these transactions, as provided by law;
- to cancel any shares acquired in the context of a capital reduction;
- to hold all or part of the shares acquired for subsequent reintroduction to the market or for use in payment for potential acquisitions in accordance with recognized market practices and applicable regulations; and
- more generally, to carry out any other transaction that is permitted or that might be authorized in the future by laws or regulations in force or by the AMF.

We remind you that the general meeting of May 27, 2016, under the terms of its 21st resolution, authorized your Management Board to reduce the share capital by canceling treasury sharers.

The conditions applying to this new share buyback authorization, unchanged from those previously adopted by the general meeting of May 27, 2016, would be as follows:

- maximum purchase price: €30;
- maximum holding: 10% of the share capital (or 14,016,704 shares as at April 7, 2017); and
- maximum purchase amount: €350 million.

These shares may be purchased at any time, excluding periods of tender offers for the Company's share capital (except with prior authorization from the General Meeting), on one or more occasions and by all available means, on any market, off-market, over the counter, including the purchase of blocks of shares, or through derivative financial instruments, and, if applicable, by any third parties acting on behalf of the Company, in accordance with the provisions of the last paragraph of Article L. 225-206 of the French Commercial Code, to the extent permitted by the laws and regulations in effect while the share buyback program is valid.

## 7.2.2 RESOLUTIONS WITHIN THE AUTHORITY OF THE EXTRAORDINARY GENERAL MEETING

### 19th resolution

#### Amendments to Article 17 "*Composition of the Supervisory Board*" of the Company's articles of incorporation to include the means of appointing employee representatives on the Supervisory Board

The provisions of Article L. 225-79-2 of the French Commercial Code introduced by the Law of June 14, 2013 on Employment Protection as amended by the Law of August 17, 2015 on Social Dialogue and Employment provide that "*in companies employing, at the end of two consecutive financial years, at least a thousand permanent employees in the company and its direct or indirect subsidiaries, the registered office of which is located in France, or at least five thousand permanent employees in the company and its direct or indirect subsidiaries, the registered office of which is located in France and abroad, it shall be stipulated in the articles of incorporation that the Supervisory Board must include [...] members representing employees*".

The requirements on employee representation thus apply to all corporations (*sociétés anonymes*) exceeding the aforementioned thresholds, including companies with no works council (the Law of August 17, 2015 on Social Dialogue and Employment having dispensed with the requirement that a works council be established in the company concerned).

In view of the Elis Group's workforce, the Company is now obliged, pursuant to Article L. 225-79-2 of the French Commercial Code, to ensure employee representation on its Supervisory Board.

In the context of the implementation of these requirements, and in accordance with Article L. 225-79-2 of the French Commercial Code, the companies concerned must mention in their articles of incorporation the means of election or designation of the employee representatives and amend their articles of incorporation accordingly. For companies that did not meet the criteria for the application of these requirements in their initial version but which are now concerned as a result of the amendments introduced by the Law of August 17, 2015 on Social Dialogue and Employment, as is the case of Elis, the amendment to the articles of incorporation must take place no later than June 30, 2017.

In view of the above, the Supervisory Board and the Management Board ask you in accordance with the provisions of Article L. 225-79-2 of the French Commercial Code as amended by the Law of August 17, 2015, to amend Article 17 *"Composition of the Supervisory Board"* of the Company's articles of incorporation in order to determine the means for designating the members of the Supervisory Board representing the employees, by adding the following paragraph VII.

*"VII - The Supervisory Board shall also comprise, by virtue of Article L. 225-79-2 of the French Commercial Code, one or two members representing the Group's employees, appointed by the Group Committee provided for in Article L. 233-1 of the French Labor Code.*

*In the event that the number of the members of the Supervisory Board is more than 12, a second member representing the Group employees shall be designated by the Group Committee within six months of the decision of the Supervisory Board or of the general meeting at the end of which the number of Board members surpassed twelve.*

*The number of Board members to be used for determining the number of members representing employees to be appointed is that pertaining as at the date of appointment of the representatives to the Supervisory Board. Neither the employees elected by virtue of Article L. 225-79 of the French Commercial Code nor the shareholder employees appointed as Board members in application of Article 17.VI of these articles of incorporation are to be counted for these purposes.*

*The reduction of the number of Supervisory Board members appointed by the ordinary general meeting to 12 or fewer shall have no effect on the term of office of each employee representatives on the Board, which shall expire at the end of its normal term.*

*The employment contract(s) of the employee representative(s) must predate their appointment to the Supervisory Board by at least two (2) years and must correspond to (a) real job(s). In the event of a vacancy, the replacement shall be appointed on the same conditions.*

*The Group Committee shall appoint the member(s) of the Supervisory Board representing employees by simple majority of its members present. In the event of a tied vote on two candidates, and if two candidates cannot be appointed as members of the Supervisory Board representing the employees because of the limit referred to above, the candidate with the greater number of years of service shall be appointed.*

*A member of the Supervisory Board representing the employees shall not be taken into account in determining the minimum or maximum number of members of the Supervisory Board referred to in paragraph I of this Article 17 of the articles of incorporation.*

*The term of office of a member of the Supervisory Board representing the employees shall be effective as soon as such member is appointed. A member of the Supervisory Board representing the employees shall be appointed for a term of four years, expiring at the end of the Group Committee meeting resolving on renewal or replacement in the year in which the term of office expires.*

*However, such member's term of office shall end ipso jure and with immediate effect if such person ceases to be an employee of the Company or one of its direct or indirect subsidiaries.*

*In the event of a vacancy for any reason on the seat of an employee representative on the Board, the vacant seat shall be filled in accordance with the conditions set by Articles L. 225-34 and L. 225-80 of the French Commercial Code and the person appointed as replacement shall exercise their duties for the remainder of their predecessor's term of office. Until the date of replacement of the member representing the employees, the Supervisory Board may meet and duly deliberate.*

*Supervisory Board member(s) representing the employees need not hold any minimum number of shares.*

*If at the end of two consecutive financial years the provisions of Article L. 225-79-2 of the French Commercial Code are no longer applicable to the Company, the term of office of the member representing the employees shall end at the end of the Supervisory Board meeting that confirms the Company's having left the scope of application of the aforementioned Article."*

All other terms of the Article 17 of the company's articles of incorporation remain unchanged.

We inform you that the Group Committee, consulted on the means of appointing members representing employees to the Board as described above, issued a favorable opinion on these means.

## 20th resolution

### Amendment to Article 4 "*Registered office*" of the Company's articles of incorporation

Under the terms of the 20th resolution you are asked to amend Article 4 "Registered Office" of the Company's articles of incorporation in order to include the ratification of the transfer of the Group's headquarters by this general meeting under its 17th resolution subject to this resolution being adopted, and to bring its stipulations into line with the provisions of the aforementioned Sapin II Law extending the Supervisory Board's power to transfer the Company's registered office to anywhere in France and to amend the articles of incorporation accordingly, subject to ratification by the ordinary general meeting of shareholders.

## 21st resolution

### Authorization to be granted to the Supervisory Board to make the necessary amendments to the Company's articles of incorporation under the conditions of the Article L. 225-65 of the French Commercial Code

Article L. 225-65 of the French Commercial Code as amended by the Sapin II Law, now authorizes the Supervisory Board, under the authority delegated by the general meeting of shareholders voting as an extraordinary meeting, to make the necessary amendments to the articles of incorporation to bring them into line with the legal and regulatory provisions. We inform you that the scope of this delegation is limited to situations in which new legislative or regulatory provisions oblige companies to bring their articles of incorporation into line with said provisions in order to include particular aspects to which they refer. The amendments made to the articles of incorporation would moreover be subject to ratification by the shareholders.

Consequently, under the terms of the 21st resolution, we ask you to authorize the Supervisory Board to amend the Company's articles of incorporation in order to bring them into line with the legal and regulatory provisions that will apply and be imposed on the Company.

## 22nd and 23rd resolutions

### Reduction in capital for reasons other than losses by reducing the nominal value of shares and allocating the amount of the reduction to the "*Share, merger and contribution premiums*" account and related amendment of the Article 6 "*Share Capital*" of the Company's articles of incorporation

Last year your general meeting adopted a number of financial delegations, some of them once again being submitted for your approval at this general meeting.

The potential implementation of these financial delegations could prove impossible if the Elis share price falls below its par value. In fact, the law stipulates that new share certificates may not be issued in an amount below the share's par value, which is currently €10 for Elis.

Furthermore, the par value of the Elis share is one of the highest par values of all companies making up the SBF 120 index.

Therefore, in order to give the Company the flexibility to conduct, as necessary, new capital transactions and fund its growth strategy, you are proposed under the terms of the 22nd resolution to reduce the Company's capital by reducing the par value of the shares making up that capital from €10 to €1 each.

In accordance with Articles L. 225-205 and R. 225-152 of the French Commercial Code, the capital reduction may only be carried out after (i) expiry of a 20-day period following the filing of this resolution with the clerk's office at the Nanterre Commercial Court, if no objections are raised by any creditors, or (ii) if such objections were raised after, (a) the Court ruled in its lower court on these objections and deemed them to be unfounded, or (b) execution of the Court's decision ordering guarantees to be provided or debts to be repaid

This capital reduction would have no consequences for shareholders since the number of shares and value of the Company's assets would remain unchanged. Based on 140,167,049 shares comprising the share capital at April 7, 2017, the reduction in par value would result in a reduction in share capital of €1,261,503,441, taking it from €1,401,670,490 to €140,167,049, The total amount of the capital reduction, namely €1,261,503,441, would be recognized as "Share, merger and contribution premiums." It should be noted that this amount would not be distributable but could be recapitalized at a later date or used to amortize corporate losses.

For the same reasons, this capital reduction would have no consequences on beneficiaries' entitlements to Company performance shares and therefore no adjustment shall be made.

Subject to the necessary approval of the 22nd resolution and its subsequent completion of the capital reduction, you are asked under the terms of the 23rd resolution to approve the amendment to be made to Article 6 "Share Capital" of the Company's articles of incorporation.

The Statutory Auditors' report required by laws and regulations applicable to this reduction of share capital been made available to shareholders within the legal deadlines.

## 24th to 28th resolutions

### Financial delegations to be granted to the Management Board with or without preferential subscription rights

The combined general meeting of Shareholders of May 27, 2016 authorized the Management Board to increase the Company's share capital based on a variety of terms and conditions, within the limits of the authorizations granted, with or without preferential subscription rights.

In accordance with its growth strategy, in the context of the financing of major strategic acquisitions for the Group in Spain and Brazil, the Management Board has made use of the delegation of authority granted to it under the terms of the 13th resolution of the general meeting of May 27, 2016 in the context of the capital increase in an amount of €325,176,649.50 (including additional paid-in capital) through the issue of 25,910,490 new shares with a par value of €10 each, thus bringing the share capital to €1,399,166,570. Details of the use made of these delegations by the Management Board in 2016 appear in chapter 8 "Information about the Company and its capital", section 8.3.5 "Unissued authorized capital" of the 2016 registration document. The Management Board's supplementary report describing the final terms and conditions of the aforementioned capital increase is shown in section 7.4 of the 2016 registration document.

Considering that, the Management Board used more than half of its delegation of the authorization to increase the capital with preferential subscription rights has been more than half used, the Management Board asks that shareholders replace certain existing financial delegations granted to the Management Board to increase the share capital by new delegations so that the Management Board continue to benefit from the flexibility it has to carry out issues depending on market conditions and the Company's development, giving it a variety of possibilities for issuing different securities at the appropriate time. Furthermore, and as a result of the change in the Company's share capital since the beginning of the financial year and the planned reduction of this capital as described above and which will be submitted for your approval under the terms of the 22nd resolution of this general meeting, the caps of the new delegations on which you are asked to vote again have been adjusted.

In accordance with the Company's articles of incorporation, the issue by the Management Board of any shares and/or securities giving rights to the Company's share capital directly or indirectly is subject to the prior approval of the Supervisory Board.

Pursuant to these delegations and authorizations, the Management Board could thus decide to issue Company shares or securities giving access to the Company's capital immediately and/or in the future, specifically Company securities giving access to other capital securities, whether existing or to be issued, and/or granting allocation rights to debt securities.

It is hereby specified that pursuant to legal provisions as amended by the order of July 31, 2014 regarding company rights, only the

Management Board is authorized to issue securities that will not result in a change in share capital immediately or in the future. Consequently, issues by the Company of debt securities giving access to existing Company shares and/or rights to other Company debt securities are excluded from the scope of the resolutions submitted for your approval.

The Management Board would not be authorized to decide to issue preferred shares or securities giving access to preferred shares under these delegations and authorizations.

Notwithstanding the Management Board's policy to favor capital increases with preferential subscription rights, under certain circumstances it may be more appropriate and in the interests of shareholders to provide for the possibility of capital increases without preferential subscription rights.

The resolutions on which you are asked to vote in this general meeting therefore provide for the possibility for the Management Board to issue shares or securities:

- with preferential subscription rights, under the 24th resolution (issue of shares or securities with preferential subscription rights) and 28th resolution (increase in the number of shares or securities to be issued in the event of an issue in application of the 24th resolution); or
- without preferential subscription rights, under the 25th resolution (issue of shares or securities as part of one or more public offerings), 26th resolution (issue of shares or securities as part of one or more private placements), and 28th resolution (increase in the number of shares or securities to be issued in the event of an issue in application of the 25th and 26th resolutions).

We inform you that the issue of securities giving access to capital would require shareholders to waive their preferential subscription rights to the new common shares to which such securities would give right.

We also inform you that the Management Board would not be authorized to use said delegations from the time a tender offer for Elis securities is lodged by a third party until the end of the offer period.

### Delegation of authority to be granted to the Management Board to issue shares or securities giving access immediately or in the future to the Company's share capital, with preferential subscription rights (24th resolution)

Under the terms of the **24th resolution**, you are asked to vote to replace the existing delegation of authority granted to the Management Board by a new delegation of the same kind for a new period of 26 months, **to increase the Company's share capital by issuing equity securities and/or any securities giving access immediately or in the future to the Company's shares and/or securities giving access to debt securities,** with preferential subscription rights, on the terms described below.

You are asked to vote on the maximum par value of the capital increases that may be carried out pursuant to this delegation being set at an amount of either €70 million subject to the adoption of the 22nd resolution of this general meeting, or an amount of €700 million (approximately 50% of share capital as recorded after the reduction in share capital if this reduction is adopted, or the share capital as at April 7, 2017) if the 22nd resolution of this general meeting is not adopted, to which may be added, as necessary, the par value of additional shares to be issued to maintain the existing rights of bearers of securities entitled to these Company shares in accordance with prevailing laws. The par value of the shares and securities issued under this delegation would be deducted from the overall cap under the terms of the 29th resolution of either €70 million subject to the adoption of the 22nd resolution of this general meeting, or €700 million If the 22nd resolution of this general meeting is not adopted, subject to its approval by the general meeting, or from the amount of the cap that may be stipulated in any other resolution having the same purpose and that may replace it while the 24th resolution of this delegation is still valid.

The maximum par value of the debt securities giving access to capital, or similar securities, would be identical to that approved by the general meeting of May 27, 2016, namely €1 billion, and would be deducted from the overall cap stipulated under the terms of the 29th resolution of this general meeting, subject to the approval thereof, or from the amount of the cap that may be stipulated in any other resolution having the same purpose and that may replace it while the 24th resolution is still valid.

Shareholders would have preferential subscription rights, proportional to the number of shares they hold, to the shares and securities that would be issued under this delegation, such rights being ex-dividend and tradable from the second business day before the opening of the subscription period and until the second business day before the closing of the subscription period, in accordance with Articles L. 225-132 and R. 225-117-1 of the French Commercial Code.

The Management Board would also have the power to establish for the benefit of shareholders a revocable right to subscribe for additional shares or, as applicable, for securities to be issued by the Company, aimed at allowing shareholders to subscribe for a number of securities in excess of the number to which they are entitled to irrevocably subscribe, in the event that irrevocable subscriptions do not cover the full amount of the capital increase.

### Delegation of authority to be granted to the Management Board to issue shares or securities giving access immediately or in the future to the Company's share capital, without preferential subscription rights (25th, 26th and 27th resolutions)

The purpose of the **25th and 26th resolutions** is to ask you to replace the existing delegations allowing the Management Board **to issue, by means of public offering or private placement, common shares or securities giving access immediately or in the future to a portion of the Company's share capital, without preferential subscription rights,** by new delegations of authority of the same kind, on the following terms. The preferential subscription rights attached to the shares and securities issued under to these delegations would be canceled and the Management Board could grant shareholders a priority right to subscribe; this subscription priority would not give rise to the creation of transferable rights but could be exercised both on a revocable and irrevocable basis.

As indicated above, the cancellation of shareholders' preferential subscription rights generally gives the Board more flexibility to act on market opportunities. In particular, the cancellation of preferential subscription rights allows for transactions to be carried out as private placements, i.e. offers made exclusively to persons providing portfolio management services to third parties, qualified investors, or small groups of investors, provided that these investors are acting on their own account. This type of investment, which involves a more simple procedure than that of a public offering, would allow the Company to be more reactive to market opportunities and raise funds quickly, if necessary.

For this purpose, and in accordance with the recommendation issued by the French Financial Markets Authority (AMF) on July 6, 2009, two separate resolutions are submitted for your approval so that you can cast two separate votes: one on public offerings (25th resolution) and one on private placements (26th resolution).

Subject to the adoption of the 22nd resolution of this general meeting, we ask that you cap the maximum par value of public offerings that may be decided by the Management Board without preferential subscription rights under the 25th resolution at €14 million, or, if this resolution is not adopted, at €140 million (i.e. approximately 10% of the share capital after the share capital reduction, or of the share capital amount as at April 7, 2017), it being specified that this amount will be increased by the par value of the common Company shares that may be issued in connection with adjustments made to maintain the rights of holders of securities giving access to capital, in accordance with the laws and regulations and any applicable contractual provisions.

You are further asked to authorize the Management Board to carry out capital transactions by private placement in accordance with the 26th resolution in an amount not to exceed 10% of the amount of the share capital as at the date of the transaction.

It is specified that the amount of €14 million or €140 million would constitute the aggregate par value of the capital increases without preferential subscription rights to be carried out by the Company under the 25th, 26th and 28th resolutions, subject to the approval thereof, and/or, as necessary, any other resolutions having the same purpose and that may replace them while the resolutions concerned are still valid. Moreover, the par value of the transactions that would be carried out under the 25th and 26th resolutions would be deducted from the overall cap the applicable overall cap (either €70 million subject to the adoption of the 22nd resolution of this general meeting, or €700 million if the resolution is not adopted stipulated in the 29th resolution of this general meeting, subject to the approval thereof, or from the amount of the cap that may be stipulated in any other resolution having the same purpose and that may replace it while the delegation granted by the 25th and 26th resolutions are still valid.

The maximum par value of debt security issues giving access to capital that may be carried out under the 25th and 26th resolutions would be capped at €1 billion and would also be deducted from the overall cap stipulated in the 29th of this general meeting, subject to the approval thereof, or from the amount of the cap that may be stipulated in any other resolution having the same purpose and that may replace it while it is still valid.

