This document is a free translation of Elis 2014 *Rapport Financier Annuel*. In case of discrepancy with the French text, the French text shall govern.

# Elis

Joint-stock corporation (*société anonyme*) governed by a management board and a supervisory board, with share capital of €1,140,061,670
Registered office: 33 rue Voltaire, Puteaux (92800)
499 668 440 R.C.S. Nanterre

## ANNUAL FINANCIAL REPORT
## YEAR ENDED DECEMBER 31, 2014

**CONTENTS**


I. Management report for the year ended December 31, 2014 ... 1

A. Activity report ... 3

1. Business activities ... 3
2. Results for the financial year ended December 31, 2014 ... 16
3. Capital resources ... 23
4. Risks and uncertainties ... 36
5. Equity investments ... 53
6. Intellectual property ... 53
7. Expected developments and outlook ... 53
8. Subsequent events ... 56

B. Share capital and ownership structure ... 58

1. Breakdown and changes in the ownership structure and share capital ... 58
2. Acquisitions and disposals of treasury stock by Elis ... 61
3. Employee shareholding ... 62
4. Transactions by directors and corporate officers concerning Elis shares ... 62
5. Transfer or disposal of shares undertaken to regularize cross shareholdings ... 62
6. Information likely to have an impact in the event of a public offering ... 62

C. Corporate governance ... 65

1. Management board ... 65
2. Supervisory board ... 69
3. Executive Board ... 80

D. Compensation of corporate officers ... 81

1. Compensation and benefits paid to senior executives and corporate officers ... 81
2. Stockholding and subscription and purchase options on shares held by the members of the Management Board and Supervisory Board ... 88

E. Social and environmental responsibility ... 92

1. 2014 Report on social and environmental responsibility ... 92

1 Elis's CSR approach ... 92

1.1 Our vision ... 92

1.2 Scope of CSR and reporting methodology ... 92

2. Information relating to employee, social and environmental performance ... 95

2.1 Employee-related information ... 95

2.2 Environmental information ... 102

2.3 Social information ... 109

2. Independent third party report ... 111

F. Statutory auditors' special report on regulated agreements ... 115

G. Other information ... 120

1. Dividends paid ... 120
2. Information on payment times for trade payables ... 120
3. Injunctions or fines for anti-competitive practices ... 120
4. Information on luxury expenditure ... 120

5. Information on the adding back of general expenses to taxable income .......... 120
H. Appendices .......... 121
1. Appendix I - Results for the last five financial years .......... 121
2. Appendix II - Summary table of delegations and authority and powers granted by the general shareholders' meeting to the management board concerning capital increases .......... 122
II. Elis parent company financial statements to December 31, 2014 .......... 125
A. Statutory Auditors' report on the parent company financial statements to December 31, 2014 .......... 125
III. Consolidated financial statements to December 31, 2014 .......... 127
A. Statutory Auditors’ report on the consolidated financial statements to December 31, 2014 .......... 128
IV. Supervisory Board's report on the management report and financial statements for the year .......... 130
V. Report of the President of the Supervisory Board on corporate governance and internal control .......... 131
A. CORPORATE GOVERNANCE .......... 131
1. Supervisory board and committees .......... 131
2. Limitations to powers of the management board .......... 134
3. Specific procedures for attending general shareholders' meetings .......... 135
4. Principles and rules for determining compensation paid to corporate officers .......... 135
5. INFORMATION REQUIRED UNDER ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE .......... 135
B. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES .......... 135
1. Scope of internal control .......... 135
2. Internal control and risk management within the Elis Group .......... 135
3. Control activities .......... 137
4. Description of analysis of internal control and risk management .......... 138
5. Description of internal control and risk management procedures relating to the preparation of accounting and financial information .......... 139
6. Duties of the Statutory Auditors .......... 139
7. Changes and outlook .......... 140
C. Statutory Auditors’ report on the report of the President of the Supervisory Board on corporate governance and internal control .......... 141
VI. Auditors' fees .......... 143
VII. Statement by the person responsible for the Annual Financial Report .......... 144

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# I. MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2014

**ELIS**

Joint-stock corporation (*société anonyme*) governed by a management board and a supervisory board
Share capital of €1,140,061,670
Registered office: 33, rue Voltaire – 92800 Puteaux
499 668 440 R.C.S. Nanterre
(the "Company")

# MANAGEMENT REPORT
# FOR THE YEAR ENDED DECEMBER 31, 2014

Dear shareholders,

In accordance with Articles L. 225-100 et seq. of the French Commercial Code, we have convened this annual general meeting to inform you of the business activity of the Company and its consolidated subsidiaries taken as a whole during the year ended December 31, 2014, and to submit to you the parent company and consolidated financial statements for approval.

The Statutory Auditors' reports, the management report and the parent company and consolidated financial statements and other related documents have been made available within the time frames and under the conditions provided by law for your information.

We remind you that the Company underwent a change of corporate form on September 5, 2014, and as a result this report covers the entire financial year ended December 31, 2014, including the period from January 1, 2014 to September 5, 2014, during which the Company was a simplified limited company ("*société par actions simplifiée*").

# A. ACTIVITY REPORT

## 1. BUSINESS ACTIVITIES

### a. OVERVIEW OF THE GROUP

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

The Group provides the following services:

- flat linen rental and laundry services, which consist mainly in the rental and laundry of (i) restaurant linen (i.e., tablecloths, napkins, dish towels, glassware towels and aprons) and (ii) hotel linen (bed sheets, duvets, duvet covers, pillowcases and bathroom towels). Flat linen rental and laundry services generated consolidated revenue of €590.1 million for the year ended December 31, 2014, or 44.3% of the consolidated revenue generated by the Group for that year;

- workwear rental and laundry services, i.e., mainly the rental, customization and laundry of several types of workwear, including (i) standard workwear (such as trousers, shirts, uniforms and jackets), (ii) personal protective equipment (such as firefighter uniforms, suits for working with hazardous materials or in extreme temperature environments or for ensuring high visibility) and (iii) workwear for personnel who work in controlled atmosphere environments (clean rooms), and mainly in the pharmaceutical and semiconductor industries (i.e., "Ultra-Clean" workwear). Workwear rental and laundry services generated consolidated revenue of €412.5 million for the year ended December 31, 2014, or 31.0% of the consolidated revenue generated by the Group for that year; and

- HWB appliance rental and maintenance services. They consist, on the one hand, of (i) the rental, installation and maintenance of washroom appliances, mainly for toilet hygiene (toilet paper dispensers, feminine hygiene, etc.), for hand washing and drying (soap dispensers, textile and paper hand-towels and electric hand dryers) and for air freshening, and also supplying consumables for these appliances. On the other hand, HWB appliance rental and maintenance services includes (i) the rental, installation and maintenance of water fountains and espresso machines and the supplying of consumables for these, (ii) the rental, customization and cleaning of dust mats (made of absorbent microfibers), (iii) the provision of services for potentially infectious waste from medical activities (French acronym: **DASRI**) and (iv) since 2013, pest control and disinfection services which include the eradication of insects and rodents, long-term preventive treatment and related one-off services ("**3D Pest Control**"). HWB appliance rental and maintenance services generated consolidated revenue of €322.8 million for the year ended December 31, 2014, or 24.2% of the consolidated revenue generated by the Group for that year.

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

- France, where the Group posted consolidated revenue of €954.0 million for the year ended December 31, 2014 (these figures include flat linen, workwear and HWB appliance services only), or 71.7% of the Group's consolidated revenue for the period. In France the Group serves customers in four main end markets: Hospitality, Healthcare, Industry, and Trade and Services;

- Europe (which includes Germany, Belgium-Luxembourg, Spain-Andorra, Italy, Portugal, Switzerland and the Czech Republic), where the Group posted consolidated revenue of €274.3 million for the year ended December 31, 2014, or 20.6% of the Group's consolidated revenue for the period. The Group serves customers in all its end markets in Europe; and

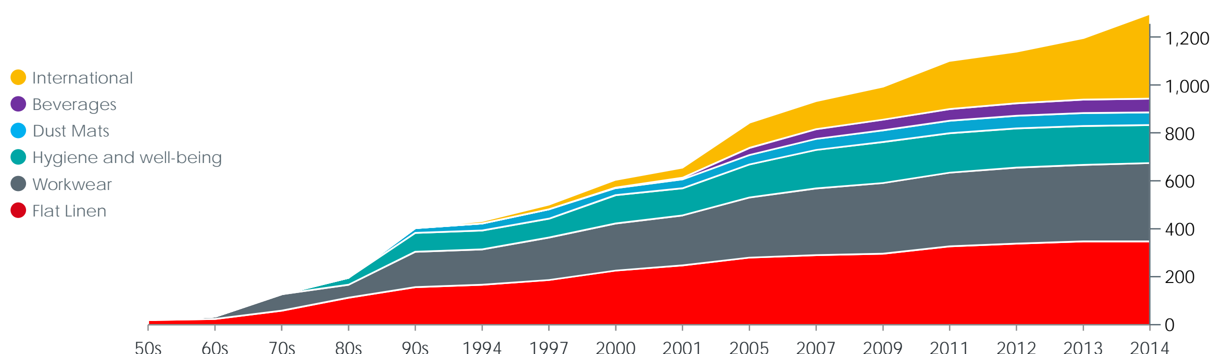
- Brazil, where the Group opened a sales office in São Paulo December 2012. In this country the Group posted revenue of €85.3 million for year ended December 31, 2014, or 6.4% of its consolidated revenue for the period. Almost all of this revenue was generated by the Atmosfera group, acquired by

the Group in February 2014. The Group serves customers in the Hospitality, Healthcare and Industry end markets.

The Group also has a manufacturing business that generated consolidated revenue of €17.4 million for the year ended December 31, 2014 (after intercompany eliminations), or 1.3% of consolidated revenue generated by the Group for this period. Its manufacturing business is conducted by two manufacturing entities that together form one of the Group's operating segments: (i) Le Jacquard Français makes high-end damask table linen, and (ii) Kennedy Hygiene Products, a European designer and manufacturer of hygiene appliances, such as textile and paper hand-towel dispensers, soap dispensers and toilet paper dispensers.

Through organic growth and carefully selected acquisitions, over the past few years the Group has substantially increased the share of its consolidated revenue (outside of France and excluding its manufacturing business) from 12.8% for the year ended December 31, 2008, to 27.4% for the year ended December 31, 2014. Since the Group's acquisition by Eurazeo on October 4, 2007, it has accelerated its global expansion with 23 acquisitions outside of France and most notably in Brazil, with the acquisition of the Atmosfera group in February 2014 followed by Santa Clara, L'Acqua and the assets of Lavtec between May and September 2014.

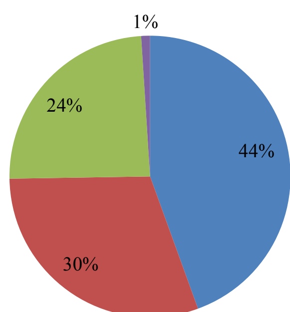
The chart below shows the increase in consolidated revenue* (in millions of euros) generated by the Group for every one of its product and service categories:



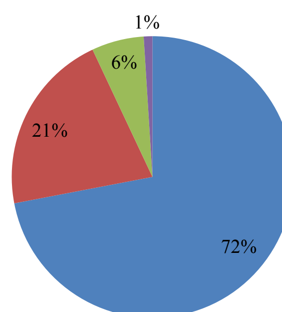

*: Excluding manufacturing business and after intercompany eliminations; including organic growth and acquisitions.

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

**Consolidated revenue by type of products and services (December 31, 2014)**




**Consolidated revenue by opearting entities (December 31, 2014)**




The Group's business model is based on the strategic deployment of a large number of processing centers and dispatching centers in each geographic market, to maintain close proximity with as many customers as possible and thus respond to and anticipate their needs more quickly and more effectively than the Group's competitors.

The Group is convinced that it is one of the few providers of flat linen, workwear and HWB appliance services that has sufficient geographic coverage to serve the entire French market. This enables the Group to provide these services to customers with a national footprint under framework agreements that cover all of their operations.

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

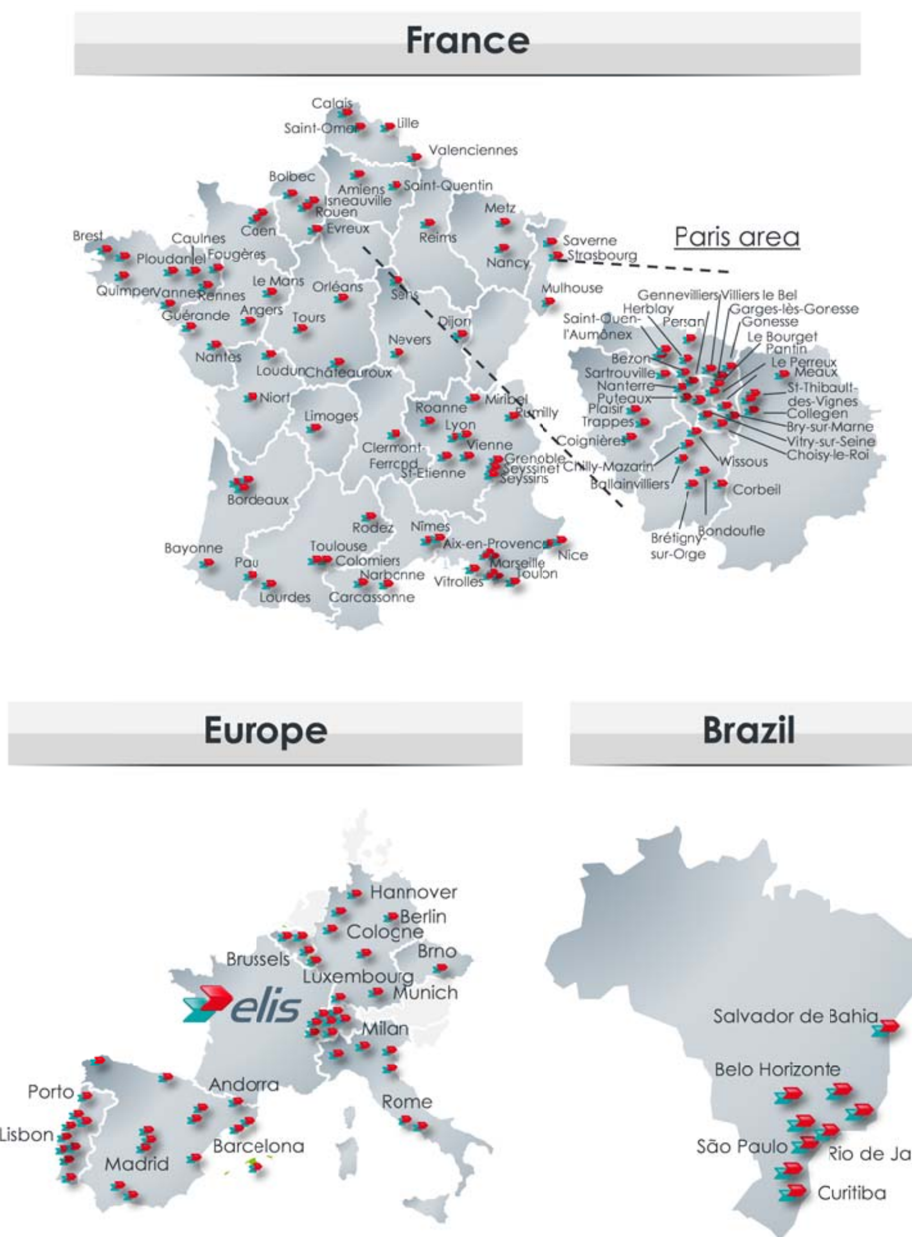
Typical load of a van starting a round:

During the year, in 12 countries, the Group employed over 19,000 people in its processing centers (industrial laundries equipped with industrial-type washing, drying, finishing, folding and wrapping machines and linen mending shops), dispatching centers (which may serve a single processing center or be independent), and "ultra-clean" centers, where ultra-clean workwear are serviced:

| GROUP SITES AT DECEMBER 31, 2014 | | | |
|---|---|---|---|
| **Processing centers** | **Dispatching centers serving a single processing center** | **Independent dispatching centers** | **Ultra-clean centers** |
| **96** | **96** | **64** | **13** |

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

The maps below show the Group's processing and dispatching centers in France, Europe and Brazil:




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

## b. MARKETS AND COMPETITIVE ENVIRONMENT

### (i) Market overview

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

The table below shows the products and services the Group provides in every end market and country that account for at least 15% of its revenue in that end market or country, based on consolidated revenue figures generated by the Group for the year ended December 31, 2014:

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

**c. DETAILED DESCRIPTION OF MAIN BUSINESSES**

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

**(i) The Group's operating segments**

***France***

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

***(a) Hospitality***

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

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

In France, the Group provides its customers in the Hospitality end market with a full range of bedroom linen (bed sheets, duvet covers and pillow cases), restaurant linen (tablecloths and napkins) and bathroom linen (towels, washcloths, bath robes and bath mats). The Group recently launched a new range of high-end bathroom linen for high-end hotel chains and luxury hotels. Furthermore, believing that more and more hotels are using duvets (circa 17% in January 2009 as opposed to circa 57% in January 2014), the Group has launched innovative new services such as its "Duo" offering in 2011, which enables small- and medium-size hotels to rent both a duvet and a duvet cover at a single price. According to the Group, more than half of Duo contracts are signed with new customers and the price per unit of duvet covers is twice as high as for conventional bed linen[1]. The Group can also provide these customers with workwear for their employees in direct contact with customers and for their kitchen and cleaning personnel.

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

***(b) Healthcare***

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

In France, the Group provides its customers in the Healthcare end market with a full range of the flat line items normally found in public hospitals, private clinics and nursing homes. The Group recently succeeded in creating a range of duvet covers capable of meeting the medical and sanitary requirements of its Healthcare customers and it can also offer them other services, such as its Pop'Art collection of workwear introduced in 2011.

***(c) Industry***

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

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

***(d) Trade and Services***

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

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

***Europe***

The Group posted consolidated revenue of €274.3 million in Europe for the year ended December 31, 2014 (or 20.6% of the Group's total consolidated revenue for the period).

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

### *(a) Switzerland*

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

Switzerland accounted for 5.5% of the Group's consolidated revenue for the year ended December 31, 2014. The Group provides the full range of its flat linen, workwear (especially ultra-clean workwear) and HWB appliance services to its customers in this country, mainly in the Hospitality, Healthcare and Industry end markets.

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Switzerland for the year ended December 31, 2014.

| | YEAR ENDED DECEMBER 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **Flat linen** | **Workwear** | **HWB** | **Other** | **TOTAL** |
| **Consolidated revenue in Switzerland (millions of euros)** | 48.5 | 19.9 | 0.2 | 4.4 | 73.0 |
| **Percentage of total consolidated revenue in Switzerland** | 66.4% | 27.3% | 0.3% | 6.0% | 100% |

### *(b) Spain-Andorra*

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

Spain-Andorra together accounted for 4.6% of the Group's consolidated revenue for the year ended December 31, 2014. In these countries the Group provides its full range of flat linen, workwear and HWB appliance services, mainly to customers in the Hospitality end market (independent hotels and restaurants, or chain hotels such as Hilton, paradores or NH in continental Spain and the Balearic Islands) and in the Trade and Services end market.

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Spain-Andorra for the year ended December 31, 2014:

| | YEAR ENDED DECEMBER 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **Flat linen** | **Workwear** | **HWB** | **Other** | **TOTAL** |
| **Consolidated revenue in Spain-Andorra (millions of euros)** | 40.3 | 13.7 | 6.9 | 0 | 60.9 |
| **Percentage of consolidated revenue in Spain-Andorra** | 66.2% | 22.5% | 11.3% | 0% | 100% |

*(c) Germany*

The Group entered the German market in 1987-1990 and became a niche market player in textile and HWB appliance services for medium-size hotels and restaurants. On January 14, 2013 the Group acquired Cleantex Potsdam Textilpflege GmbH, which operates a processing center in Potsdam, and on January 7, 2015, it acquired Kress, which operates a processing center in Munich. The Group's main competitors in Germany (in particular in the workwear rental and laundry services and the Healthcare end market) are CWS-boco, Mewa, DBL Steyer and Bardusch.

Germany accounted for 3.3% of the Group's consolidated revenue for the year ended December 31, 2014. The Group provides a full range of flat linen, workwear and HWB appliance services to its German customers, mainly in the Hospitality end market.

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Germany for the year ended December 31, 2014.

| | YEAR ENDED DECEMBER 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **Flat linen** | **Workwear** | **HWB** | **Other** | **TOTAL** |
| **Consolidated revenue in Germany (millions of euros)** | 39.4 | 3.8 | 1.3 | 0 | 44.5 |
| **Percentage of consolidated revenue in Germany** | 88.5% | 8.6% | 2.9% | 0 | 100% |

*(d) Portugal*

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

Portugal accounted for 2.9% of the Group's consolidated revenue for the year ended December 31, 2014. The Group provides a full range of flat linen, workwear and HWB appliance services to its Portuguese customers, mainly in the Hospitality, Industry, and Trade and Services end markets.

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Portugal for the year ended December 31, 2014:

| | YEAR ENDED DECEMBER 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **Flat linen** | **Workwear** | **HWB** | **Other** | **TOTAL** |
| **Consolidated revenue in Portugal (millions of euros)** | 16.0 | 5.2 | 17.7 | -0.1 | 38.8 |
| **Percentage of consolidated revenue in Portugal** | 41.2% | 13.4% | 45.6% | -0.2% | 100% |

***(a) Belgium-Luxembourg***

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

Belgium and Luxembourg together accounted for 2.2% of the Group's consolidated revenue for the year ended December 31, 2014. In these countries the Group provides a full range of flat linen services, workwear services (especially ultra-clean workwear services) and HWB appliance services, mainly to customers in the Industry, and Trade and Services end markets.

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Belgium-Luxembourg for the year ended December 31, 2014:

| | YEAR ENDED DECEMBER 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **Flat linen** | **Workwear** | **HWB** | **Other** | **TOTAL** |
| **Consolidated revenue in Belgium-Luxembourg (millions of euros)** | 1.2 | 14.9 | 14.4 | -0.7 | 29.8 |
| **Percentage of consolidated revenue in Belgium-Luxembourg** | 4.0% | 50.0% | 48.3% | -2.3% | 100% |

*(e) Italy*

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

Italy accounted for 1.9% of the Group's consolidated revenue for the year ended December 31, 2014. The Group provides a full range of flat linen, workwear and HWB appliance services to its Italian customers, mainly in the Healthcare, Industry and Trade and Services end markets.

The table below shows the consolidated revenue and respective shares of revenue generated by flat linen, workwear and HWB appliance services in Italy for the year ended December 31, 2014:

| | YEAR ENDED DECEMBER 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **Flat linen** | **Workwear** | **HWB** | **Other** | **TOTAL** |
| **Consolidated revenue in Italy (millions of euros)** | 5.1 | 11.9 | 8.7 | 0.1 | 25.8 |
| **Percentage of consolidated revenue in Italy** | 19.8% | 46.1% | 33.7% | 0.4% | 100% |

*(f) Czech Republic*

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

***Brazil***

After opening a sales office in São Paulo in December 2012, the Group acquired the Atmosfera group in February 2014 and SC Lavanderia LTDA-EPP, which operates under the "Santa Clara" brand, L'Acqua and the assets of Lavtec between June and September 2014. The Group plans to rapidly increase productivity in Brazil by deploying its operational expertise.

Brazil accounted for 6.4% of the consolidated revenue generated by the Group for the year ended December 31, 2014. In this country the Group provides its flat linen and workwear rental and laundry services, mainly to the

Hotel end market (especially to large international and national hotel chains), the Healthcare end market and the Industry end market (mainly food, automotive, pharmaceutical and petrochemical companies).

The Group's main competitors in Brazil in terms of revenue are Alsco and LaveBras as well as JPA in the Healthcare end market and Maxlav and Teclav in the Industry end market. The Group is a market leader in Brazil (with circa 11% market share), in particular in the Healthcare (circa 16% market share) and Hospitality (circa 16% market share) end markets and is a major player in the Industry end market (circa 7% market share).

The Atmosfera group's integration within the Group is ongoing and focuses on industrial upgrade, sales efforts and customer satisfaction. The Group is also planning to increase capital expenditure in order to improve the rental and laundry services (as opposed to the laundry services only, which do not require the Group to purchase linen) and to honor significant contracts for workwear rental and laundry services that were recently signed.

***Manufacturing entities***

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

These manufacturing entities together generated consolidated revenue of €17.4 million for the year ended December 31, 2014 (after intercompany eliminations), which is 1.3% of the consolidated revenue generated by the Group respectively for the period. For the year ended December 31, 2014 the manufacturing entities obtained around two-thirds of their revenue from customers outside the Group.

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

***(a) Le Jacquard Français***

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

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

Le Jacquard Français, which accounted for 0.8% of the consolidated revenue generated by the Group for the year ended December 31, 2014, enables the Group to customize the high-end flat linen and damask linen products the Group supplies to its customers and, therefore, to propose tailor-made service to 4- and 5-star hotels and high-end restaurants. Under a licensing agreement with Le Jacquard Français the Group can also provide hotels and restaurants with flat linen products that bear the "Le Jacquard Français" label.

Le Jacquard Français generated 64.4% of the Group's consolidated manufacturing business revenue for the year ended December 31, 2014, or €11.2 million (after intercompany eliminations).

***(b) Kennedy Hygiene Products***

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

Kennedy Hygiene Products has a plant in the United Kingdom. Although it has its own sales, marketing and distribution departments, its R&D department works closely with the Group's marketing team to design products that meet its customers' specific requirements. As of the date of this document de base, Kennedy Hygiene Products exports its products to approximately 44 countries.

Kennedy Hygiene Products, which accounted for 0.5% of the consolidated revenue generated by the Group for the year ended December 31, 2014, enables the Group to make products that meet the particular needs and desires of its customers (including some of the Group's competitors), and to adapt its washroom appliances in accordance with the information obtained from Kennedy Hygiene Products' customers.

Kennedy Hygiene Products generated 35.6% of the Group's consolidated manufacturing business revenue for the year ended December 31, 2014, or €6.2 million (after intercompany eliminations).

**(ii) Sales and marketing**

***Sales***

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

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

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

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

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

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

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

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

***Marketing***

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

Since 2010 the Group has launched a new logo and rebranded Elis. It has also launched a new website that boasts various online customer services (a customer area that provides customized monitoring of the delivery of a service, access to invoices, etc.). The website is available in five languages.

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

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

**(iii) Customers**

***Customer base***

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

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

Slightly more than half of the 40 members of the CAC 40[2] stock market index 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.

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

***Different kinds of contracts***

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

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

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

- Contracts with public-sector parties are signed by the Group at the end of a publicity procedure that includes a competitive bidding approach (such as a call for tenders). The term of these public markets

[2] 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.

generally does not exceed four years. When they expire, the public-sector parties must launch a new procedure in compliance with the laws and regulations applicable to the renewal of their services.

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

The initial average term of the Group's customer contracts is four years and these contracts are usually renewed.

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

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

## 2. RESULTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

The Group's consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union. The consolidated financial statements for the financial year ended December 31, 2014 have been audited by the Company's statutory auditors.

### a. KEY PERFORMANCE INDICATORS

| (millions of euros) | 2014 | 2013 | Change |
|---|---|---|---|
| **Revenue** | **1,331.0** | **1,225.4** | **+8.6%** |
| **EBITDA** | **429.0** | **400.7** | **+7.0%** |
| *As a % of revenue* | *32.2%* | *32.7%* | *-50bp* |
| **EBIT** | **210.1** | **212.6** | **-1.2%** |
| *As a % of revenue* | *15.8%* | *17.3%* | *-150bp* |
| **Net income (loss)** | **(21.8)** | **(44.1)** | **n/a** |
| **Operating cash flow[3]** | **272.6** | **208.7** | **+30.6%** |

*Percentage changes are calculated on the basis of exact values*

#### (i) Analysis of revenue and EBITDA by operating segment for the financial year ended December 31, 2014

This document contains EBIT and EBITDA metrics and ratios, as these indicators are defined by the Group. The Group has included these metrics because management uses them to assess operating performance, for presentations to members of the 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 metrics as follows:

- EBIT is defined as net income/(loss) before net financial income or expense, tax expense, share of net income or loss of equity-accounted companies, amortization of customer relationships, goodwill impairment, other income and expense and miscellaneous financial expenses (bank services and recurring dividends recognized in operating expenses). For a reconciliation of EBIT with the consolidated income statement, please see note 3.2 to the Group's consolidated financial statements for the financial year ended December 31, 2014.

- 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, 2014.

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.

[3] Operating cash flow is defined as EBITDA minus non-cash elements and minus the change in the working capital requirement, linen purchases and capital expenditure, net of disposals.

| | Year ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | (millions of euros) | |
| **France** | | |
| Revenue | 954.0 | 941.9 |
| Inter-segment[1] | 2.3 | 2.1 |
| Revenue including inter-segment | 956.3 | 944.0 |
| EBITDA[2] | 344.9 | 339.0 |
| *As a % of revenue including inter-segment[3]* | 36.1% | 35.9% |
| **Europe** | | |
| Revenue | 274.3 | 260.1 |
| Inter-segment[1] | 0.4 | 1.1 |
| Revenue including inter-segment | 274.7 | 261.2 |
| EBITDA[2] | 65.9 | 60.5 |
| *As a % of revenue including inter-segment[3]* | 24.0% | 23.2% |
| **Brazil** | | |
| Revenue | 85.3 | 0.0 |
| Inter-segment[1] | (0.0) | (0.0) |
| Revenue including inter-segment | 85.3 | 0.0 |
| EBITDA[2] | 17.4 | (0.8) |
| *As a % of revenue including inter-segment[3]* | 20.4% | -- |
| **Manufacturing entities** | | |
| Revenue | 17.4 | 23.4 |
| Inter-segment[1] | 8.6 | 8.4 |
| Revenue including inter-segment | 26.0 | 31.8 |
| EBITDA[2] | 2.3 | 3.4 |
| *As a % of revenue including inter-segment[3]* | 8.8% | 10.7% |
| **Eliminations & Holding companies** | | |
| Revenue | -- | -- |
| Inter-segment[1] | (11.3) | (11.6) |
| Revenue including inter-segment | (11.3) | (11.6) |
| EBITDA[2][4] | (1.5) | (1.4) |
| *As a % of revenue including inter-segment[3]* | -- | -- |
| **Total** | | |
| Revenue | **1,331.0** | **1,225.4** |
| EBITDA[2] | **429.0** | **400.7** |
| *As a % of consolidated revenue* | **32.2%** | **32.7%** |
| Adjusted net debt[5] | **2,019.1** | **1,991.7** |

(1) Inter-segment reflects intercompany sales between operating segments dedicated to rental, laundry and maintenance services and to sales of goods by the manufacturing entities to the other operating segments. It does not represent sales to external customers. Accordingly, these sales are eliminated for the purpose of calculating the Group's revenue. Inter-segment sales are not material in relation to sales to external customers for the France and Europe operating segments. Conversely, these inter-segment sales account for a material portion of the manufacturing entities' revenue. For the year ended December 31, 2014, inter-segment sales recorded by the manufacturing entities amounted to €8.6 million, €5.7 million of which was generated by Kennedy Hygiene Products and €2.9 million by Le Jacquard Français.

(2) 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, 2014.

(3) 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.

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

(5) For the Group, adjusted net debt consists of non-current debt, current debt and cash and cash equivalents, adjusted for the issuance costs of borrowings not yet repaid and the loan from the employee profit-sharing fund.

### (ii) Revenue

| (millions of euros) | 2014 | 2013 | Change |
|---|---|---|---|
| Hospitality | 290.5 | 282.5 | +2.8% |
| Industrial | 187.6 | 187.7 | -0.0% |
| Retail & Services | 338.8 | 340.5 | -0.5% |
| Healthcare | 152.5 | 144.7 | +5.4% |
| **France (*)** | **954.0** | **941.9** | **+1.3%** |
| Germany | 44.5 | 41.7 | +6.6% |
| Belgium and Luxembourg | 29.8 | 32.3 | -7.9% |
| Spain and Andorra | 60.9 | 51.1 | 19.2% |
| Italy | 25.8 | 24.7 | +4.2% |
| Portugal | 38.8 | 37.0 | +4.9% |
| Switzerland | 73.0 | 72.0 | +1.4% |
| Czech Republic | 1.5 | 1.2 | +23.7% |
| **Europe** | **274.3** | **260.1** | **+5.5%** |
| **Brazil** | **85.3** | **0.0** | **n/a** |
| **Manufacturing entities** | **17.4** | **23.4** | **-25.9%** |
| **Total** | **1,331.0** | **1,225.4** | **+8.6%** |

*Percentage changes are calculated on the basis of exact values*

(*) after Others including Reductions on sales

In 2014, Group revenue rose 8.6% to €1,331.0 million versus €1,225.4 million in 2013. The €105.6 million increase was due to organic[4] growth in France, Germany and Southern Europe, along with the integration of Brazilian acquisitions into the Group.

**France**

In 2014, revenue in France was €954.0 million, representing an increase of +1.3% that was entirely the result of organic growth.

In addition, the strengthening of commercial teams resulted in the signature of several major contracts that began in late 2014, supporting the Group's 2015 targets.

Revenue in the Hospitality market rose 2.8% due to increased sales to hotels. However, the increase was offset by a low occupancy rate at hotels in the Côte d'Azur in July 2014.

[4]: The Group calculates growth at constant scope between one year and the previous comparable year by calculating the growth in its consolidated revenue between the two years and adjusting it for the impact of "changes in the scope of consolidation" attributable to "major acquisitions" and "major disposals" during the financial years under comparison, as outlined below. For the purpose of analyzing revenue growth between one financial year ("financial year n") and the previous comparable financial year ("financial year n-1"), the Group calculates the impact of changes in the scope of consolidation on revenues as follows:

– for "major acquisitions" made during financial year n-1, the Group treats the consolidated revenue generated by these "major acquisitions" between the start of financial year n and one year after they join the scope of consolidation as an impact of "changes in the scope of consolidation";

– for "major acquisitions" made during financial year n, the Group treats the consolidated revenue generated by these "major acquisitions" between the date they join the scope of consolidation and the end of financial year n as an impact of "changes in the scope of consolidation";

– for "major disposals" made during financial year n-1, the Group treats the consolidated revenue generated by these "major disposals" during financial year n-1 as an impact of "changes in the scope of consolidation"; and

– for "major disposals" made during financial year n, the Group treats the consolidated revenue generated by these "major disposals" between the date one year prior to their exit from the scope of consolidation and the end of financial year n-1 as an impact of "changes in the scope of consolidation."

Major acquisitions and major disposals are acquisitions and disposals generating annual revenue of over €5 million in France or €3 million in other countries.

Revenue in the Industrial market was stable, with commercial successes offset by fairly low business levels with existing customers due to weak economic conditions.

Revenue in the Retail & Services market fell 0.5%, and again, commercial successes were offset by fairly low business levels with existing customers. In addition, cool and rainy weather conditions in the summer adversely affected the water fountains business.

Revenue in the Healthcare market rose 5.4%, driven by firm commercial activity with customers for both short and long stays.

**Europe**

In Europe, revenue rose 5.5% to €274.3 million. Growth was mostly organic, driven by Germany and Southern Europe.

Revenue in Germany grew 6.6%. Growth was exclusively organic in Germany, and resulted from a number of new contracts in the hotels business.

Revenue in Spain rose 19.2%. That remarkable growth, over half of which was organic, shows that the Group has adopted the right strategy in Spain. It strengthened its management and business practices during the 2012/13 crisis, opening the way for very strong sales growth across all customer segments in 2014.

Revenue in Italy rose 4.2%. Growth was exclusively organic and driven by expansion in the industrial work garments business.

Revenue in Portugal rose 4.9%. Growth was exclusively organic and based on strong commercial impetus in the hotels and industrial markets.

Revenue in Switzerland increased 1.4% despite the loss of a large customer in early 2014. The Swiss network's increased coverage enabled the Group to win some major contracts in the hotel, healthcare and industry markets.

In Belgium and Luxembourg, revenue fell 7.9% due to the loss of two major contracts in late 2013. Sales teams have been repositioned and strengthened in Flanders, and won some significant contracts in the industrial market in late 2014.

In the Czech Republic, revenue remained modest in 2014 but rose 23.7%, entirely organically, as a result of strong momentum in the ultra-clean business.

**Brazil**

In 2014, the Group generated €85.3 million of revenue in Brazil following the February 2014 acquisition of the Atmosfera group, followed by Santa Clara in May, L'Acqua in July and Lavtec in September. Transfers of commercial expertise enabled the Group to consolidate its long-standing positions with some major contract wins in healthcare and hotels, and to grow its industrial work garment business.

**Manufacturing entities**

In 2014, revenue from the manufacturing entities fell 25.9% to €17.4 million. The reduction was mainly due to a high base for comparison in 2013, when the Molinel subsidiary made a contribution to first-quarter revenue before being sold.

**(iii) EBITDA**

| (millions of euros) | 2014 | 2013 | Change |
|---|---|---|---|
| **France** | **344.9** | **339.0** | **+1.7%** |
| *As a % of revenue* | *36.1%* | *35.9%* | *+20bp* |
| **Europe** | **65.9** | **60.5** | **+8.8%** |
| *As a % of revenue* | *24.0%* | *23.2%* | *+80bp* |
| **Brazil** | **17.4** | **-0.8** | **n/a** |
| *As a % of revenue* | *20.4%* | *n/a* | *n/a* |

| | | | |
|---|---|---|---|
| **Manufacturing entities** | **2.3** | **3.4** | **-33.1%** |
| *As a % of revenue* | *8.8%* | *10.7%* | *-190bp* |
| **Holding companies** | **(1.5)** | **(1.4)** | **+2.0%** |
| **Total** | **429.0** | **400.7** | **+7.0%** |
| *As a % of revenue* | *32.2%* | *32.7%* | *-50bp* |

*Percentage changes are calculated on the basis of exact values*

In 2014, Group EBITDA was €429.0 million, up €28.3 million relative to 2013 and equal to 32.2% of revenue.

EBITDA margin was 36.1% in **France**, supported by three key factors, i.e. good network coverage, strong in-house expertise and the Group's large market share. Ongoing productivity gains pushed up EBITDA margin by 20bp in 2014, despite the sale and leaseback transaction, which led to additional rental expenses during the year.

EBITDA margin was 24.0% in **Europe**, up 80bp as a result of increased network coverage and skills transfers. The strategy of strengthening the European network is paying off, since EBITDA margin was 21.2% in 2012.

In **Brazil**, EBITDA margin was 20.4%. In 2014, transfers of commercial and industrial skills led to some major contract wins and significant productivity gains.

Consolidated EBITDA margin fell 50bp because of the mix effect arising from the integration of the Brazilian business and the impact of the sale and leaseback transaction, which resulted in additional rental expenses. Adjusted for those two effects, consolidated EBITDA margin would have risen by almost 100bp.

## b. ANALYSIS OF THE INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

The following table shows certain line items from the income statement for the year ended December 31, 2014.

| | Year ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change € | Change % |
| | (millions of euros) | | | |
| **Revenue** | **1,331.0** | **1,225.4** | **105.6** | **8.6%** |
| Cost of linen, equipment and other consumables | (222.2) | (195.8) | (26.4) | 13.5% |
| Processing costs | (470.0) | (413.3) | (56.7) | 13.7% |
| Distribution costs | (212.9) | (195.5) | (17.4) | 8.9% |
| **Gross margin** | **425.9** | **420.8** | **5.1** | **1.2%** |
| Selling, general and administrative expenses | (216.9) | (209.1) | (7.8) | 3.7% |
| **Operating income before other income and expense and amortization of customer relationships** | **209.0** | **211.7** | **(2.7)** | **(1.3)%** |
| Amortization of customer relationships | (41.1) | (39.6) | (1.5) | 3.8% |
| Goodwill impairment | - | (4.0) | 4.0 | (100.0)% |
| Other income and expense | (23.1) | (49.2) | 26.1 | (53.0)% |
| **Operating income** | **144.8** | **118.9** | **(25.9)** | **21.8%** |
| Net financial expense | (153.6) | (164.2) | 10.6 | (6.5)% |
| **Income (loss) before tax** | **(8.8)** | **(45.3)** | **36.5** | **(80.6)%** |
| Income tax benefit (expense) | (13.0) | 1.2 | 14.2 | (1183.3)% |
| Share of net income of equity-accounted companies | - | 0.1 | (0.1) | (100.0)% |
| **Net income (loss)** | **(21.8)** | **(44.1)** | **22.3** | **(50.6)%** |

### (i) Revenue

The Group's consolidated revenue increased by €105.6 million or +8.6% from €1,225.4 million for the year ended December 31, 2013 to €1,331.0 million for the year ended December 31, 2014.

The increase in revenue was due to a larger scope of consolidation arising from acquisitions, along with organic growth, particularly in France, Germany and Southern European countries. The table below presents a breakdown of revenue by operating segment for the years ended December 31, 2014 and December 31, 2013.

| | Year ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change € | Change % |
| | (millions of euros) | | | |
| **France** | 954.0 | 941.9 | 12.1 | 1.3% |
| **Europe** | 274.3 | 260.1 | 14.2 | 5.5% |
| **Brazil** | 85.3 | -- | 85.3 | -- |
| **Manufacturing entities** | 17.4 | 23.4 | (6.0) | (25.6)% |
| **Revenue** | **1,331.0** | **1,225.4** | **105.6** | 8.6% |

### (ii) Cost of linen, equipment and other consumables

Linen, appliance and other consumables costs increased by €26.4 million or +13.5% from €195.8 million for the year ended December 31, 2013 to €222.2 million for the year ended December 31, 2014. This increase was due in particular to an extension in the average estimated useful life of linen from two to three years effective January 1, 2012, which had a positive impact of €9.7 million in the year ended December 31, 2013.

**(iii) Processing costs**

Processing costs increased by €56.7 million or +13.7% from €413.3 million for the year ended December 31, 2013 to €470.0 million for the year ended December 31, 2014. The increase was mainly the result of higher personnel costs, the impact of the buildings sale and leaseback transaction and new acquisitions (particularly Atmosfera).

**(iv) Distribution costs**

Distribution costs increased by €17.4 million or +8.9% from €195.5 million for the year ended December 31, 2013 to €212.9 million for the year ended December 31, 2014. The increase in distribution costs was similar to the increase in revenue.

**(v) Gross margin**

Gross margin increased by €5.1 million or +1.2% from €420.8 million for the year ended December 31, 2013 to €425.9 million for the year ended December 31, 2014.

**(vi) Selling, general and administrative expenses**

Selling, general and administrative expenses increased by €7.8 million or +3.7% from €209.1 million for the year ended December 31, 2013 to €216.9 million for the year ended December 31, 2014. The automatic impact of inflation was offset partially by productivity gains in business prospecting unlocked by introducing tablets (higher number of contracts signed in proportion to the number of sales representatives achieved by facilitating access to business information) and a tighter grip on central management and headquarters costs.

**(vii) Operating income before other income and expense and amortization of customer relationships**

Operating income before other income and expense and amortization of customer relationships decreased by €2.7 million or -1.3% from €211.7 million for the year ended December 31, 2013 to €209.0 million for the year ended December 31, 2014.

**(viii) Amortization of customer relationships**

Amortization of customer relationships increased by €1.5 million or +3.8% from €39.6 million for the year ended December 31, 2013 to €41.1 million for the year ended December 31, 2014. This increase stemmed from the impact of acquisitions made during the 2013 and 2014 financial years. Contracts and customer relationships are amortized on a straight-line basis over periods of 4-11 years. The carrying amount of customer relationships was €168.2 million at December 31, 2014, with the most part due to be amortized by 2018.

**(ix) Goodwill impairment**

For the year ended December 31, 2013, the Group recognized €4.0 million in impairment losses on the goodwill of the Kennedy CGU as a result of the downward revision of its future cash flow projections.

**(x) Other income and expense**

Other income and expense decreased by €26.1 million or -53.0% from a net expense of €49.2 million for the year ended December 31, 2013 to a net expense of €23.1 million for the year ended December 31, 2014. For the year ended December 31, 2014, other income and expense primarily consisted of: (i) €18.2 million in costs not eligible for capitalization relating to the change in the IT system, (ii) €4.9 million of expenses and €3.7 million of income relating to sale and leaseback transactions, and (iii) €3.7 million of income relating to a reduction in past service cost following the adjustment of a Swiss pension plan. Please see note 4.4 to the Group's consolidated financial statements for the financial year ended December 31, 2014.

**(xi) Net financial expense**

Net financial expense decreased by €10.6 million or -6.5% from (€164.2) million for the year ended December 31, 2013 to (€153.6) million for the year ended December 31, 2014. The reduction in net financial expense was mainly due to the €7.1 million reduction in income and expense arising from the trading of derivatives. In 2013, the Group made a €9.3 million payment in respect of old swaps and extended the maturity date of its interest-

rate swaps from October 2014 to October 2017, reducing the fixed rate of interest paid under the swaps from 1.85% to 1.42%. The interest-rate swaps are still eligible for hedge accounting after this restructuring.

#### (xii) Income tax benefit (expense)

Income tax expense increased by €14.2 million from income of €1.2 million for the year ended December 31, 2013 to an expense of (€13.0) million for the year ended December 31, 2014. Of this amount, €10.7 million reflects the CVAE in France and the IRAP regional tax on productive activity in Italy. There are various factors behind the change in 2014, including the reduction in expenses under the "other income and expense" item (following an impairment loss related to the IT system in 2013) and in net financial expense, and the increase in the proportion of financial expense that was not tax deductible in France from 15% to 25% in 2014.

#### (xiii) Net income (loss)

The net loss decreased by €22.3 million or -50.6% from (€44.1) million for the year ended December 31, 2013 to (€21.8) million for the year ended December 31, 2014 for the aforementioned reasons.

## 3. CAPITAL RESOURCES

### a. GENERAL PRESENTATION

The Group's financing needs arise mainly from its working capital requirement, capital expenditure (including acquisitions and purchases of linen), interest payments on borrowings, and the repayment of borrowings.

The Group's main regular source of liquidity is cash flow from operating activities. Its ability to generate cash from operating activities in the future depends on its future operating performance. To some extent, that performance depends in turn on economic, financial, competition, market, regulatory and other factors, most of which are not under the Group's control. The Group uses its cash and cash equivalents to cover its ordinary financing needs. The cash position is denominated in euros.

In 2013, the Group restructured the borrowings it initially took out in October 2007, extending the maturity of part of its debt. It carried out several bond issuances (Private PIK Notes, Senior Subordinated Notes and Senior Secured Notes) and amended the terms of the senior bank debt taken out in October 2007.

As part of the Company's initial public offering, the Group significantly reduced its debt levels, redeemed some of the bonds it issued in June 2013 and fully refinanced the Senior Credit Facilities Agreement (after repaying it in full) arranged in 2007 and amended in June 2013, effective on the settlement date for the shares issued as part of the Company's admission to trading on Euronext's regulated market in Paris, i.e. February 12, 2015 (see section I A 8 “Post balance sheet events” below).

### b. PRESENTATION AND ANALYSIS OF THE MAIN WAYS IN WHICH THE GROUP USES CASH

#### (i) Capital expenditure

Part of the Group's cash flow is allocated to financing its capital expenditure, which break down into the following categories:

- Industrial capital expenditure, including expenditure on property, plant and equipment (mainly major project investments and industrial maintenance expenditure), intangible assets (mainly technology and information systems) and washroom appliances; and

- Expenditure on linen, which varies according to the schedule for providing linen in bulk to the Group's customers.

The Group's capital expenditure totaled €214.9 million for the year ended December 31, 2013 and €236.4 million for the year ended December 31, 2014.

#### (ii) Payment of interest and repayment of loans

A large proportion of the Group's cash flow is allocated to the servicing and repayment of its debt. The Group paid interest (net of financial income) amounting to €120.0 million for the year ended December 31, 2013 and €117.2 million for the year ended December 31, 2014. Debt repayments amounted to a net €22.4 million in 2013 and €37.2 million in 2014.

#### (iii) Financing of the working capital requirement

The Group finances its working capital requirement through cash flow from operating activities. If that cash flow is not sufficient, the Group's financing arrangements at December 31, 2014 included a revolving credit facility, from which it could draw up to €143.3 million.

At the date of this report, the Group has, as part of the New Senior Credit Facilities Agreement, a new €200 million revolving credit facility (see Section I A 8 "Post balance sheet events" and section I A 3 f (iii) "New Senior Credit Facilities Agreement" in this report).

### c. CONSOLIDATED CASH FLOWS

The following table summarizes the Group's cash flows for the years ended in December 31, 2013 and December 31, 2014:

| | Year ended December 31 | |
|---|---|---|
| *(millions of euros)* | **2013** | **2014** |
| Net cash flow from operating activities | 367.8 | 361.0 |
| Net cash flow from investing activities | (230.8) | (240.0) |
| Net cash flow from financing activities | (142.4) | (111.5) |
| **Net change in cash position** | **(5.4)** | **9.5** |

#### (i) Cash flow from operating activities

The following table breaks down the Group's cash flow from operating activities for the years ended December 31, 2013 and December 31, 2014:

| | Year ended December 31 | |
|---|---|---|
| *(millions of euros)* | **2013** | **2014** |
| Consolidated net income | (44.1) | (21.8) |
| Cash flow after net interest and taxes | 215.1 | 227.1 |
| Cash flow before net interest and taxes | 376.7 | 391.4 |
| Tax paid | (23.1) | (21.4) |
| Change in inventories | (6.5) | (12.0) |
| Change in trade receivables | (2.2) | (7.2) |
| Change in trade and other payables | 24.0 | 15.6 |
| Change in other items | (0.2) | (4.9) |
| Employee benefits | (0.9) | (0.4) |
| **Net cash flow from operating activities** | **367.8** | **361.0** |

The Company's cash flow was very stable in 2014 despite the increase in linen inventories in view of activity in 2015 related to major contracts signed in late 2014.

#### (ii) Cash flow from investing activities

The following table breaks down the Group's cash flow from investing activities for the years ended December 31, 2013 and December 31, 2014:

| | Year ended December 31 | |
|---|---|---|
| *(millions of euros)* | **2013** | **2014** |

| *(millions of euros)* | Year ended December 31 | |
|---|---|---|
| | **2013** | **2014** |
| Outflows related to acquisitions of intangible assets | (12.3) | (4.9) |
| Inflows related to disposals of intangible assets | 0.2 | 0.0 |
| Outflows related to acquisitions of property, plant and equipment | (202.6) | (231.6) |
| Inflows related to disposal of property, plant and equipment | 8.4 | 92.5 |
| Acquisitions of subsidiaries net of cash acquired | (39.1) | (97.3) |
| Inflows related to disposals of subsidiaries net of cash disposed | 14.7 | 1.0 |
| Change in loans and advances granted | 0.0 | 0.1 |
| Dividends received from associate companies | 0.0 | 0.0 |
| Investment grants | 0.0 | 0.0 |
| **Net cash flow from investing activities** | **(230.8)** | **(240.0)** |

Ordinary investments in 2014 (€231.6 million) comprised capital expenditure and IT and linen expenditure. They increased because of revenue growth and major new contracts signed at the end of the year.

Acquisitions of subsidiaries relate mainly to the purchase of shares in Atmosfera at the start of 2014.

Disposals of non-current assets relate to the sale and leaseback program implemented in 2013 (one site) and 2014 (22 sites).

The table below shows inflows/outflows for 2012, 2013 and 2014.

| | Year | | |
|---|---|---|---|
| | **2012** | **2013** | **2014** |
| | | *(millions of euros)* | |
| Purchases of linen & and other items on hire/maintenance | (144.2) | (142.2) | (185.0) |
| Purchases excluding linen & other items on hire/maintenance* | (93.5) | (72.7) | (51.4) |
| Disposals** | 3.1 | 8.5 | 92.5 |
| **Outflows/inflows relating to property, plant and equipment and intangible assets** | **(234.6)** | **(206.4)** | **(143.9)** |

* Purchases of linen & other items on hire/maintenance include primarily major projects such as the construction of our new production plants in Pantin and Nice, and implementation of the new IT system.

** Disposals in 2012 corresponded primarily to the sale of land at the former Pantin production plant. Disposals in 2013 and 2014 corresponded primarily to sale and leasebacks of land and buildings at 23 production plants.

**(iii) Cash flow from financing activities**

The following table breaks down the Group's cash flow from financing activities for the years ended in December 31, 2013 and December 31, 2014:

| *(millions of euros)* | Year ended December 31 | |
|---|---|---|
| | **2013** | **2014** |
| Capital increase | – | 43.0 |
| Dividends paid during the financial year | *0.0* | – |
| Change in debt arising from ordinary operations[(1)] | (22.4) | (37.2) |
| *Inflows relating to new borrowings* | *2,099.2* | *1,270.8* |
| *Repayments of borrowings* | *(2,121.6)* | *(1,308.0)* |
| Net interest paid | (120.0) | (117.2) |
| **Net cash flow from financing activities** | **(142.4)** | **(111.5)** |

(1) Net change in credit facilities for the financing of ordinary operations.

The €43 million capital increase took place in early 2014 in relation to the Atmosfera acquisition.

#### (iv) Borrowings and debt

The breakdown of the Group's financial liabilities as of December 31, 2014, according to their date of maturity, is shown in section I A 4 e (iv) – "*Liquidity risk*" of this report.

### d. EQUITY

Equity totaled €347.4 million at December 31, 2013 and €366.9 million at December 31, 2014. Movements in the Group's equity in 2014 arose mainly from the capital increase in the first half of 2014 and the loss for the period.

### e. 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, 2014.

### f. FINANCIAL RESOURCES AND LIABILITIES

#### (i) Overview

The Group's main financing sources are as follows:

- *Net cash flow from operating activities*, which totaled €367.8 million in the year ended December 31, 2013 and €361.0 million in the year ended December 31, 2014.
- *Available cash.* Cash and cash equivalents amounted to €48.6 million at December 31, 2013 and €58.5 million at December 31, 2014; and
- *Debt*, including the PIK Proceeds Loan, the Senior Subordinated Notes, the Senior Secured Notes, the Senior Credit Facilities Agreement, the loan from the employee profit-sharing fund, lease debt and various borrowings, and will include the New Senior Credit Facilities Agreement.

#### (ii) Financial liabilities

The table in note 8.5 to the consolidated financial statements breaks down the Group's debt at December 31, 2013 and December 31, 2014:

For the Group, net debt consists of non-current debt, current debt and cash and cash equivalents.

The Group's adjusted net debt/EBITDA ratio was 5.0x at December 31, 2013 and 4.7x at December 31, 2014.

Adjusted net debt is calculated as follows:

| | Year ended December 31 | |
|---|---|---|
| *(millions of euros)* | **2013** | **2014** |
| **Net debt** | **1,977.3** | **2,012.7** |
| Borrowing arrangement costs not yet amortized | *48.0* | 38.1 |
| Loan from employee profit-sharing fund | (33.6) | (31.7) |
| **Adjusted net debt** | **1,991.7** | **2,019.1** |

The above ratios are calculated on the basis of EBITDA defined as EBIT before net amortization of the portion of subsidies taken to income.

On February 11, 2015, the Company's shares were listed for trading on the Euronext exchange in Paris. After that event, rating agencies Moody's and S&P upgraded their ratings on the Company to BB and Ba2 respectively.

### *(a) Private PIK Notes and PIK Proceeds Loan*

Legendre Holding 27 ("**LH 27**"), which directly owns more than 90% of the Company's equity, issued Private PIK Notes on June 14, 2013 with a principal amount of €173.0 million, bearing interest at a floating interest rate equal to 12-month Euribor (with a floor of 1.0% per year) plus 10.25% per year, maturing on December 15, 2018. The Private PIK Notes were subscribed by funds managed by Goldman Sachs & Co. Interest on the Private PIK Notes is payable annually through the allotment of additional Private PIK Notes. Proceeds from the Private PIK Notes have been reassigned by LH 27 to the Company through a loan that reproduces the financial terms of the Private PIK Notes (the "**PIK Proceeds Loan**"), it being stipulated that the PIK Proceeds Loan bears interest at the same rate as the Private PIK Notes plus an additional margin of 0.10% and that the PIK Proceeds Loan is repayable in June 2019.

In relation to the Company's initial public offering, for which settlement took place on February 12, 2015, and transactions prior to that IPO, the Company redeemed the PIK Proceeds Loan and paid all sums due in respect of it (it being stipulated that a portion of the receivable in respect of the PIK Proceeds Loan was transferred in kind by LH 27 to Quasarelis as part of the reorganization transactions). This redemption was partly in cash (using the proceeds of the capital increase carried out in connection with the admission of the Company's shares on Euronext's regulated market in Paris), to enable LH 27 to carry out the early redemption of 40% of the Private PIK Notes (plus capitalized interest on the date of the early redemption). The remainder of the PIK Proceeds Loan was repaid by offsetting debts, including through the subscription of new shares issued by the Company prior to the initial public offering. The portion of the PIK Proceeds Loan repaid in cash was calculated to match the amount payable by LH 27 Holding 27 as part of the early redemption of 40% of the Private PIK Notes, i.e., the sum of (i) 40% of the nominal amount of the Private PIK Notes (plus capitalized interest) and (ii) accrued but unpaid interest on the amount redeemed. The Company also repaid to LH 27 the amount of penalties that LH 27 will have to pay in relation to the partial early redemption of the party Private PIK Notes, calculated by applying the interest rate applicable to the Private PIK Notes (i.e. 10.25% plus the higher of 12-month Euribor and 1%) to the amount of Private PIK Notes redeemed.

Accordingly, after the Company's IPO, no item relating to the PIK Proceeds Loan features on the Company's consolidated balance sheet.

### *(b) Senior Subordinated Notes*

The Company issued Senior Subordinated Notes on June 14, 2013 in a principal amount of €380.0 million, bearing interest at a floating interest rate equal to 3-month Euribor (with a floor of 1.00% per year) plus 7.0% per year, maturing in December 2018. Interest on the Senior Subordinated Notes is payable quarterly. The Senior Subordinated Notes were subscribed by funds managed by Goldman Sachs & Co.

Before June 15, 2016, the early redemption (or repurchase) of some or all of the Senior Subordinated Notes may take place in accordance with a make-whole clause under which the Company must pay, in addition to the nominal amount of the bonds redeemed (or repurchased) and accrued interest at the redemption date, a make-whole premium equal to the higher of (i) 1% of the amount redeemed early and (ii) any difference (if positive) between (a) 105% of the nominal value of bonds redeemed or repurchased plus the amount of interest payable on the bonds redeemed or repurchased between the redemption or repurchase date and June 15, 2016 (calculated by applying a discount rate equal to the Bund yield on the redemption date plus 50 basis points) and (b) the amount of principal remaining due with respect to the Senior Subordinated Notes. The Bund yield is equal to the yield to maturity of bonds issued by the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) for a period comparable to the period between the date on which the Senior Subordinated Notes are redeemed and June 15, 2016.

As an exception to the foregoing, the Company may, before June 15, 2016, redeem or repurchase early up to 40% of the principal amount of the Senior Subordinated Notes initially issued in an amount equal to the nominal value of the securities plus (i) early redemption compensation calculated by applying the interest rate on the early redemption date (i.e., the higher of 3-month Euribor or 1% (x) plus 7% (y)) and (ii) accrued but unpaid interest on the amount redeemed. Payment will be made from the proceeds from an issuance of capital securities carried out at least 180 days before the redemption or repurchase date. In that event, the Company will be exempt from paying the aforementioned make-whole premium.

From June 15, 2016, the Company may redeem or repurchase some or all of the Senior Subordinated Notes early, at their nominal value (plus accrued interest) subject to paying an early redemption premium equal to 5.0% of par if the redemption takes place on or after June 15, 2016 and before June 15, 2017 (excluded) or 2.5% of par if the redemption takes place on or after June 15, 2017 (included).

If a change in tax regulations results in the introduction of a withholding tax or any other taxes on the amounts due in respect of the Senior Subordinated Notes and if the Company is required to compensate a bondholder subject to such regulations for the amount of that withholding tax (or these other taxes), the Company will be exempt from any early redemption penalty if it redeems or repurchases all of the Senior Subordinated Notes held by that bondholder.

If the Company undergoes a "change of control," defined as a third party coming to own more than 50% of the Company's voting rights or the sale of all or a substantial portion of the Group's assets to a third party, the Company must offer to repurchase the Senior Subordinated Notes at 101% of their nominal value (plus accrued interest).

The Senior Subordinated Notes are guaranteed by the following first-ranking security interests:

- A pledge given by Eurazeo S.A. and ECIP Elis S.à.r.l and a pledge given by Legendre Holding 27 of securities accounts open in the Company's books in the name of the constituents in which shares in the Company owned by the constituents are held; and

- A pledge given by Eurazeo S.A., ECIP Elis S.à.r.l and Legendre Holding 27 of receivables resulting from shareholder loans made to the Company (including the PIK Proceeds Loan); those receivables will be capitalized in connection with the admission of the Company's shares on Euronext's regulated market in Paris.

The Senior Subordinated Notes are also guaranteed by a second-ranking pledge granted by the Company of the securities account open in the books of Novalis S.A.S. in the Company's name, and in which the Company's shares in Novalis S.A.S. are held. The first-ranking pledge on that account guarantees the credit facilities granted under the Senior Credit Facilities Agreement.

The Indenture provides for commitments towards holders of Senior Subordinated Notes, partly intended to limit the ability of the Company and some of its subsidiaries to:

- Take out additional debt;

- Pay dividends or make any other distribution;

- Carry out certain payments or investments;

- Provide collateral or guarantees;

- Sell assets or shares;

- Carry out transactions with affiliated companies; and

- Merge or combine with other entities.

These limitations are subject to various conditions and exceptions. The exceptions applicable for dividends distributions are currently being renegotiated in order to extend their scope.

The Senior Subordinated Notes also require compliance with financial commitments, including a leverage ratio defined in substance as the ratio between the Group's total net debt and consolidated EBITDA, with maximum levels set at each testing date and ranging between 6.40:1 and 6.00:1. This ratio is tested every quarter.

The Senior Subordinated Notes are governed by the laws of the State of New York.

The Senior Subordinated Notes restrict the Company's ability to make distributions, for the benefit of the subordinated creditors, by requiring compliance with the following three conditions:

- There must be no accelerated maturity situation on the contemplated distribution date;
- the interest cover ratio (consolidated EBITDA / financial expense) must be (and remain) equal to or higher than 3.00:1 after taking into account the planned distribution; and
- the amount distributed (combined with all other distributions carried out since June 14, 2013) must not exceed the sum of (x) 50% of the Company's consolidated net revenue since April 1, 2013 (less 100% of cumulative losses since that date); and (y) 100% of subscription proceeds arising in particular from capital increases carried out by the Company (or similar issues of securities).

As an exception to the foregoing, the Company may make any distribution if no accelerated maturity situation remains in place on the planned distribution date and if:

- the total amount distributed in a given financial year does not exceed the higher of (x) 6% of net proceeds from a public offering of the Company's shares and (y) if the leverage ratio (calculated on a pro forma basis and including the planned distribution) is equal to or lower than 4.00:1, 7% of the Company's market capitalization on the date on which its shares are listed on a regulated market or, if it is higher, on the date on which the dividend is paid; or
- the cumulative amount of distributions made by the Company since the issue of the Senior Subordinated Notes is lower than the higher of the following two amounts: €35,000,000 and 1.2% of gross assets.

In any event, those restrictions shall cease to apply to the shareholder controlling the Company if the Company's leverage ratio falls below 2.75:1.

The Group has redeemed Senior Subordinated Notes in an amount of around €164.2 million, corresponding to 40% of the principal amount plus interest accrued but not paid on the redeemed amount and early redemption compensation, using the proceeds of the capital increase carried out as part of the Company's initial public offering.

At the date of this report, the principal amount of the Senior Subordinated Notes still in issue is around €228 million.

***(c) Senior Secured Notes***

On June 14, 2013, Novalis, a wholly-owned subsidiary of the Company, issued bonds with a principal amount of €450 million and paying interest at an annual rate of 6%, maturing in June 2018 (the "**High Yield Bonds**"). Interest is payable every six months. The Group used the proceeds from the High Yield Bonds to redeem part of the debt it took out in October 2007. The High Yield Bonds are listed for trading on the Global Exchange Market of the Irish Stock Exchange (organized multilateral trading facility within the meaning of European Parliament and Council Directive 2004/39/EC of April 21, 2004 as amended).

Before June 15, 2015, the early redemption (or repurchase) of some or all of the High Yield Bonds may take place in accordance with a make-whole clause under which Novalis must pay, in addition to the nominal amount of the bonds redeemed or repurchased and accrued interest on the redemption (or repurchase) date, a make-whole premium equal to the higher of (i) 1% of the amount redeemed (or repurchased) early and (ii) any difference (if positive) between (a) 103% of the nominal value of bonds redeemed or repurchased plus the amount of interest payable on the bonds redeemed or repurchased between the redemption or repurchase date and June 15, 2015 (calculated by applying a discount rate equal to the Bund yield on the redemption date plus 50 basis points) and (b) the amount of principal remaining due with respect to the High Yield Bonds. The Bund yield is equal to the yield to maturity of bonds issued by the Federal Republic of Germany (Bunds or Bundesanleihen) for a period comparable to the period between the date on which the High Yield Bonds were redeemed and June 15, 2015.

As an exception to the foregoing, Novalis may, before June 15, 2015, redeem (or repurchase) early up to 40% of the principal amount of the High Yield Bonds initially issued at a price equal to 106% of their nominal value (plus accrued interest), with the proceeds of an issuance of capital securities carried out at least 180 days before the redemption or repurchase date. In that event, Novalis will be exempt from paying the aforementioned make-whole premium.

From June 15, 2015, Novalis may redeem (or repurchase), depending on market conditions, some or all of the High Yield Bonds early, at their nominal value (plus accrued interest) subject to paying an early redemption premium equal to 3.0% of par if the redemption takes place on or after June 15, 2015 and before June 15, 2016 or 1.5% of par if the redemption takes place on or after June 15, 2016 (excluded) and before June 15, 2017 (excluded). The Group intends to use that right in order to refinance the High Yield Bonds using the most appropriate financial instruments available given conditions at the time of the early redemption.

If a change in tax regulations results in the introduction of a withholding tax or any other taxes on the amounts due in respect of the High Yield Bonds and if Novalis is required to compensate a bondholder subject to such regulations for the amount of that withholding tax (or these other taxes), Novalis will be exempt from any early redemption penalty if it redeems or repurchases all of the High Yield Bonds held by that bondholder.

If the Company undergoes a “change of control”, defined as a third party coming to own over 50% of the Company's voting rights or the sale of all or a substantial portion of the Group's assets to a third party, Novalis must offer to repurchase the High Yield Bonds at 101% of their nominal value (plus accrued interest).

The Indenture on the High Yield Bonds provides for some relatively common accelerated maturity situations, including payment default, violation of other obligations in the Indenture, certain bankruptcy and insolvency events, and court orders to pay sums of money.

The Indenture provides for commitments towards holders of High Yield Bonds, partly intended to limit the ability of the Company and some of its subsidiaries to:

- Take out additional debt;
- Pay dividends or make any other distribution;
- Carry out certain payments or investments;
- Provide collateral or guarantees;
- Sell assets or shares;
- Carry out transactions with affiliated companies; and
- Merge or combine with other entities.

These limitations are subject to various conditions and exceptions. In particular, the High Yield Bonds restrict the Company's ability to make distributions by requiring compliance with the following three conditions:

(1) There must be no accelerated maturity situation on the contemplated distribution date;

(2) The debt service coverage ratio (consolidated EBITDA / financial expense) must be (and remain) equal to or higher than 3.00:1 and the leverage ratio (Group gross debt / consolidated EBITDA) must be (and remain) less than 3.75:1 (if the contemplated distribution date is before December 14, 2014) or 3.25 (if the contemplated distribution date is after December 14, 2014), in each case after taking into account the contemplated distribution; and

(3) The contemplated distribution must equal less than 50% of the consolidated net revenue generated by the Group since July 1, 2013.

As an exception to the foregoing, the Company is nevertheless authorized to distribute dividends even if conditions (2) or (3) are not met:

- if the total amount distributed by the Company since the High Yield Bonds were issued is less than the higher of the following amounts: €35.0 million and 1.2% of the total consolidated assets (for information, on the basis of the Group's consolidated assets at June 30, 2014, this would amount to €37.7 million); and/or

- if the total amount distributed during a tax year is less than 5% of the market capitalization (if the leverage ratio taking into account the planned distribution is less than or equal to 3.25 but higher than 3.00) or 7% of the market capitalization (if the leverage ratio is less than or equal to 3.00).

The High Yield Bonds are guaranteed by the Company, Novalis, M.A.J., Société de Participation Commerciales et Industrielles (**SPCI**) and Elis Brasil Serviços e Higienizaçao de têcteis Ltda. (**Elis Brasil**). These guarantees are subject to various limitations taking into account rules related to the protection of the corporate interest, and rules relating to financial assistance and any other equivalent rule applicable to the companies under consideration. In addition, as regards the Indenture, holders of the High Yield Bonds benefit from the following first-ranking pledges:

| Constituent | Pledge granted |
| --- | --- |
| Elis | Securities account in which the shares of Novalis are held by Elis |
| Elis | Balance of bank account |
| Elis | Any amounts receivable from the authors of the financial audit reports relating to the Company's acquisition of the Group on October 4, 2007 |
| Elis | Any amounts receivable from the sellers under the share sale agreement relating to the Company's acquisition of the Group on October 4, 2007 |
| Novalis | Balance of bank account |
| Novalis | Amounts receivable with respect to the "Dailly assignment" of intragroup loans to lender banks under the existing Senior Credit Facilities Agreement |
| Novalis | Securities account in which the shares of M.A.J. are held by Novalis |
| Novalis | Securities account in which the shares of Hadès S.A. are held by Novalis |
| Novalis | Shares of SPCI |
| M.A.J. | Balance of bank account |
| M.A.J. | Securities account in which the shares of Grenelle Service are held by M.A.J. |
| M.A.J. | Securities account in which the shares of Les Lavandières are held by M.A.J. |
| M.A.J. | Securities account in which the shares of Pierrette – T.B.A. are held by M.A.J. |
| M.A.J. | Securities account in which the shares of Régionale de Location et Services Textiles (R.L.S.T.) are held by M.A.J. |
| M.A.J. | Shares of Kennedy Hygiene Products |
| M.A.J. | Shares of Hadès S.A. |
| M.A.J. | Amounts receivable under the cash management agreement of March 31, 2011 |
| M.A.J. | Amounts receivable with respect to the "Dailly assignment" of intragroup loans to lender banks under the existing Senior Credit Facilities Agreement |
| M.A.J. | Amounts receivable with respect to the "Dailly assignment" of trade receivables to lender banks under the existing Senior Credit Facilities Agreement |
| M.A.J. | Certain brands owned by M.A.J. (including the "Elis" and "SNDI" brands) |

| Constituent | Pledge granted |
|---|---|
| M.A.J. | Shares of Hedena S.A. |
| M.A.J. | Shares of Lavotel |
| M.A.J. | Any amounts receivable from the sellers under the share sale agreement relating to M.A.J.'s acquisitions of Hedena S.A. et Lavotel |
| M.A.J. | Atmosfera shares |
| SPCI | Any amounts receivable under the Molinel share sale agreement |
| Atmosfera | Balance of bank account |

The High Yield Bonds are governed by the laws of the State of New York.

After the Company's initial public offering, two rating agencies awarded identical ratings to the Group company that issued the High-Yield Bonds, i.e. Ba2 and BB respectively.