The issue price for the securities would be set in accordance with laws and regulations prevailing at the time of the issue (i.e. at the date of the general meeting, an issue price at least equal to the weighted average of the share price over the last three trading days preceding the date on which the issue price was set, less any discount up to a maximum of 5%). However, under the 27th resolution submitted for your approval, and subject to the adoption thereof, the Management Board may set the issue price of the shares and securities issued under the 25th and 26th resolutions and/or under any other resolutions having the same purpose and that may replace them while the delegation concerned is still valid at an amount not to exceed 10% of the Company's share capital per 12-month period, in accordance with the procedures stipulated in this 27th resolution.

Each of these two delegations of authority to increase the Company's share capital without preferential subscription rights would be granted for a period of 26 months from the general meeting. The authorization granted to the Management Board to set the issue price of the shares for the capital increases as set in the 25th and 26th resolutions would be granted for the same period as those delegations of authority, namely 26 months.

### Authorization to be granted to the Management Board to increase the number of shares or other securities to be issued in the event of a capital increase with or without preferential subscription rights (28th resolution)

In addition to the 24th, 25th and 26th resolutions presented above, you are asked by the 28th resolution to grant the Management Board the authority to increase the number of shares or securities to be issued in the event of an increase in the Company's share capital with or without preferential subscription rights, within the deadlines and limits stipulated by the regulations applicable on the day of the issue (i.e. at the date of the general meeting, within 30 days of the close of the initial issue subscription and up to a limit of 15% of the initial issue) and at the same price as that chosen for the initial issue.

This delegation of authority would make it possible to increase, in the event of excess demand for subscriptions for capital increases with or without preferential subscription rights, the number of securities to be issued under the conditions and within the limits set forth by law, namely within the limit of 15% of the initial issue, and in any event not to exceed the cap applicable to this initial issue resulting from the 24th, 25th and 26th resolutions above, or any other resolutions having the same purpose and that may replace those resolutions while the delegation concerned is still valid.

The par value of any increase in the Company's share capital carried out under this delegation would be deducted from the overall cap stipulated in the 29th resolution of this general meeting, subject to the approval thereof, or from the amount of the cap that may be stipulated in any other resolution having the same purpose and that may replace the 29th resolution while the 29th resolution is still valid.

This authorization to the Management Board to decide to issue additional shares or securities in the event of a capital increase with or without preferential subscription rights, in application of the 24th, 25th and 26th resolutions, would be granted for a period identical to the period of these delegations of authority, namely 26 months.

We inform you that all new delegations granted under the 24th to 28th resolutions comply with usual practices in this regard in terms of amount, of cap and of period and, subject to their approval, they will replace the delegations with the same purpose previously granted by the general meeting of May 27, 2016. The Statutory Auditors' reports required by laws or regulations relating to these delegations of authority have been made available to shareholders within the legal deadlines.

In accordance with laws and regulations, in the event that the Management Board uses one or more delegations provided for under the terms of the 24th to 28th resolutions, your Management Board will report to you, at the next ordinary general meeting following the use of said delegation(s), on the final terms and conditions of the transaction and the impact on the position of holders of equity securities or other securities giving access to capital in the event of cancellation of preferential subscription rights.

Lastly, you are asked to grant the Management Board the appropriate powers to implement these delegations, with the ability to further delegate such powers as provided by law.

If all of these proposals meet with your approval, we ask that you approve the resolutions relating thereto.

## 29th resolution

### Overall limits on the amount of issues carried out under the 24th to 28th resolution

Under the terms of this 29th resolution, in addition to the individual caps specified in each of the 24th to 28th resolutions, issues that may be decided in accordance with said resolutions would be capped based on the total limits described below:

- the aggregate maximum par value of share issues that could be carried out directly or upon presentation of securities that may or may not be debt securities, may not exceed:
  - either the amount of €70 million subject to the adoption of the 22nd resolution of this general meeting, or the amount of €700 million if the 22nd resolution is not adopted; and
  - the aggregate maximum par value of the issue of debt securities that may be decided would be €1 billion.

## 30th resolution

### Powers to carry out legal formalities

Lastly, we ask you to grant the powers to carry out any formalities prescribed by law following this general meeting.

We believe that the resolutions that will be submitted for your vote are consistent with your Company's interests and conducive to the development of your Group's operations.

We therefore ask that you vote in favor of these resolutions, and thank you for the trust you have always shown us.

The Management Board

# 7.3 DRAFT RESOLUTIONS

## 7.3.1 RESOLUTIONS WITHIN THE AUTHORITY OF THE ORDINARY GENERAL MEETING

### First resolution

**Approval of the parent company financial statements for the year ended December 31, 2016**

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Management Board's management report, the Supervisory Board's observations regarding the Management Board's report and the parent company financial statements, and the Statutory Auditors' report on the parent company financial statements for the year ended December 31, 2016, approves the parent company financial statements for the year ended December 31, 2016 as presented and comprising the statement of financial position, income statement and notes, showing net income of €15,712,964.34, as well as the transactions reflected in these financial statements and summarized in these reports.

In accordance with the provisions of Article 223 *quater* of the French Tax Code, the general meeting duly notes that the aggregate amount of expenses and charges referred to in Article 39 paragraph 4 of said Tax Code in respect of the year ended December 31, 2016 is €21,033 and approves it.

### Second resolution

**Approval of the consolidated financial statements for the year ended December 31, 2016**

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Management Board's management report, the Supervisory Board's observations regarding the Management Board's report and the consolidated financial statements, and the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2016, approves the consolidated financial statements for the year ended December 31, 2016 as presented and comprising the consolidated statement of financial position, the consolidated income statement and notes drawn up in accordance with Article L. 233-16 of the French Commercial Code, showing net income attributable to owners of the parent company of €93,669 thousand. The general meeting also approves the transactions reflected in these financial statements and summarized in these reports.

### Third resolution

**Appropriation of net income for the financial year ended December 31, 2016**

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Management Board's report and the Supervisory Board's observations regarding the Management Board's report, decides to allocate the net income for the financial year ended December 31, 2016, amounting to €15,712,964.34, to accumulated losses, taking the balance of that item from €107,246,354.57 to €91,533,390.23.

In accordance with Article 243 bis of the French, it should be noted that, no dividend was paid in respect of the financial years ended December 31, 2015, 2014 and 2013.

### Fourth resolution

**Special dividend in an amount to be deducted from share, merger and contribution premiums**

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Management Board's management report and the Statutory Auditors' report on the parent company financial statements for the year ended December 31, 2016, decides to distribute a special cash dividend to be deducted from share, merger and contribution premiums for a total amount of €51,861,808.13, i.e. €0.37 per share, based on capital composed of 140,167,049 shares as at April 7, 2017. The right to the special dividend will have an ex-dividend date of May 29, 2017, and the payment date is set at May 31, 2017. It is specified that should the Company hold any of its own shares when these rights are paid, the unpaid amounts corresponding to the rights attaching to these shares would be allocated to accumulated losses.

The general meeting grants as needed full powers to the Management Board to determine the terms and conditions of this dividend payment, implement the special dividend, deduct the amount from share, merger and contribution premiums, and, more generally, do whatever is necessary and take all appropriate measures to ensure the successful completion of the transactions that are the subject of this resolution.

Pursuant to the provisions of paragraph 1 of Article 112 of the French Tax Code, the amounts distributed to shareholders as reimbursement of contributions or additional paid-in capital are not considered taxable distributed income, provided that all profits and reserves other than the statutory reserve have already been distributed. Under these provisions, the amount distributed is reimbursement of contribution in full.

### Fifth resolution

**Approval of regulated agreements and commitments with related parties referred to in Articles L. 225-86 *et seq.* of the French Commercial Code**

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Statutory Auditors' special report on the agreements and commitments referred to in Articles L. 225-86 *et seq.* of the French Commercial Code, approves the said report in all its terms and provisions, duly notes the absence of any regulated agreements or commitments with related parties entered into during the financial year ended December 31, 2016 and duly notes the information relating to regulated agreements and commitments with related parties entered into during prior financial years, which were previously authorized and approved by the general meeting and remained in force during the past financial year, as referred to in the report and as re-examined by the Supervisory Board in its meeting of March 9, 2016 in accordance with the provisions of Article L. 225-88-1 of the French Commercial Code.

## Sixth resolution

### Reappointment of Philippe Audouin as a member of the Supervisory Board

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Management Board's report and the Supervisory Board's observations, noting that the term of office of Philippe Audouin as a member of the Supervisory Board expires today, decides to renew his term of office as a member of the Supervisory Board for a four-year term, i.e. until the end of the general meeting called in 2021 to approve the financial statements for the year ended December 31, 2020.

## Seventh resolution

### Reappointment of Florence Noblot as a member of the Supervisory Board

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Management Board's report and the Supervisory Board's observations, noting that the term of office of Florence Noblot as a member of the Supervisory Board expires today, decides to renew her term of office as a member of the Supervisory Board for a four-year term, i.e. until the end of the general meeting called in 2021 to approve the financial statements for the year ended December 31, 2020.

## Eighth resolution

### Ratification of the co-optation of Magali Chesse as a member of the Supervisory Board

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Management Board's report and the Supervisory Board's observations, ratifies the co-optation of Magali Chesse as a member of the Supervisory Board, decided by the Supervisory Board at its meeting of June 1, 2016, to replace Virginie Morgon, who had resigned, for the remainder of her predecessor's term of office, i.e. until the end of the general meeting called in 2019 to approve the financial statements for the year ended December 31, 2018.

## Ninth resolution

### Appointment of Anne-Laure Commault as a member of the Supervisory Board

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Management Board's report and the Supervisory Board's observations, decides to appoint Anne-Laure Commault as a new member of the Supervisory Board for a four-year term, i.e. until the end of the general meeting called in 2021 to approve the financial statements for the year ended December 31, 2020.

## Tenth resolution

### Approval of the 2017 compensation policy for the Chairman of the Supervisory Board

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Supervisory Board's report attached to the Management Report, in application of Articles L. 225-82-2 and R. 225-56-1 of the French Commercial Code, approves the principles and criteria for determining, allocating and awarding the fixed, variable and special components of the total compensation and benefits in kind applying to the Chairman of the Supervisory Board, as described in the report attached to the management report, presented in chapter 4 "Corporate Governance," section 4.5. "Report on compensation and benefits granted to the members of the Management Board and the Supervisory Board" in the Company's 2016 registration document and referred to in the Management Board's report.

## Eleventh resolution

### Approval of the 2017 compensation policy for the members of the Supervisory Board

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Supervisory Board's report attached to the Management Report, in application of Articles L. 225-82-2 and R. 225-56-1 of the French Commercial Code, approves the principles and criteria for determining, allocating and awarding the fixed, variable and special components of the total compensation and benefits in kind applying to the members of the Supervisory Board, as described in the report attached to the management report, presented in chapter 4 "Corporate Governance," section 4.5. "Report on compensation and benefits granted to the members of the Management Board and the Supervisory Board" in the Company's 2016 registration document and referred to in the Management Board's report.

## Twelfth resolution

### Approval of the 2017 compensation policy for the Chairman of the Management Board

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Supervisory Board's report attached to the Management Report, in application of Articles L. 225-82-2 and R. 225-56-1 of the French Commercial Code, approves the principles and criteria for determining, allocating and awarding the fixed, variable and special components of the total compensation and benefits in kind applying to the Chairman of the Management Board, as described in the report attached to the Management Report, presented in chapter 4 "Corporate Governance," section 4.5. "Report on compensation and benefits of members of the Management Board and of the Supervisory Board" in the Company's 2016 registration document and referred to in the Management Board's report.

## Thirteenth resolution

### Approval of the 2017 compensation policy for the members of the Management Board

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Supervisory Board's report attached to the Management Report, in application of Articles L. 225-82-2 and R. 225-56-1 of the French Commercial Code, approves the principles and criteria for determining, allocating and awarding the fixed, variable and special components of the total compensation and benefits in kind applying to the members of the Management Board, as described in the report attached to the Management Report, presented in chapter 4 "Corporate Governance," section 4.5. "Report on compensation and benefits of members of the Management Board and of the Supervisory Board" in the Company's 2016 registration document and referred to in the Management Board's report.

## Fourteenth resolution

### Opinion on the compensation components due or paid to Thierry Morin, Chairman of the Supervisory Board, in respect of the 2016 financial year

The general meeting, consulted in accordance with the recommendation contained in paragraph 26.2 of the AFEP-MEDEF Code as revised in November 2016, voting with the quorum and majority required for ordinary general meetings, issues a favorable opinion on the compensation components due or paid to Thierry Morin in his capacity as Chairman of the Supervisory Board for the financial year ended December 31, 2016, as presented in chapter 4 "Corporate Governance," section 4.5 "Report on compensation and benefits granted to the members of the Management Board and the Supervisory Board" in the Company's 2016 registration document.

## Fifteenth resolution

### Opinion on the compensation components due or paid to Xavier Martiré, Chairman of the Management Board, in respect of the 2016 financial year

The general meeting, consulted in accordance with the recommendation contained in paragraph 26.2 of the AFEP-MEDEF Code as revised in November 2016, voting with the quorum and majority required for ordinary general meetings, issues a favorable opinion on the compensation components due or paid to Xavier Martiré in his capacity as Chairman of the Management Board for the financial year ended December 31, 2016, as presented in chapter 4 "Corporate Governance," section 4.5. "Report on compensation and benefits granted to the members of the Management Board and the Supervisory Board" in the Company's 2016 registration document.

## Sixteenth resolution

### Opinion on the compensation components due or paid to members of the Management Board (Louis Guyot and Matthieu Lecharny) in respect of the 2016 financial year

The general meeting, consulted in accordance with the recommendation contained in paragraph 26.2 of the AFEP-MEDEF Code as revised in November 2016, voting with the quorum and majority required for ordinary general meetings, issues a favorable opinion on the compensation components due or paid to Louis Guyot and Matthieu Lecharny in their capacity as members of the Management Board for the financial year ended December 31, 2016, as presented in chapter 4 "Corporate Governance," section 4.5. "Report on compensation and benefits granted to the members of the Management Board and the Supervisory Board" in the Company's 2016 registration document.

## Seventeenth resolution

### Ratification of the transfer of the Company's registered office

The general meeting, voting with the quorum and majority required for ordinary general meetings, having reviewed the Management Board's report and the Supervisory Board's observations, and in accordance with Article L. 225-65 of the French Commercial Code, ratifies the Supervisory Board's decision of October 27, 2016 to transfer the Company's registered office to 5, boulevard Louis Loucheur, 92210 Saint-Cloud, France, effective November 28, 2016.

## Eighteenth resolution

### Authorization to be granted to the Management Board to trade in the Company's shares

The general meeting, voting with the quorum and majority required for ordinary general meetings, and having reviewed the Management Board's report and the Supervisory Board's observations, authorizes the Management Board, with the ability to further delegate such authority, in accordance with the provisions of Articles L. 225.209 *et seq.* of the French Commercial Code, regulation (EU) No. 596/2014 of April 16, 2014 on market abuse (the **market abuse regulation** or "**MAR**"), the related regulations of the European Commission, and Articles 241-1 *et seq.* of the AMF general regulations, to buy back the Company's shares directly or through a representative, on one or more occasions, at its sole discretion, and within the limits set forth below.

Shares may be purchased for any purpose permitted by the MAR and by law or that might be authorized by law or French or European regulations or the AMF, and in particular for the following purposes:

- to increase share liquidity in connection with a liquidity agreement consistent with the Code of Conduct issued by the French Financial Market Professional Association (AMAFI), using an investment services provider as intermediary;
- to honor obligations deriving from the exercise of rights attaching to securities giving the right by conversion, exercise, redemption, exchange or any other means to the allocation of shares in the Company in compliance with applicable regulations;
- to honor obligations related to stock option plans, the grant of bonus shares to employees and corporate officers, the grant or transfer of shares to employees as part of the Company's expansion-related profit sharing plan, employee share ownership or company savings plans, and any other forms of share grant, allotment, sale or transfer to employees and corporate officers of the Company or Group, and to carry out

any hedging transactions in respect of these transactions, as provided by law;

- to cancel any shares acquired in accordance with the authorization granted under the terms of the 21st resolution of the Company's general meeting voting as an extraordinary meeting on May 27, 2016;
- to hold all or part of the shares acquired for subsequent reintroduction to the market or for use in payment for potential acquisitions in accordance with recognized market practices and applicable regulations; and
- more generally, to carry out any other transaction that is permitted or that might be authorized in the future by laws or regulations in force or by the AMF.

These shares may be purchased, sold, transferred or exchanged at any time, excluding periods of tender offers for the Company's share capital (except with prior authorization from the General Meeting), and by all available means, on the market, off-market, over the counter or through the use of options, and, if applicable, by any third parties acting on behalf of the Company, in accordance with the provisions of the last paragraph of Article L. 225-206 of the French Commercial Code.

The purchases, sales and transfers described above may be carried out by all means compatible with prevailing laws and regulations, including through the use of financial derivative instruments and the purchase or sale of share blocks.

The general meeting sets the maximum purchase price at €30 per share (excluding acquisition-related costs), it being specified that in the case of capital transactions, particularly capital increases by issuing shares with preferential subscription rights, or by capitalization of reserves, profits or additional paid-in capital followed by the creation and grant of bonus shares, stock split or reverse stock split, the price indicated above may be adjusted accordingly by the Management Board. The aggregate maximum amount allocated to the share buyback program may not exceed €350 million.

The number of shares that may be purchased over the course of the program may not exceed 10% of the total number of shares composing the capital, as at April 7, 2017, of 140,167,049 shares with a par value of €10 each, i.e. 14,016,704 shares as at April 7, 2017, it being specified that (i) this limit applies to an amount of the Company's share capital which will be adjusted, as necessary, to take into account any transactions affecting it subsequently to this general meeting, (ii) when shares are repurchased to increase the liquidity of the Company's shares, under the terms set forth above, the number of shares used to calculate the aforementioned 10% limit is equal to the number of shares purchased, minus the number of shares resold within the term of this authorization, in accordance with the provisions of Article L. 225-209 paragraph 2 of the French Commercial Code, and (iii) the number of treasury shares shall be taken into account for calculating this limit, such that the Company directly or indirectly holds up to 10% of the number of shares forming its share capital in accordance with the provisions of Article L. 225-210 of the French Commercial Code.

This authorization is granted for a maximum period of 18 months as from this general meeting, and the adoption of this resolution terminates with immediate effect the authorization granted by the ordinary general meeting of shareholders dated May 27, 2016 in its 11th resolution.

The general meeting grants full powers to the Management Board, with the ability to further delegate such powers, to implement this authorization, specify its terms and approve its conditions if necessary, place any share trading orders in any market, enter into any agreement, prepare any documentation, carry out any formalities and declarations with any bodies, allocate or reallocate the shares purchased to the various purposes pursued in accordance with applicable laws and regulations, and more generally take all necessary and appropriate measures to execute the decisions made under this resolution.