***(d) Senior Credit Facilities Agreement***

On October 4, 2007, the Company, Novalis and M.A.J. entered into a **Senior Credit Facilities Agreement** with BNP Paribas (as Mandated Lead Arranger, Facility Agent, Security Agent and Original Senior Lender). The Senior Credit Facilities Agreement was amended on June 14, 2013. The Company, Novalis and M.A.J. are the borrowers and the Company, Novalis, M.A.J, SPCI and Elis Brasil are the guarantors. Those companies granted, on a pari passu basis, the same security interests as those granted to holders of the High Yield Bonds, with the exception of guarantees relating to trade receivables from certain Group companies, which have been assigned through a “Dailly assignment” to lender banks, with the holders of the High Yield Bonds receiving a pledge of any amount receivable from the lender banks if the amount of receivables assigned should exceed the amount of the debt guaranteed.

The Senior Credit Facilities Agreement was repaid and the security interests granted were terminated on the settlement date of the shares issued as part of the Company’s admission to trading on Euronext’s regulated market in Paris, i.e. February 12, 2015, concomitantly with the signature of the New Senior Credit Facilities Agreement described below (see section I A 8 "Post balance sheet events").

**(iii) New Senior Credit Facilities Agreement**

As mentioned above, as part of the initial public offering, the Group paid off all loans granted under the Senior Credit Facilities Agreement, effective on the settlement date of the shares offered in connection with the admission of the Company’s shares to trading on Euronext's regulated market in Paris, i.e. on February 12, 2015.

The redemption was partly financed by new borrowings ("**New Senior Credit Facilities**") under a Senior Term and Revolving Facilities Agreement (the "**New Senior Credit Facilities Agreement**"). The agreement was formed on September 2, 2014 by the Company, Novalis, M.A.J. and others with a syndicate of international banks (the "Lenders"), including BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank Luxembourg S.A., Goldman Sachs International (as Lead Arranger only), Goldman Sachs Bank International (as Lender only), HSBC France, Morgan Stanley Bank International Limited and Société Générale (as Mandated Lead Arrangers, Bookrunners and Lenders).

The New Senior Credit Facilities Agreement was amended through a supplementary agreement dated December 8, 2014 in order to extend the availability of facilities provided under the agreement beyond December 31, 2014, and to make the necessary technical adjustments with a view to the possible intragroup restructuring transactions being considered by the Group, i.e. mergers concerning certain Brazilian subsidiaries and the subsequent merger transaction involving Swiss subsidiary Hedena being absorbed by Swiss subsidiary Lavotel.

The main terms of the New Senior Credit Facilities Agreement are as follows:

*(a) Credit facilities*

The New 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 €650.0 million and a maturity of five years from the settlement date of the shares offered in connection with the initial public offering; and

- A revolving credit facility with a principal amount of €200.0 million and a maturity of five years from the settlement date of shares offered in connection with the initial public offering.

The Senior Term Loan Facility is intended to finance (i) the partial redemption of loans granted under the existing Senior Credit Facilities Agreement (the remainder being redeemed with the proceeds of the capital increase carried out at the time of the initial public offering) and (ii) the costs, fees and expenses relating to these transactions.

The revolving credit facility is intended to finance the Group's working capital requirement, investments and future acquisitions.

*(b) Interest and fees*

Borrowings under the New Senior Credit Facilities Agreement bear interest at a floating rate equal to Euribor (over the relevant term) in the case of advances denominated in euros, or Libor in the case of advances denominated in Swiss francs, plus the applicable margin.

Initial margins are 2.125% and may be raised or lowered depending on the leverage ratio (i.e., the ratio of the Group's adjusted net debt to its consolidated EBITDA), in accordance with the table below:

| Leverage ratio (adjusted net debt/EBITDA) | Revolving credit facility | Senior Term Loan Facility |
|---|---|---|
| >3.75x | 2.625% | 2.625% |
| ≤3.75x and >3.25x | 2.375% | 2.375% |
| ≤3.25x and >2.75x | 2.125% | 2.125% |
| ≤2.75x and >2.25x | 1.875% | 1.875% |
| <2.25x | 1.625% | 1.625% |

*(c) Security interests*

Until the High Yield Bonds are redeemed in full, the financial parties to the New Senior Credit Facilities Agreement will benefit from the same security interests (personal and real) as the holders of the High Yield Bonds.

As a result, during that period, obligations under the New Senior Credit Facilities Agreement will be guaranteed, pari passu with the High Yield Bonds, by the Company, Novalis, M.A.J., SPCI and Elis Brasil (subject to the limitations set out above), and will benefit pari passu from the same real security interests as those guaranteeing the High Yield Bonds.

Once the High Yield Bonds have been fully redeemed, (i) obligations under the New Senior Credit Facilities Agreement will be guaranteed by the Company, Novalis, M.A.J. (guaranteeing any debts of its subsidiaries), Spast, Lavotel, Atmosfera and any other Group company that may borrow money under the revolving credit facility (subject to local laws limiting the extent of those guarantees) and (ii) all real security interests will be terminated.

However, if the Group takes out further debt involving guarantees or real security interests, for example in order to refinance the High Yield Bonds or Senior Subordinated Notes, the Group will be required to grant the same guarantees to the financial parties to the New Senior Credit Facilities Agreement and, as to any refinancing debt

to the High Yield Bonds, to grant them the same real security interests as those granted under that further debt (on at least a pari passu basis).

***(d) Undertakings and restrictive covenants***

The New Senior Credit Facilities Agreement includes the following restrictions:

- No change in the nature of the Group's activity (except for complementary activities);
- No mergers or partial asset transfers involving the disappearance of a borrower or the transfer of assets from a borrower;
- No acquisitions unless they involve a company (or group of companies) whose activity is identical or complementary to that of the Group and, if the acquisition is financed by drawing on credit facilities under the New Senior Credit Facilities Agreement, unless certain other conditions are complied with, including maximum leverage ratio levels for one year following the acquisition if the target has an enterprise value of over €50,000,000 and the grant of a pledge of shares in the target if it has an enterprise value of over €30,000,000; and
- No disposal of assets that are not specifically authorized, with authorized transactions including (i) the disposal of moveable assets carried out in the normal course of business in order to allow the continuation of commercial relations, (ii) any transfer of shares to executives in order to comply with statutory or legal requirements, (iii) any transfer of shares to another member of the Group subject to limitations applicable to pledged shares, (iv) the disposal of non-current assets where those assets are replaced, within 12 months of the disposal, by non-current assets acquired for the purposes of the Group's activity or where the net proceeds from the disposal are reinvested in an acquisition that is authorized under the New Senior Credit Facilities Agreement, (v) the disposal of non-current assets (other than those mentioned above) up to a total of €30,000,000 per financial year, (vi) the disposal of surplus or obsolete assets, (vii) the transfer of cash or cash equivalents in exchange for other cash or cash equivalents, (viii) sale and leaseback transactions relating to the Group's automobile fleet, (ix) any disposal authorized in writing by lenders representing over two thirds of commitments under the New Senior Credit Facilities Agreement and (x) subject to provisions relating to the early redemption of loans, the disposal of securities (excluding negotiable securities that constitute cash equivalents), trade receivables (as part of securitization programs or factoring transactions) and the Group's real-estate assets.

  Each of these authorizations is subject to the following additional limits: (i) the total amount of real-estate disposals is limited to €100,000,000 over the life of the loans, (ii) the total amount of disposals of securities during a financial year must not represent more than 5% of the Group's consolidated EBITDA and (iii) the "Elis" and "SNDI" brands may not be sold.

The New Senior Credit Facilities Agreement also contains the usual undertakings, such as maintaining insurance policies, paying applicable taxes and duties, complying with applicable laws, maintaining borrowings at the same ranking or ensuring that the Group's major subsidiaries make commitments as guarantors under the New Senior Credit Facilities Agreement.

Finally, the New Senior Credit Facilities Agreement requires compliance with financial undertakings, such as maintaining certain financial ratios, which will make the amount of debt that can be incurred by Group entities dependent on increases in Group EBITDA. In particular, the Group is required to comply with a leverage ratio limit (ratio of total adjusted net debt to EBITDA) of 4.00:1 up to and including December 31, 2015, 3.75:1 up to and including December 31, 2016 and 3.50:1 subsequently. The leverage ratio will be calculated every six months taking into account total adjusted net debt at the relevant date and EBITDA recorded over a continuous 12-month period.

***(e) Mandatory early redemption situations***

The debt incurred under the New Senior Credit Facilities Agreement is automatically due for repayment (subject to certain exceptions) in part or in full in certain situations, such as a change of control, the sale of all of the Group's assets or a substantial portion thereof and, to the extent that the net leverage ratio would be over 3.25 and the net proceeds would be over 50% of consolidated Group EBITDA (the "**Surplus**"), the issuance of bonds or similar debt securities by a Group member (in which case the repayment would equal 75% of the Surplus).

The portion of proceeds from disposals of real-estate assets (excluding sale and leasebacks of certain pre-identified assets) or of Group subsidiaries that the Group does not reinvest during the 365 days following the disposal (the "**Reinvestment Period**") – or, in the case of a project authorized by the management board that would take more than 6 months to implement from the end of the Reinvestment Period, within nine months of the end of the Reinvestment Period – that exceeds €50,000,000 during a financial year or €150,000,000 from the start of the New Senior Credit Facilities Agreement, must be allocated to the early redemption of debts arising under the New Senior Credit Facilities Agreement. In addition, any income from the assignment of trade receivables exceeding €100,000,000 must be allocated to the early redemption of debt under the New Senior Credit Facilities Agreement.

For the purposes of the New Senior Credit Facilities Agreement, "change of control" means:

- One or more persons acting in concert other than the "Authorized Shareholders" (i.e., Eurazeo and its affiliated companies or funds, the Group's executives and employees who own shares in any company mutual fund), underwriting banks with respect to the Company's initial public offering and, with the agreement of lenders representing over two thirds of commitments under the New Senior Credit Facilities Agreement, any other person, owning, directly or indirectly, over 50% of the Company's voting rights; or

- The Company ceasing to own, directly or indirectly, 100% of the borrowers' capital.

The debt incurred under the New Senior Credit Facilities Agreement may also be voluntarily repaid early by the borrowers, in part or in full, without penalty.

***(f) Accelerated maturity situations***

The New Senior Credit Facilities Agreement includes certain accelerated maturity situations that are relatively common for this kind of financing, including payment defaults, cessation of activity, non-compliance with financial undertakings or any other obligation or commitment, cross-defaults, insolvency procedures, significant litigation or the existence of reservations among the Group's Statutory Auditors about the Group's status as a going concern.

***(g) Supplementary agreements and dispensations***

Any amendment or exemption relative to the terms of the New Senior Credit Facilities Agreement or stipulations in other documents relating thereto may in principle only take place with the consent of lenders representing over two thirds of the commitments. Notwithstanding, certain situations (such as a reduction in margin or in the amount of any payment of principal, interest or fees) require unanimous consent from the lenders.

***(h) Applicable law***

The New Senior Credit Facilities Agreement is governed by French law.

## 4. RISKS AND UNCERTAINTIES

### a. RISKS RELATING TO THE GROUP'S BUSINESS SECTORS

#### (i) Risks relating to the overall economic conditions

The growth in demand for certain of the Group's services, such as the services it provides to customers in the hospitality, industrial, and retail and services sectors, correlate with economic conditions, including growth in gross domestic product (GDP) in France, the Group's principal geographic market by revenue (the French rental, laundry, and maintenance services market accounted for 71.7% of consolidated revenue and 80.4% of consolidated EBITDA for the year ended December 31, 2014), and GDP growth in the other countries in which the Group operates. Periods of recession or deflation, when combined with potential customers' financial troubles and downsizing of their activities, could have an adverse impact on prices and payment terms, and make customers delay their outsourcing projects, or reduce their demand for services.

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

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

#### (ii) Risks relating to price and margin pressure on the Group's services

The Group might be forced to cut prices for its services, or be unable to raise prices to the level necessary to stabilize or grow margins, due to a number of factors such as challenging macroeconomic conditions and existing competition, especially during contract renewals or the periodic renegotiation of pricing terms for some key account contracts. The Group may be unable to compensate for these price decreases or insufficient price increases by attracting new business, reducing its operating costs (for example, through headcount reductions, increases in labor productivity, or other gains in cost efficiency) or otherwise, which could lead eventually to a decline in its earnings.

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

#### (iii) Risks relating to the competitive landscape

The Group faces significant competition from a variety of companies across each of its markets and its success is dependent on its service quality and prices, especially relative to its competitors. Competitors differ from market to market and according to the type of service provided by the Group. In France, the Group's principal market, it competes against some large companies like Initial BTB, RLD, and Anett, as well as smaller local or

regional service providers. There is limited presence of foreign companies in the French market, with the exception of Initial BTB, which is a wholly-owned subsidiary of Rentokil Initial plc. Some of the Group’s customers may decide to use their in-house resources to not only launder their own flat linen and workwear required for their activities, but also offer supply and maintenance services to third parties for flat linen, workwear, and HWB equipment. For example, in flat linen and workwear services, the Group faces competition from the shared laundry facilities that some hospitals have pooled their resources to create. These shared laundry facilities serve many different hospitals and could also serve other customers like retirement homes. The Group’s competitive positioning could also be affected by new market entrants, such as cleaning and facility management companies that offer a full range of services including HWB services.

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

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

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

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

#### (iv) Risks relating to fluctuations in textile prices

The Group is exposed to changes in the prices of the raw materials used to make the consumables and textile products (flat linens and workwear) it provides as part of its rental and laundry services. The price of textiles, especially those made from cotton and polyester, is primarily determined by the cost of the production time required to manufacture them. To a lesser extent, the price of textiles is also determined by the price evolution of their ingredients-mainly cotton and polyester-which are subject to considerable price volatility. For example, the Group’s variable costs increased significantly following a rise in the cotton price between the second quarter of 2010 and March 2011, which drove up textile prices throughout 2011. If textile prices increase again, and if the Group is not able to fully or immediately offset the higher costs by raising the prices it charges customers-in particular due to the scale of the higher costs, price pressure from existing competitors, or market conditions-the Group’s business, results, financial condition, or outlook could be adversely affected to a significant extent.

#### (v) Risks relating to energy prices

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

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

The Group does not hedge its energy costs. The Group has, nevertheless signed gas procurement contracts at fixed prices covering 2011, 2012, and 2014. If the Group is not able to increase the prices it charges to

customers as a result of increases in gas, electricity, water, or gasoline prices, its business, results, financial condition, or outlook could be affected. In addition, any disruption in the supply of the Group's various sources of energy may impair its ability to conduct its business and meet customer demand, and could have a material adverse effect on its business, results, financial condition, or outlook.

**(vi) Risks relating to trends in the outsourcing of services provided by the Group and the re-insourcing of those services by some customers**

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

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

**(vii) Risks relating to public sector spending**

In some of the countries in which the Group operates, a large part of its revenue comes from contracts with the government and other public sector agencies. The Group's public sector business may be adversely affected by political and administrative decisions about levels of public spending. For example, in France and various other countries in which the Group operates, some hospitals have terminated laundry outsourcing agreements and set up shared laundry facilities as part of broader measures to reduce public spending. Moreover, decisions to reduce public spending may result in the termination or downscaling of public sector contracts, which could have a material adverse effect on the Group's business, results, financial condition, or outlook.

**(viii) Risks relating to the capital intensive nature of the Group's business**

The Group's flat linen and workwear purchases are classified as capital expenditure, meaning its flat linen and workwear activities are capital intensive. 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 condition, or outlook.

**b. RISKS ASSOCIATED WITH THE GROUP'S BUSINESS ACTIVITIES**

**(i) Risks relating to the Group's inability to win new contracts**

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

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

### (ii) Risks relating to damage to the Group's image

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

### (iii) Risks relating to supply chain disruptions

Some of the Group's businesses rely on a small number of suppliers: Malongo, the supplier of its coffee machines and coffee pads; Jensen-Group and Kannegieser, the suppliers of its heavy-duty washing tunnels, ironers, dryers, and sorting machinery and equipment; and Christeyns and Ecolab, the suppliers of its washing products. Any adverse change affecting the Group's relationship with any of its main suppliers, especially those listed above, or more stringent supply terms, price increases, the non-renewal of supply contracts or renewal under less favorable terms, or the failure of one of the aforementioned suppliers, could have a material adverse effect on the Group's business, results, financial condition, or outlook.

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

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

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

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

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

### (iv) Risks relating to acquisitions and divestments

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

- the Group may not find suitable acquisition targets;

- the Group may not plan or manage an acquisition efficiently;

- the Group may not obtain a waiver (if required) under the Senior Subordinated Notes, the High Yield Bonds or New Senior Credit Facilities Agreement, allowing it to undertake a proposed acquisition;

- the Group may face increased competition for acquisitions as the flat linens, workwear, and HWB markets undergo continuing consolidation;

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

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

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

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

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

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

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

- divestments could result in losses or lower margins;

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

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

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

**(v) Risks relating to the termination of a large number of customer contracts or the non-renewal of customer contracts**

Most of the Group's contracts, usually entered into for a fixed duration, are tacitly renewed at the expiration of the stated term. However, even if a contract has a tacit renewal clause, the customer may decide not to renew the

contract at the expiration of the stated term. For contracts without such clauses, the customer could decide not to renew the contract once it expires. Some of the Group's contracts may be terminated at the customer's discretion before the stated term upon the payment of a termination fee (which usually equals the residual value of the contract, calculated on the basis of the period remaining until the stated term), unless the Group has not complied with the terms of the contract. Although the Group's business model is built upon, among other things, having a large number of small customers so that it is not overly dependent on a handful of customers in each market in which it operates, the simultaneous loss of several contracts, especially with key accounts, because they are terminated or not renewed could have a material adverse effect on the Group's business, results, financial condition, or outlook. Such events could harm the Group's reputation and make it more difficult to win contracts with other customers.

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

**(vi) Risks relating to IT systems**

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

**(vii) Risks relating to the use of third-party suppliers**

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

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

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

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

**(viii) Risks relating to the Group's international operations**

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

**(ix) Risks relating 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 operations in their markets, the Group may be unable to efficiently and profitably render its services and it could experience increased contract execution costs or operating losses, difficulty in obtaining timely payment for its services, or suffer from harm to its reputation-any of which could adversely affect its business, results, financial condition, or outlook to a significant extent.

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

**(x) Risks relating to intellectual property rights**

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

The Group fully owns a portfolio of eight active patents in over fifteen countries, as well as a large portfolio of registered designs that it uses to create workwear (especially personal protective equipment) and table linen (see Section A.1.b.(iv) – "Intellectual property" of this report).

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

**(xi) Risks relating to labor relations**

In the year ended December 31, 2014, the Group had over 19,000 employees in 12 countries. The Group's business is labor intensive, so maintaining good relationships with its employees, unions, and other labor organizations is essential. As a result, any deterioration in those relationships could have an adverse effect on its business, results, financial condition, or outlook.

The majority of the Group's employees are covered by national collective bargaining agreements. These agreements typically complement applicable laws on working conditions for employees, such as for maximum working hours, holidays, termination, retirement, welfare, and benefits. National collective bargaining agreements and company-specific agreements also contain provisions that could affect the Group's ability to restructure its operations and facilities or terminate employees. The Group may not be able to extend existing company-specific agreements, renew them under their current terms, or, upon the expiration of such agreements, negotiate new agreements in a favorable and timely manner or without work stoppages, strikes, or similar

protests. The Group may also become subject to additional company-specific agreements or amendments to the existing national collective bargaining agreements. Such additional company-specific agreements or amendments may increase its operating costs and therefore have an adverse effect on its business, results, financial condition, or outlook.

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

**(xii) Risks relating to hiring and retaining key people**

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

In addition, if any of the Group's executives or other key personnel joins a competitor or forms a competing company, the Group may lose customers, know-how and other key personnel, which may have an adverse effect on its business, results, financial condition, or outlook. Given that the Group's business depends to a certain extent on personal relationships with its customers, departing members of its central or local management teams who have close relationships with the customers in a given region could attract customers and persuade them to reduce or terminate their business with the Group. For example, following the acquisition of Lavotel in 2010, the Lavotel sales director set up his own laundry business, despite having agreed to a non-compete clause, resulting in a significant decline in Lavotel's revenue for the year ended December 31, 2011.

**(xiii) Risks relating to the use of subcontractors**

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

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

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

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

### (xiv) Risks relating to difficulties in Group customers receivables recovery

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

## c. RISKS RELATING TO THE COMPANY AND ITS GROUP

### (i) Risks relating to the holding company structure

The Company is a holding company and its assets consist primarily of the equity interests it holds, directly or indirectly, in each of its subsidiaries, which generate the Group's cash flow. In the event of a decline in the earnings of its operating subsidiaries, the Group's cash flow and earnings could also be affected and such subsidiaries may not be able to meet their obligations, including their financial liabilities, or pay dividends to the Company or other subsidiaries. The Company's cash flow essentially comes from dividends, interest, and intra-group loan repayments from its subsidiaries.

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

### (ii) Risks relating to the Group's indebtedness and restrictive clauses in financing agreements

***Risks relating to the Group's indebtedness***

The Group currently has a significant amount of debt. The Group refinanced its debt in parallel with its initial public offering, and used a large part of the initial public offering proceeds to pay off some of its borrowings (see Section I A 8 "Subsequent events" of this report). However, even after the initial public offering the Group will still have a high level debt.

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

- requiring the Group to dedicate a significant portion of its cash flow from operations to interest and debt payments, thus reducing the availability of cash flow to fund organic growth, capital expenditure, and other needs of the Group;
- increasing the Group's vulnerability to a downturn in business or economic conditions;
- placing the Group at a competitive disadvantage compared to less-indebted competitors;
- limiting the Group's flexibility in reacting to changes in its businesses and markets;
- limiting the Group's capacity to invest in growth opportunities, particularly external growth; and
- limiting the Group's and its subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financing.

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

If the Group cannot generate sufficient cash to meet its debt service requirements, it may need to scale back or delay planned acquisitions or capital expenditure, sell assets, refinance its debt, or seek additional financing,

which could adversely affect its business and financial condition. The Group may not be able to refinance its debt or obtain additional financing under satisfactory terms.

These risks may have a material adverse effect on the Group's business, results, financial condition, or outlook. The Group is also exposed to interest rate risk, which mainly relates to the risk of fluctuations in interest rates.

***Risks relating to restrictive covenants in financing agreements***

The New Senior Credit Facilities Agreement requires the Group to comply with specified ratios and covenants, particularly financial ones. These covenants restrict the Group's ability to:

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

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

- incur additional debt;
- pay dividends or make any other distribution;
- make certain payments or investments;
- issue security interests or guarantees;
- sell or dispose of assets or stock;
- enter into transactions with affiliates; and
- merge or consolidate with other entities.

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

***Risks relating to assets (particularly brands) pledged as collateral***

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

### (iii) Risks relating to goodwill and deferred tax assets

Under IFRS, the Group evaluates and measures the potential impairments on goodwill annually or at interim closing dates if an impairment indicator, both internal or external, is identified, and records charges in case of impairment. Impairment may result from, among other things, deterioration in Group performance, a decline in expected future cash flows, unfavorable market conditions, unfavorable changes in applicable laws and regulations (including changes that restrict the activities of or services provided by the Group's processing centers) and a variety of other factors. The amount of any impairment must be accounted immediately as a charge to the Group's income statement and cannot be reversed. Sensitivity to the assumptions used for impairment tests at this date is shown in Note 6.5 of the notes to the consolidated financial statements.

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

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

## d. LEGAL, REGULATORY, TAX AND INSURANCE RISKS

### (i) Risks related to compliance with antitrust regulations

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

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

In addition, the Group occasionally faces claims from suppliers, customers and other commercial partners asserting that, given its position as market leader, its pricing policies could be considered as abusive (excessive, improper or predatory pricing), and damaging competition in the markets concerned. Although the Group's policy is to strictly comply with applicable antitrust laws and regulations and although it has adopted an antitrust compliance program (described above), commercial partners or the relevant authorities could commence proceedings for non-compliance with those rules and the outcome of such proceedings could be damaging to the Group, for example requiring a change in the Group's pricing practices. The Group has been informed of the launch of an inquiry by the *Direction régionale des entreprises de la concurrence, de la consommation, du travail et de l'emploi* (DIRECCTE) of the Ile-de-France region following a complaint registered with the Pays de Loire DIRECCTE by a cottage house, a customer of the Group, relating to certain of the Group's pricing practices. The inquiry launched by the Ile de France DIRECCTE is currently in progress, and as of this date of this report, the DIRECCTE had made requests for documents to be supplied. The Group cannot rule out the possibility of the inquiry being extended to practices other than just pricing practices.

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

### (ii) Risks related to restrictive regulations in some of the Group's business sectors

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

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

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

### (iii) 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, which consisted of over 19,000 employees in the year ended December 31, 2014, and the significant amount of the Group's staff costs, a change in laws and regulations relating to labor and employment in the countries in which the Group operates could limit the Group's ability to provide services to customers or increase its operating costs. This could have a material adverse effect on the Group's business, results, financial condition or outlook. In addition, the failure to comply with labor and employment regulations in the countries in which the Group operates – particularly Brazil, where regulations are complex and constantly changing – could result in substantial fines, penalties, litigation or substantial claims.

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

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

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

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

**(v) 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 condition, results or outlook. In addition, any provisions set aside by the Company in respect of administrative, court or arbitration proceedings in its financial statements could prove insufficient, and this could have material adverse consequences on the Group's business, results, financial condition, liquidity or outlook, regardless of whether or not the underlying claims are well founded.

In particular, the Group is involved in various labor disputes and labor court proceedings involving employees in France and abroad, particularly in Brazil, usually regarding compliance with working time regulations and payment of severance pay. In general, although none of these proceedings involve large sums taken separately, if taken together, or if they were to increase in number, they could have a material adverse effect on the Group's business, results, financial condition or outlook. Provisions for tax, commercial and employee disputes amounted to €5.2 million at December 31, 2013 and €15.9 million at December 31, 2014. This increase is related to the fact that the Atmosfera group joined the Group’s consolidation scope.

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

In addition, the Group was recently informed of the existence of proceedings against Atmosfera and other industrial dry cleaners in Brazil by the Rio de Janeiro state prosecutor’s office concerning supposed corruption of civil servants for the period from 2003 to 2011 relating to Atmosfera providing industrial dry cleaning services to government organizations in the state of Rio de Janeiro.

As of the date of this report, the penalties that could be applied to Atmosfera would be as follows: (i) repayment to the Public Treasury of all profits obtained illegally by Atmosfera as a result of acts of corruption and/or (ii) payment of a civil fine equal to a maximum of three times the amount of (i). Atmosfera could also be banned from signing new contracts with any government bodies in Brazil or benefiting from tax advantages in Brazil for a period of 5 or 10 years. In 2014, Atmosfera generated around one-third of its revenues from public sector bodies. One or more of these sanctions against Atmosfera could have a material adverse effect on the Group's business, results, financial condition, cash position or outlook. Lastly, although the Group has informed the former owners of Atmosfera of these proceedings with the framework of the guarantee agreement signed at the time of the acquisition of Atmosfera, it cannot guarantee that the consequences would be effectively covered by compensation under this agreement.

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

**(vi) Risks related to disputes and litigation involving companies acquired by the Group in Brazil**

The Group made a number of acquisitions in Brazil in 2014, including that of Atmosfera in February 2014. Atmosfera and its subsidiaries are currently involved in a number of contentious proceedings.

In particular, as a result of the Ministry of Work and Employment's decision following the inspection in February 2014 by the Brazilian federal police of the premises of Maiguá - one of Atmosfera's suppliers - Atmosfera could be included on the "blacklist" described below. 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. 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 "black list", even if this is not stated in contracts.

Regulations for the states of Sao 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 Sao 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 (*Inscrição Estadual*) 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 the Atmosfera group's image and that of the Group could be affected by negative publicity in the Brazilian press in particular. However, it should be noted that the case has been public since May 2014 and as of the date of this report, just one customer had asked for their contract to be terminated. 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 Atmosfera group's business, results, financial condition and outlook, and consequently have an adverse effect on the business, results, financial condition and outlook of the Group.

Although the risk management system is in the process of being implemented and enhanced within the Atmosfera group, it is possible that events may occur that result in legal proceedings or litigation and that these may be known to the Group late, or such events may occur in the future.

Generally speaking, it is possible that, in the future, new proceedings - connected with those currently underway or not - may be brought to the Company's knowledge or initiated against Atmosfera group companies acquired recently by the Group or other Group companies in Brazil. Such proceedings, as well as those described above, could therefore have a material adverse impact on the Group's business, results, financial condition, cash situation or outlook.

**(vii) 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 condition or outlook. Environmental standards applicable to the Group's processing centers, defined by law or expected or desired by the Group's customers, are increasingly restrictive. The Group's processing centers in France are regarded as classified facilities under the French Environmental Code, requiring the Group to obtain and maintain authorizations required to operate those centers. Similar requirements exist in the other countries in which the Group operates. Those authorizations specify numerous obligations and restrictions relating to the Group's activities, including the types of chemicals and methods for processing and disposing of waste that may be used, the stability of deposits, water intrusions, the management of leachate, risk studies and the remediation of environmental damage to surface and groundwater. The public authorities and courts may impose fines or civil or criminal penalties, and may require remediation or pollution clean-up work, in response to a failure to comply with relevant environmental regulations. In addition, in certain cases, the authorities could amend or revoke the Group's operating authorizations, which could force it to close sites temporarily or permanently and to pay the resulting shutting down, maintenance and repair costs.

In certain processing centers, the Group uses and handles hazardous substances on a daily basis. For example, in three of its processing centers in France, the Group uses perchloroethylene, a hazardous chemical, in the dry-cleaning process. More generally, as part of the laundry process, the Group uses large quantities of detergent. As

a result, the Group is exposed to risks related to the use of chemicals and the storage, transportation and disposal of hazardous substances, products and waste. Any potential contamination or pollution of ground or water on or close to land that the Group owns, leases or operates, or has in the past owned, leased or operated or may acquire in future, could give rise to civil proceedings or criminal prosecutions, along with claims relating to property damage or personal injuries suffered by the Group's employees, customers or third parties. This could have a material adverse effect on the Group's business, results, financial condition or outlook. The Group could be liable for material financial expenses due to the cost of cleaning up land it owns or occupies as lessee.

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

The Group expects that it will be continually exposed to expenditure arising from the need to comply with applicable environmental laws and regulations and with future or existing clean-up obligations relating to former and current processing centers, and to other environmental liabilities, to the extent that such expenditure is not covered by its insurance policies or other third-party compensation agreements. The Group cannot guarantee that such expenditure will not exceed its estimates or that it will not have a material adverse effect on its business, results, financial condition or outlook. At December 31, 2014, the total provision for environmental risks was €17 million. Provisions for environmental risks carry a high level of uncertainty regarding the amount and timing of any obligations. Environmental risks that are currently unknown, such as the discovery of new contamination, changes to local urban development programs or the imposition of additional clean-up obligations at former, current or future sites or at third-party sites, could lead to material additional costs, and material expenditure could be necessary to comply with future changes to environmental laws and regulations or to their interpretation or application.

**(viii) Risks related to fires and industrial accidents**

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

**(ix) Risks relating to tax and social security mandatory deductions**

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

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

**(x) Risks related to insurance policies**

The Group has taken out insurance policies of various kinds, including policies for property damage, general liability and directors and officers liability. The Group's centralized management of insurance policies enables it

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

### e. FINANCIAL RISK

Financial risk covers:

- 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.

- Liquidity risk

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

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

- Market risks:

The main market risks are interest rate risk, currency risk and equity risk.

Note 8.1 of the notes to the financial statements provides detailed information about all of the Group’s financial risks.

### f. INSURANCE

#### (i) Policy on insurance

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

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

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

The insurance unit is supported by the Group's various departments, each Group entity in France and each Group subsidiary outside France, in obtaining the information needed to identify and quantify insured and insurable risks relating to the Group, and in activating the necessary resources to ensure business continuity in

the event of a loss. The insurance unit negotiates with major insurance and reinsurance providers to arrange the coverage that is best suited to insuring those risks.

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

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

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

The insurance policies taken out by the Group contain:

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

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

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

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

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

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

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

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

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

## 5. EQUITY INVESTMENTS

In 2014, via subsidiary M.A.J., the Group acquired 100% of shares in pest control specialist S.A.S. Pro Services Environnement in Rochetoirin (France), allowing the Group to develop its 3D business in France.

In February 2014, via subsidiary M.A.J., the Group acquired 100% of shares in Atmosfera. It also carried out three other acquisitions: 100% of SC Lavanderia Ltda-EPP (Santa Clara brand) in Lagoas in May, 100% of L'Acqua Lavanderias Ltda in Ponta Grossa in Jul and the assets of Lavtec in September (see also § A.2.c.).

## 6. INTELLECTUAL PROPERTY

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

The Group uses various registered brands, service marks and trade names in its operations. The main brands the Group uses are "Elis" (and the "Elis" logo), "Le Jacquard Français," "Presto," "SNDI," "AD3," "Magic Rambo" and "Poulard". In 2014, as part of the launch of the 3D business, the Group registered the "Prévention 3D" brand name. Apart from the "Elis" brand, which is in the process of being registered in Brazil as of the date of this report, each of these brands is registered, protected and monitored in all of the countries where the Group operates.

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

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

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

## 7. EXPECTED DEVELOPMENTS AND OUTLOOK

The outlook is based on the Group's strategy, which has four main strands:

### a. CONSOLIDATING ITS POSITIONS THROUGH ORGANIC GROWTH AND ACQUISITIONS

The Group's objective, in every country where it operates, is to continue to grow its business both organically and through acquisitions by leveraging its sales, marketing, industrial and logistical strengths.

The Group's strategy outside France is to consolidate its market share and geographic coverage in each country and deploy its expertise to become the market leader in every one of them.

Switzerland offers a good example of this strategy. After entering the Swiss market in 2010, the Group swiftly became the market leader in western Switzerland by making various acquisitions and transferring Group expertise to the acquired companies. By 2013 the Group had become the country's second-largest

supplier of flat linen, workwear and HWB appliance services, with 11 processing centers and an EBITDA margin that is among the best in the Group.

**b. DEVELOPING THE GROUP'S BUSINESSES IN BRAZIL**

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

With a population of about 200 million and a large manufacturing sector (particularly in food-processing, automobiles and pharmaceuticals), Brazil is a very promising market for the Group's business, especially considering the tremendous potential for outsourcing flat linen and workwear services in various sectors. The Group estimates that at the current stage of the market's development, sales of flat linen, workwear and HWB appliance services in Brazil totaled only about €0.9 billion in revenue in 2013, whereas sales in the French market totaled €2 billion in revenue that year. Customers in Brazil are essentially hospitals, hotels and industrial sector companies. Although many employees wear a uniform, the outsourcing of workwear rental and laundry services is still relatively uncommon. Considering the current size of the French and Brazilian markets for flat linen, workwear and HWB appliance services, relative to each country's land area, population and economic situation, the Group believes that Brazil offers considerable growth potential for flat linen, workwear and HWB appliance services.

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

**c. CONTINUING TO IMPROVE THE GROUP'S OPERATIONAL EXCELLENCE**

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

The Group intends to press ahead with its policy of systematically striving to improve productivity and operational excellence. Its engineering department, composed of some fifty engineers and technicians with an average of five to six years of service with the Group, plays a key role in this respect. This department's mission is to improve the productivity of the Group's processing and dispatching centers and the allocation of resources throughout the Group. To achieve these objectives, it is conducting various projects, such as the Perf'équipement project, which involves deploying new systems that enable computerized monitoring of the performance of the Group's equipment and will allow the Group's Overall Productivity Rate in the Group's processing centers to improve. The Gest'Elis project to organize work stations more efficiently as well as best practice rules disseminated in the Group's processing and dispatching centers have resulted in an improvement in productivity.

The Group also applies this strategy when integrating a recently acquired entity. For example, by adopting the Group-wide supplier contract terms and best practice rules, InoTex (acquired in 2013) has reduced its procurement costs by around €390,000 in 2013. Furthermore, implementing laundry best practices at Blanchâtel (acquired in 2011 by the Group) and Lavotel's Nyon plant (this company was acquired in 2010), led to cost savings of around €58,000 and €75,000, respectively, in 2013. The Group has, moreover, taken other steps to increase productivity and cut costs, for example by reducing its consumption of water (for example, by reusing hotel linen laundry water to wash restaurant linen, which allowed for instance to decrease the water consumption of the processing center in Nice by 24%), of laundry products and of energy (by systematically using steam traps, for example), and also by optimizing washing programs to extend the service life of its flat linen and workwear.

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

### d. INTRODUCING NEW PRODUCTS AND SERVICES AT LIMITED MARGINAL COST

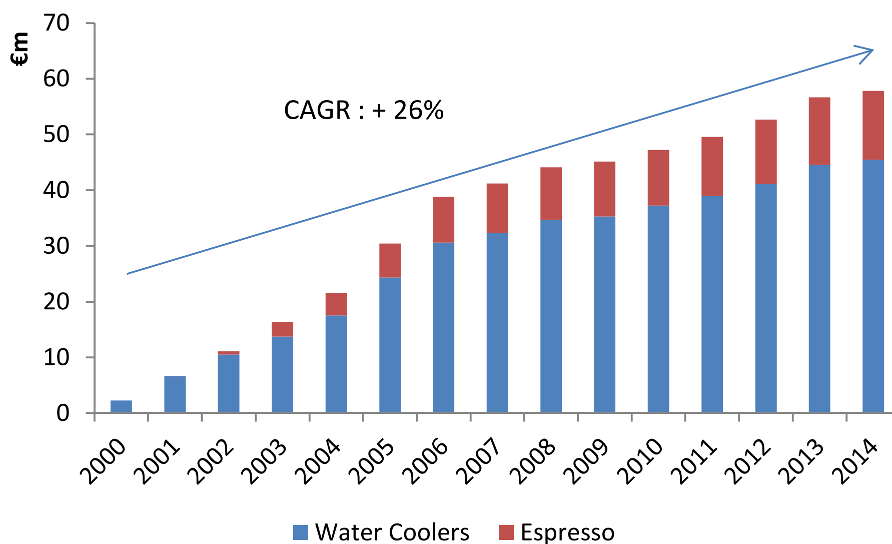
The Group intends to continue developing new products and services that offer high margins and growth potential, by leveraging its current network of processing and dispatching centers and its multi-service business model, which enables the Group to provide its products and services via a single Field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

The Group's new products and services are either:

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

- in 2013-2014, its Epifusion, Epishine and Epishock workwear collections,
- in 2011, its Pop'Art workwear collections,
- in 2009, its sparkling water fountains, to complement its offering of still water fountains.

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




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

- in January 2013, its 3D Pest Control service, which is growing at the same pace as its beverage service. The Group has set up a sales force dedicated to the 3D Pest Control service for the first two years following the launch of this service at a European level. In France and Portugal, the 3D Pest Control service has shown very good initial performance;
- in 2007, its infectious Healthcare waste (DASRI) collection service; and

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

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

## 8. SUBSEQUENT EVENTS

On January 1, 2015, following the signing of a deed of transfer of shares without conditions precedent on December 12, 2014, the transfer taking place on January 7, 2015, the Group added Kress Textipflege to its scope of consolidation. Kress Textipflege operates a processing center in the Munich region, and in 2013 generated revenues of around €5.7 million. It serves customers in the Hospitality sector.

On January 19, 2015, the Company added an amendment to the Senior Subordinated Notes Indenture (see Section I.A.3.f.(ii).(b) – "Senior Subordinated Notes" of this report).

On February 10, 2015, the Company carried out various transactions to simplify the Company's ownership structure ("Reorganization Prior to the Initial Public Offering"):

- executives and affected employees tendered all warrants of the Company that they owned directly to Quasarelis. The transfer value of the warrants was equal to the value of exercisable warrants, the number of which was determined by the initial public offering price of the Company's shares. Each exercisable warrant was tendered for a value equal to the difference between (i) the initial public offering price of the Company shares to which the warrant entitled its holder and (ii) the warrant exercise price, i.e., €5 per warrant (€0.50 per new share);

- LH 27 tendered a proportion of the amount receivable by it from the Company under the intragroup loan granted to Quasarelis on June 14, 2013. The transfer was remunerated by ordinary shares issued by Quasarelis to LH 27;

- Quasarelis and Eurazeo exercised their respective exercisable warrants. Quasarelis paid the warrant subscription price by offsetting the amount of its receivable against the Company, and Eurazeo paid it in cash. As stated above, the number of exercisable warrants was determined by the initial public offering price of the Company's shares and could not exceed 16,000,000, allowing holders to subscribe a maximum of 160,000,000 ordinary shares in the Company. At that stage, Quasarelis' only assets consisted of shares in the Company following the exercise of warrants;

- Quasarelis has been merged into the Company. The merger ratio was determined on the basis of the real value of the two companies. That value was established with reference to the initial public offering price of the Company's shares, after taking into account the dilution resulting from the exercise of warrants. The exchange ratio was therefore determined transparently on the basis of the initial public offering price of the Company's shares;

- the Company carried out a capital increase through an issue of new ordinary shares reserved for LH27. LH 27 subscribed to the capital increase and paid the subscription price for the new shares by offsetting it against the remaining amount receivable by it from the Company under the intragroup loan granted on June 14, 2013. The amount of the capital increase equaled the amount receivable by LH 27 at that date and the subscription price for the new shares equaled the initial public offering price for the Company's shares.

The impact of the Reorganization Prior to the Initial Public Offering on the Company's share capital is shown in Section I B 1 a – "Ownership structure" of this report.

In addition, on February 10, 2015, the Company's shares were listed for trading on the Euronext exchange in Paris (the "**Initial Public Offering**"). Within the framework of the Initial Public Offering, the Company carried out a capital increase without preferential subscription rights for shareholders by means of a public offer for a

nominal amount of €538,461,530, by issuing 53,846,153 ordinary shares with a par value of €10, to be subscribed in cash, with additional paid-in capital of €161,538,459, representing a total of €699,999,989.

The impact of the capital increase carried out within the framework of the Initial Public Offering on the Company's share capital is shown in Section I B 1 a – "Ownership structure" of this report.

Net proceeds from the capital increase carried out within the framework of the Initial Public Offering were allocated to:

- redemption of part of the Senior Credit Facilities Agreement in an amount of around €363 million, with the remainder being redeemed by the taking out of new credit facilities granted under a Senior Term and Revolving Facilities Agreement;

- redemption of Senior Subordinated Notes in an amount of around €164.2 million, corresponding to 40% of the principal amount plus interest accrued but not paid on the redeemed amount and early redemption compensation, representing a principal amount of Senior Subordinated Notes outstanding after redemption of around €228 million; and

- repayment of the PIK Proceeds Loan in an amount of around €92.4 million corresponding to (i) 40% of the nominal amount of Private PIK Notes (plus capitalized interest), plus (ii) interest accrued but not paid on the redeemed amount and (iii) the amount of penalties that LH 27 had to pay in relation to the partial early redemption of the party Private PIK Notes, calculated by applying the interest rate applicable to the Private PIK Notes (i.e. 10.25% plus the higher of 12-month Euribor and 1%) to the amount of Private PIK Notes redeemed. Part of the remaining amount receivable by LH 27 under the PIK Proceeds Loan was transferred to Quasarelis and the remaining amount was capitalized within the framework of the Reorganization Prior to the Initial Public Offering.

Remaining net issue proceeds from the capital increase carried out within the framework of the Initial Public Offering were retained as cash by the Company.

## B. SHARE CAPITAL AND OWNERSHIP STRUCTURE

### 1. BREAKDOWN AND CHANGES IN THE OWNERSHIP STRUCTURE AND SHARE CAPITAL

#### a. OWNERSHIP STRUCTURE

The table below shows the ownership of shares and voting rights of the Company as at December 31, 2014. This description is to the Company's knowledge, on the basis of information available as at December 31, 2014:

| | % |
|---|---|
| LEGENDRE HOLDING 27 | 92.30 |
| EURAZEO | 6.00 |
| ECIP ELIS S.à.r.l. (Lux) | 1.19 |
| QUASARELIS | 0.33 |
| Private individuals | 0.18 |
| | 100.00 |

Changes to the Company's ownership structure during the year ended December 31, 2014, refer to the following points:

- on January 31, 2014, LH 27 subscribed to a capital increase by the Company in a nominal amount of €36,433,132, involving the issue of 72,866,264 shares for a total subscription price of €42,999,999.98 in cash;
- on May 28, 2014, Eurazeo acquired 316,663 shares in the Company and 759,976 warrants from a former Group manager;
- on July 23, 2014, Quasarelis acquired 535,321 shares in the Company and 1,284,771 warrants from Eurazeo;
- on October 8, 2014, the combined general shareholders' meeting approved a capital increase in cash by the Company by means of the issuing of two new shares subscribed by Eurazeo (see Section I B 1 b - "History of share capital" of this report);
- on October 8, 2014, the combined general shareholders' meeting approved the reverse split of the Company's shares, which took effect on November 6, 2014. Within this framework, the 995,220,820 existing shares in the Company with a par value of €0.50 were exchanged for 49,761,041 new shares with a par value of €10, representing an exchange ratio of 1 new share for 20 old shares (see Section I B 1 b - "History of share capital" of this report);

To the Company's knowledge, at December 31, 2014, no shareholder other than those mentioned in the table below owned - directly or indirectly, alone or in concert - more than 5% of the Company's share capital or voting rights.

None of the companies controlled by the Company holds shares in the Company.

Furthermore, the table below shows the breakdown of share capital and voting rights in the Company following (i) the reorganization prior to the Initial Public Offering, (ii) the Initial Public Offering, and (iii) exercise of the greenshoe option (see Section I A 8 – "Subsequent events" of this report). This description is to the Company's knowledge as of the date of this report, on the basis of declarations of crossing of legal thresholds, not taking account of any crossing of thresholds covered by the by-laws:

| | Final (after exercise of the greenshoe option) | |
|---|---|---|
| | **Number of shares** | **% of share capital and voting rights** |
| Legendre Holding 27 SAS | 43,853,538 | 38.5% |
| Eurazeo SA | 3,469,774 | 3.0% |
| ECIP Elis SARL | 592,849 | 0.5% |
| Directors and employees of the Company | 375,377 | 0.3% |
| Free float | 65,714,629 | 57.6% |
| **Total** | **114,006,167** | |

**b. HISTORY OF SHARE CAPITAL**

At December 31, 2014, the Company's share capital amounted to €497,610,410, divided into 49,761,041 fully subscribed and paid-up shares with a par value of €10 and belonging to the same class.

During the year ended December 31, 2014:

- on January 29, 2014, the extraordinary general meeting of shareholders decided to carry out a capital increase without preferential subscription rights for shareholders in favor of Legendre Holding 27 SAS for a nominal amount of €37,280,414, by issuing 74,560,828 ordinary shares with a par value of €0.5, to be subscribed in cash, with additional paid-in capital of €6,719,585.81, representing a total of €43,999,999.81. On January 31, 2014, the Chairman of the Company noted the final completion of a capital increase of a nominal amount of €36,433,132 by issuing 72,866,264 ordinary shares with a par value of €0.5, with additional paid-in capital of €6,566,867.98, representing a total of €42,999,999.98;

- on October 8, 2014, the extraordinary general meeting of shareholders decided to carry out a capital increase without preferential subscription rights for shareholders in favor of Eurazeo SA for a nominal amount of €1, by issuing 2 ordinary shares with a par value of €0.5, to be subscribed in cash. On the same date, the extraordinary general meeting of shareholders noted the final completion of the capital increase;

- on October 8, 2014, the extraordinary general meeting of shareholders decided to proceed with a reverse stock split by means of the allocation of one new share with a par value of €10 for 20 old shares with a par value of €0.5. On November 6, 2014, the Company's Management Board noted the final completion of the reverse stock split.

The table below shows changes to the Company's share capital over the last three years:

| Date | Type of operation | Share capital before operation<br><br>(in euros) | Number of shares before operation | Number of shares after operation | Par value after operation<br><br>(in euros) | Share capital after operation<br><br>(in euros) |
|---|---|---|---|---|---|---|
| 11/04/2013 | Capital decrease by dividing par value | 214,663,565 | 214,663,565 | 214,663,565 | 0.50 | 107,331,782.50 |
| 12/17/2013 | Capital increase | 107,331,782.50 | 214,663,565 | 922,354,554 | 0.50 | 461,177,277 |
| 01/29/2014 | Capital increase | 461,177,277 | 922,354,554 | 995,220,818 | 0.50 | 497,610,409 |
| 10/08/2014 | Capital increase | 497,610,409 | 995,220,818 | 995,220,820 | 0.50 | 497,610,410 |
| 11/06/2014 | Reverse stock split | 497,610,410 | 995,220,820 | 49,761,041 | 10 | 497,610,410 |

Following the reorganization prior to the initial public offering, the Company's share capital amounted to €601,600,140, divided into 60,160,014 fully subscribed and paid-up shares with a par value of €10 and belonging to the same class (see Section I A 8 – "Subsequent events" of this report). Following the capital increase carried out within the framework of the initial public offering, the Company's share capital amounted to €1,140,061,670, divided into 114,006,167 fully subscribed and paid-up shares with a par value of €10 and belonging to the same class (see Section I A 8 – "Subsequent events" of this report).

## 2. ACQUISITIONS AND DISPOSALS OF TREASURY STOCK BY ELIS

The combined shareholders' meeting of October 8, 2014, authorized the Management Board, for a period of 18 months from October 8, 2014, to implement a share buyback program within the framework of the provisions of Article L.225-209 of the French Commercial Code, subject to the following conditions:

| Operation concerned | Authorization period | Maximum nominal amount | Maximum number of shares |
|---|---|---|---|
| Share buyback program | 18 months (April 8, 2016) | €250 million | 10% of the Company's share capital |

Under the terms of the resolution adopted by the general shareholders' meeting, the maximum purchase price per share is set at 200% of the price of shares offered to the public within the framework of the listing of the Company's shares on Euronext Paris (excluding buying costs). However, in the event of a transaction affecting the share capital, in particular by means of the incorporation of reserves and bonus share allocations, the price indicated shall be adjusted accordingly.

The purchase, sale or transfer of these shares may be carried out by any means, on one or more occasions, on the market or over the counter, including by means of the purchase or sale of share blocks, public offers, by use of derivatives or warrants or marketable securities bestowing the right to shares in the Company, or by the implementation of option-based strategies, under the conditions provided by market authorities and in accordance with applicable regulations.

The Company may use this authorization with a view to the following allocations, in accordance with the aforementioned regulations and market practices approved by the Autorité des Marchés Financiers:

- cancellation under a cancellation authorization granted to the Management Board by the extraordinary general meeting;
- stimulating trading in the Company's shares under a liquidity agreement with an independent investment services provider in accordance with compliance rules recognized by the Autorité des Marchés Financiers;
- allocation of shares to employees and corporate officers of the Company or companies that are or will be affiliated to it under the conditions defined by applicable legal requirements, in particular in respect of the exercising of stock options, bonus share allocations or profit sharing;
- delivery or exchange of shares upon the exercise of rights attached to negotiable securities conferring a right, in any way, to the allocation of shares of the Company;
- holding of shares or subsequent use in consideration for or in exchange for acquisitions;
- any other market practice approved or recognized by the Autorité des Marchés Financiers or any other objective that complies with applicable regulations.

In accordance with article L. 225-209 of the French Commercial Code, the number of shares repurchased by the Company for the purpose of holding these shares for subsequent remittance as payment or consideration in connection with an acquisition may not exceed 5% of its share capital.

Purchases, sales or transfers of the Company's shares may take place at any time in accordance with legal and regulatory requirements, including during public offers for the purchase or exchange of shares initiated by the Company or concerning the Company's shares.

**Treasury stock**

At December 31 2014, no share buyback program had been implemented by the Company. As of the date of this report, the Company held none of its own shares directly or indirectly, and no shares in the Company were held by one of its subsidiaries or by a third party on its behalf.

## 3. EMPLOYEE SHAREHOLDING

### a. SHARE CAPITAL HELD BY EMPLOYEES

See Section I B 1 a – “Ownership structure” of this report.

### b. EMPLOYEE STOCKHOLDING AGREEMENT

Employee stockholding agreements were concluded with the Group’s principal French subsidiaries.

### c. 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 the Group’s French entities.

### d. GROUP’S EMPLOYEE SAVINGS PLAN

An employee savings plan was effectuated in all of the Group’s French entities (except Berrogain). This plan offers the Group’s employees with more than 3 months of seniority the possibility to allocate immediately and in full the amounts paid to them for stockholding or profit-sharing or the amounts voluntarily paid by employees to buy shares in employee shareholding mutual funds (FCPE). The amounts invested in the employee savings plan are not available for five years, except in case the law allows their release on an anticipatory basis.

## 4. TRANSACTIONS BY DIRECTORS AND CORPORATE OFFICERS CONCERNING ELIS SHARES

Since the Company’s initial public offering on February 12, 2015, no Management Board or Supervisory Board members have declared purchases of shares in the Company pursuant to Article L. 621-18-2 of the French Monetary and Financial Code, with the exception of:

- Philippe Audouin, Board member, sent an e-mail notification on February 13 of the acquisition of 3,000 Elis shares in registered form.

## 5. TRANSFER OR DISPOSAL OF SHARES UNDERTAKEN TO REGULARIZE CROSS SHAREHOLDINGS

None.

## 6. INFORMATION LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

### a. CAPITAL STRUCTURE

See Section I B 1 a – “Ownership structure” of this report.

### b. RESTRICTIONS UNDER THE BY-LAWS ON THE EXERCISE OF VOTING RIGHTS AND SHARE TRANSFERS AND CONTRACTUAL CLAUSES BROUGHT TO THE ATTENTION OF THE COMPANY IN ACCORDANCE WITH ARTICLE L. 233-11 OF THE FRENCH COMMERCIAL CODE

As of the date of this report, the Company’s by-laws do not contain any restrictions on the exercise of voting rights and share transfers.

Furthermore, as of the date of this report, no agreements had been brought to the attention of the Company in accordance with Article L. 233-11 of the French Commercial Code.

### c. DIRECT OR INDIRECT STAKES IN THE COMPANY'S SHARE CAPITAL OF WHICH IT IS AWARE IN ACCORDANCE WITH ARTICLES L. 233-7 AND L. 233-12 OF THE FRENCH COMMERCIAL CODE

Crossing of legal thresholds:

See Section I B 1 a – "Ownership structure" of this report.

Crossing of thresholds under the by-laws:

In accordance with Article 8 of the By-laws, any individual or legal entity, acting alone or in cooperation, who comes to hold, or ceases to hold, directly or indirectly, a fraction equal to or greater than one percent (1%) of the Company's share capital or voting rights, or any multiple of such percentage, including beyond the declaration thresholds provided by the statutory and regulatory provisions, must inform the Company of the total number of shares and voting rights they possess and the securities giving access to the share capital and voting rights potentially attached to them by registered letter with acknowledgment of receipt, sent to the registered office no later than by the closing of the fourth trading day after the day on which the threshold is exceeded.

To date, the Company is aware of the following declarations:

- On February 11, 2015, Artisan Partners declared that it held 2.78% of the Company's share capital;
- On February 16, 2015, Amundi declared that it held - via its various vehicles - 4.49% of the Company's share capital;
- On February 17, 2015, Schroders plc declared that it held 1.109% of the Company's share capital;
- On February 20, 2015, Threadneedle Asset Management Holdings Limited declared that it held 3.947% of the Company's share capital;
- On February 26, 2015, Threadneedle Asset Management Holdings Limited declared that it held 4.104% of the Company's share capital;

### d. LIST OF THE HOLDERS OF ANY OTHER SECURITIES CARRYING SPECIAL CONTROL RIGHTS AND DESCRIPTION OF THEM

None

### e. CONTROL MECHANISM PROVIDED FOR IN THE EMPLOYEE SHARE OWNERSHIP SYSTEM

None

### f. AGREEMENTS BETWEEN SHAREHOLDERS OF WHICH THE COMPANY IS AWARE THAT MAY LEAD TO RESTRICTIONS ON SHARE TRANSFERS OR ON THE EXERCISE OF VOTING RIGHTS

As of the date of this report, the Company is not aware of any agreements between shareholders that may lead to restrictions on share transfers or on the exercise of voting rights

### g. RULES APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF MANAGEMENT BOARD MEMBERS AND TO THE AMENDMENT OF THE COMPANY'S BY-LAWS

According to the Company's by-laws, members of the management board are private individuals - whether shareholders of the Company or not - are not members of the supervisory board, are aged under 68 and may be tied by an employment contract with the Company during their term of office. Members of the management board are appointed for a period of four years, which may be renewed. In case of a vacancy of a seat, pursuant to law, the supervisory board shall appoint a replacement member for the remaining duration of his predecessor's term of office. All members of the management board may be removed, either by the supervisory board or by the general shareholders' meeting based on a proposal of the supervisory board. If the removal is decided without just cause, it may give rise to damages. The supervisory board appoints one member of the management board as chairman for the duration of his term of office as a member of the management board.

In accordance with the Company's by-laws, all proposed changes to the by-laws must be approved by the supervisory board before being submitted to the extraordinary general meeting of shareholders. Proposed

changes to the Company's by-laws must be approved by a two-thirds majority of shareholders in attendance or represented by proxy.

## h. RULES FOR THE DIVISION OF POWERS BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In accordance with the law and Article 15 of the Company's by-laws, the management board shall be vested with the broadest powers to act in all circumstances in the Company's name, within the limits of the corporate purpose and subject to the powers expressly attributed by law and the by-laws to the supervisory board and the shareholders' meetings. The management board is responsible in particular for the preparing and submission to the supervisory board of reports, budgets and quarterly, half-year and full-year financial statements, as well as convening all general shareholders' meetings, preparing the agenda and executing their decisions.

The following transactions shall be subject to the supervisory board's prior authorization:

a. By the statutory and regulatory provisions in force:

  - the sale of real estate (by nature),
  - the full or partial sale of shareholding,
  - the granting of security interests, collateral, backing and guarantees.

b. By the current by-laws, for carrying out the following transactions, in the Company (the "Company) or its controlled subsidiaries within the meaning of Article L. 233-3 of the French Commercial Code (collectively, the "Group"):

  - proposals to the general shareholders' meeting of any by-law modification;
  - any proposal of resolutions to the general shareholders' meeting on the issuance or redemption of shares or securities giving access, immediately or in the future, to the Company's share capital;
  - any transaction that may lead, immediately or in the future, to an increase or decrease in the Company's share capital, by issuance of securities or cancellation of securities (*titres*);
  - any proposal to the general shareholders' meeting to allocate earnings, distribute dividends and any distribution of interim dividends;
  - any implementation of options plans or a free share attribution plan, and any attribution of share subscription or purchase options or any attribution of free shares;
  - the appointment, renewal or removal of the Company's Statutory Auditors;
  - significant transactions that may affect the Group's strategy and modify its financial structure or its business scope, and which may have an impact of 5% or more on the Group's EBITDA;
  - the adoption of the Company's annual budget and investment plan;
  - any debt financing or partnership agreement, and any issuance of non-convertible bonds if the amount of the transaction or agreement, whether occurring at a single time or several times, exceeds €100 million;
  - acquisitions, extensions or sales of shareholding in any companies formed or to be formed in an amount greater than €20 million in company value;

- any transaction plan whose investment or divestment amount is greater than €20 million if such transaction is not included in the budget or in the investment plan;

- any decision to perform a merger, demerger, partial asset contribution or transactions deemed as such involving the Company;

- in case of disputes, settlement agreements or concessions greater than €5 million;

- any significant change in the accounting principles applied by the Company other than based on modification of the IAS/IFRS standards.

c. any agreement subject to Article L. 225-86 of the French Commercial Code.

#### i. AGREEMENTS ENTERED INTO BY THE COMPANY THAT ARE MODIFIED OR COME TO AN END IN THE EVENT OF CHANGE IN CONTROL OF THE COMPANY

See § New Senior Credit Facilities Agreement I.A.3.f.(iii).(e)

#### j. AGREEMENTS PROVIDING FOR COMPENSATION PAYMENTS TO CORPORATE OFFICERS OR EMPLOYEES IF THEY RESIGN OR ARE DISMISSED WITHOUT JUST OR SERIOUS CAUSE OR IF THEIR POSITION COMES TO AN END OWING TO A PUBLIC OFFER

Senior executive corporate officers

See Section I.D "Compensation paid to senior executive corporate officers" of this report.

Non-senior executive corporate officers

There are no agreements providing for compensation in the event of the resignation of non-senior executive corporate officers.

Employees

There are no agreements providing for compensation in the event of the resignation of other employees.

## C. CORPORATE GOVERNANCE

As of the date of this report, the Company is a joint-stock corporation ("*société anonyme*") governed by a management board and a supervisory board subject to applicable laws and regulations and its by-laws. It was a simplified limited company ("*société par actions simplifiée*") until September 5, 2014, when it was transformed into a joint-stock corporation ("*société anonyme*") governed by a management board and a supervisory board.

On the date the Company's shares were listed on the regulated market of Euronext Paris, the Company's management was entrusted to a management board comprising three members, and the control of the Company's management bodies was entrusted to a supervisory board comprising eight members, four of whom were independent members.

### 1. MANAGEMENT BOARD

#### a. MEMBERS OF THE MANAGEMENT BOARD DURING 2014

The table below presents the composition of the management board on the date of this report and the principal offices and positions held by the members of the management board outside the Company (within or outside the Group) over the last five years:

| First and last name | Age | Nationality | Date of first appointmen t | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| **Xavier Martiré**<br>85,862 shares (at 02.18.2015) | 43 | French | September 5, 2014 | September 5, 2018 | Chairman of the Management Board | Offices and positions held on the date of this report (within the Group):<br>– CEO of Elis Services S.A.<br>– CEO of M.A.J. S.A.<br>– President of Novalis S.A.S<br>– Director of Pierrette-T.B.A. S.A.<br>– President of Elis Luxembourg S.A. (Luxembourg)<br>– Director of Elis Manomatic S.A. (Spain)<br>– Director of Elis Italia SpA (Italy)<br>– Director of S.P.A.S.T S.A. (Portugal) S.A.<br>– Director of Gafides S.A. (Portugal)<br>– Director of Blanchâtel S.A. (Switzerland)<br>– Director of Grosswäscherei Domeisen AG (Switzerland)<br><br>Offices and positions held on the date of this report (outside the Group):<br>– None<br><br>Offices and positions held over the last five years and which are no longer held (outside the Group):<br>– None |
| **Louis Guyot**<br>23,063 shares (at 02.18.2015) | 42 | French | September 5, 2014 | September 5, 2018 | Member of the management board and CFO | Offices and positions held on the date of this report (within the Group):<br>– President of Pro |

| First and last name | Age | Nationality | Date of first appointmen t | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | Services Environnement S.A.S.<br>– Director of Elis Services S.A.<br>– Director of HADES S.A. (Belgium)<br>– Director of Elis Manomatic S.A. (Spain)<br>– Director of Elis Italia S.A. (Italy)<br>– Director of Elis Luxembourg S.A. (Luxembourg)<br>– Director of S.P.A.S.T S.A. (Portugal)<br>– Director of InoTex AG (Switzerland)<br>– Director of Pierrette-TBA S.A.<br><br><u>Offices and positions held on the date of this report (outside the Group)</u>:<br>– None<br><br><u>Offices and positions held over the last five years and which are no longer held (outside the Group)</u>:<br>– Member of the management board and Managing Director of Korian S.A.*<br>– Director of Segesta SpA (Italy)<br>– Permanent representative of Korian S.A. on the Board of Directors of Holding Austruy Burel<br>– Permanent representative of Korian S.A. on the Board of Directors of La Bastide de la |

| First and last name | Age | Nationality | Date of first appointmen t | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | Tourne<br>– Permanent representative of Korian S.A. on the Board of Directors of Le Brevent<br>– Permanent representative of Korian S.A. on the Board of Directors of CFR Siouville<br>– Director of Steriservice<br>– Director of Dalkia India (India)<br>– Director of Litesko UAB (Lithuania)<br>– Director of Vilniaus Energija UAB (Lithuania)<br>– Director of Dalkia Vostok (Russia)<br>– Director of Neva Energia SA (Russia)<br>– Manager of Compagnie Foncière Vermeille S.A.R.L<br>– Manager of Bonaparte S.A.R.L<br>– Manager of Le Belvedere Dune S.A.R.L |
| **Matthieu Lecharny**<br>12,416 shares (at 02.18.2015) | 44 | French | September 5, 2014 | September 5, 2018 | Member of the management board and Deputy Managing Director Marketing and Business Development | Offices and positions held on the date of this report (within the Group):<br>– Manager of Le Jacquard Français S.A.R.L<br>– President/Sole Director of G.I.E. Eurocall Partners<br>– Chairman of Kennedy Hygiène Products Limited (England)<br>– Chairman of Kennedy Exports Limited (England) |

| First and last name | Age | Nationality | Date of first appointmen t | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | Offices and positions held on the date of this report (outside the Group):<br>– None<br><br>Offices and positions held over the last five years and which are no longer held (outside the Group):<br>– None |

For the purposes of their corporate mandates, the members of the management board are domiciled at the Company's registered office.

## 2. SUPERVISORY BOARD

### a. MEMBERS OF THE SUPERVISORY BOARD DURING 2014

The table below presents the composition of the supervisory board on the date of this report and the principal offices and positions held by the members of the supervisory board outside the Group over the last five years:

In accordance with Article 17 IV of the Company's by-laws, supervisory board members must hold 500 of the Company's shares. They have six months from their date of appointment (or the date of the initial public offering for existing members) to purchase these shares.

| First and last name | Age | Nationality | Date of first appointment | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| **Philippe Audouin** (3,000 shares at 02.18.2015) | 57 | French | September 5, 2014 | Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2016 | Member of the supervisory board | Offices and positions held on the date of this report (within the Group):<br>– None<br><br>Offices and positions held on the date of this report (outside the Group):<br>– Member of the management board of Eurazeo*<br>– Member of the supervisory board of ANF Immobilier* |

| First and last name | Age | Nationality | Date of first appointment | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | – Director of Europcar Groupe<br>– Vice-President of the supervisory board of APCOA Parking AG (Germany)<br>– Managing Director of Perpetuum MEP Verwaltung GmbH (Germany)<br>– Member of the advisory board of APCOA Parking Holdings GmbH (Germany)<br>– President of Ray France Investment, LH APCOA, Legendre Holding 19, Legendre Holding 21, Legendre Holding 27, Legendre Holding 29, Legendre Holding 30, and Legendre Holding 36<br>– Managing Director of Legendre Holding 25, La Mothe and Eurazeo Capital Investissement (formerly Eurazeo Partners)<br>– Deputy Director of Eurazeo Services Lux (Luxembourg)<br>– Permanent representative of Eurazeo on the board of directors of SFGI<br><br><u>Offices and positions held over the last five years and which are no longer held (outside the Group)</u>:<br>– Vice-President of the supervisory |

| First and last name | Age | Nationality | Date of first appointment | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | board of B&B Hotels<br>– Managing Director of Catroux<br>– President of Legendre Holding 22, Legendre Holding 28, Legendre Holding 23, Legendre Holding 11, Legendre Holding 26, Legendre Holding 24, Immobilière Bingen, Legendre Holding 8, Rue Impériale Immobilier, Legendre Holding 25<br>– President of Les Amis d'Asmodée and Asmodée II<br>– Director of Eurazeo Italia (Italy)<br>– Managing Director of Legendre Holding 33 |
| **Michel Datchary** (900 shares at 02.18.2015) | 62 | French | September 5, 2014 | Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2015 | Member of the supervisory board<br><br>Independent member | Offices and positions held on the date of this report (within the Group):<br>– None<br><br>Offices and positions held on the date of this report (outside the Group):<br>– Manager of Staminea<br>– Investment Director of the fund Fa Dièse<br>– Director of Linkéo<br><br>Offices and positions held over the last five years and which are no longer held (outside the Group):<br>– CEO of |

| First and last name | Age | Nationality | Date of first appointment | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | PagesJaunes Groupe*<br>– Director of Local.ch (Switzerland)<br>– Director of Swisscom Directories (Switzerland)<br>– Director of LTV Gelbe Seiten (Switzerland)<br>– Director of CCA International<br>– Director of European Directories |
| **Marc Frappier** | 41 | French | September 5, 2014 | Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2015 | Member of the supervisory board<br><br>Vice-President of the supervisory board | <u>Offices and positions held on the date of this report (within the Group)</u>:<br>– None<br><br><u>Offices and positions held on the date of this report (outside the Group)</u>:<br>– Deputy Director of Eurazeo*<br>– Member of the supervisory board of APCOA Parking AG (Germany)<br>– Member of the supervisory board of Legendre Holding 33<br>– Vice-President of the advisory board of APCOA Parking Holdings GmbH<br>– Vice-President of the supervisory board of Foncia Holding<br>– Director of RES 1 S.A., RES 2 S.A., ManFoncia 1 et ManFoncia 2<br>– Manager of Shynx S.à.r.l (Luxembourg) |

| First and last name | Age | Nationality | Date of first appointment | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | – Manager of Shynx 1 S.à.r.l (Luxembourg)<br>– Manager of Shynx 2 S.à.r.l (Luxembourg)<br><br>Offices and positions held over the last five years and which are no longer held (outside the Group):<br>– Director of Eurazeo Management Lux<br>– Vice-President of the supervisory board of Foncia Groupe<br>– Representative of Eurazeo on the board of directors of Rexel SA<br>– Manager of ECIP Elis S.à.r.l<br>– Manager of ECIP Agree S.à.r.l |
| **Virginie Morgon** | 44 | French | September 5, 2014 | Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2014 | Member of the supervisory board | Offices and positions held on the date of this report (within the Group):<br>– None<br><br>Offices and positions held on the date of this report (outside the Group):<br>– Member of the management board and Managing Director of Eurazeo*<br>– President of the supervisory board of APCOA Parking AG (Germany)<br>– President of the advisory board of APCOA Parking Holdings GmbH (Germany)<br>– Managing Director |

| First and last name | Age | Nationality | Date of first appointment | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | of APCOA Group GmbH (Germany)<br>– President of the supervisory board of Eurazeo PME<br>– Managing Director of LH APCOA<br>– President of the board of directors of Broletto 1 Srl (Italy)<br>– Director of Euraleo Srl (Italy)<br>– President of the supervisory board of Legendre Holding 33<br>– Director of L'Oréal *<br>– Director of Accor *<br>– Member of the supervisory board of Vivendi*<br>– Member of the board of directors of Women's Forum (WEFCOS)<br>– Director of Intercos SpA (Italy)<br>– Vice-President of the board of directors of Moncler SpA * (Italy)<br><br>Offices and positions held over the last five years and which are no longer held (outside the Group):<br>– Director of Edenred<br>– Director of Sportswear Industries Srl (Italy)<br>– President of the supervisory board of Groupe B&B Hotels<br>– President of the supervisory board of OFI Private Equity Capital (now |

| First and last name | Age | Nationality | Date of first appointment | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | Eurazeo PME Capital)<br>– President of Legendre Holding 33<br>– Permanent representative of Eurazeo on the board of directors of LT Participations |
| **Thierry Morin** (1,000 shares at 02.18.2015) | 62 | French | September 5, 2014 | Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2014 | Member of the supervisory board<br><br>Independent member<br><br>President of the supervisory board[5] | Offices and positions held on the date of this report (within the Group):<br>– None<br><br>Offices and positions held on the date of this report (outside the Group):<br>– Director of Arkema*<br>– President of Thierry Morin Consulting (TMC)<br>– President of the board of directors of Université de Technologie de Compiègne<br>– Manager of TM France<br>– President of TMPARFI SA (Luxembourg)<br><br>Offices and positions held over the last five years and which are no longer held (outside the Group):<br>– None |
| **Florence Noblot** | 51 | French | September 5, 2014 | Ordinary general shareholders' | Member of the supervisory | Offices and positions held on the date of this report (within the |

5 Thierry Morin has been appointed president of the supervisory board subject to the condition precedent of the settlement-delivery of the Company's shares within the framework of the initial public offering. He therefore became president of the supervisory board on February 12, 2015.

| First and last name | Age | Nationality | Date of first appointment | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | meeting voting on the financial statements for the year ended December 31, 2016 | board<br><br>Independent member | Group):<br>– None<br><br>Offices and positions held on the date of this report (outside the Group):<br>– Senior Vice president Technology Sector EMEA of DPDHL<br><br>Offices and positions held over the last five years and which are no longer held (outside the Group):<br>– Managing Director Commercial Projects of DHL Express<br>– President of DHL Express France SAS |
| **Agnès Pannier-Runacher** | 40 | French | October 8, 2014 | Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2017 | Member of the supervisory board<br><br>Independent member | Offices and positions held on the date of this report (within the Group):<br>– None<br>Offices and positions held on the date of this report (outside the Group):<br>– Deputy Chief Executive Officer of Compagnie des Alpes*<br>– Director and president of the audit committee of Bourbon<br>– Director of BPI France<br>– Director and member of the strategy committee of Compagnie du Mont Blanc<br>– Director of Grévin & Cie<br>– Director of |

| First and last name | Age | Nationality | Date of first appointment | Expiration date of term of office | Principal position held in the Company | Principal offices and positions held outside the Company (within or outside the Group) over the last five years |
|---|---|---|---|---|---|---|
| | | | | | | Cryptolog<br>– Member of the supervisory board of Futuroscope<br>Offices and positions held over the last five years and which are no longer held (outside the Group):<br>– Director and member of the liaison committee of Soprol SAS<br>– Director of FSI-PME Entreprises SAS (ex CDC Entreprises)<br>– Director of CDC Entreprises SAS<br>– Director of Daher |
| **Eric Schaefer** | 32 | French | September 5, 2014 | Ordinary general shareholders' meeting voting on the financial statements for the year ended December 31, 2017 | Member of the supervisory board | Offices and positions held on the date of this report (within the Group):<br>– None<br><br>Offices and positions held on the date of this report (outside the Group):<br>– Director of Eurazeo*<br>– Member of the supervisory board of Legendre Holding 33<br>– Member of the board of directors of AX<br><br>Offices and positions held over the last five years and which are no longer held (outside the Group):<br>– Member of the administration and selections committee of Europcar Groupe |

* Listed company

For the purposes of their corporate mandates, the members of the supervisory board are domiciled at the company's registered office.