The general meeting duly notes that in the event that the Management Board uses this authorization, the Management Board shall make available the information regarding the carrying out of this buyback program to the shareholders, in the report referred to in Article L. 225-100 of the French Commercial Code and in accordance with the provisions of Article L. 225-211 of said Code.

## 7.3.2 RESOLUTIONS WITHIN THE AUTHORITY OF THE EXTRAORDINARY GENERAL MEETING

### Nineteenth resolution

**Amendments to Article 17 *"Composition of the Supervisory Board"* of the Company's articles of incorporation to include the means of appointing employee representatives on the Supervisory Board**

The general meeting, voting with the quorum and majority required for extraordinary general meetings, and having reviewed the Management Board's report and the Supervisory Board's observations, and having received the opinion of the Company's Group Committee, and in application of Article L. 225-79-2 of the French Commercial Code, decides to amend Article 17 *"Composition of the Supervisory Board"* of the Company's articles of incorporation by inserting a clause defining the means of appointing the employee representative to the Supervisory Board.

In view of the above, the following paragraph VII is added to Article 17 *"Composition of the Supervisory Board"* of the articles of incorporation:

*"VII - The Supervisory Board shall also comprise, by virtue of Article L. 225-79-2 of the French Commercial Code, one or two members representing the Group's employees, appointed by the Group Committee provided for in Article L. 233-1 of the French Labor Code.*

*In the event that the number of the members of the Supervisory Board is more than 12, a second member representing the Group employees* *shall be designated by the Group Committee within six months of the decision of the Supervisory Board or of the general meeting at the end of which the number of Board members surpassed twelve.*

*The number of Board members to be used for determining the number of members representing employees to be appointed is that pertaining as at the date of appointment of the representatives to the Supervisory Board. Neither the employees elected by virtue of Article L. 225-79 of the French Commercial Code nor the shareholder employees appointed as Board members in application of Article 17.VI of these articles of incorporation are to be counted for these purposes.*

*The reduction of the number of Supervisory Board members appointed by the ordinary general meeting to 12 or fewer shall have no effect on the term of office of each of employee representatives on the Board, which shall expire at the end of its normal term.*

*The employment contract(s) of the employee representative(s) must predate their appointment to the Supervisory Board by at least two (2) years and must correspond to (a) real job(s). In the event of a vacancy, the replacement shall be appointed on the same conditions.*

*The Group Committee shall appoint the member(s) of the Supervisory Board representing employees by simple majority of its members present. In the event of a tied vote on two candidates, and if two candidates cannot be appointed as members of the Supervisory Board representing the employees because of the limit referred to above, the candidate with the greater number of years of service shall be appointed.*

*A member of the Supervisory Board representing the employees shall not be taken into account in determining the minimum or maximum number of members of the Supervisory Board referred to in paragraph I of this Article 17 of the articles of incorporation.*

*The term of office of a member of the Supervisory Board representing the employees shall be effective as soon as such member is appointed. A member of the Supervisory Board representing the employees shall be appointed for a term of four years, expiring at the end of the Group Committee meeting resolving on renewal or replacement in the year in which the term of office expires.*

*However, such member's term of office shall end ipso jure and with immediate effect if such person ceases to be an employee of the Company or one of its direct or indirect subsidiaries.*

*In the event of a vacancy for any reason on the seat of an employee representative on the Board, the vacant seat shall be filled in accordance with the conditions set by Articles L. 225-34 and L. 225-80 of the French Commercial Code and the person appointed as replacement shall exercise their duties for the remainder of their predecessor's term of office. Until the date of replacement of the member representing the employees, the Supervisory Board may meet and duly deliberate.*

*Supervisory Board member(s) representing the employees need not hold any minimum number of shares.*

*If at the end of two consecutive financial years the provisions of Article L. 225-79-2 of the French Commercial Code are no longer applicable to the Company, the term of office of the member representing the employees shall end at the end of the Supervisory Board meeting that confirms the Company's having left the scope of application of the aforementioned Article."*

All other terms of the Company's articles of incorporation remain unchanged.

## Twentieth resolution

### Amendment to Article 4 "Registered office" of the Company's articles of incorporation

The general meeting, voting with the quorum and majority required for extraordinary general meetings, and having reviewed the Management Board's report and the Supervisory Board's observations, subject to the condition precedent of the adoption of the 17th resolution submitted to the vote of this general meeting, decides to amend Article 4 *"Registered Office"* of the Company's articles of incorporation as follows in order to include the ratification of the transfer of the Group's headquarters by this general meeting, and bring its stipulations into line with the provisions of Law No. 2016-1691 of December 9, 2016 which came into force on December 11, 2016, authorizing the Supervisory Board to transfer the Company's registered office to anywhere in France subject to ratification by the ordinary general meeting of shareholders:

**Article 4: *"Registered office"***

"The registered office is at 5, boulevard Louis Loucheur, 92210 Saint-Cloud, France.

It may be transferred to any other place in France by decision of the Supervisory Board, which is empowered to amend the articles of incorporation accordingly, subject to ratification by the next ordinary general meeting of shareholders."

## Twenty-first resolution

### Authorization to be granted to the Supervisory Board to make the necessary amendments to the Company's articles of incorporation under the terms of Article L. 225-65 of the French Commercial Code

The general meeting, voting with the quorum and majority required for extraordinary general meetings, and having reviewed the Management Board's report and the Supervisory Board's observations, delegates its powers to the Supervisory Board, in application of Article L. 225-65 of the French Commercial Code, to amend the Company's articles of incorporation in order to bring them into line with the legal and regulatory provisions, subject to ratification of these amendments by the next extraordinary general meeting.

## Twenty-second resolution

### Reduction in share capital for reasons other than losses by reducing the par value of the shares and allocating the amount of the reduction to the "Share, merger and contribution premiums" account

The general meeting, voting with the quorum and majority required for extraordinary general meetings, and having reviewed the Management Board's management report, the Supervisory Board's observations and the Statutory Auditors' report, and in accordance with the provisions of Articles L. 225-204 *et seq.* of the French Commercial Code, decides to reduce the share capital by €1,261,503,441, taking it from €1,401,670,490 to €140,167,049 by reducing the par value of the shares from €10 to €1.

The sum of €1,261,503,441, corresponding to the amount of the capital reduction, will be allocated to a sub-account of the "Share, merger and contribution premiums" account. This sum may not be distributed but could be recapitalized at a later date or used to amortize corporate losses.

In accordance with the provisions of Articles L. 225-205 and R. 225-152 of the French Commercial Code, the capital reduction may only be carried out (i) after the expiry of a 20-day period as from the date of the filing of this resolution with the clerk's office at the Nanterre Commercial Court, if no objections are raised, or (ii) after the Court has ruled in its lower court on any objections and deemed that these objections were unfounded and rejected them, or (iii) if such objections were raised, after execution of the Court's decision ordering guarantees to be provided and debts repaid.

As a result of the foregoing, the general meeting:

- duly notes that the capital reduction that is the subject of this resolution will not result in any adjustment of beneficiaries' entitlements to Company performance shares;
- delegates full authority to the Management Board, with the ability to further delegate such authority as provided by law, for the purposes of recording the permanent nature of the capital reduction and the new amount of the resulting share capital and share par value, to carry out all actions, formalities and declarations and, more generally, take all necessary and appropriate measures, directly or through an intermediary, to implement this decision.

## Twenty-third resolution

### Amendment to Article 6 of the Company's articles of association, *"Share capital"*

Subject to the condition precedent of the aforementioned 22nd resolution and the completion of the reduction in share capital, the general meeting, voting with the quorum and majority required for extraordinary general meetings, decides to amend Article 6 "*Share capital*" of the Company's articles of incorporation:

**Article 6: *"Share Capital"***

"Share capital is set at the sum of one hundred forty million one hundred sixty-seven thousand forty-nine euros (€140,167,049). It is divided into one hundred forty million one hundred sixty-seven thousand forty-nine (140,167,049) shares with a par value of €1 each, fully paid up and all in the same class."

## Twenty-fourth resolution

### Delegation of authority to be granted to the Management Board to issue shares or securities giving access immediately or in the future to the Company's share capital, with preferential subscription rights

The general meeting, voting with the quorum and majority required for extraordinary general meetings, and having reviewed the Management Board's report, the Supervisory Board's observations, and the Statutory Auditors' report, and in accordance with the provisions of the French Commercial Code set forth in Articles L. 225-129 *et seq.* and L. 228-91 *et seq.*, and particularly Articles L. 225-129-2 and L. 228-92 of said Code:

1. Delegates authority to the Management Board for a period of 26 months as from this general meeting, with the ability to further delegate such authority as provided by law and the Company's articles of incorporation, to increase the Company's share capital on one or more occasions in the amount and on the dates it deems appropriate via issues in euros or in foreign currencies to increase the Company's share capital on one or more occasions in the amount and on the dates it deems appropriate via issues in euros or in foreign currencies or currency unit pegged to several currencies in France and/or another country, with preferential subscription rights in France and/or another country, with preferential subscription rights, of (i) common shares and/or (ii) any securities issued with or without payment, giving access by any means, immediately and/or in the future, to new and/or existing capital shares, it being specified that the subscription of these shares and other securities may be completed either in cash or by offsetting against liquid and payable debts; it is hereby specified that the issue of any securities giving access to preferred shares is excluded.
2. Decides that under this delegation, the securities that may be issued may consist in particular of debt securities governed by the provisions of Article L. 228-91 *et seq.* of the French Commercial Code.
3. Decides to set the following limits of authorized issue amounts should this delegation of authority be used by the Management Board:
   - the maximum par value of the capital increases that may be made immediately or in the future under this delegation of authority may not exceed the cap of either the amount of €70 million subject to the adoption of the 22nd resolution of this general meeting, or €700 million if the 22nd resolution of this general meeting is not adopted, or the equivalent of one of these amounts (i.e. approximately 50% of the share as it will stand after the reduction in share capital or as at April 7, 2017), it being specified that:
     - this amount will be increased by the par value of the capital increases that may be carried out pursuant to the issue of common shares to maintain the rights of holders of securities and other rights giving access to the Company's capital, in accordance with the law and, as necessary, contractual stipulations,
     - any capital increase carried out under this delegation will be deducted from the overall cap of either the amount of €70 million subject to the adoption of the 22nd resolution of this general meeting, or €700 million if the 22nd resolution of this general meeting is not adopted, as stipulated in the 29th resolution of this general meeting, subject to the approval thereof, or from the amount of the cap set by a similar resolution that may succeed it while this delegation is valid;
   - the maximum par value of the issues of debt or similar securities giving access to the Company's share capital that

may be carried out under this delegation of authority may not exceed the cap of €1 billion or the equivalent of this amount in the event of an issue in another currency, it being specified that any issue carried out under this delegation will be deducted from the total cap set in the 29th resolution of this general meeting, subject to the approval thereof, or the amount that would be set by any other resolution of the same nature that may replace it while this delegation is valid.

4. Issues of Company share subscription warrants may be made through a subscription offer as well as by a bonus allotment to the owners of existing shares. In the event of a bonus allotment of share subscription warrants, the Management Board shall have the option to decide that allotment rights forming odd lots shall not be transferable and that the corresponding securities shall be sold.
5. Duly notes that in the event of an issue of securities giving access to new Company shares, this delegation requires that the holders of these issued securities waive, in favor of the beneficiaries of the issued securities, their preferential subscription rights to shares to which said issued securities will give the right immediately or in the future.
6. In the event that the Management Board uses this delegation of authority, the general meeting:
   - decides that the issue(s) shall be reserved by preference for shareholders who may subscribe to the fixed number of shares (irrevocable subscription);
   - nevertheless confers to the Management Board the authority to grant shareholders the right to subscribe for excess securities in addition to those for which they may subscribe as of right, proportionately to the subscription rights that they hold and, in any event, within the limit of their request;
   - decides that if the subscriptions for the fixed number of shares and, where applicable, subscriptions for an excess number of shares (revocable subscriptions), have not covered the entire issue of shares or securities as defined above, the Management Board may use, subject to the conditions stipulated by law and in the order that the Board shall determine, one and/or any of the options below provided for in Article L. 225-134 of the French Commercial Code:
     - limit the amount of the capital increase to the amount of the subscriptions received provided this amount is at least three-quarters of the planned increase,
     - freely apportion all or part of the unsubscribed issued securities,
     - offer the public all or some of the unsubscribed securities on the French and/or international markets.
7. Grants full powers to the Management Board, with the ability to further delegate such powers as provided by law and the Company's articles of incorporation, to proceed with the aforementioned issues according to the procedures that it will finalize in accordance with the law, and in particular:
   - finalize the terms and conditions of the capital increase(s) and/or issue(s);
   - determine the issue dates and terms and conditions of the issues, as well as the form and characteristics of the securities to be issued;
   - determine the number of shares and/or securities to be issued, as well as their terms and conditions and in particular their issue price, if necessary, the amount of the additional paid-in capital, the procedures for their payment in full and their ex-dividend date (retroactive, where applicable);
   - determine the terms under which the Company may purchase or exchange, as necessary, and at any time or during specified periods, the securities issued or to be issued;
   - suspend, where applicable, the exercise of the rights attached to these securities within a period of no more than three months in the cases and limits provided by applicable laws and regulations;
   - determine the terms and conditions to maintain, as necessary, the rights of holders of securities giving access to capital in accordance with the legal, regulatory and, where applicable, contractual provisions;
   - at its sole discretion, charge the costs of any issue against the related premiums and deduct from the premiums the amount necessary to increase the statutory reserve to 10% of the Company's new capital after each increase;
   - more generally, take all necessary measures, enter into any agreements, call for any authorizations, carry out any legal formalities and do whatever is necessary to complete or postpone the planned issues, and in particular, recognize the capital increase(s) resulting from any issue carried out under this delegation, modify the articles of incorporation accordingly, and request the listing of any securities issued under this delegation.
8. Decides that the Management Board may not, except with prior authorization from the general meeting, use this delegation from the time a tender offer for Elis securities is lodged by a third party until the end of the offer period.

Adoption of this resolution terminates, with immediate effect, the authorization previously granted to the Management Board by the combined general meeting of shareholders of May 27, 2016 under the terms of its 13th resolution.

## Twenty-fifth resolution

### Delegation of authority to be granted to the Management Board to issue shares and/or securities giving access immediately or in future to the Company's capital, without preferential subscription rights, through a public offering or as part of a public exchange offer, with a priority subscription option for shareholders

The general meeting, voting with the quorum and majority required for extraordinary general meetings, and having reviewed the Management Board's management report, the Supervisory Board's observations, and the Statutory Auditors' report, and having duly noted that the share capital has been paid up in full, and in accordance with Articles L. 225-129, L. 225-129-2, L. 225-129-4, L. 225-135, L. 225-136 and L. 225-148 of the French Commercial

Code, as well as the provisions of Articles L. 228-92 and L. 228-93 of said Code:

1. Delegates authority to the Management Board, for a period of 26 months as from this general meeting, to increase the Company's share capital on one or more occasions, at its sole discretion, by means of a public offering, in the amount and on the dates it deems appropriate, by issuing in both France and abroad, in euros, in foreign currencies or currency unit pegged to several currencies, without preferential subscription rights, (i) common Company shares, and/or (ii) securities giving access by any means, immediately or in the future, to a portion of the Company's capital, and/or in the future to the award of debt securities, it being specified that the subscription for these shares and securities may be completed either in cash or by offsetting against liquid and payable debts, or by the contribution to the Company of securities meeting the conditions stipulated in Article L. 225-148 of the French Commercial Code relating to a public exchange offer, or a similar transaction or one having the same effect abroad in accordance with applicable rules, initiated by the Company; it is hereby specified that the issue of any securities giving access to preferred shares is excluded.
2. Decides that the maximum par value of the capital increases that may be made, immediately or in the future, under this delegation may not exceed either the amount of €14 million subject to the adoption of the 22nd resolution of this general meeting, or €140 million if the 22nd resolution of this general meeting is not adopted, or the equivalent of one of these amounts in the event of an issue in another currency, it being specified that:
   - this amount constitutes the overall cap applying to all the Company's capital increases without preferential subscription rights to be carried out under this delegation and the delegations and authorizations granted by the 26th and 28th resolutions of the general meeting, subject to their being approved by this general meeting, and/or, as necessary, any such other resolutions on the same subject as might replace them during the period of validity of this delegation, the overall total amount of capital increases without preferential subscription rights resulting from the aforementioned delegations and authorizations therefore being deducted from one of the above cap;
   - this amount will be increased by the par value of common Company shares that may be issued in connection with adjustments made to maintain the rights of holders of securities giving access to capital, in accordance with applicable laws and regulations and, as necessary, contractual provisions, including if the shares are issued as consideration for securities tendered to the Company as part of a public exchange offer, or a similar transaction or one having the same effect abroad, in accordance with applicable rules, on securities meeting the conditions stipulated in Article L. 225-148 of the French Commercial Code;
   - that the par value of any capital increase carried out under this delegation will be deducted from the overall cap in the 29th resolution of this general meeting, subject to its adoption, or, where applicable, from the amount of the cap that may be set by a similar resolution that may replace it while this delegation is valid, either the amount of €70 million subject to the adoption of the 22nd resolution of this general meeting, or €700 million if not adopted;
   - decides that the maximum par value of the issues of debt securities giving access to the share capital that may be carried out under this delegation may not exceed a par value of €1 billion or the equivalent of this amount in the case of an issue in another currency mentioned in the 29th resolution of this general meeting, it being specified that the par value of the issues of debt securities giving access to capital that may be carried out in application of this delegation shall be deducted from the cap stipulated in the 29th resolution of this general meeting, subject to its adoption, or, where applicable, from the amount of the cap that may be set by a similar resolution that may replace it while this delegation is valid.
3. Decides to cancel preferential subscription rights attached to the shares and securities issued under this delegation, it being specified that the Management Board shall have the ability to grant shareholders, in application of the provisions of Article L. 225-135 paragraph 5 of the French Commercial Code, a priority right to subscribe for all or part of the issue, during a period and on terms that it shall determine in accordance with applicable legal and regulatory provisions, a period of subscription priority not giving rise to the creation of negotiable rights but such subscription priority right being exercisable, if applicable, on either a revocable or an irrevocable basis.
4. Duly notes and decides, as needed, that in the event of an issue of securities giving access to new Company shares, this delegation implies *ipso jure* that shareholders expressly waive their preferential right to subscribe for the shares to which the securities issued will give the right, in favor of the holders of the securities issued.
5. Decides that the amount of consideration paid or that may subsequently be paid to the Company for each of the shares issued or to be issued under this delegation shall be set in accordance with prevailing laws and regulations (i.e. as at the date of this general meeting, shall be at least equal to the weighted average of the share price over the three trading days preceding the date on which the issue price is set, less any discount provided for by applicable laws and regulations), after any necessary adjustment of this average in the event of a discrepancy regarding the ex-dividend dates. The issue price of

the securities giving access to capital will be such that the sum immediately received by the Company, increased, if necessary, by the sum that may be subsequently received by the Company, will be at least equal to the issue price referred to above, for each share issued as a result of the issue of these other securities.