On September 5, 2014, Thierry Morin was appointed as president of the supervisory board by the supervisory board, subject to the condition precedent of the listing of the Company's shares on the Euronext regulated market in Paris. The duties of Virginie Morgon as president of the supervisory board automatically ended early on the date of the listing of the Company's shares on the Euronext regulated market in Paris, with no impact on her role as member of the supervisory board.

In addition, at its meeting of October 10, 2014, the supervisory board named Michel Datchary, Thierry Morin, Florence Noblot and Agnès Pannier-Runacher as independent members of the supervisory board, based on the criteria adopted by the Company. As a result, independent members make up at least-one third of members of the supervisory board.

**a.** PERSONAL INFORMATION PERTAINING TO THE MEMBERS OF THE SUPERVISORY BOARD

The information set forth below pertains to the current members of the supervisory board.

**Philippe Audouin**, 57, is a member of the management board and CFO of Eurazeo, which he joined in 2002. From 2007 to the Company's transformation into a joint-stock corporation (*société anonyme*) with a management board and a supervisory board, he was a director of the Company.

He began his career by founding and developing his own company for 10 years. After selling it, Philippe Audouin was the CFO and authorized signatory (Prokurist) in Germany of the first joint venture between France Telecom and Deutsche Telekom. From 1996 to 2000, Philippe Audouin held the position of CFO, Human Resources Director and Administrative Director of the Multimedia division of France Telecom. He was also a member of the supervisory board of PagesJaunes. From April 2000 to February 2002, Philippe Audouin was the CFO of Europ@Web. He also taught for 5 years as a lecturer then as associate professor for the third year at the Ecole des Hautes Etudes Commerciales (HEC).

Philippe Audouin is also a director of Europcar Groupe and Vice-President of the supervisory board of APCOA Parking AG (Germany).

Philippe Audouin holds a degree from the Ecole des Hautes Etudes Commerciales. He is a member of the AMF's Issuers Commission, member of the Consultative Committee of the Accounting Standards Authority (ANC) and Vice-President of the Association of Chief Financial Officers and Management Control Directors (DFCG).

**Michel Datchary**, 62, has since 2010 developed a consulting business through his company Staminea in various European companies, focusing on media, the internet and services. He has also been advising a seed capital fund regarding the selection of innovative companies. After starting his career with Havas, he joined PagesJaunes as head of marketing and was CEO between 1996 and 2009 – which were 13 years of growth for the company. He transformed the group, making it France's leading online advertising medium through the success of pagesjaunes.fr, and led the group's initial public offering in 2004. From 2009 to the Company's transformation into a joint-stock corporation (société anonyme) with a management board and a supervisory board, he was a director of the Company.

In addition to his experience within the Company, Michel Datchary has been a director at PagesJaunes, the Swisscom group (Local.ch, Swisscom Directories, LTV), Linkéo and European Directories, and at start-ups.

He has a degree from the Institut de Promotion Commerciale and Chamber of Commerce of Pau.

**Marc Frappier**, 41, is Deputy Director of Eurazeo, which he joined in 2006. He has notably participated in making investments or in monitoring investments in Accor/Edenred, Apcoa, the Company, Foncia, Rexel and Asmodée. Since 2013, and until the Company's transformation into a joint-stock corporation (société anonyme) with a management board and a supervisory board, he was a director of the Company.

He began his career in 1996 as a financial auditor at Deloitte & Touche. From 1999 to 2006, he worked at the Boston Consulting Group (BCG) in Paris and Singapore, where he performed many assignments involving strategy and operational efficiency in the industrial goods and services, energy and media and telecommunications sectors.

Marc Frappier is a civil engineer and a graduate of the Ecole des Mines. He holds a degree in accounting and financial studies (DECF).

**Virginie Morgon**, 44, is a member of the management board, Managing Director and Chief Investment Officer of Eurazeo, the controlling shareholder of the Company, which she joined in 2008. Since 2013, and until the Company's transformation into a joint-stock corporation (*société anonyme*) with a management board and a supervisory board, she was President of the Company's board of directors (*conseil d'administration*).

From 2000 to 2007, Virginie Morgon was Managing Partner of Lazard Frères et Cie in Paris, after having worked as an investment banker at Lazard Frères et Cie in New York and London since 1992. Virginie Morgon was notably in charge of the European food, distribution and consumer goods sector. During her 15 years at Lazard Frères et Cie, she advised many companies, such as Air Liquide, Danone, Kingfisher/Castorama, Kesa/Darty and Publicis, and established close relationships with their senior executives.

Virginie Morgon is notably President of the supervisory board of Eurazeo PME, Vice-President of the Board of Directors of Moncler SpA, Director of Accor and L'Oréal and a member of Vivendi's supervisory board. She is a member of the Board of Directors of Women's Forum for the Economy & Society (WEFCOS) and a member of the Human Rights Watch support committee in Paris.

Virginie Morgon holds a degree from the Institut d'Etudes Politiques in Paris (economy and finance section) and a Master's degree in Economy and Management (MIEM) from the Università Commerciale Luigi Bocconi (Milan, Italy).

**Thierry Morin**, 62, has been chairman of Thierry Morin Consulting, manager of TM France and a member of Arkema's board of directors since 2006.

He started his career in 1977 as an engineer in the sales department of Burroughs. Between 1978 and 1986, he worked as an account manager, financial controller, accounting officer and then financial controller for EMEA (Europe, Middle East and Africa) within the Schlumberger group. In 1986, he joined the Thomson Electronics group as deputy managing director IT systems, and then financial officer for the Audio department. In 1989, Mr Morin joined the Valeo group as deputy CFO. At Valeo, he then became CFO, head of strategy, deputy CEO and then CEO in 2000. In March 2001, he became chairman and CEO of the Valeo group. Since 2009, Thierry Morin has managed seed-capital investments in new technologies, as well as an industrial consultancy company. In 2013, he acquired Sintertech, France's leading producer of metal powders for industrial markets, and restructured the company.

Thierry Morin is an Officier de l'Ordre National du Mérite, Chevalier de la Légion d'Honneur and Chevalier des Arts et des Lettres. He is also chairman of the board at the Université de Technologies de Compiègne (UTC) and former chairman of the board of directors at INPI (Institut National de la Propriété Industrielle).

Mr Morin has a masters' degree in management from Université Paris IX-Dauphine.

**Florence Noblot**, 51, is Vice-President EMEA (Europe, Middle East and Africa) for DHL Express, a company she joined in 1993.

She started her career in 1987 as an account manager for Rank Xerox France. In 1993, she joined DHL Express as an account manager and was then head of sales and senior vice-president of Global Customer Solutions (GCS) for the Pacific Asia region between 2003 and 2006. Between 2008 and 2012, she was President of DHL Express France and was also member of the management committee for DHL Express Europe. In 2012, she became director for sales projects in Europe for DHL Express Europe and was appointed senior vice-president of the High Tech EMEA (Europe, Middle East and Africa) sector in 2013, covering all activities of the group Deutsche Post DHL.

Florence Noblot studied economic sciences at Université Paris II Panthéon Assas and took part in the General Management Program of Harvard University in the United States in 2011.

**Agnès Pannier-Runacher**, 40, is Deputy Chief Executive Officer of Compagnie des Alpes, which she joined in 2013.

She was previously an auditor with the French Finance Ministry, and then Cabinet Director and member of the management committee at Assistance Publique-Hôpitaux de Paris in charge of economic and financial matters.

In 2006, she joined Caisse des Dépôts as Deputy Director of Finance and Strategy, in charge in particular of monitoring subsidiaries, strategic investments and M&A activity.

In 2009, she became a member of the executive committee and Director of finance and portfolio strategy at FSI. In 2011, she joined Faurecia as Director of Clients Tata-JLR, GME, Volvo at Faurecia Systèmes d'Intérieur.

Ms Pannier-Runacher has been Deputy Chief Executive Officer of Compagnie des Alpes since the start of 2013.

Ms Pannier-Runacher holds degrees from the Ecole des Hautes Etudes Commerciales (HEC) and the Ecole Nationale d'Administration (ENA) and CEMS Master's degree (HEC-Köln-Universität).

**Eric Schaefer**, 32, is Director of Eurazeo, which he joined in 2004. Since then, he has participated in the analysis of several investment opportunities and the monitoring of stakes in various industrial and services sectors, including the making and monitoring of investments in Eutelsat, B&B Hotels, Europcar, Apcoa and Asmodée. Since 2013, and until the Company's transformation into a joint-stock corporation (société anonyme) with a management board and a supervisory board, he was a director of the Company.

Eric Schaefer holds degrees from the Ecole Polytechnique and the Ecole des Hautes Etudes Commerciales (HEC).

### b. BALANCE IN THE SUPERVISORY BOARD'S COMPOSITION

The Company's supervisory board has named Michel Datchary, Thierry Morin, Florence Noblot and Agnès Pannier-Runacher as independent members of the supervisory board, based on the criteria adopted by the Company.

The supervisory board ensures that the selection of the Board's members permits it to ensure diversity in expertise and equal representation between men and women, in proportions that comply with the requirements of the provisions of Act no. 2011-103 of January 27, 2011, relating to the equal representation between women and men on boards of directors and supervisory boards and workplace equality.

On the date of this report, in addition to the 4 members of the supervisory board which were appointed based on Eurazeo's proposal, there are 4 members considered to be independent by the supervisory board, i.e., more than one-third of the members of the supervisory board.

## 3. EXECUTIVE BOARD

### a. COMPOSITION OF THE EXECUTIVE BOARD

The Executive Board was composed of the following persons at March 1, 2015:

**Xavier Martiré**, President of the Management Board

**Alain Bonin**, Deputy Managing Director in charge of operations

**Arthur de Roquefeuil**, Deputy Managing Director in charge of operations

**Frédéric Deletombe**, Industrial and Procurement Director

**Louis Guyot**, member of the management board and CFO

**Didier Lachaud**, Human Resources Director

**Matthieu Lecharny**, member of the management board, Deputy Managing Director in Marketing and Business Development

**François Blanc**, Transformation and IT Systems Director

**b.** MEETINGS

The executive board meets every two weeks to discuss the Group's operational and financial performance and to exchange views on the Group's strategic projects and management.

## D. COMPENSATION OF CORPORATE OFFICERS

Within the framework of the listing of the Company's shares on the regulated market of Euronext in Paris, the Company intends to refer to the AFEP and MEDEF's Code of Corporate Governance of Listed Companies ("AFEP-MEDEF Code").

### 1. COMPENSATION AND BENEFITS PAID TO SENIOR EXECUTIVES AND CORPORATE OFFICERS

**a.** COMPENSATION PAID TO SENIOR EXECUTIVE CORPORATE OFFICERS

At its meeting of October 10, 2014, the Company's supervisory board decided, on the basis of the opinion of the appointments and compensation committee that met on the same day, subject to the condition precedent of the listing of the Company's shares on the Euronext Paris regulated market and as of this date, to terminate Xavier Martiré's employment contract and to set compensation and benefits for Management Board members as described below.

**(i) Compensation paid to Xavier Martiré**

At its meeting of October 10, 2014, the Company's supervisory board decided, on the basis of the opinion of the appointments and remuneration committee that met on the same day, subject to the condition precedent of the listing of the Company's shares on the Euronext Paris regulated market and as of this date, to terminate Xavier Martiré's employment contract. As a result, as of the date of this report, Xavier Martiré's employment contract was terminated.

Fixed compensation

As President of the management board, Xavier Martiré receives a gross fixed salary of €550,000 a year.

Variable compensation

As President of the management board, Xavier Martiré receives gross variable compensation of €550,000 a year, up to a maximum of €935,000 gross a year depending on what targets are achieved.

This variable compensation breaks down into two parts: (i) a first part representing 70% of variable compensation based on quantitative targets defined by the supervisory board, on the proposal of the appointments and compensation committee (in the case of quantitative targets being met), subject to a coefficient of 0% to 200%, on a linear basis, and (ii) a second part representing 30% of variable compensation based on qualitative targets defined at the start of the financial year by the supervisory board, on the proposal of the appointments and compensation committee.

The quantitative criteria applied depend on: (i) revenue growth; (ii) EBIT growth; and (iii) growth in cash flow from operations.

The following qualitative criteria are applied: (i) supporting organic growth (gaining and retaining customers); (ii) management of major industrial, IT and real estate programs; and (iii) management of acquisitions and consolidation.

These criteria may be revised each year.

Pension plan

Xavier Martiré does not benefit from a complementary pension plan.

Severance and non-competition payments

Xavier Martiré will receive a severance payment equal to 18 months' gross fixed and variable compensation calculated on the basis of the average compensation received by Mr Martiré over the last two financial years ended prior to his departure, and payable only in the event of forced departure, except in the case of negligence or assuming that Mr Martiré would be able to exercise his rights to retirement in the short term.

This severance payment is subject to two performance conditions relating to (i) a revenue target and (ii) an EBIT target. Severance payment is subject to a performance rate, such that if none of the above targets is met, no payment is due. If one of the above targets is met, two-thirds of the severance payment is due, equal to 12 months' average gross fixed and variable compensation. If both targets are met, the full severance payment is due.

In addition, in return for agreeing to a non-compete undertaking, for a period of one year, Mr Martiré will benefit from a non-competition payment equal to 50% of gross fixed and variable compensation for the last financial year ended. In the event of both severance and non-competition payments being due, the total amount received by Mr Martiré in this respect shall be capped at two years' gross fixed and variable compensation.

Other benefits

Xavier Martiré continues to benefit from use of a company car.

Stock options and performance shares

For information about the characteristics of the Company's stock option plans and awards of options or performance shares, see Section I D 2 a – "Share subscription or purchase options and attribution of free shares" below.

The tables below show compensation paid to Xavier Martiré, President of the Management Board, Chairman of the Management Board, by the Company and by all Group companies in 2014:

| **Summary table of compensation and options and shares attributed to Xavier Martiré** | | |
|---|---|---|
| (in euros) | | Year ended December 31, 2014 |
| Compensation due for the year | | 927,546 |
| Valuation of multi-year variable compensation attributed in the year | | 0 |
| Valuation of options attributed in the year | | 0 |
| Valuation of shares attributed free of charge | | 0 |
| **Total** | | 927,546 |

| **Summary table of compensation paid to Xavier Martiré** | | | | |
|---|---|---|---|---|
| (in euros) | | | Year ended December 31, 2014 | |
| | | | Amount due | Amount paid |
| Fixed compensation | | | 400,008 | 400,008 |
| Performance-based compensation(1) | | | 523,642 | 397,085 |
| Multi-year performance-based compensation | | | 0 | 0 |
| Exceptional compensation | | | 0 | 220,000 |
| Directors' fees | | | — | — |
| Benefits in kind | | | 3,896 | 3,896 |

| Summary table of compensation paid to Xavier Martiré | | | | |
|---|---|---|---|---|
| (in euros) | | | Year ended December 31, 2014 | |
| | | | Amount due | Amount paid |
| **Total** | | | 927,546 | 1,020,989 |

| **Members of the Management Board** | **Employment contract** | | **Complementary pension plan** | | **Compensation or advantages due in respect of a change of duties or termination of employment** | | **Compensation due in respect of a non-compete clause** | |
|---|---|---|---|---|---|---|---|---|
| | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** |
| **Xavier Martiré**<br>President of the Management Board<br>Start of term of office: 05/09/2014<br>End of term of office: 04/09/2018 | | ✓ | | ✓ | ✓ | | ✓ | |

**(ii) Compensation paid to Louis Guyot**

Fixed compensation

As a member of the management board, Louis Guyot receives a gross fixed salary of €250,000 a year.

Variable compensation

As a member of the management board, Louis Guyot receives gross variable compensation of €100,000 a year, up to a maximum of €170,000 gross a year depending on what targets are achieved.

This variable compensation breaks down into two parts: (i) a first part representing 70% of variable compensation based on quantitative targets defined by the supervisory board, on the proposal of the appointments and compensation committee, subject to a coefficient of 0% to 200%, on a linear basis, and (ii) a second part representing 30% of variable compensation based on qualitative targets defined at the start of the financial year by the supervisory board, on the proposal of the appointments and compensation committee.

The quantitative criteria applied depend on: (i) revenue growth; (ii) EBIT growth; and (iii) growth in cash flow from operations.

Pension plan

Louis Guyot does not benefit from a complementary pension plan.

Severance and non-competition payments

Louis Guyot will receive a severance payment equal to 18 months' gross fixed and variable compensation calculated on the basis of the average compensation received by Mr Guyot over the last two financial years ended prior to his departure, and payable only in the event of forced departure, except in the case of negligence or assuming that Mr Guyot would be able to exercise his rights to retirement in the short term.

This severance payment is subject to two performance conditions relating to (i) a revenue target and (ii) an EBIT target. Severance payment is subject to a performance rate, such that if none of the above targets is met,

no payment is due. If one of the above targets is met, two-thirds of the severance payment is due, equal to 12 months' average gross fixed and variable compensation. If both targets are met, the full severance payment is due.

In addition, in return for agreeing to a non-compete undertaking, for a period of six months, Mr Guyot will benefit from a non-competition payment equal to 50% of gross fixed and variable compensation for the last financial year ended. In the event of both severance and non-competition payments being due, the total amount received by Mr Guyot in this respect shall be capped at two years' gross fixed and variable compensation.

Other benefits

Louis Guyot continues to benefit from use of a company car.

Stock options and performance shares

For information about the characteristics of the Company's stock option plans and awards of options or performance shares, see Section I D 2 a – "Share subscription or purchase options and attribution of free shares" below.

The tables below show compensation paid to Louis Guyot, member of the Management Board, by the Company and by all Group companies in 2014:

| **Summary table of compensation and options and shares attributed to Louis Guyot** | | |
|---|---|---|
| (in euros) | | Year ended December 31, 2014 |
| Compensation due for the year | | 313,228 |
| Valuation of multi-year variable compensation attributed in the year | | 0 |
| Valuation of options attributed in the year | | 0 |
| Valuation of shares attributed free of charge | | 0 |
| **Total** | | 313,228 |

| **Summary table of compensation paid to Louis Guyot** | | | | |
|---|---|---|---|---|
| (in euros) | | | Year ended December 31, 2014 | |
| | | | Amount due | Amount paid |
| Fixed compensation | | | 200,004 | 200,004 |
| Performance-based compensation | | | 112,175 | 14,667 |
| Multi-year performance-based compensation | | | 0 | 0 |
| Exceptional compensation | | | 0 | 0 |
| Directors' fees | | | 0 | 0 |
| Benefits in kind | | | 1,049 | 1,049 |
| **Total** | | | 313,228 | 215,720 |

| Members of the Management Board | Employment contract | | Complementary pension plan | | Compensation or advantages due in respect of a change of duties or termination of employment | | Compensation due in respect of a non-compete clause | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| **Louis Guyot**<br>Member of the management board<br>Start of term of office: 05/09/2014<br>End of term of office: 04/09/2018 | ✓ | | | ✓ | ✓ | | ✓ | |

**(iii) Compensation paid to Matthieu Lecharny**

Fixed compensation

As a member of the management board, Matthieu Lecharny receives a gross fixed salary of €250,000 a year.

Variable compensation

As a member of the management board, Matthieu Lecharny receives gross variable compensation of €100,000 a year, up to a maximum of €170,000 gross a year depending on what targets are achieved.

This variable compensation breaks down into two parts: (i) a first part representing 70% of variable compensation based on quantitative targets defined by the supervisory board, on the proposal of the appointments and compensation committee, subject to a coefficient of 0% to 200%, on a linear basis, and (ii) a second part representing 30% of variable compensation based on qualitative targets defined at the start of the financial year by the supervisory board, on the proposal of the appointments and compensation committee, subject to a coefficient of 0% to 100%.

The quantitative criteria applied depend on: (i) revenue growth; (ii) EBIT growth; and (iii) growth in cash flow from operations.

Pension plan

Matthieu Lecharny does not benefit from a complementary pension plan.

Severance and non-competition payments

Matthieu Lecharny will receive a severance payment equal to 18 months' gross fixed and variable compensation calculated on the basis of the average compensation received by Mr Lecharny over the last two financial years ended prior to his departure, and payable only in the event of forced departure, except in the case of negligence or assuming that Mr Lecharny would be able to exercise his rights to retirement in the short term. This severance payment is subject to two performance conditions relating to (i) a revenue target and (ii) an EBIT target.

Severance payment is subject to a performance rate, such that if none of the above targets is met, no payment is due. If one of the above targets is met, two-thirds of the severance payment is due, equal to 12 months' average gross fixed and variable compensation. If both targets are met, the full severance payment is due.

In addition, in return for agreeing to a non-compete undertaking, for a period of six months, Mr Lecharny will benefit from a non-competition payment equal to 50% of gross fixed and variable compensation for the last financial year ended. In the event of both severance and non-competition payments being due, the total amount received by Mr Lecharny in this respect shall be capped at two years' gross fixed and variable compensation.

Other benefits

Matthieu Lecharny continues to benefit from use of a company car.

Stock options and performance shares

For information about the characteristics of the Company's stock option plans and awards of options or performance shares, see Section I D 2 a – "Share subscription or purchase options and attribution of free shares" below.

The tables below show compensation paid to Matthieu Lecharny, member of the Management Board, by the Company and by all Group companies in 2014:

| Summary table of compensation and options and shares attributed to Matthieu Lecharny | | |
|---|---|---|
| (in euros) | | Year ended December 31, 2014 |
| Compensation due for the year | | 321,760 |
| Valuation of multi-year variable compensation attributed in the year | | 0 |
| Valuation of options attributed in the year | | 0 |
| Valuation of shares attributed free of charge | | 0 |
| **Total** | | 321,760 |

| Summary table of compensation paid to Matthieu Lecharny[1] | | | | |
|---|---|---|---|---|
| (in euros) | | | Year ended December 31, 2014 | |
| | | | Amount due | Amount paid |
| Fixed compensation | | | 204,000 | 204,000 |
| Performance-based compensation[2] | | | 113,581 | 69,547 |
| Multi-year performance-based compensation | | | 0 | 0 |
| Exceptional compensation | | | 0 | 0 |
| Directors' fees | | | 0 | 0 |
| Benefits in kind | | | 4,179 | 4,179 |
| **Total** | | | **321,760** | **277,726** |

| Members of the Management Board | Employment contract | | Complementary pension plan | | Compensation or advantages due in respect of a change of duties or termination of employment | | Compensation due in respect of a non-compete clause | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No | Yes | No |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Matthieu Lecharny**<br>Member of the management board<br>Start of term of office: 05/09/2014<br>End of term of office: 04/09/2018 | ✓ | | | ✓ | ✓ | | ✓ | |

**b.** COMPENSATION PAID TO NON-SENIOR EXECUTIVE CORPORATE OFFICERS

Compensation paid by the Company

The general shareholders' meeting of October 8, 2014 decided to set the total maximum amount of directors' fees allocated to the supervisory board at €350,000 a year.

At its meeting of October 10, 2014, the supervisory board decided to allocate directors' fees granted to members of the supervisory board as follows (on an annual basis):

- €15,000 to each board member;
- an additional €15,000 allocated in respect of the functions of the president of the board;
- €4,000 per board member for all effective attendance at board meetings;
- €2,500 per audit committee member for all effective attendance at audit committee meetings;
- an additional €1,250 awarded to the president of the audit committee for all effective attendance at audit committee meetings;
- €2,500 per member of the appointments and compensation committee for all effective attendance at appointments and compensation committee meetings;
- an additional €1,250 awarded to the president of the appointments and compensation committee for all effective attendance at appointments and compensation committee meetings;

This division will remain in force until the board decides otherwise or until a future general shareholders' meeting decides to change the total amount of directors' fees allocated to the board.

Furthermore, as the amount of directors' fees is allocated on an annual basis, this amount shall be calculated on a pro rata basis in the event of the termination for any reason of the term of office of a supervisory board member during the financial year.

Directors' fees and other compensation paid by the Company or by any Group company to non-senior executive corporate officers of the Company therefore amounted to €25,000 in 2013 and €25,000 in 2014.

The table below presents the directors' fees and other types of compensation received by the members of the supervisory board. During the years ended December 31, 2012 and 2013, the Company was a simplified limited company (*société par actions simplifiée*) with a board of directors (*conseil d'administration*), of which Virginie Morgon, Philippe Audouin, Michel Datchary, Marc Frappier and Eric Schaefer were members.

| **Table of directors' fees and other compensation received by the members of the Supervisory Board** | | |
|---|---|---|
| **Non-senior executive corporate officers** | Amounts paid in year ended December 31, 2013 | Amounts paid in year ended December 31, 2014 |
| **Philippe Audouin** | | |
| Directors' fees | — | — |
| Other compensation | — | — |
| **Michel Datchary** | | |

| Directors’ fees | 25,000 | 25,000 |
|---|---|---|
| Other compensation | — | — |
| **Marc Frappier** | | |
| Directors’ fees | — | — |
| Other compensation | — | — |
| **Virginie Morgon** | | |
| Directors’ fees | — | — |
| Other compensation | — | — |
| **Thierry Morin** | | |
| Directors’ fees | — | — |
| Other compensation | — | — |
| **Florence Noblot** | | |
| Directors’ fees | — | — |
| Other compensation | — | — |
| **Agnès Pannier-Runacher** | | |
| Directors’ fees | — | — |
| Other compensation | — | — |
| **Eric Schaefer** | | |
| Directors’ fees | — | — |
| Other compensation | — | — |

Compensation paid by companies controlled 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, 2014, the Company was not exclusively controlled by an entity within the meaning of Article L. 233-16 of the French Commercial Code.

**c.** TOTAL PROVISIONS OR AMOUNTS RECOGNIZED BY THE COMPANY OR ITS SUBSIDIARIES FOR PAYMENT OF PENSIONS, RETIREMENT PROVISION AND OTHER BENEFITS

No member of the management board benefits from a specific retirement plan. Therefore, the Company did not reserve any specific amounts to pay pensions, retirements or other similar benefits to the members of the management board.

## 2. STAKEHOLDING AND SUBSCRIPTION OR PURCHASE OPTIONS ON SHARES HELD BY THE MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

At the combined general shareholders’ meeting of October 8, 2014, subject to the condition precedent of the settlement-delivery of the Company’s shares within the framework of the initial public offering, the management board was authorized, in accordance with Articles L. 225-197-1 et seq. of the French Commercial Code, on one or more occasions, to allocate free existing shares in the Company or to issue shares in favor of corporate officers and employees of the Company and/or affiliated companies within the meaning of Article L. 225-197-2 of the French Commercial Code, up to a limit of 10% of the Company’s share capital on the date of the management board decision making use of this delegation.

Within this framework, it is planned that after the Company's shares are listed on the Euronext Paris regulated market, a bonus share award plan will be implemented for the benefit of around 100 directors and employees of the Company and affiliated companies within the meaning of Article L. 225-197-2 of the French Commercial Code, including in particular all members of the Company's management board. Bonus shares awarded under this plan would be awarded subject to performance criteria relating to consolidated revenue, consolidated EBIT and the share price performance of the Company's shares relative to the SBF 120 index. The vesting period would be two years, and beneficiaries will also have to hold the shares awarded and vested for an additional two years.

**a.** SHARE SUBSCRIPTION OR PURCHASE OPTIONS AND ATTRIBUTION OF FREE SHARES

**(i) Share subscription or purchase options**

None.

**(ii) Share subscription or purchase options awarded to non-senior executive corporate officers**

None.

**(iii) Attributions of free shares**

**(a) Attributions of free shares**

| History of attributions of free shares – Information on shares attributed free of charge[1] | |
|---|---|
| | |
| Date of meeting | December 23, 2010 |
| Date of decision of the President | December 23, 2010 |
| Total number of shares attributed free of charge, including the number attributed to: | |
| Corporate officers | |
| *Xavier Martiré* | 1,511,768 |
| *Matthieu Lecharny* | 137,434 |
| *Louis Guyot* | — |
| *Philippe Audouin* | — |
| *Michel Datchary* | — |
| *Marc Frappier* | — |
| *Virginie Morgon* | — |
| *Thierry Morin* | — |
| *Florence Noblot* | — |
| *Agnès Pannier-Runacher* | — |
| *Eric Schaefer* | — |
| Date of acquisition of shares | — |
| Date of end of retention period | [•] |
| Number of shares | — |
| Cumulative number of shares cancelled or null and void | — |
| Shares attributed free of charge remaining at end of year | — |

(1) The Company's general meeting held on December 23, 2010, authorized the President to implement a free share attribution plan, to benefit some of the Company's senior executives and employees of the Group; this plan was established by the President on the same date. Pursuant to the provisions of this plan, the acquisition of free shares by some of the Company's senior executives and employees of the Group was made subject to the conditions precedent (i) of the Company's initial public offering, and (ii) that on the date of the Company's initial public offering, certain conditions, notably performance conditions, be satisfied. If these performance conditions cannot be satisfied, the rights resulting from the attribution of free shares subject to the conditions precedent will be permanently lost.

**(b) Attributions of performance shares**

Performance shares attributed to corporate officers during the 2014 financial year

| **Performance shares attributed to each corporate officer** | | | | | | |
|---|---|---|---|---|---|---|
| Name of the corporate officer | No. and date of plan | Number of shares attributed during the year | Valuation of shares according to method used for consolidated financial statements | Date of acquisition | Date of availability | Performance conditions |
| **Xavier Martiré** | None | | | | | |
| **Louis Guyot** | | | | | | |
| **Matthieu Lecharny** | | | | | | |
| **Philippe Audouin** | | | | | | |
| **Michel Datchary** | | | | | | |
| **Marc Frappier** | | | | | | |
| **Virginie Morgon** | | | | | | |
| **Thierry Morin** | | | | | | |
| **Florence Noblot** | | | | | | |
| **Agnès Pannier-Runacher** | | | | | | |
| **Eric Schaefer** | | | | | | |

Performance shares that became available during the 2014 financial year for each corporate officer

| **Performance shares that became available during the 2014 financial year for each corporate officer** | | | |
|---|---|---|---|
| Name of the corporate officer | No. and date of plan | Number of shares that became available during the year | Terms of acquisition |
| **Xavier Martiré** | None | | |
| **Louis Guyot** | | | |
| **Matthieu Lecharny** | | | |
| **Philippe Audouin** | | | |
| **Michel Datchary** | | | |
| **Marc Frappier** | | | |
| **Virginie Morgon** | | | |

| **Thierry Morin** | |
|---|---|
| **Florence Noblot** | |
| **Agnès Pannier-Runacher** | |
| **Eric Schaefer** | |

**b.** SHARE PURCHASE WARRANTS

On the date of this report, all share purchase warrants issued on October 4, 2007 by the Company in favor of members of the management board had been exercised within the framework of the reorganization measures preceding the listing of the Company's shares on Euronext Paris. No members of the supervisory board hold any share purchase warrants.

# E. SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

## 1. 2014 REPORT ON SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

### 1 ELIS'S CSR APPROACH

#### 1.1 OUR VISION

Our CSR policy is based on the values that have always made up Elis's DNA - respect for others, exemplarity, integrity and responsibility.
Running our company responsibly safeguards our success and durability.
The principles shared by Elis and all of its employees can be summarized as follows:

- ✓ 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;
- ✓ Continually improve our performance.

These principles are inspired by a number of texts, including:

- ✓ 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 10 principles of the United Nations Global Compact;
- ✓ OECD Guidelines for Multinational Enterprises.

These principles apply to all of the Company's actions, whether with its employees or conducting business with its suppliers, its customers or any other sector.
The Company's development is based on the quality and involvement of the people who work for it.
Elis therefore endeavors to maintain harmonious human relations and pays particular attention to the correct application of principles such as constructive and open dialogue founded on trust and respect as part of a policy of local management, non-discrimination, maintaining safe working conditions, continuing training and professional development of its employees.
Elis has constructed a more durable business model centered around the concept of the 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, Elis helps to reduce pressure on its environment, unlike conventional consumption practices that encourage disposable products and planned obsolescence.
Elis does not make any compromises when it comes to integrity, which has to govern its business relations and professional practices on a daily basis.

#### 1.2 SCOPE OF CSR AND REPORTING METHODOLOGY

##### a. REPORTING SCOPE

Elis's CSR approach applies to all Group companies.

Reporting data corresponds to the scope defined by the Grenelle II law and covers the activities of Elis and its subsidiaries present from January 1, to December 31, 2014.

Acquisitions during 2014 are excluded from the 2014 reporting scope. The acquisitions carried out in 2014 are not taken into account in reporting for 2014. They will be included in reporting for 2015 or no later than reporting for 2016 (in order to implement a reliable reporting system).

Entities acquired in 2014 are excluded from the 2014 reporting scope. These are: Pro Services Environnement in France, Atmosfera Gestao e Higienizacao de Texteis, SC Lavanderias and Acqua Lavanderias in Brazil. Note that Elis Brasil, created in 2012, was merged into Atmosfera Gestao e Higienizacao de Texteis in 2014 and will be included in reporting for this year.

No asset sales were carried out in 2014.

Indicators show consolidated figures for Elis and its subsidiaries.

Reporting relates to the calendar year from January 1, to December 31, 2014.