6. Decides that if the subscriptions have not covered the entire issue, the Management Board may use one or both of the following powers, in the order that the Board shall determine, to:
   - limit the amount of the issue concerned to the amount of the subscriptions received provided these subscriptions make up at least three-quarters of the planned issue;
   - freely apportion all or part of the unsubscribed issued securities among the persons of its choosing;
   - offer the public all or some of the unsubscribed issued securities on the French or international markets.
7. Expressly authorizes the Management Board to make use of this delegation of authority, in whole or in part, as consideration for securities tendered to the Company as part of a public exchange offer initiated by the Company on securities issued by any company fulfilling the conditions stipulated in Article L. 225-148 of the French Commercial Code in accordance with the terms and conditions provided for in this resolution (with the exception of restrictions related to the issue price described in section 5 above).
8. Decides that the Management Board shall have full powers, with the ability to further delegate such powers to its Chairman or to one of its members as provided by law and the Company's articles of incorporation, to implement this delegation and in particular to:
   - finalize the terms and conditions of the capital increase(s) and/or issue(s);
   - determine the number of shares and/or securities to be issued, as well as their terms and conditions and in particular their issue price and the amount of the premium that may be required to be paid up in full at the time of the issue;
   - determine the issue dates and rules and the nature and form of the securities to be created, which may be subordinated or unsubordinated securities, perpetual or redeemable, and in particular, in the case of debt securities, determine their interest rate, term, fixed or variable redemption price, with or without premium, and the procedure for amortization;
   - determine the method of paying up the shares and/or securities issued;
   - determine, as applicable, the procedures for exercising the rights attached to the securities issued or to be issued and in particular finalize the date, even retroactively, from which the new shares will bear dividends, as well as any other conditions and procedures for carrying out the issue(s);
   - determine the terms under which the Company may purchase or exchange, as necessary, and at any time or during specified periods, the securities issued or to be issued;
   - provide for the ability to suspend, where necessary, the exercise of rights to these securities within a period not exceeding three months;
   - more particularly, in the case of issue of securities as consideration for securities contributed as part of a public exchange offer, or a similar transaction or one with the same effect abroad according to applicable rules, initiated by the Company:
     - finalize the list of securities contributed for exchange,
     - determine the issue conditions, swap ratio and, if applicable, the amount of the cash adjustment to be paid,
     - determine the terms and conditions of issue either as part of a public exchange offer, or a public exchange offer or public purchase offer as the primary offer with a public exchange offer or public purchase offer as a subsidiary offer, or an alternative public purchase or exchange offer;
   - determine the terms and conditions to maintain, as necessary, the rights of holders of securities giving access to capital in accordance with the legal, regulatory and, where applicable, contractual provisions;
   - at its sole discretion, charge the fees, expenses and rights of any capital increase(s) against the related premiums and, where applicable, deduct from the premiums the amount necessary to increase the statutory reserve to 10% of the Company's new capital after each increase;
   - in general, enter into any agreements, in particular to ensure the planned transaction(s) is/are successfully completed, take all necessary measures and carry out all legal formalities required for the financial servicing of the securities issued under this delegation as well as for the exercising of the rights attached thereto, recognize the completion of each capital increase, make the corresponding amendments to the articles of incorporation, and generally do all that is necessary.
9. Decides that the Management Board may not, except with prior authorization from the general meeting, use this delegation from the time a tender offer for Elis securities is lodged by a third party until the end of the offer period.

Adoption of this resolution terminates, with immediate effect, the authorization previously granted to the Management Board by the combined general meeting of shareholders of May 27, 2016 under the terms of its 14th resolution.

## Twenty-sixth resolution

**Delegation of authority to be granted to the Management Board to issue shares and/or securities giving access, immediately or in the future, to the Company's share capital, without preferential subscription rights, as part of an offering referred to in section II of Article L. 411-2 of the French Monetary and Financial Code**

The general meeting, voting with the quorum and majority required for extraordinary general meetings, and having reviewed the Management Board's report, the observations of the Supervisory Board and the Statutory Auditors' report, and having noted that the share capital has been paid up in full, acting in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code, particularly Articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-92, and in accordance with the provisions of Article 411-2-II of the French Monetary and Financial Code:

1. Delegates authority to the Management Board, for a period of 26 months as from this general meeting, to carry out, at its sole discretion, one or more capital increases as part of an offer referred to in paragraph II of Article L. 411-2 of the French Monetary and Financial Code up to a limit of 10% of the Company's share capital (as at the date of the transaction) per 12-month period, on one or more occasions, in the amount and on the dates it deems appropriate, by issuing in both France and abroad, in euros, foreign currencies or currency unit pegged to several currencies, without preferential subscription rights, (i) common Company shares, and/or (ii) securities giving access, immediately or in the future, to a portion of the Company's capital, existing or to be issued, and/or giving access to the allocation of Company debt securities, on the understanding that the subscription for these shares and securities may be completed either in cash or by offsetting against liquid and payable debts; it is hereby specified that the issue of any securities giving access to preferred shares is excluded.
2. The par value of any capital increase carried out in application of this delegation shall be deducted from the cap of either €14 million subject to the adoption of the 22nd resolution of this general meeting, or should this resolution not be adopted, the amount of €140 million provided in paragraph 2 of the 25th resolution of this general meeting applying to capital increases without preferential subscription rights, subject to its being approved, and/or, where applicable, from the amount of the cap that may be set by a similar resolution that may replace it, and from the overall cap of either €70 million subject to the adoption of the 22nd resolution of this general meeting, or should this resolution not be adopted, the amount of €700 million provided in the 29th resolution of this meeting, subject to its being approved by this general meeting, and/or, where applicable, from the amount of the cap that may be set by a similar resolution that may replace it while this delegation is valid.
3. Decides that the maximum par value of the issues of debt securities giving access to capital that may be carried out under this delegation may not exceed a par value of €1 billion or the equivalent of this amount in the case of an issue in another currency, it being specified that the par value of the issues of debt securities giving access to capital that may be carried out in application of this delegation will be deducted from the overall cap stipulated in the 29th resolution of this general meeting, subject to its approval, and/or, where applicable, from the amount of the cap that may be set by a similar resolution that may replace it while this delegation is valid.
4. Decides to cancel preferential subscription rights to the shares and securities issued by the Company under this resolution.
5. Duly notes and decides, as needed, that in the event of an issue of securities giving access to the Company's capital, this delegation implies *ipso jure* that shareholders expressly waive their preferential subscription rights to shares to which the securities issued will give the right, in favor of the holders of the securities issued.
6. Decides that the amount of consideration paid or that may subsequently be paid to the Company for each of the shares issued or to be issued under this delegation shall be set in accordance with laws and regulations in force (i.e. as at the date of this general meeting, shall be at least equal to the weighted average of the share price over the three trading days on Euronext Paris preceding the date on which the issue price is set, minus any discount provided for by applicable laws and regulations), after any necessary adjustment of this average in the event of a discrepancy regarding the ex-dividend dates. The issue price of the securities giving access to capital will be such that the sum immediately received by the Company, increased, if necessary, by the sum that may be subsequently received by the Company, will be at least equal to the issue price referred to above, for each share issued as a result of the issue of these other securities.
7. Decides that if the subscriptions have not covered the entire issue, the Management Board may use one or both of the following powers, in the order that the Board shall determine, to:
   - limit the amount of the issue concerned to the amount of the subscriptions received provided these subscriptions make up at least three-quarters of the planned issue;
   - freely apportion all or part of the unsubscribed issued securities among the persons of its choosing;
   - offer the public all or some of the unsubscribed issued securities on the French or international markets.
8. Decides that the Management Board shall have full powers, with the ability to delegate such powers to its Chairman or to one of

its members as provided by law and the Company's articles of incorporation, to implement this delegation and in particular to:

- finalize the terms and conditions of the capital increase(s) and/or issue(s);
- determine the number of shares and/or securities to be issued, their issue price and the amount of the premium that may be required to be paid up in full at the time of the issue;
- determine the issue dates and rules and the nature and form of the securities to be created, which may be subordinated or unsubordinated securities, perpetual or redeemable, and in particular, in the case of debt securities, determine their interest rate, term, fixed or variable redemption price, with or without premium, and the procedure for amortization;
- determine the method of paying up the shares and/or securities issued;
- determine, as applicable, the procedures for exercising the rights attached to the securities issued or to be issued and in particular finalize the date, even retroactively, from which the new shares will bear dividends, as well as any other conditions and procedures for carrying out the issue(s);
- determine the terms under which the Company may purchase or exchange, as necessary, and at any time or during specified periods, the securities issued or to be issued;
- provide for the ability to suspend, where necessary, the exercise of rights to these securities within a period not exceeding three months;
- determine the terms and conditions to maintain, as necessary, the rights of holders of securities giving access to capital in accordance with the legal, regulatory and, where applicable, contractual provisions;
- at its sole discretion, charge the fees, expenses and rights of any capital increase(s) against the related premiums and, where applicable, deduct from the premiums the amount necessary to increase the statutory reserve to 10% of the Company's new capital after each increase;
- in general, enter into any agreements, in particular to ensure the planned transaction(s) is/are successfully completed, take all necessary measures and carry out all legal formalities required for the financial servicing of the securities issued under this delegation as well as for the exercising of the rights attached thereto, record the completion of each capital increase, make the corresponding amendments to the articles of incorporation, and generally do all that is necessary.

**9.** Decides that the Management Board may not, except with prior authorization from the general meeting, use this delegation from the time a tender offer for Elis securities is lodged by a third party until the end of the offer period.

Adoption of this resolution terminates, with immediate effect, the authorization previously granted to the Management Board by the combined general meeting of shareholders of May 27, 2016 under the terms of its 15th resolution.

## Twenty-seventh resolution

### Authorization to be granted to the Management Board to set the issue price at an amount not to exceed 10% of the share capital in the event of an issue of shares and/or securities giving access, immediately or in the future, to the Company's share capital, without preferential subscription rights

The general meeting, voting with the quorum and majority required for extraordinary general meetings, and having reviewed the Management Board's report, the observations of the Supervisory Board and the Statutory Auditors' report, and in accordance with Article L. 225-136, 1°, paragraph 2 of the French Commercial Code:

**1.** Authorizes the Management Board, with the ability to further delegate such authority as provided by law, for a period of 26 months as from this general meeting, for each of the issues decided under the delegations of authority granted in application of the preceding 25th and 26th resolutions submitted to this general meeting, or, as necessary, any other resolutions having the same purpose and that may replace those resolutions while the delegation concerned is still valid, and up to a limit of 10% of the Company's share capital (as at the date of the transaction) per 12-month period, to derogate from the terms and conditions for setting the price specified in the aforementioned resolutions, and to set the issue price of the shares and/or securities giving access to the issued capital immediately or in the future, in accordance with the following terms and conditions:

**(a)** the issue price of the shares shall be at least equal to the closing price of the Company's share on Euronext Paris during the last trading day prior to the date the price is set, minus any discount of up to 5%;

**(b)** the issue price of the securities giving access to capital immediately or in the future will be such that the sum immediately received by the Company, increased, if necessary, by the sum that may subsequently be collected by the Company, shall be at least equal to the issue price referred to in paragraph a) above, for each share issued as a result of the issue of these securities.

**2.** Decides that the Management Board shall have full authority to implement this resolution subject to the conditions stipulated by the resolution under which the issue is decided.

Adoption of this resolution terminates, with immediate effect, the authorization previously granted to the Management Board by the combined general meeting of shareholders of May 27, 2016 under the terms of its 16th resolution.

## Twenty-eighth resolution

### Authorization to be granted to the Management Board to increase the number of shares or other securities to be issued in the event of a capital increase with or without preferential subscription rights

The general meeting, voting with the quorum and majority required for extraordinary general meetings, having reviewed the Management Board's report, the observations of the Supervisory Board and the Statutory Auditors' report, and in accordance with the provisions of Articles L. 225-135-1 and R. 225-118 of the French Commercial Code:

1. Authorizes the Management Board, for a period of 26 months as from this general meeting, to increase the number of shares and/or securities to be issued in the event of an increase in the Company's share capital, with or without preferential subscription rights, in application of the 24th, 25th and 26th resolutions above submitted to this general meeting, subject to their approval, or, as necessary, any other resolutions having the same purpose and that may replace them while the resolution concerned is still valid, within the deadlines and limits stipulated by the regulation applicable as at the date of the initial issue (for example, as at the date of this general meeting within 30 days of the close of the subscription and up to a limit of 15% of the initial issue) and at the same price as that of the initial issue, and within the limits (caps) referred to in the resolution under which the initial issue shall have been decided.
2. Decides that the par value of any capital increase carried out under this authorization shall be deducted from the overall cap of either €70 million subject to the adoption of the 22nd resolution of this general meeting, or should this resolution not be adopted, the amount of €700 million stipulated in the 29th resolution of this general meeting, or, as necessary, from the amount of the cap that may be stipulated by a similar resolution that may replace it while this delegation is valid, subject to its approval by the general meeting.

Adoption of this resolution terminates, with immediate effect, the authorization previously granted to the Management Board by the combined general meeting of shareholders of May 27, 2016 under the terms of its 17th resolution.

## Twenty-ninth resolution

### Overall limits on the amount of the issues carried out under the 24th to 28th resolutions

The general meeting, voting with the quorum and majority required for extraordinary general meetings, and having reviewed the Management Board's report and the observations of the Supervisory Board, and in accordance with the provisions of Article L. 225-129-2 of the French Commercial Code, decides to set, in addition to the individual caps specified in each of the 24th to 28th resolutions, overall limits for the issues that may be decided under said resolutions as follows:

1. The aggregate maximum par value of the share issues that may be made directly or on presentation of securities that may or may not be debt securities, may not exceed either €70 million subject to the adoption of the 22nd resolution of this general meeting, or should this resolution not be adopted, the amount of €700 million; these amounts may be increased by the par value of the common Company shares likely to be issued in respect of adjustments made to maintain the rights of holders of securities giving access to capital, in accordance with legal and regulatory provisions and, as necessary, applicable contractual provisions, it being specified that this limit:

   shall apply: to capital increases carried out by issuing shares or securities in consideration of contributions in kind (other than the case of a public exchange offer) in accordance with the terms of the 18th resolution of the general meeting of shareholders of May 27, 2016;

   shall not apply:

   - to capital increases through capitalization of reserves, premiums, profits or any other sum that may be capitalized pursuant to the terms of the 12th resolution of the general meeting of shareholders of May 27, 2016;
   - to capital increases carried out for the benefit of employees of the Company or a Group company belonging to a Company or Group savings plan in accordance with the provisions of the 19th resolution of the general meeting of shareholders of May 27, 2016;
   - to capital increases resulting from the grant of bonus Company shares to corporate officers and employees carried out in accordance with the provisions of the 22nd resolution of the general meeting of shareholders of May 27, 2016.
2. The aggregate maximum par value of the issues of debt securities that may be decided shall be €1 billion.

## Thirtieth resolution

### Powers to carry out legal formalities

The general meeting grants full authority to the bearer of an original, extract or copy of the minutes of this combined general meeting to perform all necessary filings or formalities.

# 7.4 THE MANAGEMENT BOARD'S SUPPLEMENTARY REPORT PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES L. 225-129-5 AND R. 225-116 OF THE FRENCH COMMERCIAL CODE

To the shareholders,

We remind you that the combined general meeting of May 27, 2016, voting in accordance with the quorum and majority required for extraordinary general meetings, in its 13th resolution, delegated its authority to the Management Board, with the ability to further delegate such authority, for a period of 26 months from that general meeting, to carry out one or more increases in the Company's share capital, in the amount and on the dates it deems appropriate, by issuing common shares of the Company, with preferential subscription rights, for a maximum par value of €500 million, plus the par value of any capital increases that may be carried out pursuant to the issue of common shares to maintain the rights of holders of securities and other rights giving access to the Company's capital, in accordance with the law or any applicable contractual stipulations.

In accordance with the provisions of Articles L. 225-129-5 and R. 225-116 of the French Commercial Code, we inform you that the Management Board has made use of the aforementioned delegation in the context of the financing of the acquisitions of Indusal in Spain and Lavebras in Brazil, the net proceeds of the capital increase being allocated in full to the refinancing of the "bridge to equity" tranche of the bridge financing contract entered into on November 10, 2016 by the Company. The Management Board is responsible for preparing a supplementary report describing the final terms and conditions of that transaction.

## I – USE BY THE MANAGEMENT BOARD OF THE DELEGATION OF AUTHORITY GRANTED TO IT BY THE GENERAL MEETING OF SHAREHOLDERS OF MAY 27, 2016 TO CARRY OUT A CAPITAL INCREASE BY ISSUING NEW SHARES, WITH PREFERENTIAL SUBSCRIPTION RIGHTS

We inform you that at its meeting of January 17, 2017, making use of the delegation of authority granted to it by the 13th resolution of the combined general meeting of May 27, 2016, in accordance with the authorization granted by the Supervisory Board in its meeting of January 17, 2017 and having noted that the Company's share capital has been paid up in full, the Company's Management Board decided:

- to carry out a capital increase, with preferential subscription rights, for a gross amount, including additional paid-in capital, of €325,176,649.50 by issuing 25,910,490 new common Company shares, with a par value of €10 each, on the basis of five new shares for every 22 existing common shares, subscription of the new shares being reserved preferentially to (i) holders of existing shares registered on their securities accounts at the end of the January 20, 2017 accounting day, who would have preferential subscription rights on January 23, 2017 and (ii) assignees of preferential subscription rights, said holders and assignees being able to subscribe, on an irrevocable basis, five new shares for every 22 existing shares held and, on a revocable basis, the number of new shares they wished in addition to those acquired by exercising their rights on an irrevocable basis;
- that the subscription price of the new shares would be set at €12.55 per share, to be subscribed for and fully paid up in cash upon subscription, of which €10 par value and €2.55 additional paid-in capital;
- that the preferential subscription rights would be detached from the existing shares on January 23, 2017 and traded on the Euronext regulated market in Paris ("**Euronext Paris**") from January 23, 2017 to February 1, 2017 inclusive;
- that the subscription period would be from January 25, 2017 to February 3, 2017 inclusive;
- that the offer would be open (i) to the public in France exclusively, and (ii) to certain qualified investors outside the US but including those in Canada, by private placement, and (iii) to a limited number of qualified institutional buyers in the US, by private placement based on the exception provided by Section 4(a)(2) of the U.S. Securities Act of 1933;
- that the preferential subscription rights attached to treasury shares would be sold on the market prior to the closing of the trading period of the preferential subscription rights;
- that as at their date of issue the new shares shall carry immediate dividend rights;
- to apply for the new shares to be admitted to trading on Euronext Paris as from February 13, 2017; the new shares being immediately assimilated with the existing shares of the Company already traded on Euronext Paris, and able to be traded from that date on under the same ticker as the existing shares and with the same ISIN code: FR0012435121;
- to approve the terms of the Prospectus comprising the 2015 registration document, an update thereto and the offering memorandum detailing the characteristics and final terms and conditions of the offering and of the new shares, which was approved by the AMF under number 17-022 on January 18, 2017.