Reporting relates to the entities shown in the following table:

| Entities included in 2014 CSR reporting | | | |
|---|---|---|---|
| | Country | Number of entities | Type of entities (head office, offices, factory, production plant, branches etc.) |
| | France | 13 | Head office, offices, production plants and service centers |
| | Germany | 5 | Head office, offices, production plants and service centers |
| | Switzerland | 10 | Head office, offices, production plants and service centers |
| | Italy | 1 | Head office, offices, production plants and service centers |
| | Spain-Andorra | 4 | Head office, offices, production plants and service centers |
| | Portugal | 3 | Head office, offices, production plants and service centers |
| | Belgium | 1 | Head office, offices, production plants and service centers |
| | Luxembourg | 1 | Head office, offices and service centers |
| | Czech Republic | 1 | Head office, offices, production plants and service centers |
| | United Kingdom* | 1 | Head office, offices, production plants |
| **Total** | **10** | **40** | |

* excluding environment data (not available)

## b. DATA COLLECTION

To collect and consolidate extra-financial information in 2014 relating to its employee-related performance, Elis used an online data collection, processing and consolidation software package. Contributors from each entity connected to the software in order to enter extra-financial information.
Extra-financial information relating to environmental performance in 2014 was collected by Elis by sending out an internal form to be completed by each operating entity. Data for each entity was consolidated by the Environment support department, at a central level. This consolidated environmental data for each entity was then entered by staff from the Environment support department into the software implemented by Eurazeo.
The CSR reporting software presents indicators in a tree structure with four main sections: employees, environmental, governance 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 revenues
- Governance indicators concern only the holding company, and there is no coverage rate.

### c. METHODOLOGY AND LIMITATIONS

Elis's first CSR report meets the requirements of decree n° 2012-557 of April 24, 2012.
The methodologies used to calculate certain indicators may present some limitations as a result of:

- The lack of internationally recognized definitions (e.g. status or type of employment contract);
- The limited availability and/or lack of certain underlying data required for calculations, resulting in the need for estimates;
- Difficulties with collecting data.

### d. CONTROLS AND VERIFICATION

Data is subject to consistency checks at the time of consolidation. PwC - Elis's designated independent third-party auditors - has reviewed the CSR information published in this report.

The independent third party report is at the end of this section.

## 2. INFORMATION RELATING TO EMPLOYEE, SOCIAL AND ENVIRONMENTAL PERFORMANCE

### 2.1 EMPLOYEE-RELATED INFORMATION

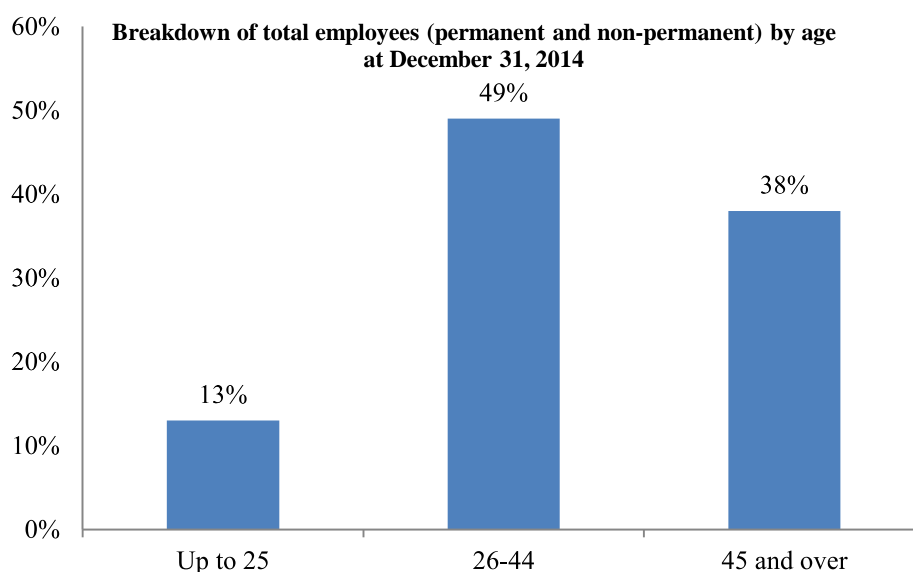
Elis ensures that it meets to conditions to allow it to grow in accordance with best practices in terms of employee management, regardless of the sector and country of activity.

#### 2.1.1 EMPLOYMENT

**Total number of employees and breakdown by gender, age and region**

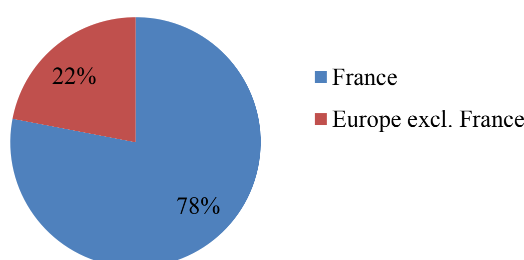
| (Permanent staff, number of employees) | 12/31/2014 |
|---|---|
| Number of employees | 14,660 |
| Proportion of women | 52% |
| Proportion of permanent staff | 88% |
| *2014 coverage rate* | *100%* |

The total number of employees (permanent and non-permanent) was 16,018 at December 31, 2014.
"Non-permanent" employees include substitution temporary staff, interns and those on work-based training contracts (vocational training and apprenticeships).
The Group's business is seasonal and requires use of temporary staff.




*The coverage rate was 100% in 2014.*

**Breakdown of total employees (permanent and non-permanent) by region at December 31, 2014**




*The coverage rate was 100% in 2014.*

### 2.1.2 RECRUITMENT AND DEPARTURES OF PERMANENT STAFF

With 14,660 permanent staff in Europe as at December 31, 2014, there were 12,336 new hires and 11,905 departures of permanent employees in 2014.

| **RECRUITMENT** **(Permanent staff, number of employees)** | **2014** |
|---|---|
| | 12,336 |

*The coverage rate was 100% in 2014.*

| **DEPARTURES** **(Permanent staff, number of employees)** | **2014** |
|---|---|
| Retirement and early retirement | 148 |
| Departure on the initiative of the employee | 808 |
| Departure on the initiative of the employer | 693 |
| Other departures [(1)] | 10,256 |
| **Total departures** | **11,905** |

*The coverage rate was 100% in 2014.*

*(1) Other departures relate to the breaking off of trial periods, death, end of contracts (including the end of fixed-term contracts not renewed or short-term contracts not renewed).*

### 2.1.3 COMPENSATION AND EMPLOYEE BENEFITS

The total wage bill for 2014 was €408.8 million.

| ***(Permanent and non-permanent staff, in millions of euros)*** | **2014** |
|---|---|
| Fixed compensation [(1)] | 335.8 |
| Individual variable compensation | 33.6 |
| Collective variable compensation | 38.0 |
| Benefits in kind | 1.4 |
| **Total compensation** | **408.8** |
| Proportion of employee shareholders in permanent staff | 0.70% |

*The coverage rate was 100% in 2014.*

*(1) Fixed compensation represents total fixed yearly compensation paid to permanent and non-permanent staff; gross and excluding employer contributions.*

Within Elis in France, wage negotiations take place each year with employee representatives in order to increase the salaries of non-management staff with constant concern for internal equity and external competitiveness.
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.
Furthermore, employee stockholding agreements have been concluded with Elis's principal French subsidiaries. Profit-sharing agreements have also been signed at the majority of entities in France in order to involve employees more closely, based on a calculation formula, in the company's operations and, more specifically, in

its earnings and performance. The majority of Elis's employees with more than 3 months of seniority have the possibility of allocating immediately and in full the amounts paid to them for stockholding or profit-sharing or the amounts voluntarily paid by employees to buy shares in employee shareholding mutual funds (FCPE). The amounts invested in the employee savings plan are not available for five years, except in case the law allows their release on an anticipatory basis.

### 2.1.4 ORGANIZATION OF WORKING HOURS

| **(% of permanent staff)** | ***2014*** | ***2014 coverage rate*** |
|---|---|---|
| Proportion of full-time staff | 96% | 100% |
| Proportion of part-time staff | 4% | 100% |
| Proportion of temporary staff | 12% | 100% |
| Number of agency hours worked | 478,893 | 100% |
| Proportion of overtime / total hours worked (1) | 1% | 95% |
| Absenteeism rate (2) | *7%* | *100%* |
| (1) Total hours worked = number of contractual theoretical hours worked per year + number of hours of overtime paid to employees | | |
| (2) Absenteeism rate = number of hours of absence / number of contractual theoretical hours worked per year | | |

Agreements on the length and organization of working hours have been negotiated at Elis France entities. 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 services provided, 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.

### 2.1.5 LABOR RELATIONS

**Elis** ensures that policies and actions are in place that favor high quality labor relations within its affiliates, including voluntary initiatives such as employee surveys and questionnaires.

#### Organization of dialogue with employees and results of collective bargaining agreements

As an example, at Elis entities in France, all centers have elected or appointed employee representatives. These representatives are informed and consulted on the mandatory subjects and on the company's and/or facility's plans.

Negotiations are organized periodically.

In 2014, negotiations in France, Italy, Belgium and Spain concerned wages, classification, harmonization of welfare benefits and the health cover plan, gender equality, prevention of arduous working conditions, providing telephones, profit sharing and working hours. As a result, 126 agreements were signed in 2014 - 112 of which were in France - on the following issues:

- Classification
- Working hours
- Gender equality
- Financing of equal representation
- Job and skills planning management

- Harmonization of welfare benefits
- Harmonization of health cover plans
- Incentive schemes
- Wages
- Prevention of arduous working conditions
- Profit sharing
- Night shifts
- Telecoms

**Employee opinion surveys**

In 2014, **Elis** conducted 20 employee opinion surveys in France within sites comprising more than 3,000 people questioned, with an average participation rate of 87%. On average, employee satisfaction increased by 1.3 points compared with the last opinion survey for each center. Satisfaction increased by 4 points or more at five sites and by 5 points or more at four sites compared with the last opinion survey.

### 2.1.6 HEALTH AND SAFETY

**Health and safety in the workplace, occupational health and agreements signed**

Frequency and severity rates are monitored on a monthly basis by senior management and disseminated among 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. To accompany this approach, a fact sheet on preventing the main risks relating to the Group's activities is also distributed to operating staff, covering a different theme each month. A working party made up of operating staff from all areas of the company and functional departments (HR, QSE) was set up in 2014 to define specific preventive measures for 2015.

The initial subjects addressed concern safety inductions for all roles and providing tools to organize safety at centers. The main preventive measures to improve health and safety conditions in 2014 consisted of:
- improving the thermal environment of our centers by relagging some of the pipes in our finishing equipment;
- providing a cooler working environment for staff rest areas;
- integrating ergonomics and safety principles into all new work equipment 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.

In order to prevent work-related illness and injury - primarily musculoskeletal disorders - French entities have adopted the Gest'elis program, as set out in our prevention agreements.
The following jobs were reviewed and integrated in 2014:

- incoming inspection jobs for hospitality products;
- incoming inspection and hanging jobs for workwear;
- ironing and shipping reception jobs (order preparation) for restaurant linens;
- manual folding jobs.

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 our employees and their managers.
Ergonomics training specific to our business lines has been rolled out with our partner Ergonalliance, with 229 training sessions delivered by Ergonalliance physiotherapists in 2014.
In 2014, a handbook entitled "Prevention of risks relating to repetitive movements at work" was created in collaboration with our partner intended specifically for production operators, setting out the principles of economy of effort and providing illustrations in different working situations.
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 leads training of 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 ad hoc jobs have been carried out in order to improve working conditions for employees with medical restrictions.
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).

In 2014, seven agreements were negotiated in France in order to prevent arduous working conditions.

**Work-related accidents**

| (Permanent and non-permanent staff) | 2014 | 2014 coverage rate |
|---|---|---|
| Fatal work-related accidents | 0 | 100% |
| Accidents resulting in lost time | 930 | 100% |
| Frequency rate (1) | 36.81 | |
| Severity rate (2) | 1.54 | |

*The coverage rate was 100% in 2014.*
*(1) Frequency rate = Number of accidents resulting in lost time, including travel over the year / Total hours worked (incl. overtime) * 1,000,000.*
*(2) Severity rate = Number of calendar days of lost work due to work-related accidents with lost work of more than 1 day, including travel / Total hours worked (incl. overtime) * 1,000.*

### 2.1.7 SKILLS DEVELOPMENT

| (Permanent and non-permanent staff) | 2014 | 2014 coverage rate |
|---|---|---|
| Total number of hours of training provided | 90,953 | 100% |
| Training expenditure *(in millions of euros)* (1) | 2.9 | Teaching costs: 98%<br>Wage costs: 94% |
| *(1) Training expenditure includes teaching costs and wage costs.* | | |

**Training policies**

Elis's training policy has two main aims:
- to impart essential company knowledge to all new employees, in particular in production, maintenance, distribution and sales activities, in order to ensure that workstations are adapted as best possible. This aim takes the form primarily of mandatory skills training over a period of one to two years after joining the company. In general, these training sessions comprise several modules covering topics such as knowledge related to the business line, product knowledge, services and best practices, and management. To provide this training, the company has an in-house training organization that takes on interns from Elis France centers each year, as well as from centers on Belgium;
- to develop specific professional skills among employees, depending on needs identified during yearly assessment interviews. To achieve this aim, training is provided both by the training center with optional training modules, and by the centers themselves locally, covering a variety of topics such as management, technical expertise, office automation and languages. In addition, a number of development programs have been rolled out to address the challenges of skills development planning, such as a school for team leaders in production, a center of excellence for the internal promotion of service agents, and the "*Jeunes Talents*" scheme for identifying and training managers with potential.

In Spain, eight young managers have received training for a period of nine to 15 months at an Elis center in France to learn about their business and the best practices for a center.

### 2.1.8 EQUAL TREATMENT AND PROMOTING DIVERSITY

With 16,108 employees across Europe at December 31, 2014, Elis has a central role to play in promoting balance and diversity within the companies in its portfolio.
At Elis, 52% of full-time equivalent employees among permanent staff are women.

| | | 2014 coverage rate |
|---|---|---|
| Proportion of women in permanent staff | 52% | 100% |
| Proportion of women in permanent full-time equivalent employees | 52% | 100% |

#### Measures to support equality in the workplace

**Elis** in France is aware that professional diversity is a factor of collective enrichment, social cohesion and economic efficiency, it has negotiated agreements with employee representatives to take measures to promote professional equality between men and women. Measures on balancing between employees' jobs and their family responsibilities, provided in these agreements, are notably implemented. At the end of 2014, Elis France signed new agreements on this topic, adding actions relating to compensation.
The new agreements signed at the end of 2014 cover the above three areas, plus effective compensation. Measures have been provided for maternity/adoption leave with no consequences on fixed compensation or the development of basic salaries on returning to work, as well as measures for the calculation of target-based bonuses. Additional compensation is also provided for employees throughout their maternity/adoption/paternity leave, on top of daily allowances paid by Social Security, representing 100% of the loss of salary relative to the daily allowances received from Social Security.

#### Measures to support integration of disabled workers

Elis has a policy that promotes employing handicapped persons in an ordinary environment. In 2014, Elis had 641 disabled employees. Elis also has subcontracting agreements with centers that employee disabled people (*Établissements ou Services d'Aide par le Travail* or "ESAT"). Elis has formed partnerships with adapted companies to respond jointly to calls for tenders. The service is then performed in part by Elis and in part by the adapted company.
The Elis center in Mörlenbach, Germany has won an award from the State of Hesse for its actions to promote the employment and integration of disabled people. The State wanted to show its recognition of this medium-sized site in a sector - the services sector - in which measures to support disabled people are few and far between.
The Mörlenbach center has always promoted the employment of disabled people in an ordinary environment.
To help itself, Elis has formed a partnership with a local organization that helps disabled people to find a job that suits their abilities. For many years, it has worked with a school for the disabled and with sheltered employment organizations.
Integration can begin with an internship followed by recruitment on a permanent basis.
Internally, a team leader works with these people in order to assess their skills, train them and give them confidence. Out of seven people, six have jobs that are not specifically adapted and one performs specific duties.

#### Combating discrimination

Elis hires people from a variety of cultural and social backgrounds.

In addition, within the framework of agreements under the "*contrat de génération*" scheme, Elis in France has set itself quantitative targets concerning recruitment of young people or those aged 50 and over, as well as for increasing the proportion of employees aged 50 and over. Elis has also adopted measures to support the integration of young people and keep employees aged 50 and over in employment.

In Italy, Elis has introduced a code of ethics and an organizational structure to prevent discrimination.

### 2.1.9 PROMOTION AND OBSERVANCE OF THE CORE CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANISATION (ILO) AND OTHER MEASURES TO SUPPORT HUMAN RIGHTS

Elis supports the ten principles of the United Nations Global Compact concerning respect of human rights, international labor standards, protecting the environment and combating corruption.

Measures adopted to support human rights, particularly in countries at risk, concern our suppliers. 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 Code of Ethics in day-to-day operations. As part of its sustainable purchasing charter, Elis pays particular attention to the respect of human rights, and stresses the need for suppliers to comply with ILO conventions, namely:

- the prohibition of forced labor (Conventions 29 and 105);
- the prohibition of child labor (Conventions 138 and 182);
- the elimination of employment and professional discrimination (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).

Elis strictly regulates the use of subcontracting in its sustainable purchasing charter by preventing suppliers from subcontracting all or part of the contract awarded to them without Elis's written consent.
Its Purchasing and Procurement Department also set up in 2009 a partnership with Max Havelaar, the reference Fair Trade NGO. Elis is the first company providing flat linen, workwear and HWB appliance services to hold the Max Havelaar Fairtrade license. Accordingly, Elis launched in 2009 a range of items of workwear in cotton based on organic and fair-trade cotton under the Fairtrade/Max Havelaar label.
The two charters and the partnership with Max Havelaar benefit all countries.

## 2.2 ENVIRONMENTAL INFORMATION

### 2.2.1 GENERAL ENVIRONMENTAL POLICY

**Organization of the Company to take account of CSR and resources implemented to protect the environment**

Elis's Code of Ethics, published in 2012, defines the Group's main CSR policies. This approach is endorsed and built upon by Elis's QHSE policy, validated each year by a senior management review and included in the quality manual within the framework of ISO 9001 certification.

The Quality Health Safety and Environment policy adopted by Elis's Managing Director on March 25, 2014, set outs the following commitments concerning the environment:

- 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

Locally, Elis is committed to respecting applicable regulations. For example, the activities of each production plant in France are governed by authorization for operations from the local *préfecture*, under regulations for facilities classified for protection of the environment ("*Installations classées pour la protection de l'environnement*" or ICPE), setting among other things limits for discharges into water, air emissions and noise pollution.

In addition, Elis helps to promote the benefits of the service economy, which is a model for sustainable consumption. By selling use of goods rather than goods themselves, the service economy helps to reduce pressure on the environment, while also supporting the economic growth of a company and the durability of local jobs. In 2008, within the framework of the Grenelle environmental summit in France, Elis contributed to the work of the working party dedicated to the service economy. The study carried out showed that hiring clothing from Elis helps to cut energy consumption or carbon dioxide emissions by around half compared with buying clothing with professional in-house maintenance, and divides water consumption by around 10 times.

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

- an Environment Division (three engineers), within the QSE department, helping Elis sites with the monitoring of ICPE procedures in France, technical and legal oversight, management of environmental indicators and respecting the Group's environmental best practices.

- a Process Engineering Division (five people) to improve maintenance standards and the life span of articles, and to control impacts in terms of water and energy consumption across the entire Group.

Operational deployment at the level of each processing center is looked after by a network of 80 correspondents (technical managers at plants) trained in environmental best practices.

Lastly, Elis systematically performs "Phase I - risk assessment" audits on acquisitions of laundry sites focusing on environmental aspects.

**Certification and assessment procedures**

Three Elis sites have ISO 14001 environmental certification.

**Training and information for employees on protecting the environment**

At Elis, all French-speaking operating managers in charge of environmental subjects receive water/energy/environment training. Moreover, all operating directors receive awareness training on environmental topics when they are integrated into the Group.

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

| *(in millions of euros)* | 2014 |
|---|---|
| **Elis Group** | |
| Compliance costs | 1.87 |
| Provisions and environmental guarantees | 14.81 |
| Compensation paid for environmental litigation | 0 |
| | |
| *The coverage rate is 99%* | |

**Compliance measures taken during the year**

Elis invested €1.87 million in 2014 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**

At sites, maintenance officers are responsible for 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.

An Environment division within the QSE department, comprising three Environment engineers, and if applicable a Safety division comprising two safety engineers, also help operational sites in the event of an accident that could have an impact on the outside environment, in defining immediate safety measures, communication with external organizations, and implementing prevention measures over the long term. The Group's QSE Director, in charge of preventing environmental risk, reports to the Engineering and Procurement Department and is a member of Elis's Executive Committee.

Monitoring of management indicators - relating to the environmental performance of each site as well as environmental compliance - also helps to prevent risk.

Elis also performs periodical environmental audits at each of its production sites, as well as prior to acquiring any new laundry sites.

Lastly, in order to reduce the environmental impact of its products and services, Elis relies on:

- its business model, entailing designing products to have a maximum life span (service economy)

- development of responsible ranges: Ecolabel certified sanitary consumables, partnership with Max Havelaar France to promote fair trade (via the range of fair trade coffee and development of organic cotton and fair trade textiles ranges).

### 2.2.2 POLLUTION AND WASTE MANAGEMENT

**Air pollution and measures for the prevention, reduction and repair of waste discharged into the air with a serious impact on the environment**

| *(in tons)* | **2014** |
|---|---|
| **Elis Group** | |
| Sulphur oxide (SOx) emissions | 3.85 |
| Nitrogen oxide (NOx) emissions | 174.61 |

*The coverage rate for Elis is 98%*

**Discharges into water and soil**

| *(in tons)* | **2014** |
|---|---|
| **Elis Group** | |
| Discharges into water - Suspended matter | 800 |
| Discharges into water - Chemical oxygen demand | 4,490 |
| Proportion of water treated | 98% |

*The coverage rate for these items for Elis varied from 89% to 93% in 2014*

**Total waste production**

| *(in tons)* | **2014** |
|---|---|
| **Elis Group** | |
| Hazardous waste generated | 1, 414 |
| Proportion of hazardous waste recovered | 24% |
| Proportion of hazardous waste recycled | 18% |
| Non-hazardous waste generated | 12,432 |
| Proportion of non-hazardous waste recovered | 57% |
| Proportion of non-hazardous waste recycled (1) | 43% |
| Total waste | 13,846 |
| Amount spent on waste treatment *(in millions of euros)* | 1.84 |
| Amount generated by waste recovery *(in millions of euros)* | 0.62 |

*The coverage rate for Elis was 93-96% in 2014.*

*(1) Although recycled waste is a subcategory of recovered waste, it can represent a larger proportion than recovered waste due to the different coverage rates for the two indicators, which is typically the case for hazardous waste at Elis*

**Measures for the prevention, reduction and elimination of waste**

Elis has put in place the following measures aimed at reducing its waste:

- sorting of waste at its source when possible to promote its recycling and waste-to-energy processes;

- reducing the production of textile waste at its source, by setting up an in-house linen swap meet;

- continuing to recycle cotton fabric (flat linen, spools) with our *chiffonier* partners;

- partnership with our *chiffonniers* with a view to developing recycling for workwear;

- taking back empty packaging of washing products as part of the services provided by the detergent manufacturers;

- distribution of an updated report on correct management of WEEE.

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

**Taking account of noise pollution and any other forms of pollution specific to a business activity**

In order to reduce the noise impact of its activities, Elis works to improve the locating of new sites in areas far from restricted areas such as residential areas.

### 2.2.3 SUSTAINABLE USE OF RESOURCES

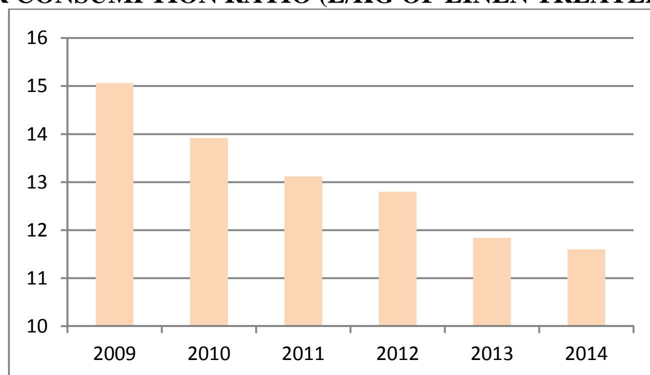
#### 2.2.3.1 Water consumption and measures taken to optimize water consumption

| *(in millions of $m^3$)* | **2014** |
|---|---|
| **Elis Group** | |
| Water consumption | 6.0 |
| Amount spent on water consumption *(in millions of euros)* | 4.2 |
| Volume of water discharged | 4.8 |
| Volume of water treated (internally or externally) | 4.7 |

*The coverage rate for Elis was 89-99% in 2014. The coverage rate for the discharge volume is lower due to the absence of measurements for some facilities.*

**Actions implemented during the year to optimize total water consumption, prevent risks of pollution and rectify discharges into water**

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




The Elis Group reduced its water consumption by 2.3% in 2014 relative to the previous year for each kilo of linen laundered.

Optimization measures implemented during the year, spearheaded by the Process Engineering Department, were based on:

- monitoring of plants' water meters allowing the prevention of any losses;
- performing water energy audits;
- optimization of washing equipment and related washing programs;
- setting up recycling between washing equipment;
- updating of washing equipment as soon as possible;
- quantity control of cleaning products used for process engineering (influencing water consumption).

The entirety of the industrial water discharged is pre-treated or treated on-site before rejection in the community network and before treatment by a municipal waste water treatment plant (STPE). In France, discharge of industrial effluents is governed by, on the one hand, a discharge convention or order, and on the other hand, a prefectoral order for the sites subject to registration or authorization. Each process center in France monitors the quality of its discharges. Equivalent systems are established in Spain, Germany, Belgium and Italy.

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

- Establishing network obturation systems;
- Dedicated washing products decanting and storage areas; retention of product storage;
- Training operators in chemical risks; specific training and certifications for certain types of intervention;
- Training of Maintenance Officers in risks and pollution (by Environment and Safety divisions);
- 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, with the adoption at sites concerned of initial or permanent monitoring of a certain number of micropollutants measured in industrial waste.

**WATER SUPPLY IN ACCORDANCE WITH LOCAL REQUIREMENTS**

In order to participate in the collective effort to reduce water consumption in case of drought, Elis carried out a study at a site in the Ile-de-France region to identify ways of achieving exceptional reduction in its water consumption during such periods of vigilance. These exceptional measures are combined with setting up permanent measures to reduce water consumption (see previous paragraph).

#### 2.2.3.2 Consumption of raw materials and measures taken to improve efficiency of use

At Elis, the most widely used raw material is fabric.

Total consolidated consumption of this raw material amounts to 9.4 million kilos, representing €182 million invested by operations with the supply department.

**ACTIONS TO REDUCE CONSUMPTION OF RAW MATERIALS**

The most commonly used raw material at Elis is the fabric made available to customers in the linen rental and laundry service. To maximize the life of its fabrics, for many years Elis has had a monitoring system in place to track indicators related to fabric management and thereby ensure optimal use of current inventories and manage purchases of new linen.
In 2014, head office teams focused mainly on managing and improving the rate of mending and reuse of fabrics, and therefore helped centers to improve their performance by means of just in time production.
An internal "linen exchange" has also been established between the different centers, promoting the exchange of textiles between facilities.

#### 2.2.3.3 Energy consumption and measures to improve energy efficiency

**Energy consumption excluding fuel**

| *(in MWh)* | 2014 |
|---|---|
| **Elis Group** | |
| Electricity | 103,653 |
| Renewable energies | 32 |
| Natural gas *(in MWh PCI)* | 630,201 |
| Heavy fuel oil and domestic fuel oil | 7,845 |
| Other energies | 10,358 |
| **Total energy consumption** | 752,090 |
| Amount spent on energy *(in millions of euros)* | 38.6 |

*The coverage rate for Elis was 90-99% in 2014.*

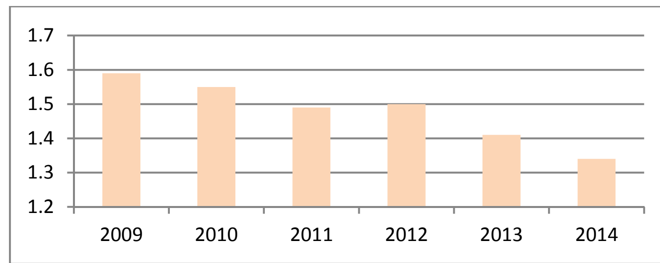
**Fuel consumption**

| *(in thousands of litres[3])* | 2014 |
|---|---|
| **Elis Group** | |
| Oil | 6.6 |
| Diesel | 16,523 |
| **Total fuel** | 16,530 |
| Total amount spent *(in millions of euros)* | 19.3 |

*The coverage rate for Elis was 96-99% in 2014.*

**Measures taken to improve energy efficiency**

Elis implements actions to reduce its consumption of natural gas for each kilo of linen delivered, achieving progress of 4.8% in 2014.
**Elis Group energy consumption ratio (kWh/kg of linen treated)**




The main actions are:
- Regular "energy" diagnostics by the Process Engineering team in collaboration with operating staff;
- Central management of energy indicators (gas and electricity consumption). Consumption reduction goals defined annually for each of the centers;
- Thorough monitoring and optimization of equipment by people trained on-site (including a review of their efficiency);
- Investment in equipment that allow to collect energy or reduce its consumption (heat exchangers, latest technology burners and drying equipment consuming less gas, systematical installation of gas meters, installation of low pressure heaters);
- Tests of the different lighting technologies at a pilot site in order to identify the most energy-efficient technology;
- Energy audit performed by an external body at two sites in the Ile de France region;
- In 2014, Elis also pursued its partnership to identify defective steam traps.
The following centers delivered the best performances in 2014:
- One site in the south-western region with an "energy" ratio (expressed as kWh consumed / ton of linen cleaned) down 24% with a 100% gas latest-generation process for finishing equipment (heaters only provide steam for cleaning equipment) and optimized adjustment of equipment.
- One site in Spain in the community of Madrid that has recommissioned its cogeneration system, which generates electricity from natural gas. The gas produced by this system is used in a heater adapted to produce the steam needed for heating the site's washing basins. The system's cooling water can also be used to heat water for the process. The site's energy ratio has therefore decreased by 25.8%.
To reduce fuel consumption in 2014, Elis's logistics department conducted segmentation optimization projects primarily in central Paris and the Paris suburbs, as well as in Spain and Germany, where expansion has made it necessary for a consistent logistics system to be maintained. In addition, anticipating changes in seasonal activity has enabled Elis - particularly in the south-east of France (from Montpellier to Monaco) - to devise different route plans for each period of the year. Overall, around 40 centers have been subject to optimization of their logistics organization, with savings on around 30 transportation routes.
Lastly, at AD3 - which provides laundry services for nursing home residents - 93% of its laundry centers (150 out of 161 centers) are located in the client's building, which means that no transportation is necessary.

#### 2.2.3.4 Land use and prevention and reduction measures implemented to avoid discharges into the soil

Land use is reviewed in the due diligence studies carried out by Elis 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.
Elis is putting in place measures aimed at preventing any risk of pollution. Detergents are unpackaged on concrete surfaces with retaining walls. Products used in the washing process are stored under conditions that prevent accidental spillage of products onto soil (retention basins, leakage sensors, etc.). All necessary measures are taken to protect groundwater abstraction installations at sites using borehole water. The waste dumpsters (mainly containing waste that is not hazardous) are stored within areas build with concrete.

### 2.2.4 CLIMATE CHANGE

**Greenhouse gas emissions**

| *(in kilotons eq $CO_2$)* | 2014 |
|---|---|
| **Elis Group** | |
| Number of companies that have carried out at least one greenhouse gas emissions assessment over the last 3 years | 5 |

| | |
|---|---|
| Scope 1 [(1)] | 174.1 |
| Scope 2 [(2)] | 13.2 |
| **Total** | 187.4 |
| Emissions - energy consumption excluding fuel | 143.1 |
| Emissions - fuel consumption | 44.2 |

*The coverage rate for Elis is 90-99%.*
(1) *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.*
(2) *Scope 2 emissions are emissions relating to electricity generation and steam.*

**Adaptation to the consequences of climate change**

Within the framework of the aforementioned greenhouse gas emission assessments, Elis has put together its plan of action for reducing emissions, based on optimizing energy and fuel consumption across the entire group (see paragraphs 2.3.2.3.1 and 2.3.2.3.3).
In order to participate in the collective effort to reduce water consumption in case of drought, Elis carried out a study at a site in the Ile-de-France region to identify ways of achieving exceptional reduction in its water consumption during such periods of vigilance.

### 2.2.5 PROTECTION OF BIODIVERSITY

In France, Elis ensures that its operations are compatible with regional or local plans (SDAGE, SAGE, etc.) in its applications for authorization to operate. Lastly, Elis prefers to locate its new production sites in industrial areas, thereby limiting the impact relating to the environment (neighborhood, biodiversity etc.).
Industrial effluent discharges are fully treated by municipal wastewater treatment plants or on site, thereby limiting the impact of activities on aquatic ecosystems.
Investments have been made in Porto Alto in particular for the pre-treating of effluents before they are discharged into water (€113,000). At the Carros plant, a system has been implemented to regulate discharges in order to alleviate their conductivity.

## 2.3 SOCIAL INFORMATION

### 2.3.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITIES

**Employment and regional development**

Both in France and abroad, jobs are filled locally and are not “offshorable”.
In France, partnerships are formed locally with associations providing help for job-seekers such as Pôle emploi and Est Ensemble, in order to support the employment of people living close to our profit centers.

**Local residents**

In the case of specific requests from neighbors of processing centers relating to the environment concerning matters such as noise and smells, dialogue is established with local residents and specific ad hoc plans of action 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.

### 2.3.2 RELATIONS WITH PERSONS OR ORGANIZATIONS WITH AN INTEREST IN THE COMPANY'S ACTIVITIES, IN PARTICULAR ASSOCIATIONS FOR THE UNEMPLOYED, TEACHING INSTITUTIONS, ASSOCIATIONS TO PROTECT THE ENVIRONMENT, CONSUMER ASSOCIATIONS AND LOCAL RESIDENTS

**Conditions for dialogue with parties concerned**

In order to ensure the satisfaction of our customers, “SATISFELIS” satisfaction surveys are conducted on a regular basis with Elis's customers by a call center, on the basis of which plans of action are devised and implemented.
Surveys are also conducted periodically (every two years) among all employees. The results and plans of action are then communicated to employees.

**Partnerships and philanthropy**

Partnerships with associations and administrations were formed in 2014 in order to support the employment of people living close to Elis centers.
- Local organizations to help the unemployed (“*Missions locales*”)
- Pôle Emploi (partnership with the adoption of pre-recruitment training)
- Est Ensemble

Partnerships are also pursued with teaching institutions:
- ENSAIT: Roubaix textiles college
- Les Mines de Nancy
- ENSAM: engineering school

Or with Défense Mobilité to get military personnel back into civil employment.

### 2.3.3 SUBCONTRACTING AND SUPPLIERS

**Factoring social and environmental concerns into procurement policy**

At Elis, the procurement department plays in important role by selecting suppliers, products and services everywhere in the world who respect people and the environment.
Since 2006, Elis’s supplier contracts have contained sustainable development guidelines and provided for regular audits. Elis’s commitment is detailed in a sustainable purchasing charter included in the procurement department’s ISO 9001/2000 documents and appended to contracts signed with partners. Suppliers that do not have SA 8000 or ISO 14001 certification (or equivalent) are audited at Elis’s request by an external body. Elis subsequently monitors the implementation of action plans arising from these audits.

The majority of Elis’s suppliers are located outside the European Community.

For two segments of procurement, Elis maintains a large amount of its sourcing in France:

- 36% of table linens were purchased in France in 2013, with a target of 42% in 2014;
- 55% of bed linens were purchased in France in 2013, with a target of 53% in 2014.

In the 2012-2013 cycle, audits were conducted on 14 major suppliers, with an emphasis on suppliers of flat linen (eight audits) and weavers (five audits) for work clothing. In 2014, an audit was carried out at a weaver presenting issues in terms of workwear production quality.

**Importance of subcontracting**

Elis strictly regulates the use of subcontracting in its sustainable purchasing charter: “Our suppliers cannot subcontract all or part of the contract awarded to them without Elis’s written consent. Use of subcontracting without prior written consent from Elis’s procurement officer is forbidden.”

### 2.3.4 FAIRNESS OF PRACTICES

**Measures adopted to prevent corruption**

Elis has formalized its engagements against corruption within the framework of the Code of Ethics 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.

**Measures to favor the health and safety of consumers/customers**

Firstly, risk mapping is in place, covering primarily 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. In addition, the quality management system for Elis's ultra-clean, water fountains and workwear activities has been ISO 9001 certified for more than 10 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 external organization (AFAQ) and at least every three years internally for each center. Lastly, the drinks business (water fountains and coffee machines), Elis has adopted a HACCP (Hazard Analysis Critical Control Point) system, defining very precise internal standards to ensure irreproachable hygiene standards for customers and consumers under all circumstances.

Elis also offers its customers environmentally-friendly products - some of which have EU Ecolabel certification - or products that support fair trade (e.g. Moka coffee from Ethiopia and fair trade organic cotton textiles in the Bio's Fair collection).

## 2. INDEPENDENT THIRD PARTY REPORT

*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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

**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**

**For the year ended December 31, 2014**

To the Shareholders,

In our capacity as Statutory Auditor of Elis SA, appointed as an independent third party and certified by COFRAC under number 3-1060[6], we hereby report to you on the consolidated environmental, labor and social information for the year ended December 31, 2014, 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 Elis' 2014 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.

[6] Whose scope is available at www.cofrac.fr

**Independence and quality control**

Our independence is defined by regulatory texts, the French code of ethics governing the audit profession and the provisions of Article L.822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, 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 was carried out by a team of four persons between January 2015 and March 2015 and took around two weeks. We were assisted in our work by our specialists in corporate social responsibility.

We performed our work in accordance with the French professional auditing standards related to labor and environmental information falling within the scope of procedures directly related to the statutory audit engagement (NEP 9090), with the decree of May 13, 2013 determining the conditions in which the independent third party performs its engagement and with ISAE 3000[7] concerning our reasoned opinion on the fairness of the CSR Information.

## 1. Statement of completeness of CSR Information

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 the explanations provided complied 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.

Based on this work and given the limitations mentioned above, 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 has been 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.

[7] ISAE 3000 – Assurance engagements other than audits or reviews of historical financial 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[8]:

- at the level of the parent company, Elis SA, 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[9] 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 are followed correctly, 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 selected sample represents 87% of headcount and on average 66% of the contribution to the Company's environmental indicators.

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, April 1, 2015

One of the Statutory Auditors of Elis SA
PricewaterhouseCoopers Audit

Bruno Tesnière
Partner

Sylvain Lambert
Sustainable development partner

[8] The most important CSR information is listed in the appendix to this report.

[9] Elis France, Elis Germany, Elis Spain.

Appendix: List of CSR Information that we considered to be the most important

**Quantitative labor information**

- Total headcount (temporary and permanent) and breakdown of workforce by gender, age and geographic region
- New hires and departures (by reason)
- Number of hours and overtime worked
- Number of hours permanent employees were absent
- Number of training hours and number of permanent employees trained

**Qualitative labor information**

- Labor relations
- Health and safety in the workplace
- Equal treatment and promotion of diversity
- Integration of people with disabilities

**Quantitative environmental information**

- Water consumption and water supply depending on local constraints
- 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**

- Measures taken to prevent, reduce or remediate emissions into the air, water and ground that have a serious impact on the environment
- Waste management
- Measures taken to improve energy efficiency and increase the use of renewable energy

**Qualitative and quantitative social information**

- Territorial, economic and social impact of the Company's activity
- Dialogue with stakeholders

Subcontractors and suppliers

## F. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

**Statutory Auditors' special report on related party agreements and commitments**

**(General Meeting held to approve the financial statements for the year ended December 31, 2014)**

**Elis SA (formerly Holdelis SAS)**
33, rue Voltaire
92800 Puteaux

To the Shareholders,

In our capacity as Statutory Auditors of Elis SA, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-58 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by Article R.225-58 of the French Commercial Code in relation to the implementation during the year of 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 consisted in verifying that the information given to us is consistent with the underlying documents.

*AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR*

**Agreements and commitments authorized during the year**

In accordance with Article L.225-88 of the French Commercial Code, we were informed of the following agreements and commitments authorized by the Supervisory Board.

Intra-Group loan agreement with Legendre Holding 27, shareholder holding over 10% of the voting rights

*Amendment to the loan agreement of June 14, 2013 authorized by the Supervisory Board meeting of September 22, 2014*

*Nature, purpose and reasoning:* Signature of amendment no.1 dated September 23, 2014 to the intra-Group loan agreement of June 14, 2013 providing for early repayment in full of the loan in the event of an initial public offering of Elis shares, which will be deemed to have taken effect once the Management Board of Elis has set the price of the shares to be listed. Capitalized interest due and/or accrued as of the effective repayment date will also be payable, as part of the refinancing and reduction of the Company's debt subsequent to said initial public offering.

*Amendment to the loan agreement of June 14, 2013 authorized by the Supervisory Board meeting of October 10, 2014*

*Nature, purpose and reasoning:* Signature of amendment no.2 dated October 13, 2014 to the intra-Group loan agreement of June 14, 2013, concerning the conditions for early repayment of the loan in the event of an initial public offering of Elis shares as part of the refinancing and reduction of the Company's debt subsequent to said initial public offering:

- repayment in cash of 40% of the nominal amount of the senior PIK notes issued by Legendre Holding 27 (the Lender) as well as the payment of interest capitalized and accrued on the amount repaid;
- conversion into Elis capital securities of the remaining loan balance, i.e., 60%, comprising principal and interest, in consideration for the coverage by Elis of the fees, charges, indemnities and other penalties that Legendre Holding 27 will incur as part of the partial early repayment of the senior PIK notes.
  Legendre Holding 27 undertakes to subscribe for new Elis shares by offsetting the subscription price against the amount due in respect of the loan;
- the amount of penalties to be paid by Elis as a result of early repayment of the loan will be set by applying to the amount corresponding to the senior PIK notes to be repaid the interest rate applicable to the senior PIK notes (i.e., the sum of (a) the higher of 3-month Euribor and 1% and (b) 10.25%) as well as, where appropriate, all other charges and indemnities payable by the Lender in respect of the senior PIK notes in this case.

*Conditions:* The Company did not recognize any amounts in this respect in the year ended December 31, 2014.

<u>Agreement between the Company, the banks and Eurazeo: members of the Supervisory Board concerned: Virginie Morgon, Marc Frappier and Eric Schaefer</u>

*Authorized by the Supervisory Board meeting of December 4, 2014*

*Nature, purpose and reasoning:* Signature on December 15, 2014 of an engagement letter (agreement to which Eurazeo is also party) with the banks responsible for placing Elis shares within the framework of the the initial public offering. The Engagement Letter provides that the bank fees and charges relating to the transaction will be covered, subject to certain limitations, by Elis and Eurazeo, as part of the initial public offering.

*Conditions:* The Company did not recognize any amounts in this respect in the year ended December 31, 2014.

<u>Agreement with Xavier Martiré, Chairman of the Company's Management Board, concerning termination benefits</u>

*Authorized by the Supervisory Board meeting of October 10, 2014*

*Nature, purpose and reasoning:* <u>Termination benefits</u>, subject to the performance conditions defined hereinafter, equal to 18 months of gross fixed and variable compensation calculated based on the average compensation received by Xavier Martiré during the two years preceding his departure, due 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.
Xavier Martiré's eligibility for termination benefits is conditional on him achieving a certain level of performance. Accordingly, if neither of the abovementioned objectives is achieved, he will not be eligible for any termination benefits. If one of the abovementioned objectives is achieved, two-thirds of the termination benefits will be payable, i.e., 12 months of his average gross fixed and variable compensation. If both of the abovementioned objectives are achieved, the termination benefits will be payable in full.

*Conditions:* The Company did not recognize any amounts in this respect in the year ended December 31, 2014.

<u>Non-compete agreement with Xavier Martiré, Chairman of the Company's Management Board</u>

*Authorized by the Supervisory Board meeting of October 10, 2014*

*Nature, purpose and reasoning:* 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. In the event that Xavier Martiré is eligible both for termination benefits and the non-compete payment, the total amount payable in this respect will be capped at two years of his gross fixed and variable compensation.

*Conditions:* The Company did not recognize any amounts in this respect in the year ended December 31, 2014.

Agreement with Louis Guyot, member of the Company's Management Board, concerning termination benefits

*Authorized by the Supervisory Board meeting of October 10, 2014*

*Nature, purpose and reasoning:* 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 by Louis Guyot during the two years preceding his departure, due 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.
Louis Guyot's eligibility for termination benefits is conditional on him achieving a certain level of performance. Accordingly, if neither of the abovementioned objectives is achieved, he will not be eligible for any termination benefits. If one of the abovementioned objectives is achieved, two-thirds of the termination benefits will be payable, i.e., 12 months of his average gross fixed and variable compensation. If both of the abovementioned objectives are achieved, the termination benefits will be payable in full.

*Conditions:* The Company did not recognize any amounts in this respect in the year ended December 31, 2014.

Non-compete agreement with Louis Guyot, member of the Company's Management Board

*Authorized by the Supervisory Board meeting of October 10, 2014*

*Nature, purpose and reasoning:* 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. In the event that Louis Guyot is eligible both for termination benefits and the non-compete payment, the total amount payable in this respect will be capped at two years of his gross fixed and variable compensation.

*Conditions:* The Company did not recognize any amounts in this respect in the year ended December 31, 2014.

Agreement with Matthieu Lecharny, member of the Company's Management Board, concerning termination benefits

*Authorized by the Supervisory Board meeting of October 10, 2014*

*Nature, purpose and reasoning:* Termination benefits, subject to the performance defined hereinafter, equal to 18 months of gross fixed and variable compensation calculated based on the average compensation received by Matthieu Lecharny during the two years preceding his departure, due 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.

Matthieu Lecharny's eligibility for termination benefits is conditional on him achieving a certain level of performance. Accordingly, if neither of the abovementioned objectives is achieved, he will not be eligible for any termination benefits. If one of the abovementioned objectives is achieved, two-thirds of the termination benefits will be payable, i.e., 12 months of his average gross fixed and variable compensation. If both of the abovementioned objectives are achieved, the termination benefits will be payable in full.

*Conditions:* The Company did not recognize any amounts in this respect in the year ended December 31, 2014.

Non-compete agreement with Matthieu Lecharny, member of the Company's Management Board

*Authorized by the Supervisory Board meeting of October 10, 2014*

*Nature, purpose and reasoning:*

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 Matthieu Lecharny during the financial year preceding his departure. In the event that In the event that Xavier Martiré is eligible both for termination benefits and the non-compete payment, the total amount payable will be capped at two years of his gross fixed and variable remuneration.

*Conditions:* The Company did not recognize any amounts in this respect in the year ended December 31, 2014.

**Agreements and commitments from previous years not submitted for the approval of the General Meeting**

We were informed of the following agreement, which was authorized in 2013 and was not submitted for the approval of the General Meeting held to approve the financial statements for the year ended December 31, 2013.

Subordination agreement with Legendre Holding 27, shareholder holding over 10% of the voting rights

*Authorized by the Supervisory Board meeting of May 23, 2013*

*Nature, purpose and reasoning:* Subordination agreement replacing the subordination agreement of October 4, 2007, entered into as part of the refinancing of the Company's debt on June 14, 2013, defining the ranking and priority of senior cash notes and senior PIK notes.

*Conditions:* The Company did not recognize any amounts in this respect in the year ended December 31, 2014.

*AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING*

**Agreements and commitments approved in previous years**

In accordance with Article R.225-57 of the French Commercial Code, we were informed of the following agreements and commitments, approved by the General Meeting in previous years, which remained in force during the year ended December 31, 2014.

Intra-Group loan agreement with Legendre Holding 27, shareholder holding over 10% of the voting rights

*Authorized by the Supervisory Board meeting of May 23, 2013*

*Nature, purpose and reasoning:* Intra-Group loan agreement as of June 14, 2013, with a total principal amount of €173,000,000 (modified by the amendment of September 23, 2014 and of October 13, 2014 pursuant to the

Supervisory Board authorizations of September 22, 2014 and of October 10, 2014 presented in the related party agreements and commitments submitted for the approval of the General Meeting in this special report). The applicable interest rate will be equal to the interest rate applicable to the senior PIK notes issued on the same date by Legendre Holding 27 under the indenture agreement, after taking into account any hedging agreements relating to the senior PIK notes, plus a 0.1% mark-up.

*Conditions:* A fee of €4,065,500 was covered by Elis when the loan was issued.

The Company's financial statements for the year ended December 31, 2014 show a credit balance of €192,853,672.22 corresponding to the intra-Group loan agreement.

Elis recognized interest expenses of €21,172,618.45 in this respect for the year ended December 31, 2014.

Neuilly-sur-Seine and Courbevoie, April 15, 2015

The Statutory Auditors

| PricewaterhouseCoopers Audit | Mazars |
|---|---|
| Bruno Tesnière | Isabelle Massa |

## G. OTHER INFORMATION

### 1. DIVIDENDS PAID

The Company proposes allocating the entire loss for the year ended December 31, 2014, i.e. €9,632,341.00, to retained earnings.

The Company did not pay any dividends in the three financial years ended December 31, 2011, 2012 and 2013.

As stated in the document de base registered with the AMF on September 8, 2014, the Company proposes paying, subject to approval by the ordinary general meeting of shareholders, an exceptional dividend taken from additional paid-in capital of €0.35 per share in 2015.

### 2. INFORMATION ON PAYMENT TIMES FOR 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 invoices not received) was €1,853,120.

| | 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 | 455,888 | 8,525 | 788,919 | 599,787 | 1,853,120 |
| Ratio (%) | 24.6% | 0.5% | 42.5% | 32.4% | 100% |

By way of comparison, trade payables as at December 31, 2013, amounted to €2,605,861 (excluding invoices not received).

| | 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 | - | - | 2,522,461 | 83,400 | 2,605,861 |
| Ratio (%) | | | 96.8% | 3.2% | 100% |

### 3. INJUNCTIONS OR FINES FOR ANTI-COMPETITIVE PRACTICES

None[10]

### 4. INFORMATION ON LUXURY EXPENDITURE

During the financial year ended December 31, 2014, the Company did not record any expenses or charges that cannot be deducted from taxable income within the meaning of Article 39-4 of the French General Tax Code.

### 5. INFORMATION ON THE ADDING BACK OF GENERAL EXPENSES TO TAXABLE INCOME

During the financial year ended December 31, 2014, the Company did not add back any general expenses to taxable income in accordance with Article 39-5 of the French General Tax Code.

[10] Under Article L. 464-2 I of the French Commercial Code, when injunctions or fines for anti-competitive practices are imposed by the Autorité de la Concurrence, it can ask for its decision or the extract thereof to be included in the management board's report.

## H. APPENDICES

### 1. APPENDIX I - RESULTS FOR THE LAST FIVE FINANCIAL YEARS

| TYPE OF INDICATION | 01/01/2010<br>12/31/2010<br>(12 months) | 01/01/2011<br>12/31/2011<br>(12 months) | 01/01/2012<br>12/31/2012<br>(12 months) | 01/01/2013<br>12/31/2013<br>(12 months) | 01/01/2014<br>12/31/2014<br>(12 months) |
|---|---|---|---|---|---|
| **I. Share capital at year-end** | | | | | |
| * Share capital | 214,663,565 | 214,663,565 | 214,663,565 | 461,177,277 | 497,610,410 |
| * number of ordinary shares outstanding | 214,663,565 | 214,663,565 | 214,663,565 | 922,354,554 | 49,761,041 |
| * number of preference shares | | | | | |
| (without voting rights) outstanding | | | | | |
| * maximum number of future shares to be created: | | | | | |
| . By conversion of bonds | | | | | |
| . Through exercise of subscription rights | | | | | |
| **II. Operations and results for the year** | | | | | |
| * sales excl. tax | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| * earnings before tax, employee profit-sharing, | | | | | |
| depreciation, amortization and provisions | -13,066,502 | -48,382,939 | -55,800,776 | -95,160,441 | -55,378,009 |
| * income taxes | -50,290,120 | -50,546,439 | -44,292,116 | -52,344,348 | -45,726,208 |
| * employee profit-sharing in respect of the financial year | 0 | 0 | 0 | 0 | 0 |
| * earnings after tax, employee profit-sharing, | | | | | |
| depreciation, amortization and provisions | 35,007,187 | -112,905 | -13,237,268 | -42,825,339 | -9,632,341 |
| * distributed income | 0 | 0 | 0 | 0 | 0 |
| **III. Earnings per share** | | | | | |
| * earnings after tax, employee profit-sharing, but before depreciation, amortization and provisions | -0.22 | 0.01 | -0.05 | -0.05 | -0.19 |
| * earnings after tax, employee profit-sharing, | | | | | |
| depreciation, amortization and provisions | 0.16 | 0.00 | -0.06 | -0.05 | -0.19 |
| * net dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **IV. Employees** | | | | | |
| * average number of employees during the year | 3 | 3 | 3 | 3 | 3 |
| * total wage bill for the year | 749,576 | 810,825 | 1,146,771 | 1,403,842 | 1,572,954 |
| * sums paid in respect of employee benefits | 255,223 | 260,715 | 345,949 | 349,808 | 558,368 |
| (social security etc.) | | | | | |

## 2. APPENDIX II - SUMMARY TABLE OF DELEGATIONS AND AUTHORITY AND POWERS GRANTED BY THE GENERAL SHAREHOLDERS' MEETING TO THE MANAGEMENT BOARD CONCERNING CAPITAL INCREASES

The table below shows the financial resolutions in force at the date of this report approved by the combined general shareholders' meeting of October 8, 2014.

| Purpose of resolution | Term of authorization | Maximum nominal amount | Use of authorization |
|---|---|---|---|
| Delegation of authority to increase the Company's share capital through the incorporation of reserves, profits or additional paid-in capital, merger premiums or contribution premiums. | 26 months(1) (December 8, 2016) | €130 million (amount of distributable reserves) | [•] |
| Delegation of authority to issue shares and/or securities giving immediate or future access to share capital with preferential subscription rights. | 26 months(1) (December 8, 2016) | €500 million for capital increases<br>€1 billion for debt securities giving access to share capital | [•] |
| Delegation of authority to issue shares and/or securities giving immediate or future access to share capital without preferential subscription rights and public offer, or within the framework of a public offer with an exchange component. | 26 months(1) (December 8, 2016) | €50 million for capital increases<br>€1 billion for debt securities giving access to share capital | [•] |
| Delegation of authority to issue shares and/or securities giving immediate or future access to share capital without preferential subscription rights within the framework of an offer as mentioned in Article 411-2 II of the French Monetary and Financial Code. | 26 months(1) (December 8, 2016) | 5% of the Company's share capital at the time of the transaction | [•] |
| Authorization to determine freely the issue price of an issue of shares and/or securities giving immediate or future access to share capital without preferential subscription rights, to set the issue price at up to 10% of share capital. | 26 months(1) (December 8, 2016) | 10% of the Company's share capital at the time of the transaction | [•] |
| Increase in the number of | 26 months(1) | 15% of the initial issue | [•] |

| Purpose of resolution | Term of authorization | Maximum nominal amount | Use of authorization |
|---|---|---|---|
| shares or securities to be issued in the event of a capital increase with or without preferential subscription rights for shareholders. | (December 8, 2016) | | |
| Delegation of powers to issue shares and/or securities giving immediate or future access to share capital without preferential subscription rights, in order to pay for contributions in kind made to the Company. | 26 months[1] (December 8, 2016) | 10% of the Company's share capital at the time of the issue | [•] |
| Aggregate limits on the amount of issues made under the 13th to 18th resolutions | - | €500 million<br><br>Maximum amount of debt securities giving access to share capital: €1 billion | [•] |
| Delegation of authority to increase the share capital by the issuing of shares and/or securities giving immediate or future access to share capital reserved for members of a company savings plan, without preferential subscription rights. | 26 months[1] (December 8, 2016) | €20 million | [•] |
| Authorization given to award bonus shares in the Company to corporate officers and employees, without preferential subscription rights. | 38 months[1] (December 8, 2017) | 10% of share capital on the date of the management board's decision | [•] |
| Delegation of authority to the management board to issue shares without preferential subscription rights and public offer within the framework of the Company's initial public offering. | 9 months[1] (July 8, 2016) | €600 million | Delegation used by the management board on February 10, 2015, in the amount of €538,461,530. |

[1] Subject to the condition precedent of the settlement-delivery of the Company's shares within the framework of the Company's initial public offering

The table below shows the financial resolution adopted by the general shareholders' meeting of February 10, 2015:

| Purpose of resolution | Term of authorization | Maximum nominal amount | Use of authorization |
|---|---|---|---|
| Delegation of authority to the management board to issue shares and/or | 26 months (April 10, 2017) | €200 million | [•] |

| Purpose of resolution | Term of authorization | Maximum nominal amount | Use of authorization |
|---|---|---|---|
| securities giving immediate or future access to share capital reserved for members of a company savings plan, without preferential subscription rights | | | |

## II. ELIS PARENT COMPANY FINANCIAL STATEMENTS TO DECEMBER 31, 2014

*The French-language statutory financial statements of the Company are available in the French 2014 Annual Financial Report.*

### A. STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS TO DECEMBER 31, 2014

***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 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 financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.***
***This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.***

**Statutory Auditors' report on the financial statements**

**For the year ended December 31, 2014**

**Elis SA (formerly Holdelis SAS)**
33, rue Voltaire
92800 Puteaux

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, 2014, on:

- the audit of the accompanying financial statements of Elis SA (formerly Holdelis SAS);
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

**I – Opinion on the 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 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 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 the Company at December 31, 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

**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:

As stated in Note 1.2 b "Accounting principles and policies –long-term investments" to the financial statements, the Company measured the recoverable amount of its equity investments. We examined the relevance of the methods used by the Company based on information available of the date hereof and verified that the assumptions used and the resulting measurements were reasonable.

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 addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have 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. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Courbevoie, April 1, 2015

The Statutory Auditors

| PricewaterhouseCoopers Audit | Mazars |
|---|---|
| **Bruno Tesnière** | **Isabelle Massa** |

## III. CONSOLIDATED FINANCIAL STATEMENTS TO DECEMBER 31, 2014

# Elis

**Joint-stock corporation *(société anonyme)* governed by a management board and a supervisory board**

**Formerly Holdelis, S.A.S.***

**33, rue Voltaire - Puteaux, France**

# CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended December 31, 2014

* The company name was changed to "Elis" on September 5, 2014.

This document is a free translation of the French audited financial statements and notes. In the case of any doubt, the French text shall govern.

Consolidated income statement ..... 4
Consolidated statement of comprehensive income ..... 5
Consolidated statement of financial position – assets ..... 6
Consolidated statement of financial position – equity and liabilities ..... 7
Consolidated statement of cash flows ..... 8
Consolidated statement of changes in equity ..... 9
Note 1 - Accounting policies ..... 10
1.1 Basis of preparation ..... 10
1.2 Accounting standards applied ..... 10
1.3 Critical accounting estimates and judgments ..... 12
1.4 Restatement of prior-year financial information ..... 13
Note 2 - Changes in the consolidation scope ..... 14
2.1 Consolidation methods ..... 14
2.2 Business combinations ..... 15
2.3 Foreign currency translation ..... 15
2.4 Changes in the scope of consolidation ..... 16
2.5 Non-current assets (or groups of assets) held for sale ..... 22
2.6 Off-balance sheet commitments relating to changes in the consolidation scope.. 23
2.7 Non-controlling interests ..... 24
2.8 Subsequent events relating to changes in the consolidation scope ..... 24
Note 3 – Operating segments ..... 25
3.1 Revenue ..... 25
3.2 Earnings ..... 26
3.3 Information on geographical areas ..... 27
3.4 Information on revenue from services ..... 27
3.5 Information on countries and industry end markets ..... 28
Note 4 – Operating data ..... 29
4.1 Revenue from operating activities ..... 29
4.2 Trade and notes receivables ..... 29
4.3 Depreciation, amortization and provisions ..... 30
4.4 Other income and expense ..... 31
4.5 Inventories ..... 31
4.6 Trade and other payables ..... 32
4.7 Other current assets and liabilities ..... 32
Note 5 – Personnel expenses and employee benefits ..... 33
5.1 Average number of employees ..... 33
5.2 Employee benefits ..... 33
5.3 Employee benefit liabilities ..... 34
5.4 Share-based payments ..... 37
5.5 Executive compensation (Related party transactions) ..... 38
Note 6 – Intangible assets and property, plant and equipment ..... 39
6.1 Goodwill ..... 39
6.2 Intangible assets ..... 40
6.3 Property, plant and equipment ..... 42
6.4 Off-balance sheet commitments relating to non-current assets and leases ..... 44
6.5 Impairment losses on non-current assets ..... 44
Note 7 – Provisions and contingent liabilities ..... 49

7.1 Provisions ..... 49
7.2 Contingent liabilities ..... 50
Note 8 – Financing and financial instruments ..... 51
8.1 Financial risk management ..... 51
8.2 Net financial expense ..... 57
8.3 Gross debt ..... 57
8.4 Cash and cash equivalents ..... 59
8.5 Net debt ..... 60
8.6 Financial assets and liabilities ..... 61
8.7 Other non-current assets and liabilities ..... 62
8.8 Derivative financial instruments and hedges ..... 63
8.9 Off-balance sheet commitments relating to Group financing and other commitments ..... 66
Note 9 – Income tax expense ..... 68
Note 10 - Stockholders' equity and earnings per share ..... 71
10.1 Share capital and reserves ..... 71
10.2 Dividends paid and proposed ..... 72
10.3 Earnings per share ..... 72
Note 11 – Related party disclosures ..... 74
Note 12 – Subsequent events ..... 76

# Consolidated income statement

| (In thousands of euros) | Notes | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Revenue | 3.1/4.1 | 1,330,980 | 1,225,421 | 1,185,232 |
| Cost of linen, equipment and other consumables | | (222,214) | (195,840) | (172,138) |
| Processing costs | | (469,951) | (413,297) | (391,587) |
| Distribution costs | | (212,921) | (195,529) | (191,688) |
| Gross margin | | 425,894 | 420,756 | 429,820 |
| Selling, general and administrative expenses | | (216,880) | (209,067) | (205,842) |
| Operating income before other income and expense and amortization of customer relationships | 3.2 | 209,014 | 211,689 | 223,978 |
| Amortization of customer relationships | 4.3 | (41,107) | (39,644) | (38,558) |
| Goodwill impairment | | 0 | (4,000) | (37,583) |
| Other income and expense | 4.4 | (23,130) | (49,167) | (18,529) |
| Operating income | | 144,777 | 118,879 | 129,308 |
| Net financial expense | 8.2 | (153,551) | (164,198) | (154,355) |
| Income (loss) before tax | | (8,774) | (45,320) | (25,046) |
| Income tax benefit (expense) | 9 | (13,050) | 1,171 | (21,567) |
| Share of net income of equity-accounted companies | 11 | 0 | 68 | 197 |
| Net income (loss) | | (21,824) | (44,081) | (46,416) |
| Attributable to: | | | | |
| - owners of the parent | | (22,667) | (44,334) | (46,449) |
| - non-controlling interests | | 843 | 253 | 33 |
| Earnings (loss) per share (EPS): | | | | |
| - basic, attributable to owners of the parent | 10.3 | €(0.46) | €(3.64) | €(4.33) |
| - diluted, attributable to owners of the parent | 10.3 | €(0.46) | €(3.64) | €(4.33) |

# Consolidated statement of comprehensive income

| (In thousands of euros) | Notes | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| Net income (loss) | | (21,824) | (44,081) | (46,416) |
| Gains (losses) on change in fair value of hedging instruments | 8.7 | -3,752 | 8,047 | 8,067 |
| Hedging reserve reclassified to income | 8.7 | 1,110 | 10,627 | 9,230 |
| **Total change in hedging reserve** | | **-2,642** | **18,674** | **17,297** |
| Related tax | | 910 | -6,429 | -5,955 |
| Hedging reserve - net | | (1,732) | 12,245 | 11,342 |
| Translation reserve | | 3,697 | (1,801) | 664 |
| **Other comprehensive income (loss) which may be subsequently reclassified to income** | | **1,965** | **10,444** | **12,006** |
| **Actuarial gains and losses recognized in equity** | | **(4,802)** | **5,728** | **(3,891)** |
| Related tax | | 1,106 | -878 | 1,015 |
| Actuarial gains and losses, net | | (3,696) | 4,850 | (2,876) |
| **Other comprehensive income (loss) which may not be subsequently reclassified to income** | | **(3,696)** | **4,850** | **(2,876)** |
| **Other comprehensive income** | | **(1,731)** | **15,294** | **9,130** |
| TOTAL COMPREHENSIVE INCOME (LOSS) | | (23,555) | (28,786) | (37,286) |
| Attributable to: | | | | |
| - owners of the parent | | (24,277) | (29,541) | (37,319) |
| - non-controlling interests | | 722 | 755 | 33 |

The change in hedging reserve reflects the change in fair value of derivatives eligible for hedge accounting. The fair value of derivatives has decreased due to the decline in the forward yield curve, with a negative impact on the hedging reserve. However, it has not affected hedge effectiveness. The fair value of derivatives is presented in note 8.8 Derivative financial instruments and hedges.

Translation reserve arise from the translation, during consolidation, of assets and liabilities of Group entities denominated in foreign currencies as described in 2.3 Foreign currency translation.

Actuarial gains and losses arising on the re-measurement of employee benefits reflect the effect of changes in assumptions (obligation discount rate, salary increase rate, retirement benefit increase rate and expected return on plan assets) used to measure defined benefit plan obligations.

# Consolidated statement of financial position – assets

| (In thousands of euros) | Notes | Dec. 31, 2014 net | Dec. 31, 2013 net | Dec. 31, 2012 net |
|---|---|---|---|---|
| Goodwill | 6.1 | 1,539,534 | 1,454,948 | 1,439,859 |
| Intangible assets | 6.2 | 402,645 | 428,257 | 472,562 |
| Property, plant and equipment | 6.3 | 705,683 | 631,140 | 699,165 |
| Equity-accounted companies | 11 | 0 | 0 | (0) |
| Available-for-sale financial assets | | 168 | 137 | 152 |
| Other non-current assets | 8.7 | 6,890 | 7,971 | 2,956 |
| Deferred tax assets | 9 | 12,376 | 8,672 | 9,897 |
| TOTAL NON-CURRENT ASSETS | | 2,667,295 | 2,531,127 | 2,624,590 |
| Inventories | 4.5 | 58,641 | 44,424 | 37,610 |
| Trade and other receivables | 4.2 | 327,863 | 297,092 | 274,616 |
| Current tax assets | | 2,842 | 4,170 | 515 |
| Other assets | 4.7 | 13,461 | 3,450 | 4,458 |
| Cash and cash equivalents | 8.4 | 59,255 | 49,454 | 55,152 |
| TOTAL CURRENT ASSETS | | 462,062 | 398,591 | 372,350 |
| Assets held for sale | 2.5 | 0 | 88,879 | 26,712 |
| **TOTAL ASSETS** | | **3,129,357** | **3,018,597** | **3,023,652** |

## Consolidated statement of financial position – equity and liabilities

| (In thousands of euros) | Notes | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|---|
| Share capital | 10.1 | 497,610 | 461,177 | 214,664 |
| Additional paid-in capital | 10.1 | 175,853 | 169,286 | 4,271 |
| Other reserves | | 7,224 | 7,224 | 7,224 |
| Retained earnings (accumulated deficit) | | (303,592) | (287,758) | (249,533) |
| Other components of equity | | (10,111) | (1,654) | (16,499) |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | | 366,985 | 348,276 | (39,874) |
| NON-CONTROLLING INTERESTS | 2.7 | (125) | (847) | 122 |
| TOTAL EQUITY | | 366,860 | 347,429 | (39,752) |
| Non-current provisions | 7 | 28,997 | 15,729 | 15,356 |
| Employee benefit liabilities | 5.3 | 48,323 | 46,104 | 37,991 |
| Non-current borrowings | 8.3 | 1,947,291 | 1,908,735 | 2,307,287 |
| Deferred tax liabilities | 9 | 197,022 | 202,710 | 218,606 |
| Other non-current liabilities | 8.7 | 34,552 | 21,293 | 40,011 |
| TOTAL NON-CURRENT LIABILITIES | | 2,256,186 | 2,194,571 | 2,619,252 |
| Current provisions | 7 | 4,078 | 6,154 | 7,992 |
| Current tax liabilities | | 892 | 699 | 5,303 |
| Trade and other payables | 4.6 | 139,630 | 118,334 | 98,421 |
| Other liabilities | 4.7 | 237,028 | 224,756 | 209,731 |
| Bank overdrafts and current borrowings | 9 | 124,684 | 118,013 | 117,134 |
| TOTAL CURRENT LIABILITIES | | 506,312 | 467,956 | 438,581 |
| Liabilities directly associated with assets held for sale | 2.5 | 0 | 8,641 | 5,571 |
| **TOTAL EQUITY AND LIABILITIES** | | **3,129,357** | **3,018,597** | **3,023,652** |

# Consolidated statement of cash flows

| (In thousands of euros) | Note | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| **CONSOLIDATED NET INCOME (LOSS)** | | **(21,824)** | **(44,081)** | **(46,416)** |
| Depreciation, amortization and provisions | | 251,518 | 256,364 | 238,108 |
| Portion of grants transferred to income | | (125) | (119) | (151) |
| Share-based payments | | 0 | 0 | 3,534 |
| Discounting adjustment on provisions and retirement benefits | 8.2 | 1,266 | 1,262 | 1,214 |
| Net gains and losses on disposal of assets | | (3,737) | 1,777 | (55) |
| Share of net income of equity-accounted companies | 11 | 0 | (68) | (197) |
| Dividends received (from non-consolidated entities) | | (13) | (12) | (12) |
| **CASH FLOWS AFTER FINANCE COSTS AND TAX** | | **227,085** | **215,123** | **196,025** |
| Net finance costs | 8.2 | 151,268 | 162,703 | 153,365 |
| Income tax expense | 9 | 13,050 | (1,171) | 21,567 |
| **CASH FLOWS BEFORE FINANCE COSTS AND TAX** | | **391,403** | **376,655** | **370,956** |
| Income tax paid | | (21,414) | (23,069) | (16,125) |
| Change in inventories | | (11,989) | (6,528) | 3,210 |
| Change in trade receivables | | (7,249) | (2,194) | (6,995) |
| Change in trade and other payables (excluding borrowings) | | 15,646 | 24,035 | (6,343) |
| Other changes | | (4,995) | (191) | (1,991) |
| Employee benefits | | (437) | (942) | 92 |
| **NET CASH FROM OPERATING ACTIVITIES** | | **360,965** | **367,766** | **342,804** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of intangible assets | | (4,853) | (12,259) | (19,151) |
| Proceeds from sale of intangible assets | | 0 | 160 | 0 |
| Acquisition of property, plant and equipment | | (231,558) | (202,638) | (218,672) |
| Proceeds from sale of property, plant and equipment | | 92,541 | 8,371 | 3,054 |
| Acquisition of subsidiaries, net of cash acquired | 2.4 | (97,262) | (39,112) | (13,961) |
| Proceeds from disposal of subsidiaries, net of cash transferred | | 1,000 | 14,708 | 0 |
| Changes in loans and advances | | 121 | (22) | (283) |
| Dividends from equity-accounted companies | | 13 | 12 | 212 |
| Investment grants | | 0 | 0 | 120 |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(239,998)** | **(230,780)** | **(248,681)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Capital increase | | 43,000 | 0 | 0 |
| Dividends paid | | | | |
| - to owners of the parent | | 0 | 0 | 0 |
| - to non-controlling interests | | (9) | (20) | (11) |
| Change in borrowings related to operations (1) | | (37,237) | (22,378) | 45,470 |
| *- Proceeds from new borrowings* | | *1,270,786* | *2,099,206* | *697,537* |
| *- Repayment of borrowings* | | *(1,308,023)* | *(2,121,584)* | *(652,067)* |
| Net interest paid | | (117,206) | (119,967) | (105,875) |
| **NET CASH USED IN FINANCING ACTIVITIES** | | **(111,452)** | **(142,365)** | **(60,416)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **9,515** | **(5,379)** | **33,707** |
| Cash and cash equivalents at beginning of period | | 48,598 | 54,678 | 20,943 |
| Effect of changes in foreign exchange rates on cash and cash equivalents | | 410 | (702) | 28 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 8.4 | **58,523** | **48,598** | **54,678** |

(1) Net change in credit lines related to financing of operations

## Consolidated statement of changes in equity

| (In thousands of euros) | Share capital | Additional paid-in capital | Other reserves | Retained earnings (accumulated deficit) | Hedging reserves (1) | Translation reserve | Share-based payment reserve | Actuarial gains and losses | Deferred taxes | Owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at December 31, 2011** | **214,664** | **4,271** | **7,224** | **(203,080)** | **(46,567)** | **(1,985)** | **3,300** | **87** | **16,002** | **(6,085)** | **89** | **(5,996)** |
| Increase in share capital | | | | | | | | | | | | |
| Decrease in share capital | | | | | | | | | | | | |
| Dividends paid | | | | | | | | | | | | |
| Changes in consolidation scope | | | | | | | | | | 0 | | 0 |
| Other movements | | | | (4) | | | 3,534 | | | 3,530 | 0 | 3,530 |
| Net income (loss) for the period | | | | (46,449) | | | | | | (46,449) | 33 | (46,416) |
| Other comprehensive income | | | | | 17,297 | 664 | | (3,891) | (4,941) | 9,130 | | 9,130 |
| Total comprehensive income | | | | (46,449) | 17,297 | 664 | 0 | (3,891) | (4,941) | (37,319) | 33 | (37,286) |
| **Balance as at December 31, 2012** | **214,664** | **4,271** | **7,224** | **(249,533)** | **(29,270)** | **(1,321)** | **6,834** | **(3,804)** | **11,062** | **(39,874)** | **122** | **(39,752)** |
| Increase in share capital | 246,514 | 171,110 | | | | | | | | 417,624 | | 417,624 |
| Decrease in share capital | | | | | | | | | | | | |
| Dividends paid | | | | | | | | | | | | |
| Changes in consolidation scope (2) | | | | | | | | 81 | (28) | 53 | -1,724 | (1,671) |
| Other movements | | (6,095) | | 6,110 | | | | | | 14 | 0 | 14 |
| Net income (loss) for the period | | | | (44,334) | | | | | | (44,334) | 253 | (44,081) |
| Other comprehensive income | | | | | 18,674 | (1,827) | | 5,122 | (7,176) | 14,793 | 502 | 15,294 |
| Total comprehensive income | | | | (44,334) | 18,674 | (1,827) | 0 | 5,122 | (7,176) | (29,541) | 755 | (28,786) |
| **Balance as at December 31, 2013** | **461,177** | **169,286** | **7,224** | **(287,758)** | **(10,596)** | **(3,148)** | **6,834** | **1,399** | **3,857** | **348,276** | **(847)** | **347,429** |
| Increase in share capital | 36,433 | 6,567 | | | | | | | | 43,000 | | 43,000 |
| Decrease in share capital | | | | | | | | | | | | |
| Dividends paid | | | | (9) | | | | | | -9 | | -9 |
| Changes in consolidation scope | | | | | | | | | | 0 | | 0 |
| Other movements | | | | 6,842 | | | (6,834) | | (13) | (5) | 0 | (5) |
| Net income (loss) for the period | | | | (22,667) | | | | | | (22,667) | 843 | (21,824) |
| Other comprehensive income | | | | | (2,642) | 3,716 | | (4,672) | 1,988 | (1,610) | -121 | (1,731) |
| Total comprehensive income | | | | (22,667) | (2,642) | 3,716 | 0 | (4,672) | 1,988 | (24,277) | 722 | (23,555) |
| **Balance as at December 31, 2014** | **497,610** | **175,853** | **7,224** | **(303,592)** | **(13,238)** | **568** | **0** | **(3,273)** | **5,832** | **366,985** | **(125)** | **366,860** |
| | | | | | | | (10,111) | | | | | |

(1) See note 8.7

(2) See Note 2.4 - 2013 acquisitions

## Note 1 - Accounting policies

The Elis Group is a leader in textile rental and laundering and hygiene services in Continental Europe and Brazil.