## II – EFFECT OF THE ISSUE ON THE AMOUNT OF EQUITY, THE SHAREHOLDERS' POSITION AND THE COMPANY'S SHARE PRICE

In accordance with the provisions of Articles R. 225-115 and R. 225-116 of the French Commercial Code, we inform you hereunder of the effect of the issue of the new shares on the amount of equity, the shareholders' position and the Company's share price.

### Effect of the issue on the amount of equity

On an indicative basis, the effect of the issue on the amount of consolidated equity attributable to owners of the parent company per share (calculated on the basis of consolidated equity attributable to owners of the parent company as at June 30, 2016 – as shown in the condensed consolidated interim financial statements for the six months ended June 30, 2016 – and the number of shares forming the Company's share capital as at December 31, 2016 after deduction of treasury shares) was as follows:

| | Amount of equity per share *(in euros)* | |
|---|---|---|
| | **Non-diluted basis** | **Diluted basis**[1] |
| Before issue of the new shares from this capital increase | 9.29 | 9.17 |
| After issue of 25,910,490 new shares from this capital increase | 9.81 | 9.70 |

*(1) The calculations were performed under the assumption of a potential new issue of the maximum number of shares to be issued under the existing performance share plans and without taking into account any adjustments made to maintain the rights of beneficiaries under this capital increase. As at December 31, 2016, 1,549,469 performance shares had been granted to certain Group executives subject to certain performance conditions; said performance shares may give rise to the allocation of existing shares or of new shares to be issued.*

### Effect of the issue on shareholders' position

On an indicative basis, the effect of the issue on the interest of a shareholder owning 1% of the Company's share capital prior to the issue and not subscribing to the issue (calculations performed on the basis of the number of shares forming the Company's share capital as at December 31, 2016) was as follows:

| | Shareholder's interest *(in %)* | |
|---|---|---|
| | **Non-diluted basis** | **Diluted basis**[1] |
| Before issue of the new shares from this capital increase | 1 | 0.99 |
| After issue of 25,910,490 new shares from this capital increase | 0.81 | 0.81 |

*(1) The calculations were performed under the assumption of a potential new issue of the maximum number of shares to be issued under the existing performance share plans and without taking into account any adjustments made to maintain the rights of beneficiaries under this capital increase. As at December 31, 2016, 1,549,469 performance shares had been granted to certain Group executives subject to certain performance conditions; said performance shares may give rise to the allocation of existing shares or of new shares to be issued.*

### Theoretical effect on Elis share price

The theoretical value of an Elis share after the capital increase, on a non-diluted basis, would be €15.92, versus €16.68 (average of the closing prices of the last twenty trading days preceding January 18, 2017) before the issue of the new shares. As a reminder, the opening price of an Elis share was €17.03 as at February 9, 2017.

* * *

In accordance with the provisions of Article R. 225-116 of the French Commercial Code, this supplementary report is made available to the shareholders at the Company's registered office within the statutory time limits and will be communicated to shareholders at the next general meeting.

The Management Board

## 7.5 SUMMARY TABLE OF CAPITAL INCREASE DELEGATIONS OF AUTHORITY AND POWERS

A summary of the capital increase delegations of authority and powers granted to the Management Board and their use during the 2016 financial year and since the beginning of the 2017 financial year is presented in chapter 8 "Information about the Company and its capital," section 8.3.5 "Unissued authorized capital" of the 2016 registration document.

## 7.6 OBSERVATIONS OF THE SUPERVISORY BOARD REGARDING THE MANAGEMENT BOARD'S REPORT PROVIDED FOR IN ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE AND REGARDING THE FINANCIAL STATEMENTS FOR THE 2016 FINANCIAL YEAR

To the Shareholders,

Our Company's Management Board has called a combined general meeting, in accordance with the law and the Company's articles of incorporation, to inform you of the position and activities of the Company during the financial year ended December 31, 2016, and to submit for your approval the financial statements for said financial year and the appropriation of net income.

We remind you that in accordance with Article 225-68 of the French Commercial Code, the Supervisory Board must present to the annual ordinary general meeting its observations on the Management Board's report and the financial statements for the year concerned, on which you are asked to vote.

We inform you that the Management Board has provided the Supervisory Board with the parent company financial statements for 2016, the consolidated financial statements for 2016 and the Management Board's report in accordance with Article L. 225-68 of the French Commercial Code.

Having verified and checked the parent company financial statements for 2016, the consolidated financial statements for 2016 and the Management Board's report, we believe that there are no specific matters to report regarding these documents.

The resolutions presented to you by the Management Board have been discussed and approved by the Supervisory Board.

Pursuant to the provisions of Article L. 225-82-2 of the French Commercial Code introduced by the Sapin II law, the Supervisory Board has drawn up the resolutions pertaining to the principles and criteria for determining, structuring and awarding the fixed, variable and non-recurring components of total compensation and benefits in kind attributable to Management Board and Supervisory Board members commensurate with their office. The compensation policy is described in chapter 4 of this registration document and the resolutions concerned are described in the Management Board report.

We hope that you will agree with all of the proposals made by the Management Board in its report and choose to adopt the resolutions submitted to you.

**The Supervisory Board**

# 8

# Information about the Company and its capital

# 8.1 INFORMATION ABOUT THE COMPANY

## 8.1.1 COMPANY NAME AND REGISTERED OFFICE

The Company's business name is Elis.

Since November 28, 2016, the Company's registered office has been at 5, boulevard Louis Loucheur, 92210 Saint-Cloud, France. It was previously based in Puteaux.

## 8.1.2 LEGAL FORM AND GOVERNING LAW

The Company is a French corporation governed by a Management Board and a Supervisory Board (*société anonyme à directoire et conseil de surveillance*). It is subject to the legal and regulatory provisions applicable in France (and in particular those of Book II of the French Commercial Code) and to its articles of incorporation.

## 8.1.3 PLACE OF REGISTRATION AND REGISTRATION NUMBER

The Company is registered with the Nanterre Trade and Companies Register under number 499 668 440.

## 8.1.4 DATE OF FORMATION AND TERM OF EXISTENCE

The Company was formed on August 10, 2007 for a term of existence of ninety-nine (99) years as at its registration with the Trade and Companies Register, i.e., until August 26, 2106, unless sooner dissolved or said period is extended.

## 8.1.5 WHERE TO VIEW CORPORATE DOCUMENTS

Legal documents regarding the Company and in particular its articles of incorporation, financial statements, reports presented to the general meeting by the Management Board and the Supervisory Board, and more generally all documents that are to be sent or made available to shareholders and referred to in Articles L. 225-115, L. 225-116 and L. 225-117 of the French Commercial Code may be viewed at the Company's registered office at 5, boulevard Louis Loucheur, 92210 Saint-Cloud, France (telephone: +33 (0)1 75 49 94 00). The Group's historical financial information and regulated information is also available on the Company's website at (https://www.corporate-elis.com).

# 8.2 ARTICLES OF INCORPORATION

The articles of incorporation were prepared pursuant to the statutory and regulatory provisions applicable to corporations with a Management Board and a Supervisory Board governed by French law. The principal stipulations of the articles of incorporation described below are from the Company's articles of incorporation, as revised on February 12, 2015 to bring them into compliance with the provisions applicable to companies whose shares are traded on the Euronext regulated market in Paris, and as updated on November 28, 2016 following the move of the Company's registered office, then on February 13, 2017 following the capital increase in the amount of €325 million.

## 8.2.1 CORPORATE PURPOSE (ARTICLE 3 OF THE ARTICLES OF INCORPORATION)

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 their corporate form and corporate purpose;
- management services to companies, notably in the administrative, accounting, financial, IT and sales fields;
- the exploitation of any patents and trademarks, notably under licenses;
- the renting of any equipment and facilities 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 transactions 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 venture and by any other means and in any forms used in France and abroad;
- and more generally, any commercial, financial, industrial, personal property or real estate transaction that may be directly or indirectly related to the aforementioned corporate purpose or any purposes that are similar, related or likely to facilitate the achievement of the corporate purpose.

## 8.2.2 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES (ARTICLES 12 TO 22 OF THE ARTICLES OF INCORPORATION)

Information about the Management Board and the Supervisory Board as defined in the Company's articles of incorporation and the Supervisory Board's rules of procedure is provided in chapter 4, "Corporate governance," sections 4.1 "Management and supervisory bodies" and 4.3 "Chairman of the Supervisory Board's report on corporate governance and internal control" of this 2016 registration document.

## 8.2.3 FINANCIAL YEAR (ARTICLE 25 OF THE ARTICLES OF INCORPORATION)

The financial year begins on January 1 and ends on December 31 each year.

## 8.2.4 SHAREHOLDER RIGHTS

### Rights, privileges, restrictions and obligations attached to the shares (Article 10 of the articles of incorporation)

Fully paid-up shares may be held either in registered or bearer form, at the shareholder's discretion.

The ownership of a share shall automatically entail acceptance of these articles of incorporation and decisions of the general 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 the delivery of several old securities, isolated securities or fewer securities than the number required shall not create any rights for their bearers against 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 as regards the Company, so that undivided co-owners shall be required to be represented *vis-à-vis* the Company by one of them or by a single proxy, appointed by a court of law in the event of a disagreement.

### Double voting rights (Article 9 of the articles of incorporation)

Pursuant to the terms of Article 9 of the Company's articles of incorporation, no use was made of the exemption from the allotment of double voting rights as provided for in Article L. 225-123, paragraph 3 of the French Commercial Code. As a result, from April 3, 2016, double voting rights shall be granted to all fully paid-up shares held in registered form by the same shareholder 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, profits or share premiums, double voting rights shall be granted from the date of issue in respect of new shares allotted free of charge to a shareholder as a result of their ownership of existing shares that are already entitled to double voting rights.

Double voting rights may be used in any general meeting.

Shares converted to bearer form or transferred to a new owner shall lose their 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.

### Restrictions under the articles of incorporation on the exercise of voting rights (Article 8 of the articles of incorporation)

Article 8 of the Company's articles of incorporation stipulates that any shareholder who comes to hold a fraction of the Company's share capital or voting rights equal to 1%, or any multiple of that fraction, shall be required to notify the Company once one of those thresholds is crossed. Failure to comply with this obligation, and upon request by one or more shareholders holding 1% of the equity capital or voting rights, the voting rights exceeding that percentage which should have been disclosed may not be exercised at any general shareholders' meeting until a period of two years has elapsed following the date on which the breach in notification is corrected.

### Allocation of earnings (Article 26 of the articles of incorporation)

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 general 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 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 meeting may decide, for all or part of the dividends, the interim dividends, the reserves or share premiums distributed, or for any capital decrease, that such distribution of dividends, reserves or share 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 its contribution to losses shall be proportionate to their share in the share capital.

### Changes in 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.

## 8.2.5 GENERAL MEETINGS (ARTICLES 23 AND 24 OF THE ARTICLES OF INCORPORATION)

Shareholders' meetings shall be called and shall pass resolutions as provided by law.

Meetings shall be held either at the registered office or at another place stated in the meeting notice.

Shareholders shall prove they have the right to participate in the Company's general 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.

Meetings shall be chaired by the chairman of the Supervisory Board or, in his absence, the Vice-Chairman. Failing this, the meeting shall elect its own Chairman.

Meetings minutes shall be prepared and copies or extracts thereof shall be certified and issued pursuant to the law.

## 8.2.6 AGREEMENTS ENTERED INTO WITH EXECUTIVES AND DIRECT OR INDIRECT SUBSIDIARIES

Information about agreements entered into with executives and direct and indirect subsidiaries is provided in chapter 4, "Corporate governance", section 4.1.6 "Regulated agreements", and also detailed in the Statutory Auditors' special report which is included in section 4.2 of the aforementioned chapter 4.

## 8.2.7 PROVISIONS SET FORTH IN THE ARTICLES OF INCORPORATION THAT MAY HAVE AN IMPACT ON A CHANGE OF CONTROL

There are no provisions in the Company's articles of incorporation that may have an effect on a change in control.

## 8.2.8 CROSSING OF SHAREHOLDING THRESHOLDS (ARTICLE 8 OF THE ARTICLES OF INCORPORATION)

Any individual or legal entity, acting alone or in concert with others, who comes to hold, or ceases to hold, directly or indirectly, a fraction equal to or greater than 1% of the Company's share capital or voting rights, or any multiple of such percentage, including beyond the disclosed thresholds provided by the statutory and regulatory provisions, shall notify the Company of the total number of shares and voting rights they hold 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 end 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 the event of non-compliance with the above provisions, the penalties provided by law where the obligation to disclose the exceeding of the legal thresholds has not been respected shall only apply to the thresholds stipulated in the articles of incorporation upon a request, recorded in the minutes of the general meeting, by one or more shareholders holding at least 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.

## 8.2.9 IDENTIFICATION OF BEARERS OF SECURITIES (ARTICLE 7 OF THE ARTICLES OF INCORPORATION)

The Company shall have the right, on the statutory and regulatory terms in force, to ask at any time, at its expense, from the central custodian 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 bearer securities 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 legal 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.

### 8.2.10 RESTRICTIONS UNDER THE ARTICLES OF INCORPORATION REGARDING SHARE TRANSFER

There are no restrictions 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.

## 8.3 INFORMATION ABOUT THE COMPANY'S CAPITAL AFR

### 8.3.1 PARTICULAR STIPULATIONS GOVERNING MODIFICATIONS OF THE SHARE CAPITAL

If the articles of incorporation do not provide any specific stipulations, the share capital may be increased, decreased or amortized by any methods or means authorized by law.

### 8.3.2 AMOUNT AND STRUCTURE OF THE SHARE CAPITAL

As at December 31, 2016, the Company's share capital was €1,140,061,670, divided into 114,006,167 shares with a par value of €10.00 each, fully subscribed, fully paid up and all in the same class.

Since the beginning of the financial year started January 1, 2017, the Company's share capital increased by 25,910,490 shares subscribed under a capital increase with preferential subscription rights amounting to €325,176,649.50 including the share premium, decided on by the Management Board on January 17, 2017 as authorized by the combined general meeting of May 27, 2016 (13th resolution) and the Supervisory Board, with the issue price being €12.55 per share.

In addition, 250,392 shares will be issued for the purposes of the performance share plans introduced on April 7, 2015, under which the vesting period for the awarded shares ends on April 7, 2017. As part of a capital increase through the capitalization in an amount to be deducted from the "Share, merger and contribution premiums" account to be carried out by the Management Board on April 7, 2017 under the authority of the combined general meeting of May 27, 2016 (12th resolution) and on the authorization of the Supervisory Board of March 14, 2017.

As a result of these transactions, on April 7, 2017, the Company's share capital will amount to €1,401,670,490, divided into 140,167,049 shares of the same class with a par value of €10.00 each, fully subscribed and fully paid up.

## 8.3.3 CHANGES IN SHARE CAPITAL OVER THE PAST THREE YEARS

The table below shows changes to the Company's share capital over the past three years:

| Date | Type of transaction | Transaction amount *(in euros)* | Share premium *(in euros)* | Share capital before transaction *(in euros)* | Number of shares before transaction | Number of shares after transaction | Par value after transaction *(in euros)* | Share capital after transaction *(in euros)* |
|---|---|---|---|---|---|---|---|---|
| 01/29/2014 | Capital increase | 36,433,132 | 6,566,867.98 | 461,177,277 | 922,354,554 | 995,220,818 | 0.50 | 497,610,409 |
| 10/08/2014 | Capital increase | 1 | - | 497,610,409 | 995,220,818 | 995,220,820 | 0.50 | 497,610,410 |
| 11/06/2014 | Reverse stock split[a] | | | 497,610,410 | 995,220,820 | 49,761,041 | 10 | 497,610,410 |
| 02/10/2015 | Exercise of warrants[b] | 19,398,010 | - | 497,610,410 | 49,761,041 | 51,700,842 | 10 | 517,008,420 |
| 02/10/2015 | Capital increase as consideration for asset contribution[c] | 16,318,630 | 4,863,972 | 517,008,420 | 51,700,842 | 53,332,705 | 10 | 533,327,050 |
| 02/10/2015 | Capital decrease[d] | 16,354,060 | (3,463,070) | 533,327,050 | 53,332,705 | 51,697,299 | 10 | 516,972,990 |
| 02/10/2015 | Capital increase[e] | 84,627,150 | 25,388,145 | 516,972,990 | 51,697,299 | 60,160,014 | 10 | 601,600,140 |
| 02/12/2015 | Capital increase (initial public offering) | 538,461,530 | 161,538,459 | 601,600,140 | 60,160,014 | 114,006,167 | 10 | 1,140,061,670 |
| 02/13/2017 | Capital increase with preferential subscription rights | 325,176,649.50 | 66,071,749.50 | 1,140,061,670 | 114,006,167 | 139,916,657 | 10 | 1,399,166,570 |

*(a) Under the Company's reverse stock split, the share's par value was multiplied by 20, taking it from €0.50 to €10 per share, while the number of shares making up the share capital was divided by 20, taking it to 49,761,041.*

*(b) The listing of the Company's shares for trading on a regulated market triggered the exercise of the warrants (BSA). In consequence, and in accordance with the terms and conditions of the BSA, 3,879,602 BSA became exercisable as a result of the initial public offering (the event having triggered this exercise being separate from the second triggering event – sale of shares – provided for under the BSA's terms and conditions) and 1,939,801 new shares were issued following the exercise of the 3,879,602 BSA. The non-exercisable BSA and/or those still outstanding after the Company's initial public offering became null and void.*

*(c) Merger by absorption of Quasarelis.*

*(d) Following the cancellation of the Company's treasury shares as a consequence of the completed merger by absorption of Quasarelis.*

*(e) Capital increase fully subscribed by Legendre Holding 27, the subscription price of which was fully paid up by offsetting a receivable held by Legendre Holding 27 against the Company relating to an intra-group loan on June 14, 2013 and amended by riders of September 23, 2014 and October 22, 2014.*

## 8.3.4 THE COMPANY'S SELF-CONTROLLING AND SELF-HELD SHARES AND ACQUISITION OF ITS OWN SHARES

As at December 31, 2016, the Company held 119,000 treasury shares accounting for 0.1% of the Company's capital (based on the share capital as at December 31, 2016), all held under the liquidity agreement (see section 8.4 below, "Share buyback"). These shares have no voting rights.

## 8.3.5 UNISSUED AUTHORIZED CAPITAL

### Table of currently valid financial delegations of authority granted by the general meeting to the Management Board in 2016 and use of these delegations in 2016 and since the beginning of 2017

To enable the Company to access the market if necessary, particularly in relation to the Group's ongoing expansion, the general meeting of May 27, 2016 renewed its financial delegations of authority to the Management Board, while also authorizing it to grant performance shares to Group employees and executives. All of the authorizations and delegations in force on December 31, 2016 and the use made of those delegations and authorizations in 2016 and since the start of the current financial year beginning January 1, 2017 granting the Management Board the power to issue securities giving access to the Company's share capital are listed below:

| Type of delegation or authorization granted to the Management Board by the general meeting | Maximum amount authorized *(in euros)* | Authorization date | Expiration date | Duration of validity | Use in 2016/2017 |
|---|---|---|---|---|---|
| **Capital increase through the issue of shares and/or any other securities giving access to the Company's share capital** | | | | | |
| Capital increase through the issue of shares and/or any other securities giving access, immediately or in future, to the Company's share capital, **with preferential subscription rights** | 500 million[a] | May 27, 2016 | July 27, 2018 | 26 months | January 17, 2017 |
| **Capital increase** through the capitalization of reserves, profits or share premiums, or other | 130 million | May 27, 2016 | July 27, 2018 | 26 months | |
| **Capital increase** through the issue of shares and/or any other securities giving access, immediately or in future, to the Company's share capital, **without preferential subscription rights, under a public exchange offer** | 114 million[b][c] | May 27, 2016 | July 27, 2018 | 26 months | - |
| **Capital increase** through the issue of shares and/or any other securities giving access, immediately or in future, to the Company's share capital **without preferential subscription rights, as part of an offering covered by section II of Article L. 411-2 of the French Monetary and Financial Code**[f] | 5% of the Company's share capital as at the date of the transaction per 12-month period[c][d] | May 27, 2016 | July 27, 2018 | 26 months | - |
| **Authorization** in the event of an issue of shares and/or securities giving access, immediately or in the future, to the Company's share capital, without preferential subscription rights, to **set** the **issue price**[g] | 10% of the Company's share capital as at the date of the transaction per 12-month period | May 27, 2016 | July 27, 2018 | 26 months | - |
| **Capital increase** through the issue of shares and/or securities giving access, immediately or in the future, to the share capital, **in consideration for contributions in kind** granted to the Company | 10% of the Company's share capital as at the issue date | May 27, 2016 | July 27, 2018 | 26 months | - |

| Type of delegation or authorization granted to the Management Board by the general meeting | Maximum amount authorized *(in euros)* | Authorization date | Expiration date | Duration of validity | Use in 2016/2017 |
|---|---|---|---|---|---|
| **Increase in the number of shares or other securities** to be issued in the event of a capital increase with or without preferential subscription rights | 15% of the initial issue | May 27, 2016 | July 27, 2018 | 26 months | - |
| **Share buyback program** | | | | | |
| **Share buyback** | 10% of the Company's share capital<br>Maximum purchase price per share: €30<br>Maximum purchase amount: 350 million | May 27, 2016 | November 27, 2017 | 18 months | **Use outside liquidity agreement:** None<br>As at December 31, 2016, the liquidity agreement covered 119,000 shares(e) |
| **Capital reduction through the cancellation of treasury shares** | 10% of the Company's share capital per 24-month period | May 27, 2016 | July 27, 2018 | 26 months | - |
| **Transactions reserved for employees and corporate officers** | | | | | |
| **Grant of bonus shares, existing or to be issued**, to Group employees and/or corporate officers | 2.5% of the total number of Company shares at the grant date (0.55% for executive corporate officers) | May 27, 2016 | July 27, 2019 | 38 months | June 15, 2016<br>December 20, 2016 |
| **Capital increase** through the issue of shares and/or any other securities giving access to the Company's share capital reserved for employees participating in a Company savings plan | 20 million | May 27, 2016 | July 27, 2018 | 26 months | - |

*(a) Overall limit of the capital increases with and without preferential subscription rights that may be carried out under the 13th to 18th resolutions adopted by the general shareholders' meeting of May 27, 2016.*

*(b) Overall limit of the capital increases without preferential subscription rights that may be carried out under the 14th, 15th and 17th resolutions of the combined general meeting of May 27, 2016.*

*(c) Deducted from the overall limit of €500 million set by the 20th resolution of the general meeting of May 27, 2016.*

*(d) Deducted from the overall limit of €114 million set by the 14th resolution of the general meeting of May 27, 2016.*

*(e) See details in section 8.4.1 of the 2016 registration document.*

*(f) As part of this authorization, should it be used by the Management Board, the issue price of shares issued would comply with legal requirements at the time of issue.*

*(g) As part of this authorization, should it be used by the Management Board, the issue price of shares issued would be set under the following conditions:*

*(a) the issue price of the shares will be at least equal to the closing price of the Company's share on Euronext Paris during the last trading session prior to the date on which the price is set, minus any discount of up to 5%;*

*(b) the issue price of the securities giving immediate or future access to the capital will be such that the sum immediately received by the Company, increased, if necessary, by the sum that may be subsequently received by the Company, will be at least equal to the issue price referred to in paragraph a) above, for each share issued as a result of the issue of these securities.*

Pursuant to the aforementioned authorizations, the Management Board carried out the following transactions in 2016 and since the beginning of the current financial year, after receiving prior approval from the Supervisory Board, in accordance with the Company's articles of incorporation:

- grant of 1,041,311 performance shares, of which 986,845 on June 15, 2016 and 54,466 on December 20, 2016, the main terms of which are set out in Note 5.2 to the 2016 consolidated financial statements in chapter 6 of this 2016 registration document;
- capital increase in cash amounting to €325,176,649.50 (including issue premium) with preferential subscription rights. This transaction was carried out by the Management Board on January 17, 2017 under the delegation of authority granted to it by the 13th resolution of the general shareholders' meeting of May 27, 2016 and the Supervisory Board's authorization. The settlement and delivery of the shares issued under this transaction took place on February 13, 2017. The main characteristics and final terms and conditions of this transaction are set out in the Management Board's supplementary report presented in section 7.4 of this registration document.

Moreover, as part of this capital increase, an adjustment was made to the rights held by beneficiaries of performance shares granted on April 7, 2015, December 21, 2015, June 15, 2016 and December 20, 2016 in accordance with legal requirements.

For the purposes of the plans introduced on April 7, 2015, whose shares will vest on April 7, 2017, capital will be increased through the capitalization of an amount to be deducted from the share, merger and contribution account in the amount of €2,503,920 through the issue of 250,392 shares with a par value of €10 each. This transaction will be implemented by the Management Board at its meeting of April 7, 2017 pursuant to the delegation of authority granted to it under the 12th resolution of the general meeting of May 27, 2016.

### Financial delegations submitted to the general meeting of May 19, 2017

At the combined general meeting called for May 19, 2017, the shareholders will be asked to vote on the renewal of the share buyback program, as well as certain financial delegations of authority to increase the Company's share capital. Details of the resolutions related to these proposals can be found in chapter 7, "Combined general meeting of May 19, 2017", of the 2016 registration document.

### Other issued securities giving access to capital

As at the filing date of this registration document, the Company had granted some performance-related bonus shares (for a description of performance shares, please refer to Note 5.4 to the 2016 consolidated financial statements and Note 5.2 to the Company's annual financial statements in chapter 6, "Financial statements for the year ended December 31, 2016", of the 2016 registration document).

No other instruments give access to the Company's share capital.

## 8.3.6 INFORMATION ABOUT THE POTENTIAL DILUTION OF SHARE CAPITAL

Since performance shares are likely to be covered by new shares, as at December 31, 2016 the potential volume of outstanding dilutive instruments was 1,549,469 shares related to the granted bonus shares not covered by the inventory of treasury shares. The overall potentially dilutive effect of these instruments stood at around 1.35% of the share capital based on the share capital as at December 31, 2016 (around 1.10% based on the share capital as at the filing date of the registration document).

## 8.3.7 PLEDGES

As at December 31, 2016, existing pledges of Company shares concerned 3,000 registered shares held by a single shareholder. The Company is not aware of any other pledges of Company shares.

No shares held by the Company in its subsidiaries had been pledged.

# 8.4 SHARE BUYBACK

## 8.4.1 ONGOING ELIS TREASURY SHARE BUYBACK PROGRAM

On May 27, 2016, the general shareholders' meeting voting as an ordinary general meeting renewed the 18-month authorization granted to the Company by the combined general meeting of June 24, 2015 to trade in its own shares. A description of the share buyback program is available on the Group's website: www.corporate-elis.com.

The goals of the buyback program are as follows:

- to increase share liquidity in connection with a liquidity agreement consistent with the Code of Conduct issued by the French Financial Markets Association (*Association française des marchés financiers – AMAFI*), using an investment services provider as intermediary;
- to honor the obligations related to the issuance of all securities granting the right in any way whatsoever to the grant of Company shares, and to grant shares when exercising rights attached to securities granting the right in any way whatsoever to the grant of Company shares;

- to honor obligations related to stock option plans, the grant of bonus shares to employees and corporate officers, the grant or transfer of shares to employees as part of the Company's expansion-related profit sharing plan, employee share ownership or company savings plans, and any other forms of share grants to employees and corporate officers of the Company or Group;
- to lock up shares with a view to granting them as payment or consideration or otherwise in connection with acquisitions made by the Company or Group, in accordance with market practices and applicable regulations, on the understanding that the number of shares purchased with a view to being granted subsequently as part of a merger, demerger or contribution may not exceed 5% of the Company's share capital;
- to cancel purchased shares, where appropriate, under a cancellation authorization granted to the Management Board by the extraordinary general meeting in order to reduce the share capital.

The purchase of Company shares may involve a number of shares such that on the date of each repurchase, the total number of shares purchased by the Company since the start of the buyback program does not exceed 10% of the number of shares making up the share capital at that date, with the understanding that in accordance with Article L. 225-209 of the French Commercial Code, the number of shares purchased by the Company to be retained and delivered at a later date as consideration or exchange in the context of an acquisition may not exceed 5% of its share capital.

The maximum purchase price per share is €30. The total maximum amount allocated to the share buyback program may not exceed €350 million.

The share buyback may be staggered over an 18-month period as from May 27, 2016, i.e. until November 27, 2017 inclusive. A description of the renewal of the share buyback program for 2016 has been drawn up in accordance with Articles 241-1 *et seq.* of the AMF general regulations.

Under this program, purchases, sales or transfers of the Company's shares may take place at any time in accordance with legal and regulatory requirements, except during public offers for the purchase or exchange of shares initiated by the Company or concerning the Company's shares.

The only use made of the share buyback program during the financial year ended Saturday, December 31, 2016 was in connection with the liquidity agreement managed by Kepler Cheuvreux. The half-year statement of the liquidity agreement is available on the Elis Group's website: www.corporate-elis.com.

The table below shows the transactions conducted by the Company under the share buyback program in 2016:

| | |
|---|---|
| Treasury shares held as at January 1, 2016 at the start of trading | 148,147 |
| Number of shares purchased during the 2016 financial year | 666,084 |
| Number of shares sold during the 2016 financial year | 695,231 |
| Number of shares canceled in the last 24 months | 0 |
| Treasury shares held directly and indirectly as at December 31, 2016[a] | 119,000 |
| Market value of the portfolio as at December 31, 2016 *(in euros)* | 2,017,050.01 |

*(a) As at December 31, 2016, the Company's 119,000 treasury shares were fully allocated for liquidity purposes.*

## 8.4.2 SHARE BUYBACK PROGRAM SUBMITTED FOR SHAREHOLDER APPROVAL AT THE NEXT GENERAL MEETING OF MAY 19, 2017

At the combined general shareholders' meeting convened for May 19, 2017, the shareholders will be asked to terminate the 11th resolution approved by the general meeting of May 27, 2016 and to authorize, pursuant to the vote on the 18th resolution, the implementation of a new share buyback program, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, Articles L. 241-1 *et seq.* of the AMF general regulations, EU regulation No. 596/2014 of April 16, 2014 on market abuse (MAR), and the related European Commission regulations (delegated regulations).

## 8.4.3 LIQUIDITY AGREEMENT

On April 13, 2015 Elis entered into a liquidity agreement with Kepler Cheuvreux, which complies with the Code of Conduct issued by the French Financial Markets Association (AMAFI) on March 8, 2011 and approved by the AMF on March 21 of the same year. A total of €3 million was credited to the liquidity account to fund these market-making transactions. As at December 31, 2016, the Company's 119,000 treasury shares entirely allocated to liquidity purposes represented €1,917,090.

# 8.5 SHAREHOLDER STRUCTURE

## 8.5.1 OWNERSHIP OF SHARE CAPITAL AND VOTING RIGHTS

The latest ownership structure of the Company's share capital is available on the Group's website at www.corporate-elis.com. The ownership structure as at December 31, 2016 is presented in the table below, based on statutory disclosures establishing an interest of more than 5% of share capital or voting rights at the end of the financial year in application of Article L. 233-7 of the French Commercial Code, and disclosures by Group executives and individuals related to them.

Pursuant to Article 223-11 of the AMF general regulations, the theoretical voting rights presented in the table below take account of all voting rights attached to outstanding shares, including non-voting shares (i.e. treasury shares). The number of theoretical voting rights thus differs from the number of voting rights that can actually be exercised at general meetings.

Furthermore, a double voting right is allocated to each registered share held by a shareholder for at least two years, pursuant to Article 9 of the Company's articles of incorporation (see section 8.2.4 of this 2016 registration document).

| | December 31, 2014 | | December 31, 2015 | | | December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Shareholders** | Number of shares | % of share capital and theoretical voting rights | Number of shares | % of share capital and theoretical voting rights | % of share capital and exercisable voting rights | Number of shares | Theoretical voting rights | Exercisable voting rights | % of share capital | % of theoretical voting rights | % of exercisable voting rights |
| Legendre Holding 27 SAS | 43,853,538 | 92.30% | 43,853,538 | 38.46 | 38.52 | 18,351,303 | 27,109,817 | 27,109,817 | 16.1 | 21.97 | 21.99 |
| Eurazeo SA[a] | 3,467,774 | 6% | 3,467,774 | 3.04 | 3.05 | 906,864 | 1,330,179 | 1,330,179 | 0.8 | 1.08 | 1.08 |
| SUBTOTAL | 47,321,312 | 98.3% | 47,321,312 | 41.50 | 41.57 | 19,258,167 | 28,439,996 | 28,439,996 | 16.9 | 23.05 | 23.07 |
| ECIP Elis SARL[a] | 592,849 | 1.19% | 592,849 | 0.52 | 0.52 | 154,952 | 309,904 | 309,904 | 0.14 | 0.25 | 0.25 |
| Predica | - | - | - | - | - | 11,400,617 | 11,400,617 | 11,400,617 | 10 | 9.24 | 9.25 |
| Quasarelis SAS[b] | 165,432 | 0.33% | - | - | - | - | - | - | - | - | - |
| Franklin Resources, Inc | | | 4,615,992 | 4.05 | 4.05 | 5,895,968 | 5,895,968 | 5,895,968 | 5.17 | 4.78 | 4.78 |
| Ameriprise Financial, Inc. | | | 5,752,999 | 5.05 | 5.05 | 5,752,999 | 5,752,999 | 5,752,999 | 5.04 | 4.66 | 4.67 |
| Executives and employees | 87,162 | 0.18% | 375,377 | 0.33 | 0.33 | 58,116 | 113,882 | 113,882 | 0.05 | 0.09 | 0.09 |
| Treasury stock | - | - | 148,147 | 0.13 | 0 | 119,000 | 119,000 | 0 | 0.10 | 0.10 | 0 |
| Free float | - | - | 55,199,491 | 48.42 | 48.48 | 71,366,348 | 71,366,348 | 71,366,348 | 62.60 | 57.83 | 57.89 |
| **TOTAL** | **49,761,041** | **100** | **114,006,167** | **100** | **113,858,020** | **114,006,167** | **123,398,714** | **123,279,714** | **100** | **100** | **100** |

In 2016, Eurazeo reduced its stake in the Company's share capital by around 25% as a result of the following transactions:

- on April 14, 2016, the sale, via its subsidiary Legendre Holding 27, of 17,100,925 Company shares, representing 15% of the share capital and 12.74% of the voting rights of Elis as part of an accelerated book-building placement reserved for institutional investors. This placement notably increased the liquidity of Elis shares by significantly increasing the free float;
- on May 30, 2016, the sale of 11,400,617 Company shares to Crédit Agricole Assurances (via its subsidiary Predica), representing 10% of the Company's share capital and 9.24% of its voting rights. As part of this transaction, and pursuant to the stipulations of the non-concert agreement between Ecip Elis and Eurazeo presented below in section 8.5.10 of this 2016 registration document, Ecip Elis transferred 437,897 shares to Crédit Agricole Assurances and held 0.14% of the Company's share capital and 0.25% of its voting rights at December 31, 2016.

As a result of the above mentioned transactions, at December 31, 2016 Eurazeo held 19,258,167 shares, either directly or indirectly through its subsidiary Legendre Holding 27, representing 28,439,496 voting rights, i.e. 16.9% of the share capital and 23.05% of theoretical voting rights. It should be noted that, since April 3, 2016, Eurazeo and Legendre Holding 27 have acquired double voting rights pursuant to the provisions of Article 9 of the Company's articles of incorporation, and were exempt from the obligation to file a public offer proposal pursuant to the provisions of Articles 234-8 and 234-9,10° of the AMF general regulations (AMF notice 2016C0886).

Taking into account the capital increase decided upon on January 17, 2017, the table below shows the shareholding structure as at the filing date of the registration document:

| | february 13, 2017 | | | | | |
|---|---|---|---|---|---|---|
| Shareholders | Number of shares | Number of theoretical voting rights | Number of exercisable voting rights | % of share capital | % of theoretical voting rights | % of exercisable voting rights |
| EURAZEO | | | | | | |
| - o/w Legendre Holding 27 SAS(a) | 22,522,058 | 40,873,361 | 40,873,361 | 16.1 | 25.61 | 25.61 |
| - o/w Eurazeo SA(a) | 1,112,974 | 2,019,338 | 2,019,338 | 0.8 | 1.27 | 1.27 |
| EURAZEO SUBTOTAL | 23,635,032 | 42,892,699 | 42,892,699 | 16.9 | 26.88 | 26.88 |
| Crédit Agricole Assurances[(a)] | 13,991,662 | 13,991,662 | 13,991,662 | 10.0 | 8.77 | 8.77 |
| **PUBLIC** | 101,875,351 | 102,048,864 | 102,048,864 | 72.81 | 63.94 | 63.97 |
| - o/w Ameriprise Financial, Inc | 10,944,684 | 10,944,684 | 10,944,684 | 7.82 | 6.86 | 6.86 |
| **OTHERS** | | | | | | |
| - o/w ECIP Elis SARL(a) | 190,172 | 345,124 | 345,124 | 0.14 | 0.22 | 0.22 |
| - o/w Managing board | 149,409 | 234,084 | 234,084 | 0.10 | 0.14 | 0.14 |
| - o/w treasury shares | 75,031[(b)] | 75,031[(b)] | 0 | 0.05 | 0.05 | 0 |
| **TOTAL** | **139,916,657** | **159,587,464** | **159,512,433** | **100** | **100** | **100** |

*(a) Shareholders having declared that they were bound by a shareholders' agreement (see section 4.2.7.7 of the registration document update and section 8.5.10 of the 2015 registration document).*

*(b) As at February 13, 2017.*

## 8.5.2 DOUBLE VOTING RIGHTS

At the filing date of this registration document, 19,678,188 shares were eligible for double voting rights in accordance with Article 9 of the Company's articles of incorporation, the stipulations of which are described above in section 8.2.4 "Shareholder rights" of the 2016 registration document.

Note that on April 12, 2016, the AMF's Board, on the basis of Article 2349.10° of its general regulations, granted a waiver to Eurazeo and Legendre Holding 27 regarding the obligation to file a public offer proposal for Elis shares due to an increase of more than 1% in Elis voting rights in less than 12 months.

## 8.5.3 CONTROL OF THE COMPANY

In 2016, Eurazeo and Legendre Holding 27 (a company controlled by Eurazeo), who jointly held, directly and indirectly, over 40% of the Company's share capital and voting rights as at January 1, 2016, reduced their stake in the Company's share capital by around 25% as a result of the transactions described above in section 8.5.1 of this 2016 registration document.

Thus, since April 14, 2016, no shareholder, alone or in concert with others, directly or indirectly has held a controlling interest in the Company or has been deemed to exercise control over the Company.

## 8.5.4 SHARE TRANSACTIONS CARRIED OUT BY EXECUTIVES AND ASSOCIATED PERSONS

In accordance with Article 223-26 of the AMF general regulations and EU regulation No. 596/2014 of April 16, 2014 on market abuse (the "MAR Regulation"), the provisions of which came into force on July 3, 2016 in France, the table below shows the transactions carried out by the Company's executives and persons closely associated with them as defined in Article 3 of the MAR Regulation, who are subject to a declaration with the AMF in accordance with Articles 223-22-A *et seq.* of the AMF general regulations, under the terms set out in Article 19 of the MAR Regulation for the financial year ended December 31, 2016 and since the beginning of the financial year started on January 1, 2017:

| Date of transaction | Disclosed by | Type of transaction | Number of shares | Unit price *(In euros)* | Transaction amount *(In euros)* |
|---|---|---|---|---|---|
| May 18, 2016 | Michel Datchary | Shares purchased | 1,000 | 16.295 | 16,295 |
| June 10, 2016 | Xavier Martiré | Shares purchased | 2,350 | 16.50 | 38,795.68 |
| June 22, 2016 | Magali Chessé | Shares purchased | 500 | 16.59 | 8,295 |
| January 23, 2017 | Xavier Martiré | Disposal of preferential subscription rights[a] | | | |
| January 23, 2017 | Legal entity associated with Marc Frappier | Acquisition of preferential subscription rights[a] | 200,248<br>50,000 | 1.0021<br>0.9761 | 200,668.52<br>48,805 |
| January 23, 2017 | Xavier Martiré | Disposal of preferential subscription rights[a] | 19,500 | 0.9018 | 17,585.10 |
| January 23, 2017 | Xavier Martiré | Disposal of preferential subscription rights[a] | 26,000 | 0.9745 | 25,337 |
| January 24, 2017 | Louis Guyot | Disposal of preferential subscription rights[a] | 7 | 1.089 | |
| January 24, 2017 | Xavier Martiré | Disposal of preferential subscription rights[a] | 200 | 1.0400 | 208 |
| January 26, 2017 | Louis Guyot | Disposal of preferential subscription rights[a] | 7 | 1.105 | |
| January 25, 2017 | Matthieu Lecharny | Disposal of preferential subscription rights[a] | 19 | 1.21 | 22.99 |
| January 27, 2017 | Matthieu Lecharny | Disposal of preferential subscription rights[a] | 4,367 | 1.05 | 4,585 |
| January 30, 2017 | Philippe Audouin | Acquisition of preferential subscription rights[a] | 14 | 1.0621 | 14.8694 |
| February 9, 2017 | Matthieu Lecharny | Shares subscribed[a] | 1,825 | 12.55 | 22,903.75 |
| February 9, 2017 | Louis Guyot | Shares subscribed[a] | 6,905 | 12.55 | 86,657.75 |
| February 9, 2017 | Xavier Martiré | Shares subscribed[a] | 9,655 | 12.55 | 121,170.25 |
| February 13, 2017 | Philippe Audouin | Shares subscribed[a] | 685 | 12.55 | 54,581 |
| March 1, 2017 | Legal entity associated with Marc Frappier | Shares subscribed[a] | 101,407 | 12.55 | 1,272,657.85 |

*(a) Within the scope of the capital increase of €325 million decided upon by the Management Board on January 17, 2017*

As at the filing date of the registration document, no other executive or corporate officer had reported transactions in the Company's shares in 2016 or since the beginning of the financial year started on January 1, 2017.

## 8.5.5 TRANSFER OR DISPOSAL OF SHARES UNDERTAKEN TO REGULARIZE CROSS SHAREHOLDINGS

None.

## 8.5.6 CROSSING OF SHAREHOLDING THRESHOLDS

### Crossing of statutory shareholding thresholds

Pursuant to Article L. 233-7 of the French Commercial Code, any individual or entity, acting alone or in concert with others, who comes to hold, directly or indirectly, a number of shares representing more than 5%, 10%, 15%, 20%, 25%, 30%, 33.33%, 50%, 66.66%, 90% or 95% of the Company's share capital or voting rights, is required to notify the Company and the AMF thereof in writing within four trading days as from the date of exceeding the threshold, indicating the total number of shares and voting rights held. Shareholding threshold crossings disclosed to the AMF are made public by the AMF. Disclosures are also forwarded within the same maximum period and under the same conditions whenever the equity interest or voting rights fall below the above-mentioned thresholds. If any shareholder fails to comply with these disclosure requirements, the shares in excess of the relevant threshold that should have been disclosed in accordance with the above-mentioned provisions will be stripped of voting rights at all shareholders' meetings until a period of two years has elapsed following the date on which the breach of notification was rectified.

Thus, during the 2016 financial year, the following disclosures were made to the AMF concerning the crossing of statutory shareholding thresholds:

| Shareholder | Disclosure date | Disclosure reference | Breach |
|---|---|---|---|
| Franklin Ressources Inc.[(a)] | September 16, 2016 | 216C2078 | Drop below the threshold of 5% of Company voting rights. |
| Deutsche Bank AG | August 11, 2016 | 216C1860 | Drop below the threshold of 5% of Company share capital. |
| Deutsche Bank AG | July 25, 2016 | 216C1716 | Drop below the threshold of 5% of Company voting rights. |
| Franklin Ressources Inc. | June 14, 2016 | 2016C1368 | Threshold of 5% of voting rights exceeded. |
| Crédit Agricole SA | June 3, 2016 | 2016C1276 | Thresholds of 5 and 10% of the share capital and 5% of voting rights exceeded indirectly via Predica (a company controlled by Crédit Agricole Assurances, itself controlled by Crédit Agricole SA)<br>Declaration of intent. |
| Eurazeo | June 2, 2016 | 216C1273 | Drop below the thresholds of 25% and 20% of the share capital and 1/3, 30% and 25% of voting rights, directly and indirectly via its subsidiary Legendre Holding 27. |
| Deutsche Bank AG | May 6, 2016 | 216C1067 | Drop below the threshold of 10% of the share capital and voting rights. |
| Deutsche Bank AG | April 20, 2016 | 216C0957 | Thresholds of 5% and 10% of the share capital and voting rights exceeded. |
| Eurazeo | April 19, 2016 | 216C0940 | Drop below the thresholds of 1/3 and 30% of the Company's share capital, directly and indirectly via its subsidiary Legendre Holding 27, following the disposal of 17,100,925 Elis shares by Legendre Holding 27 representing 15% of Elis' share capital and 12.74% of its voting rights, as part of an accelerated book-building placement reserved for institutional investors. |
| Franklin Ressources, Inc. | April 19, 2016 | 2016C0921 | Drop below the threshold of 5% of voting rights. |
| Franklin Ressources, Inc. | January 27, 2016 | 216C0291 | Threshold of 5% of the share capital and voting rights exceeded. |

Since the beginning of the financial year started January 1, 2017, the following notifiable interests were disclosed to the AMF:

| | | | |
|---|---|---|---|
| Eurazeo | February 15, 2017 | 217C0466 | Threshold of 25% of Elis' voting rights exceeded, directly and indirectly via its subsidiary Legendre Holding 27, following the granting of double voting rights to registered shares held for at least two years<br>Declaration of intent |
| Franklin Ressources, Inc. | February 7, 2017 | 217C0392 | Drop below the threshold of 5% of the share capital. |

### Crossing the shareholding thresholds set forth in the articles of incorporation

Shareholders must disclose to the Company any movement of 1%, or a multiple of that percentage, above or below the threshold in accordance with the stipulations of Article 8 of the Company's articles of incorporation (see section 8.2.8 above in this registration document).

These disclosures are in addition to the aforementioned statutory disclosures. Shareholders who fail to comply with the disclosure requirement set forth in the articles of incorporation will lose the voting rights attached to their shares exceeding the threshold in question at the request of one or more shareholders holding at least 1% of the share capital, under the conditions and within the limits set forth by law.

## 8.5.7 EMPLOYEE SHAREHOLDING AND PROFIT-SHARING

### Shareholding agreements

Employee shareholding agreements were concluded with the Group's principal French subsidiaries.

### 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.

An employee savings plan was set up in most of the Group's French entities. The plan offers Group employees with more than three months of seniority the possibility of using immediately and in full the amounts paid to them as part of their shareholding or profit-sharing plan or the amounts voluntarily paid by employees to subscribe for units in employee shareholding mutual funds (FCPE). The amounts invested in the employee savings plan are not available for five years, except in the cases of early release provided for by law.

## 8.5.8 EQUITY INTERESTS OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

As at December 31, 2016, the personal interests in Elis' share capital of Xavier Martiré, Louis Guyot and Matthieu Lecharny, members of the Management Board and the ones of the Supervisory Board, accounted for less than 1% of the share capital and voting rights. The number of shares held by members of the Management Board and Supervisory Board is included in their biographies in chapter 4, "Corporate governance", of the 2016 registration document.

## 8.5.9 OTHER INFORMATION ABOUT THE CAPITAL

### Agreements likely to cause a change in control of the Company

At the date of this registration document, and to the best of the Company's knowledge, there are no shareholders or other agreements likely to cause a change in control of the Company at a later date.

### Options or conditional or unconditional agreements regarding the capital of the Company or its subsidiaries

At the date of this registration document, there is no share capital of the Company or its subsidiaries under option or agreed conditionally or unconditionally to be put under option (including the identity of those persons to whom such options relate).

## 8.5.10 EVENTS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFER (ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE)

In accordance with Article L. 225-100-3 of the French Commercial Code, the events likely to have an impact with regard to the public offering are disclosed below:

### Agreements entered into by the Company that would be amended or terminated in the event of a change in control of the Company

As at the date of this registration document, the financing agreements entered into by the Company, in particular the Senior Credit Facilities Agreement described in chapter 1, section 1.12 "Financing Policy and Credit Ratings" of this registration document, includes a clause covering the Company's possible change of control following the acquisition by any individual or legal entity, acting alone or in concert with others, of more than 50% of voting rights. Accordingly, under the terms of this agreement, it is stipulated that in the event of a change in control, each lender may request the early repayment of all amounts loaned by said lender to the Company (particularly accrued interest), subject to certain terms and conditions.

Likewise, the agreement relating to the issue of High-Yield Bonds stipulates that in the event of a change in control, each bond lender has the option to request redemption of said Bonds by the Company, at a price of 101% of the par value of the High-Yield Bonds held by the lender, plus accrued interest.

### Shareholder agreement

In letters dated March 25, 2015 and March 27, 2015, in accordance with the provisions of Article L. 233-11 of the French Commercial Code, Eurazeo and ECIP Elis notified the Company, for the purposes of filing with the AMF, of the signing of a shareholder agreement (the "**Agreement**") relating to their holding in the Company's share capital and defining the terms and conditions of their investment in the Company's capital.

The Agreement provides for a divestment clause under the terms of which each of the parties to the Agreement undertake, in the event of a sale of all or some of their Elis shares, to sell said shares concomitantly and under the same legal and financial terms and conditions. In the event of partial sale, the number of Elis shares sold by the parties shall be determined on a prorata basis of the parties' respective holdings in Elis's capital. Notwithstanding the foregoing, the Agreement stipulates that ECIP Elis shareholders may sell or transfer the equity interest held by ECIP Elis in Elis to their respective shareholders even though Eurazeo would still retain its equity interest in Elis.

The Agreement entered into force on March 23, 2015 and shall remain in force as long as Eurazeo and ECIP Elis hold Company shares, it being specified that each of the parties may terminate the agreement by giving written notice three months prior to the date on which the cancellation is due to take effect.

The Agreement was submitted to the AMF on March 25, 2017 and March 27, 2015 and a notice relating thereto was published by the AMF on its website on March 30, 2015 (215C0370 of March 30, 2015). Parties to the Agreement have declared that the Agreement does not constitute concerted action as defined by Article L. 233-10 of the French Commercial Code.

On May 30, 2016, Eurazeo, Legendre Holding 27 and Predica entered into an automatically renewable 5-year agreement related to the Company's corporate governance, in order to lay down certain commitments concerning the composition of the Elis Supervisory Board, in view of their respective holdings in the Company. Eurazeo, Legendre Holding 27 and Predica have thus undertaken to ensure that (i) the Supervisory Board members appointed on their proposal vote in favor of maintaining a majority of independent members on the Company's Supervisory Board and (ii) at general meetings, vote in favor of maintaining a majority of independent members on the Company's Supervisory Board (except in the event of a significant change in Elis' shareholding structure). Moreover, as long as Predica holds at least 5% of Elis' share capital, Eurazeo and Legendre Holding 27 have undertaken to ensure that (i) the Supervisory Board members appointed on their proposal vote in favor of any resolution aimed at allowing Predica to hold a seat on the Company's Supervisory Board and (ii) at general meetings, vote in favor of such a resolution.

Eurazeo and Legendre Holding 27 have also undertaken to ensure that, within six months from the date their direct or indirect holdings fall below:

- 15% of Elis' voting rights, they shall only have two representatives on the Company's Supervisory Board; and
- 10% of Elis' voting rights, they shall only have one representative on the Company's Supervisory Board.

The parties have declared that this corporate governance agreement did not represent concerted action within the meaning of Article L. 233-10 of the French Commercial Code.

To the best of the Company's knowledge, there are no other agreements likely to have a material impact on the Company's capital in the event of a public offer for the Company's shares.

### Agreements providing for compensation payments to members of the Management Board or employees if they resign or are dismissed without just or serious cause

As stated in chapter 4, "Corporate governance," Management Board members are eligible for compensation payments in the event of departure. The terms and conditions of such payments are presented in chapter 4, sections 4.2 "Statutory Auditors' special report on regulated agreements and commitments with related parties" and 4.5 "Report on the compensation and benefits granted to the members of the Management Board and the Supervisory Board."

### Agreement that may lead to restrictions on share transfers or on the exercise of voting rights

Within the scope of the capital increase of €325 million including issue premium for which final application are detailed in the Management Board's supplementary report in the Chapter 7 of this Reference Document, the following agreements and commitments were entered into on January 18, 2017:

- **an Underwriting Agreement** signed by a banking syndicate comprising BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank, HSBC and Société Générale Corporate & Investment Banking as Global Coordinators, Joint Lead Managers and Joint Bookrunners (as all terms beginning with a capital letter are defined in the Underwriting Agreement). Under this agreement, the Company committed to a lock-up of 180 calendar days following the settlement and delivery of the new shares, i.e. on February 13, 2017 (subject to the usual exceptions);
- **Shareholders' commitment to retain Company shares:** Eurazeo SA, Legendre Holding 27 SAS and Predica are bound by a lock-up arrangement with the Company and the Global Coordinators, Joint Lead Managers and Joint Bookrunners (as laid down in the above-mentioned Underwriting Agreement) as from the date of the AMF approval (i.e. January 18, 2017) appearing on the Prospectus relating to the capital increase and until the end of the period expiring 90 calendar days after the date of settlement and delivery of the new shares, subject to the usual exceptions.

At the date of this registration document, to the best of the Company's knowledge and with the exception of the restrictions stipulated in Article 8 of the Company's articles of incorporation as described above, there are no shareholder agreements or any other agreement that may, at a later date, lead to restrictions on share transfers or on the exercise of voting rights.

## 8.6 DIVIDENDS

### 8.6.1 DIVIDEND POLICY

The Company will determine the amounts of any future distributions 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 pursue and the applicable statutory provisions.

### 8.6.2 DIVIDENDS PAID IN THE PAST THREE FINANCIAL YEARS

The Company did not pay any dividends in the financial years ended December 31, 2013, 2014 and 2015.

The general shareholders' meeting of May 27, 2016 voted in favor of the payment of an amount totaling €39,902,158.45, i.e. €0.35 per share, which was fully deducted from additional paid-in capital and paid on June 8, 2016. At the next general meeting convened for May 19, 2017, the shareholders will be asked to vote under the 4th resolution on a special cash dividend to be deducted from additional paid-in capital (see chapter 7 of this registration document).

### 8.6.3 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.

# 8.7 TRADING OF SHARES

## 8.7.1 EXCHANGE

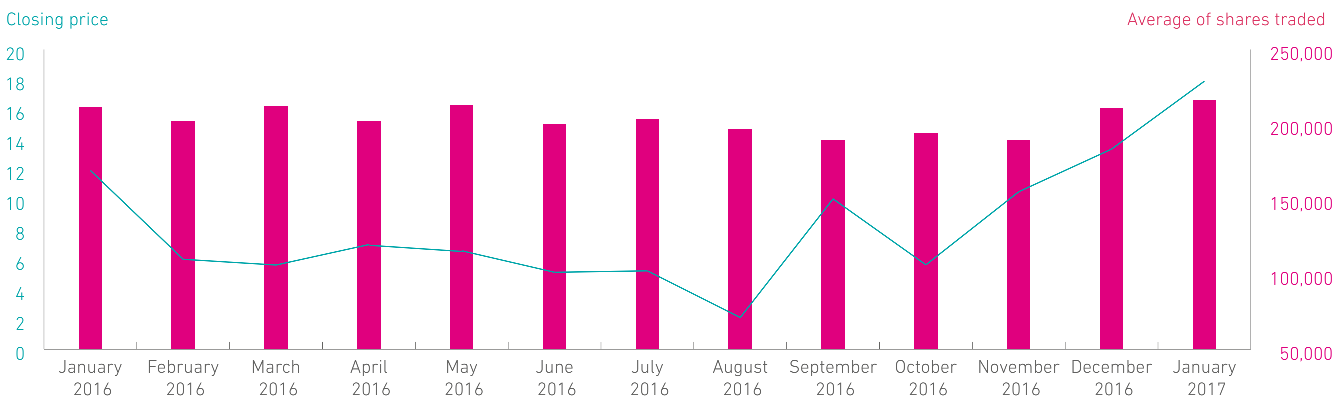
On February 11, 2015 Elis was listed for trading in Compartment A of the Euronext Paris regulated market.

**Elis share data**

- ISIN code: FR0012435121.
- Exchanges: Ongoing trading on Euronext – Compartment A of NYSE Euronext Paris.
- Other exchanges where the shares are traded: none.
- Par value: €10.
- Number of shares outstanding as at December 31, 2016: 114,006,167
- Price as at December 31, 2016: €16.11
- Market capitalization as at December 31, 2016: €1,932,404,530.65

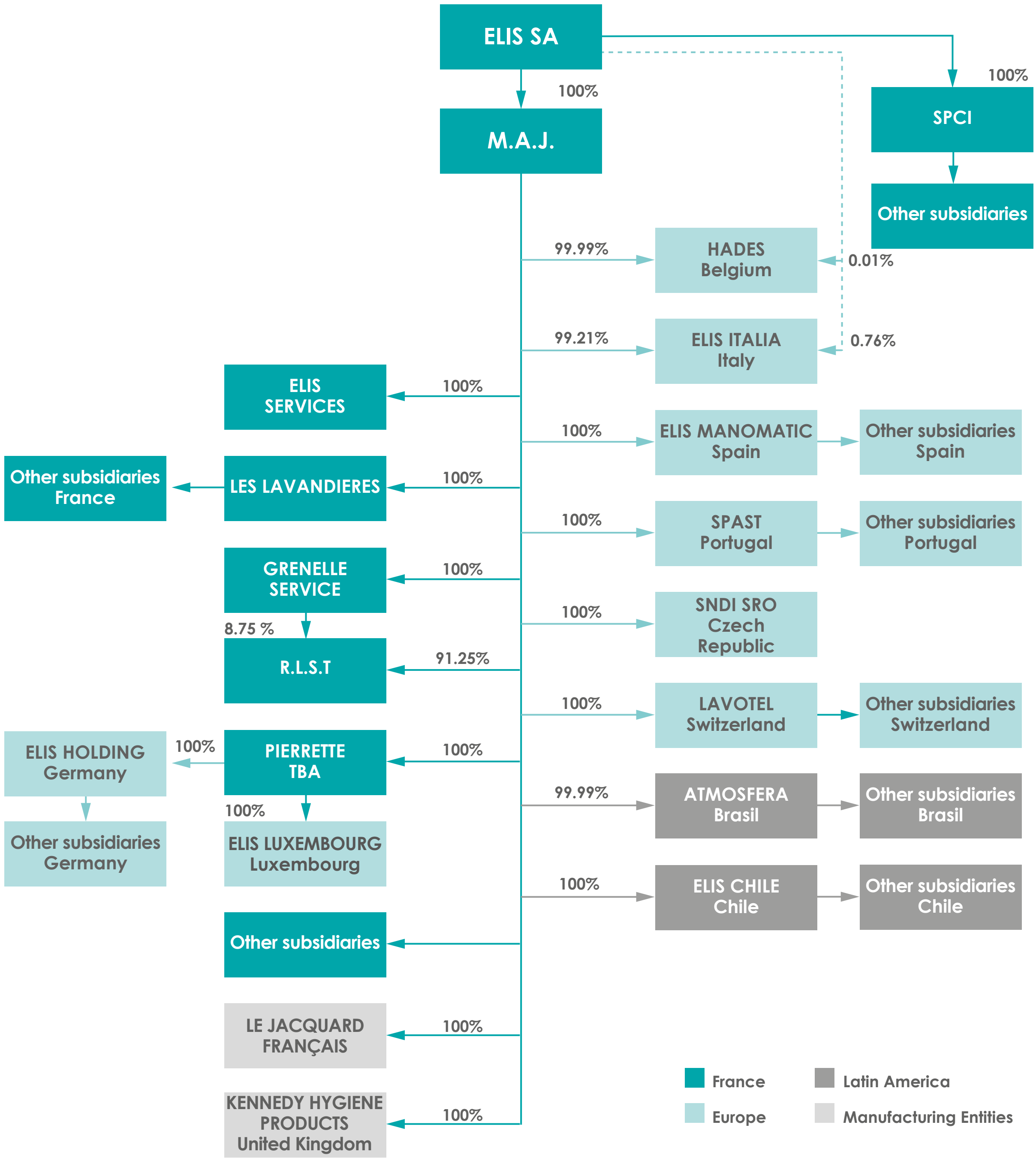
## 8.7.2 VOLUMES TRADED AND CHANGE IN SHARE PRICE IN 2016

| | Share price *(in euros)* | | | Traded volume | | |
|---|---|---|---|---|---|---|
| | **High** | **Low** | **Closing price (last day of the month)** | **Number of shares traded per month** | **Daily average of shares traded** | **Market capitalization (month-end)** *(in € millions)* |
| January 2016 | 16.12 | 14.69 | 16.12 | 3,386,045 | 169,302 | 1,837.78 |
| February 2016 | 15.62 | 13.83 | 15.19 | 2,200,042 | 110,002 | 1,822.39 |
| March 2016 | 16.35 | 14.84 | 16.22 | 2,336,096 | 106,186 | 1,944.95 |
| April 2016 | 16.92 | 15.11 | 15.24 | 2,516,338 | 119,826 | 1,828.09 |
| May 2016 | 16.25 | 14.97 | 16.25 | 2,545,422 | 115,701 | 1,949.51 |
| June 2016 | 16.35 | 13.97 | 15.00 | 2,229,522 | 101,342 | 1,799.02 |
| July 2016 | 15.78 | 14.64 | 15.35 | 2,046,078 | 102,304 | 1,841.20 |
| August 2016 | 15.73 | 14.67 | 14.70 | 1,636,721 | 71,162 | 1,763.68 |
| September 2016 | 15.16 | 13.59 | 13.97 | 3,156,597 | 150,314 | 1,675.32 |
| October 2016 | 14.77 | 13.59 | 14.39 | 2,338,992 | 106,318 | 1,726.05 |
| November 2016 | 14.54 | 13.48 | 13.94 | 3,256,677 | 155,080 | 1,672.47 |
| December 2016 | 16.24 | 13.66 | 16.11 | 3,854,239 | 183,535 | 1,932.40 |
| January 2017 | 17.75 | 15.51 | 16.59 | 4,805,774 | 228,846 | 2,320.52 |



## 8.8 SIMPLIFIED GROUP ORGANIZATIONAL CHART

The simplified Group organizational chart set out below shows the Group's legal structure as at December 31, 2016 (the percentages shown on the organizational chart correspond to the percentage of share capital and voting rights held by the Company in the subsidiary concerned):



# 8.9 LIST OF 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 below. No Group subsidiary is listed.

- **M.A.J.** is a French corporation (*société anonyme*) with share capital of €142,515,408, having its registered office at 31 chemin latéral au Chemin de fer, 93500 Pantin, France, and registered with the Bobigny Trade and Companies Register 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 French corporation (*société anonyme*) with share capital of €16,000,075, having its registered office at 5, boulevard Louis Loucheur, 92210 Saint-Cloud, France, and registered with the Nanterre Trade and Companies Register 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 French simplified limited liability company (*société par actions simplifiée*) with share capital of €448,544, having its registered office at Zone Industrielle les Carrières, 49240 Avrillé, France, and registered with the Angers Trade and Companies Register 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 Swiss corporation (*société anonyme*) with share capital of CHF27 million, having its registered office at 35 chemin de la Vuarpillière in Nyon, Switzerland, and registered with the Vaud Canton (Switzerland) Trade and Companies Register 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 French simplified limited liability company (*société par actions simplifiée*) with share capital of €15,900,000, having its registered office at 10 route des Champs Fourgons Port de Gennevilliers, 92230 Gennevilliers, France, and registered with the Nanterre Trade and Companies Register 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 French simplified limited liability company (société par actions simplifiée) with share capital of €243,208, having its registered office at 7, rue Alfred-Mongy, 59700 Marcq-en-Baroeul, France, and registered in the Lille Métropole Trade and Companies Register 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 French corporation (*société anonyme*) with share capital of €278,768, having its registered office at Zone d'Activités Commerciales des Savlons, 54220 Malzéville, France, and registered with the Nancy Trade and Companies Register under number 306,042,268. M.A.J. holds 100% of the share capital and voting rights of Pierrette – T.B.A. The main activity of Pierrette – T.B.A. is flat linen, workwear and HWB rental and maintenance services.
- **Thimeau** is a French simplified limited liability company (société par actions simplifiée) with share capital of €160,000, having its registered office at 13 rue Isaac Newton, 77100 Meaux, France, and registered with the Meaux Trade and Companies Register under number 383,277,233. M.A.J. holds 100% of the share capital and voting rights of Thimeau. Thimeau's main activity is the rental and laundering of textile articles for high-end hospitality customers and the laundering and maintenance of clothing and costumes for Disneyland Paris.
- **Atmosfera Gestão e Higienização de Têxteis SA** is a Brazilian corporation with share capital of 640,108,359.15 Brazilian reals, having its registered office at Av. Antonieta Piva Barranqueiros, S/N, Chácara Aeroporto – Jundiai, SP (zip code 13.212-009, Brazil) and registered with the Trade and Companies Register of the Federal Republic of Brazil under number 00.886.257/0001-92. M.A.J. and S.P.C.I. (wholly owned by the Company) hold 99.99% of the share capital and 0.01% of the voting rights of Atmosfera Gestão e Higienização de Têxteis SA. The main activity of Atmosfera Gestão e Higienização de Têxteis SA is flat linen and workwear rental and laundry services. Atmosfera Gestão e Higienização de Têxteis S.A. is the head company of the Brazilian subsidiaries.
- **SPAST** is a Portuguese company with capital of €1,400,000 having its registered office at Avenida Nacoes Unidas, 81, Porto-Alto, 2135-503 Samora Correia, Portugal and registered with the Benavente Trade and Companies Register under number 301, Contribuinte No. 502 095 857. M.A.J. holds 100% of the share capital and voting rights of SPAST. The main activity of M.A.J. is flat linen, workwear and HWB rental and maintenance services.
- **Elis Manomatic SA** is a Spanish corporation with capital of €72,232,490, having its registered office at Calle Diesel 5-7, P.I. Sector Autopista, Parets del Vallès, 08150 Barcelona, Spain, and registered with the Barcelona Trade and Companies Register under number Hoja B 39922, Tomo 37909, Folio 122. M.A.J. holds 100.00% of the share capital and voting rights of Elis Manomatic SA. The main activity of Elis Manomatic SA is flat linen, workwear and HWB rental and maintenance services. Elis Manomatic SA is the head company of the Spanish subsidiaries.

- **Atmosfera Gestão e Higienização de Têxteis SA** is a Brazilian corporation with share capital of 640,108,359.15 Brazilian reals, having its registered office at Av. Antonieta Piva Barranqueiros, S/N, Chácara Aeroporto – Jundiai, SP, 13.212-009 Brazil, and registered with the Trade and Companies Register of the Federal Republic of Brazil under number 00.886.257/0001-92. M.A.J. and S.P.C.I. (wholly owned by the Company) hold 99.99% of the share capital and 0.01% of the voting rights of Atmosfera Gestão e Higienização de Têxteis SA. The main activity of Atmosfera Gestão e Higienização de Têxteis SA is flat linen and workwear rental and laundry services. Atmosfera Gestão e Higienização de Têxteis S.A. is the head company of the Brazilian subsidiaries.
- **Sociedade Portuguesa de Aluguer e Serviço de Texteis** SA is a Portuguese corporation with capital of €1,400,000, having its registered office at Avenida Nações Unidas, 81, Porto Alto, Samora Correia, 2135-503 Portugal, and registered with the Benavente Trade and Companies Register under number 301, Contribuinte No. 502,095,857. M.A.J. holds 100.00% of the share capital and voting rights of Sociedade Portuguesa de Aluguer e Serviço de Texteis SA. The main activity of Sociedade Portuguesa de Aluguer e Serviço de Texteis SA is flat linen, workwear and HWB rental and maintenance services. Sociedade Portuguesa de Aluguer e Serviço de Texteis SA is the head company of the Portuguese subsidiaries.
- **Compania Navarra de Servicios Integrales, S.L. (Indusal) i**s a Spanish limited liability company having its registered office at Calle Benjamin de Tuleda, 40, Pamplona, Spain, and registered with the Navarra Trade and Companies Register. Elis Manomatic holds 100% of the share capital and voting rights of Indusal. The main activity of Indusal is flat linen, workwear and HWB rental and maintenance services.

The position of Elis subsidiaries and its direct investments is described in the table in Note 11 to the 2016 consolidated financial statements included in chapter 6, “Financial statements for the year ended December 31, 2016”, of the 2016 registration document.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# 9

# Additional information AFR

# 9.1 PERSONS RESPONSIBLE

## 9.1.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT INCLUDING THE ANNUAL FINANCIAL REPORT

Xavier Martiré, chairman of the Management Board.

## 9.1.2 DECLARATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT INCLUDING THE ANNUAL FINANCIAL REPORT

Having taken all reasonable care to this effect, I hereby declare that, to the best of my knowledge, the information contained in this registration document is consistent with the facts and contains no omission likely to affect its scope.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position, and results of the Company and all companies in the Group, and that the information relating to the management report listed in the cross-reference table on pages 341 to 342 of this registration document presents a true and fair picture of the changes in the business, the results, and the financial position of the Company and all companies in the Group as well as a description of the major risks and uncertainties they face.

I have obtained a completion of work letter from the Statutory Auditors stating that they have audited the information relating to the financial position and financial statements contained in this registration document, which they have read in its entirety.

Saint-Cloud, April 6, 2017

**Xavier Martiré**
Chairman of the Management Board

# 9.2 STATUTORY AUDITORS

## 9.2.1 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, France

Appointed Principal Statutory Auditor in 2007 when the Company was incorporated, PricewaterhouseCoopers Audit had its term of office renewed during the June 26, 2013 general meeting for a period of six financial years, i.e. until the general meeting called to approve the financial statements for the financial year ending 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, France

Appointed Principal Statutory Auditor on June 29, 2011, Mazars had its term of office renewed during the June 26, 2013 general meeting for a period of six financial years, i.e. until the general meeting called to approve the financial statements for the financial year ending December 31, 2018.

## 9.2.2 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, France

Appointed Alternate Statutory Auditor on June 26, 2013 for a period of six fiscal years expiring at the end of the general meeting called to approve the financial statements for the fiscal year ending 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, France

Appointed Alternate Statutory Auditor on June 29, 2011, CBA had its term of office renewed during the June 26, 2013 general meeting for a period of six financial years, i.e. until the general meeting called to approve the financial statements for the financial year ending December 31, 2018.

# 9.3 CONTACTS AND AVAILABLE FINANCIAL INFORMATION

## 9.3.1 INVESTOR RELATIONS

The Group is committed to maintaining ongoing relationships with financial analysts and its shareholders, including French and foreign individual shareholders and institutional investors. Analyst meetings and/or conference calls are organized in Paris for the publication of annual and half-year results, as well as for other significant events. Quarterly revenue announcements are made by conference call. The Group's management gives talks all year round at conferences organized by specialized financial intermediaries.

One-on-one meetings between investors and various company representatives are also organized several times a year, in particular during road shows in France and abroad. Investors may also contact the Director of Investor Relations at any time.

The Investor Relations section of the Elis website is specially designed for both individual and institutional shareholders, and offers open and unrestricted access. This section provides share price information (both in near real time and historical data) and all information published by the Group's Financial Department: press releases and news, analyst presentations, annual financial report and registration documents from previous financial years, composition of the Management Board and the Supervisory Board, Company articles of incorporation, the Supervisory Board's internal regulations, the charters of the Audit Committee and the Appointments and Compensation Committee, the Code of Conduct for Trading and Market Activities, the financial publications calendar and the list of financial analysts that cover the Elis stock.

**Investor relations contact**

Nicolas Buron
Director of Investor Relations
5, boulevard Louis Loucheur – 92210 Saint-Cloud, France
Telephone: +33 (0)1 75 49 98 30
Fax: +33 (0)1 47 11 02 19
investors@elis.com
www.corporate-elis.com

## 9.3.2 BANK RESPONSIBLE FOR REGISTERED SHAREHOLDERS' ACCOUNTS

**BNP Paribas Securities Services**

**Elis shareholder relations**

CTS – Corporate Trust Services

Grands Moulins de Pantin – 9, rue du Débarcadère – 93500 Pantin, France

Telephone: +33 (0)1 40 14 00 90

Elis shares may be registered with this institution.

## 9.3.3 REGULATED INFORMATION

Regulated information, as defined in the AMF general regulations, is available on the Company's website. This information is archived in a specific section of the Company's website and may be accessed at: www.corporate-elis.com.

Elis has signed a contract with an AMF-licensed professional information agency for the distribution of regulated information within the meaning of the AMF general regulations. This service provider is responsible for the distribution of all press releases covering periodic or ongoing regulated information.

### 9.3.4 PROVISIONAL FINANCIAL COMMUNICATION CALENDAR

For 2017, the provisional calendar for the key communication events is as follows:

| Date (Indicative) | Contents |
|---|---|
| 03/15/2017 | Presentation of FY 2016 results |
| 04/27/2017 | Presentation of Q1 2017 revenue |
| 05/19/2017 | Combined general shareholders' meeting |
| 05/31/2017 | Payment of special dividend |
| 07/27/2017 | Q2 2017 revenue and H1 2017 results |
| 10/26/2017 | Q3 2017 revenue |

## 9.4 PUBLIC DOCUMENTS

Company press releases, this registration document, including Company and Group historical financial information filed with the AMF, as well as, where applicable, any updates, are available on the Company's website at www.corporate-elis.com, and on the AMF's website (www.amf-france.org). A copy may be obtained free of charge from the Company's registered office (5, boulevard Louis Loucheur – 92210 Saint-Cloud, France).

Pursuant to Article 221-3 of the AMF general regulations, regulated information (as defined in Article 221-1 of the AMF general regulations) is available on the Company's website. This information is available for at least ten years following its publication.

In accordance with AMF recommendations, the Company's articles of incorporation and the Supervisory Board's internal regulations are available on the Company's website (www.corporate-elis.com). These documents, the minutes of the General Meetings, the Statutory Auditors' reports and all other company documents may be consulted at the Company's registered office under the conditions provided for by law and the articles of incorporation.

All 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.

Moreover, notices of the crossing of shareholding thresholds are published on the AMF's website.

# CROSS-REFERENCE TABLES

## CROSS-REFERENCE TABLE FOR THE REGISTRATION DOCUMENT

This cross-reference table lists the main disclosure items required by European Commission regulation (EC) 809/2004 of April 29, 2004 (the "Regulation") and refers to the pages in this registration document containing information regarding these items.

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| No. | Items shown in Appendix 1 of the Regulation | Chapter/section | Corresponding page(s) of the registration document |
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## CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

To facilitate the reading of this document, the cross-reference table below may be used to identify in this 2016 registration document the information that constitutes the annual financial report which must be published by listed companies in accordance with Articles L. 451-1 2 of the French Monetary and Financial Code and 222-3 of the general regulations of the French Financial Markets Authority.

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