The IFRS consolidated financial statements of the Elis Group for the year ended December 31, 2014 have been approved by the Management Board on March 9, 2015 and were reviewed by the Audit Committee on March 4, 2015 and by the Supervisory Board on March 11, 2014.

### 1.1 Basis of preparation

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 IFRS and IFRIC interpretations as adopted by the European Union as at December 31, 2014 and available on the website: ec.europa.eu/finance/accounting/index_en.htm

The accounting policies adopted are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2013 except for the following standards and amendments effective for annual periods beginning on or after January 1, 2014:

- IFRS 10 “Consolidated Financial Statements“;
- IFRS 11 “Joint Arrangements“;
- IFRS 12 “Disclosure of Interests in Other Entities“;
- IAS 27 “Separate Financial Statements“ (revised 2011);
- IAS 28 “Investments in Associates and Joint Ventures“ (revised 2011);
- Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities“;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Transition Guidance“;
- Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities“;
- Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting“;
- Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets“;

These new standards and amendments to existing standards did not have a material impact on the consolidated financial statements of Elis.

The Group has not opted for the early adoption of any other standard, amendments or interpretations that have been issued are not yet mandatory.

IFRIC Interpretation 21 “Levies” effective for annual periods beginning on or after January 1, 2015 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy in accordance with the relevant legislation. In addition, IFRIC Interpretation 21 prohibits the progressive recognition of a liability for tax levies and requires the recognition of the liability in full when the obligating event for the payment of the levy is met.

The Group determined that the impact in France of the early adoption as at January 1, 2014 of IFRIC Interpretation 21 would have been an increase of €1.3 million after tax (€2.1 million before tax) on shareholders’ equity and of €0.1 million after tax (€0.2 million before tax) on operating income and net income, respectively, relating to the French corporate social solidarity contribution (contribution sociale de solidarité des sociétés).

Finally, the standards and interpretations that are issued, but not yet effective, up to the date of the Group’s financial statements are disclosed below :

- for annual periods beginning on or after July 1st, 2014 :
  - Amendement to IAS 19R «Defined Benefit Plans: Employee Contributions»;
  - Annual Improvements to IFRSs 2010–2012 Cycle;
  - Annual Improvements to IFRSs 2011–2013 Cycle;
- for annual periods beginning on or after January 1st, 2016 :
  - IFRS 14 «Regulatory Deferral Accounts»;
  - Amendement to IFRS 10 and IAS 28 «Sale or Contribution of Assets between an Investor and its Associate or Joint Venture»;
  - Amendment to IAS 27 «Equity Method in Separate Financial Statements»;
  - Amendment to IAS 16 and IAS 41 «Bearer Plants»;
  - Amendment to IAS 16 and IAS 38 «Clarification of Acceptable Methods of Depreciation and Amortisation»;
  - Amendment to IFRS 11 «Accounting for Acquisitions of Interests in Joint Operations»;
  - Annual Improvements to IFRSs 2012–2014 Cycle;
  - Amendments to IAS 1 «Disclosure initiative»;
  - Amendments to IFRS 10, IFRS 12 and IAS 28 «Investment Entities - Appling the Consolidation Exception»;

The Group doesn’t expect any material impact of these amendments and improvements on its consolidated financial statements.

- for annual periods beginning on or after January 1st, 2017 :
  - IFRS 15 «Revenue from Contracts with Customers»;
- for annual periods beginning on or after January 1st, 2018 :
  - IFRS 9 «Financial Instruments»;

The Group is currently assessing the impact of these standards.

The Group plans to adopt, if applicable, these new standards on the required effective date in the European Union.

### 1.3 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires Elis to make estimates and assumptions that affect the carrying amount of assets, liabilities, income and expenses and related disclosures. Elis 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. 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 pensions. Any change in the assumptions affects the carrying amount of the net retirement benefit liability.

The Group sets the appropriate discount rate at the end of each reporting period. This is the interest rate applied to calculate the present value of future disbursements necessary to meet retirement benefit obligations. To determine the appropriate rate, the Group takes into account the interest rates on high-quality corporate bonds (Iboxx € Corporate AA 10+ for France) in the currencies in which benefits are to be paid and with a term comparable to the estimated average maturity of the corresponding obligation.

Note 5.3 Employee benefit liabilities provides further detail on the matter.

Critical judgments in applying accounting policies

- *Recognition of assets related to rental and laundry services*

Rental-laundering service agreements are not deemed to transfer substantially all the risks and rewards incident to ownership of the assets (linen, equipment, etc.) associated with the

service agreements to the lessee. Accordingly, items subject to rental and laundry services agreements are recognized as non-current assets.

- *Accounting classification of French business tax (Cotisation sur la Valeur Ajoutée des Entreprises - CVAE)*

According to the Group's analysis, French business tax (CVAE) meets the definition of income tax under IAS 12.2 ("Income taxes based on taxable profits"). Total current and deferred amounts of CVAE are therefore presented in the line item "Income tax".

**1.4 Restatement of prior-year financial information**

In preparation for the initial public offering on the regulated Euronext market in Paris and for requirements of the document de base dated September 8, 2014, the Group completed the identification of all the events occurring after the reporting period, between January,1st 2014 up to the date of approval of these accounts on July 25, 2014.
In this context, the Group observed an indication of impairment of the new IT system. According to updates on project progress reports based on expert assessments and testing of the invoicing and sales management modules on a pilot site, actual performance of the IT system may be considerably lower than initially planned and hinder deployment of the modules on all Group sites. As a result, as at December 31, 2013, the Group recognized an impairment loss of €26.5 million for these modules under assets in progress in the consolidated statement of financial position, thereby writing down the value of the asset in full. Related comparative 2013 figures thus been approved by the President of Elis on July 25, 2014.

The French version of the *document de base* is available on the website of the French financial market authority *(Autorité des Marchés Financiers - AMF)* (www.amf-france.org) and on the Company's website (www.elis.com).

Moreover, IFRS requires previously published comparative periods to be retrospectively restated in the event of business combinations (recognition of the definitive 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 the acquisition of a controlling interest in Exploradora de Lavenderia in second-half 2013, the amount of goodwill shown differs from that presented in the 2013 consolidated financial statements published in the *document de base* by an amount of 242 thousand euros.

## Note 2 - Changes in the consolidation scope

### 2.1 Consolidation methods

*- Fully consolidated companies*

The consolidated financial statements comprise the financial statements of Elis and its subsidiaries as at 31 December 2014. 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 result 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.

Profit 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 resultant gain or loss is recognized in profit or loss.

*- Associates and joint ventures*

Investments in companies over which the Group has significant influence over financial and operating decisions but does not exercise control and joint ventures are accounted for using the equity method.

**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 costs are expensed as incurred (see Note 19 – Other income and expense).

At the acquisition date, the Group recognizes goodwill as the difference between the consideration transferred plus any non-controlling interests in the entity acquired and the net identifiable assets acquired and liabilities assumed.

In a step acquisition where control is obtained in stages, the Group measures the previously-held equity interest in the acquiree at the acquisition-date fair value and recognizes any gain or loss in income.

*- Business combinations prior to June 30, 2009*

The different accounting treatments applicable to these business combinations are as follows:

- transaction costs directly attributable to the acquisition were included in the acquisition cost;
- non-controlling interests (previously referred to as "minority interests") were measured at the share of net assets acquired;
- step acquisitions were recognized separately and did not affect subsequently recognized goodwill.

**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 exchange gains and losses are recognized in the income statement, except for those concerning monetary items associated with a net investment in a foreign operation. For the latter translation differences are recognized directly in equity until the net investment is sold, when they are reclassified to the income statement.

For consolidation purposes, the assets and liabilities of Group entities denominated in foreign currencies are translated using the exchange rate effective at the reporting date. Income statement items are translated using the average exchange rate for the reporting period. Resulting foreign currency differences are recognized directly in equity and presented in a separate line item “Foreign currency translation reserve”.

### 2.4 Changes in the scope of consolidation

#### 2014 acquisitions

The Group made the following investments during the year :

In Brazil:

- acquisition on February 4, 2014 of Atmosfera, Brazil’s leading industrial laundry group. The company has 3,500 employees and generated revenue of nearly €90 million in 2013. The acquisition has boosted Elis’ international expansion. The transaction was funded by a combination of €90 million of debt and equity financing through a capital increase in Holdelis to which Legendre Holding 27 subscribed for €43 million.

- acquisition on May 29, 2014 of the Brazilian company Santa Clara (Belo Horizonte – State of Minas Gerais, Brazil), which specializes in laundry services for healthcare customers and generates revenue of approximately €850 thousand.

- acquisition on July 2, 2014 of the Brazilian company L’Acqua in the healthcare sector which generates revenue of approximately €46 million. Based in Ponta Grossa (State of Paraná, Brazil), l’Acqua has 200 employees.

- acquisition on 23, 2014 of the assets of the Brazilian company Lavtec (Salvador, State of Bahia) which generates revenue of approximately €1.1 million and serves healthcare customers.

In France:

- acquisition on April 1, 2014 of the assets of Blanchisserie Mazamétaine et Castraise (Mazamet, France) and acquisition on April 22, 2014 of the business assets of Blanchisserie Quercy Périgord (Souillac-sur-Dordogne, France). These business combinations represented revenue of approximately €1.3 million in 2013.

- acquisition on July 1, 2014 of Pro Services Environnement (PSE), (Rhône-Alpes, France). With a workforce of 18 employees, Pro Services Environment Services

serves 2,000 customers and generated aggregate revenue of €2.2 million from 3D pest control services.

Summary of these acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

| (In thousands of euros) | Fair value at the acquisition date | *of which Brazil* |
|---|---|---|
| **Statement of financial position** | | |
| Intangible assets | 17,378 | 16,684 |
| Property, plant and equipment | 49,136 | 48,767 |
| Available-for-sale financial assets | 0 | 0 |
| Other non-current assets | 0 | 0 |
| Deferred tax assets | 5,162 | 5,162 |
| Inventories | 2,383 | 2,347 |
| Trade and other receivables | 16,261 | 15,905 |
| Current tax assets | 1,124 | 1,124 |
| Other assets | 88 | 48 |
| Other financial assets | 0 | 0 |
| Cash and cash equivalents | 6,058 | 5,769 |
| Non-current provisions | (16,378) | (16,378) |
| Employee benefit liabilities - non-current portion | (27) | 0 |
| Non-current borrowings | (34,573) | (34,450) |
| Deferred tax liabilities | (173) | 0 |
| Other non-current liabilities | (855) | (855) |
| Current provisions | (177) | (149) |
| Employee benefit liabilities - current portion | 0 | 0 |
| Current tax payables | 17 | 0 |
| Trade and other payables | (7,230) | (7,141) |
| Other liabilities | (7,666) | (7,164) |
| Bank overdrafts and current borrowings | (3,878) | (3,799) |
| **Total identifiable net assets at fair value** | **26,650** | **25,871** |
| Non-controlling interests | 0 | 0 |
| Goodwill | 81,888 | 78,519 |
| **Purchase price of shares** | **108,537** | **104,390** |

**Cash flows from acquisitions**

| (In thousands of euros) | Dec. 31, 2014 | *of which Brazil* |
|---|---|---|
| Net cash acquired | 6,058 | 5,769 |
| Amount paid | (103,320) | (98,571) |
| **Net cash flow** | **(97,262)** | **(92,802)** |

The total amount of goodwill deductible for tax purposes is €74,725 thousand.

Customer relationships were measured at an aggregate €17,250 thousand using the excess earnings method (level 3 of fair value).

Trade receivables acquired amounted to €13,332 thousand gross, written down by €171 thousand, corresponding to the best estimate at the acquisition date of the cash flows not expected to be collected.

Since the acquisition date, the acquired subsidiaries have contributed €87 million in revenue and €4 million in operating income. If the combinations had taken place at the beginning of the year, additional revenue would have been €11.5 million and additional operating income (before amortization of customer relationships) would have been €1.3 million.

As at December 31, 2014, the initial accounting for the business combinations had not been completed and the amounts recognized in the financial statements for business combinations were therefore determined provisionally.

**Residual goodwill**

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the synergies expected to be derived from the acquisitions.

### 2013 acquisitions

The Group made the following investments during the period:

- acquisition on January 14, 2013 of Cleantex Potsdam Textilpflege GmbH (Potsdam, Germany). Cleantex operates a plant in Potsdam, located 20 kilometers from Berlin. It serves 150 clients in the hospitality and health sectors, has 80 employees and generates annual revenue of €3 million.
- acquisition on January 24, 2013 of the Inotex Group (Bern, Switzerland). Inotex operates a plant in Bern, serves 300 clients (mainly in German-speaking Switzerland), has 190 employees and generates annual revenue of €28 million.
- acquisition on April 2, 2013 of Collectivités Service/Aquaservice (Brest, France). Aquaservice provides water fountain and coffee machine services and generates annual revenue of €2.2 million.
- acquisition of the assets of RLD Sanary-sur-Mer on May 1, 2013 (Toulon, France), which generates annual revenue of €2.4 million mainly in the hospitality and healthcare markets.
- acquisition of the rental business of Reig Marti on June 1, 2013 (Valencia, Spain) which serves hotels throughout the country and generates annual revenue of €3.5 million.
- acquisition on July 10, 2013 of Kunz, located in Hochdorf (canton of Lucerne in Switzerland). With 21 employees, Wäscherei Kunz AG generates revenue of CHF 2.9

million. After the acquisitions of Domeisen and InoTex, this acquisition completes Elis's cover in German-speaking Switzerland.

- acquisition on July 11, 2013 of France Tapis Hygiène Service and its subsidiary Districlean, specialists in corporate cleaning services. With a workforce of 10 employees, F.T.H.S. is located in Northern France and in the Paris area and generates revenue of €1.3 million.
- acquisition on September 24, 2013 of Explotadora de Lavanderias, specialist of flat linen in Majorca (Spain), which mainly serves the hospitality business and generates annual revenue of €4.1 million.

Summary of these acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

| (In thousands of euros) | Fair value at the acquisition date | *of which France* | *of which Switzerland* | *of which Spain* |
|---|---|---|---|---|
| **Statement of financial position** | | | | |
| Intangible assets | 11,811 | *1,244* | *9,342* | *1,223* |
| Property, plant and equipment | 27,447 | *599* | *22,197* | *3,948* |
| Available-for-sale financial assets | 2 | *2* | *0* | *0* |
| Other non-current assets | 9 | *9* | *0* | *0* |
| Deferred tax assets | 0 | *0* | *0* | *0* |
| Inventories | 435 | *136* | *212* | *58* |
| Trade and other receivables | 7,565 | *962* | *3,844* | *2,501* |
| Current tax assets | (41) | *(42)* | *0* | *1* |
| Other assets | 234 | *6* | *214* | *9* |
| Other financial assets | 0 | *0* | *0* | *0* |
| Cash and cash equivalents | 5,225 | *140* | *4,526* | *425* |
| Non-current provisions | (139) | *11* | *0* | *(150)* |
| Employee benefit liabilities - non-current portion | (13,693) | *0* | *(13,693)* | *0* |
| Non-current borrowings | (3,284) | *(317)* | *(2,154)* | *(442)* |
| Deferred tax liabilities | (2,594) | *(285)* | *(2,270)* | *0* |
| Other non-current liabilities | 0 | *0* | *0* | *0* |
| Current provisions | (174) | *(174)* | *0* | *0* |
| Employee benefit liabilities - current portion | 0 | *0* | *0* | *0* |
| Current tax payables | (341) | *8* | *0* | *(319)* |
| Trade and other payables | (3,967) | *(744)* | *(2,856)* | *(206)* |
| Other liabilities | (4,500) | *(363)* | *(378)* | *(3,593)* |
| Bank overdrafts and current borrowings | (2,591) | *(137)* | *(2,179)* | *0* |
| **Total identifiable net assets at fair value** | **21,404** | **1,055** | **16,806** | **3,454** |
| Non-controlling interests measured at fair value | **1,724** | **0** | **0** | **0** |
| Goodwill | **20,083** | **3,059** | **14,909** | **1,625** |
| **Purchase price of shares** | **43,211** | **4,115** | **31,715** | **5,079** |

**Cash flows from acquisitions**

| (In thousands of euros) | Dec. 31, 2013 |
|---|---|
| Net cash acquired | 5,225 |
| Amount paid | (44,336) |
| **Net cash flow** | **(39,112)** |

The total amount of goodwill deductible for tax purposes is zero.

Customer relationships were measured at an aggregate €10,565 thousand using the excess earnings method (level 3 of fair value).

Trade receivables acquired amounted to €8,047 thousand gross, written down by €232 thousand, corresponding to the best estimate at the acquisition date of the cash flows not expected to be collected.

Since the acquisition date, the acquired subsidiaries have contributed €38.3 million in revenue and €3.4 million in operating income for 2013. If the acquisitions had taken place at the beginning of the year, additional revenue would have been €7.8 million and additional operating income (before amortization of customer relationships) would have been €0.5 million.

*Residual goodwill*

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the synergies expected to be derived from the acquisitions.

### 2012 acquisitions

The Group made the following investments during the year:

- acquisition on October 1, 2012 of Grosswäscherei Domeinsen (Endigen, Canton of Aargau, Switzerland). Domeinsen operates an industrial laundry plant in Endingen and serves clients in the hospitality and health sectors. Domeinsen employs around 40 people and generates annual revenue of €3.8 million;
- acquisition of the washroom service activities of ISS on November 1, 2012 in Belgium and Luxembourg. The business generates annual revenue of €5.2 million in the health sector;
- development of health and drink business in Southwest France:
  - acquisition on April 30, 2012 of Pole Services (Ogeu les Bains, France); Pole Services generates annual revenue of €1.5 million and employs 19 people;
  - acquisition on December 3, 2012 of Ser-Konten France (Bayonne, France); Ser-Konten generates annual revenue of €0.2 million and employs four people.

Summary of these acquisitions

The identifiable assets and liabilities at the acquisition date were as follows:

| (In thousands of euros) | Fair value at the acquisition date (December 31, 2012) |
|---|---|
| **Statement of financial position** | |
| Intangible assets | 431 |
| Property, plant and equipment | 714 |
| Available-for-sale financial assets | (0) |
| Other non-current assets | 0 |
| Deferred tax assets | 0 |
| Inventories | 419 |
| Trade and other receivables | 666 |
| Current tax assets | 1 |
| Other assets | 16 |
| Other financial assets | 0 |
| Cash and cash equivalents | 323 |
| Non-current provisions | 0 |
| Employee benefit liabilities - non-current portion | 0 |
| Non-current borrowings | 0 |
| Deferred tax liabilities | (147) |
| Other non-current liabilities | 0 |
| Current provisions | 0 |
| Employee benefit liabilities - current portion | 0 |
| Current tax payables | 0 |
| Trade and other payables | (555) |
| Other liabilities | (1,281) |
| Bank overdrafts and current borrowings | (68) |
| **IDENTIFIED ASSETS AND LIABILITIES (carrying amount)** | **519** |
| Non-controlling interests measured at fair value | **(1,811)** |
| Goodwill | **14,425** |
| **Purchase price of shares** | **13,133** |

**Cash flows from acquisitions**

| In thousands of euros | December 31, 2012 |
|---|---|
| Net cash acquired | 256 |
| Amount paid | (14,216) |
| **Net cash flow** | **(13,961)** |

The total amount of goodwill deductible for tax purposes amounted to €8.2 million.

Trade receivables amounted to €0.6 million gross, written down by €6 thousand, corresponding to the best estimate at the acquisition date of the cash flows not expected to be collected.

Since the acquisition date, the acquired subsidiaries have contributed €2.8 million in revenue and €0.4 million in operating income for 2012. If the combinations had taken place at the beginning of the year, additional revenue would have been €10.7 million and additional operating income (before amortization of customer relationships) would have been €1.5 million.

*Residual goodwill*

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the synergies expected to be derived from the acquisitions.

### 2013 sales

On February 11, 2013, the Board of Directors of Elis authorized the sale of Molinel and Guston Molinel, which were classified as a disposal group (but not a discontinued operation) as at December 31, 2012, and did not represent a strategic line of business for the Group. Negotiations led to the sale on April 15, 2013. An impairment loss of €21.9 million was recorded during fiscal year 2012 to reduce the carrying amount to fair value less costs to sell.

The assets and liabilities of Molinel and Guston Molinel, which were reclassified as at December 31, 2012 in the statement of financial position, are presented in note 2.5 Non-current assets (or groups of assets) held for sale

## 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.

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 0 | 0 | 4,290 |
| Intangible assets | 0 | 0 | 5,603 |
| Property, plant and equipment | 0 | 88,879 | 1,516 |
| Equity-accounted companies | 0 | 0 | 720 |
| **Current assets** | | | |
| Inventories | 0 | 0 | 9,226 |
| Trade and other receivables | 0 | 0 | 4,820 |
| Other assets | 0 | 0 | 72 |
| Cash and cash equivalents | 0 | 0 | 465 |
| **Assets held for sale** | **0** | 88,879 | **26,712** |
| **Non-current liabilities** | | | |
| Provisions | 0 | 0 | 183 |
| Employee benefit liabilities | 0 | 0 | 476 |
| Deferred tax liabilities | 0 | 8,641 | 1,486 |
| **Current liabilities** | | | |
| Trade and other payables | 0 | 0 | 1,690 |
| Other liabilities | 0 | 0 | 1,737 |
| **Liabilities directly related to assets held for sale** | **0** | 8,641 | **5,571** |

Sale and leaseback transactions

As the Group has signed a provisional sales agreement for five land and buildings of operating sites on November 22, 2013, and provisional sales agreements for 17 other locations on January 22, 2014, the related assets and liabilities were reclassified as at December 31, 2013 in the statement of financial position, and are presented above.

On March 28, 2014, the Group signed the final sale agreements for the land and buildings of 17 industrial sites, and on June 27, 2014 for five other sites, for an aggregate €92.9 million.

The analysis of the sale and leaseback transactions determined that they result in operating leases. As the transactions were carried out at fair value, all gains or losses were recognized immediately in the income statement and are disclosed in note 4.4 Other income and expense.

Future minimum lease payments under non-cancellable operating leases (15 years) are shown in note 6.4 Off-balance sheet commitments relating to non-current assets and leases.

**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 euros as at December31, 2014 (versus €2,321 thousand euros as at December 31, 2013 and €171 thousand as at December 31, 2012).

Commitments received totaled €55,133 thousand euros as at December 31, 2014 (€53,793 thousand euros as at December 31, 2013 and (€28,160 thousand euros as at December 31, 2012) and correspond to guarantees granted to Elis in connection with its acquisitions.

### 2.7 Non-controlling interests

No detailed information is provided under the standard IFRS12 to the extent that there is no subsidiary that have non-controlling interests that are significant.

### 2.8 Subsequent events relating to changes in the consolidation scope

The Group acquired on January 7, 2015 Kress Textilpflege in Germany. Kress Textilpflege operates a plant in Munich area, generates annual revenue in 2013 of about €5.7 million serving hospitality-catering customers.

# Note 3 – Operating segments

The Group is organized into four main operating segments:

- France: historical rental and cleaning business in France;
- Europe: same business activity in other European countries;
- Brazil;
- Manufacturing entities: the activities of the Le Jacquard Français, Kennedy and Molinel (until its disposal by the Group) CGUs.

To track performance, management monitors each segment's EBITDA. Financing costs and income tax expense are primarily monitored at Group level.

## 3.1 Revenue

| (In millions of euros) | 2014 | France | Europe | Brazil | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|---|
| External customers | | 954.0 | 274.3 | 85.3 | 17.4 | 0.0 | 1,331.0 |
| Inter-segment | | 2.3 | 0.4 | (0.0) | 8.6 | (11.3) | 0.0 |
| **Segment revenue** | | **956.3** | **274.7** | **85.3** | **26.0** | **(11.3)** | **1,331.0** |

| (In millions of euros) | 2013 | France | Europe | Brazil | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|---|
| France | | 941.9 | 260.1 | 0.0 | 23.4 | 0.0 | 1,225.4 |
| Foreign countries | | 2.1 | 1.1 | (0.0) | 8.4 | (11.6) | 0.0 |
| **Segment revenue** | | **944.0** | **261.2** | **0.0** | **31.8** | **(11.6)** | **1,225.4** |

| (In millions of euros) | 2012 | France | Europe | Brazil | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|---|
| France | | 923.4 | 218.2 | 0.0 | 43.6 | 0.0 | 1,185.2 |
| Foreign countries | | 1.8 | 0.8 | 0.0 | 10.3 | (12.9) | (0.0) |
| **Segment revenue** | | **925.2** | **219.0** | **0.0** | **53.9** | **(12.9)** | **1,185.2** |

## 3.2 Earnings

| (In millions of euros) 2014 | France | Europe | Brazil | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|
| **Operating income before other income and expense and amortization of customer relationships** | **191.3** | **13.9** | **4.3** | **0.9** | **(1.5)** | **209.0** |
| *Miscellaneous financial items (*)* | *0.7* | *0.2* | *0.1* | *0.1* | *0.0* | *1.1* |
| EBIT | 192.0 | 14.1 | 4.5 | 1.0 | (1.5) | 210.1 |
| *Depreciation and amortization including portion of grants transferred to income* | *152.9* | *51.7* | *12.9* | *1.3* | *0.0* | *218.9* |
| **EBITDA** | **344.9** | **65.9** | **17.4** | **2.3** | **(1.5)** | **429.0** |
| | *36.1%* | *24.0%* | *20.4%* | *8.8%* | | *32.2%* |

| (In millions of euros) 2013 | France | Europe | Brazil | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|
| **Operating income before other income and expense and amortization of customer relationships** | **197.6** | **14.3** | **(0.8)** | **2.0** | **(1.4)** | **211.7** |
| *Miscellaneous financial items (*)* | *0.6* | *0.2* | *0.0* | *0.1* | *0.0* | *0.9* |
| EBIT | 198.2 | 14.5 | (0.8) | 2.1 | (1.4) | 212.6 |
| *Depreciation and amortization including portion of grants transferred to income* | *140.8* | *46.0* | *0.0* | *1.3* | *0.0* | *188.2* |
| **EBITDA** | **339.0** | **60.5** | **(0.8)** | **3.4** | **(1.4)** | **400.7** |
| | *35.9%* | *23.2%* | | *10.7%* | | *32.7%* |

| (In millions of euros) 2012 | France | Europe | Brazil | Manufacturing entities | Eliminations & holding companies | Total |
|---|---|---|---|---|---|---|
| **Operating income before other income and expense and amortization of customer relationships** | **208.5** | **12.6** | **0.0** | **4.3** | **(1.3)** | **224.0** |
| *Miscellaneous financial items (*)* | *0.4* | *0.2* | *0.0* | *0.2* | *0.0* | *0.8* |
| EBIT | 208.9 | 12.8 | 0.0 | 4.5 | (1.3) | 224.8 |
| *Depreciation and amortization including portion of grants transferred to income* | *116.8* | *33.6* | *0.0* | *1.4* | *0.0* | *151.9* |
| **EBITDA** | **325.7** | **46.4** | **0.0** | **5.9** | **(1.3)** | **376.7** |
| | *35.2%* | *21.2%* | | *10.9%* | | *31.8%* |

*(*) Bank fees and recurring dividends included in operating income.*

### *Non-IFRS indicators*

- Earnings before interest and tax (EBIT) is defined as net income (loss) before net financial expense, income tax, share in income of equity-accounted companies, amortization of customer relationships, goodwill impairment, other income and expense and miscellaneous financial items (bank fees and recurring dividends recognized in operating income). A reconciliation of EBIT with the consolidated income statement is presented above.

- Earnings before interest, tax, depreciation and amortization (EBITDA) is defined as EBIT before depreciation and amortization net of the portion of grants transferred to income. A reconciliation of EBITDA with the consolidated income statement is presented above.

### 3.3 Information on geographical areas

| (In millions of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| France | 965.2 | 958.9 | 960.1 |
| Other countries | 365.8 | 266.5 | 225.1 |
| **Revenue** | **1,331.0** | **1,225.4** | **1,185.2** |

| (In millions of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| France | 2,166.9 | 2,190.1 | 2,331.5 |
| Other countries | 481.0 | 324.3 | 280.1 |
| **Non-current assets** | **2,647.9** | **2,514.3** | **2,611.6** |

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 work wear.

| (In millions of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Flat linens | 590.1 | 489.9 | 452.9 |
| Workwear | 412.5 | 392.3 | 380.4 |
| Hygiene and well-being | 322.8 | 329.0 | 323.0 |
| Other | 5.6 | 14.2 | 28.9 |
| **Revenue** | **1,331.0** | **1,225.4** | **1,185.2** |

These services are rendered to customers who mainly operate in the hospitality, industry, sales and services, and healthcare sectors.

### 3.5 Information on countries and industry end markets

| (In millions of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| *Hospitality* | *290.5* | *282.5* | *276.1* |
| *Industry* | *187.6* | *187.7* | *184.5* |
| *Trade & Services* | *338.8* | *340.5* | *341.1* |
| *Healthcare* | *152.5* | *144.7* | *137.6* |
| *Other* | *- 15.4* | *- 13.4* | *- 15.9* |
| France (*) | 954.0 | 941.9 | 923.4 |
| *Germany* | *44.5* | *41.7* | *35.7* |
| *Belgium & Luxembourg* | *29.8* | *32.3* | *28.0* |
| *Spain & Andorra* | *60.9* | *51.1* | *50.2* |
| *Italy* | *25.8* | *24.7* | *25.2* |
| *Portugal* | *38.8* | *37.0* | *36.8* |
| *Switzerland* | *73.0* | *72.0* | *41.1* |
| *Czech Republic* | *1.5* | *1.2* | *1.2* |
| Europe | 274.3 | 260.1 | 218.2 |
| Brazil | 85.3 | 0.0 | - |
| Manufacturing entities | 17.4 | 23.4 | 43.6 |
| **Revenue** | **1,331.0** | **1,225.4** | **1,185.2** |

(*) The breakdown by customer segment in France is made based on the APE activity code (characterizing the core activity by reference to national statistical nomenclature) of the entity that has contracted with a Group company.

## Note 4 – Operating data

### 4.1 Revenue from operating activities

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other price reductions. The following specific recognition criteria must also be met before revenue is recognized:

*Rendering of services*

Revenue from services is recognized as and when the services are rendered.

When services are invoiced as part of a monthly or quarterly subscription, the portion of the invoice corresponding to a service not yet rendered is recognized as unearned revenue (see note 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 thousands of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Rendering of services | 1,307,663 | 1,195,560 | 1,138,114 |
| Sales of goods | 22,754 | 29,631 | 46,588 |
| Recurrent dividends | 13 | 12 | 12 |
| Other | 551 | 218 | 518 |
| **Revenue** | **1,330,980** | **1,225,421** | **1,185,232** |

### 4.2 Trade and notes receivables

Trade and notes 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. Impairment 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 is estimated taking into account historical loss experience and the age of the receivables. It is 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 thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Trade receivables and notes receivable (gross) | 312,971 | 292,983 | 278,473 |
| Allowance for bad debts | (29,510) | (27,915) | (23,043) |
| **Trade receivables and notes receivable** | **283,461** | **265,069** | **255,430** |
| Other receivables | 44,403 | 32,024 | 19,186 |
| **Total trade and other receivables** | **327,863** | **297,092** | **274,616** |
| collection expected in less than one year | 327,863 | 297,092 | 274,616 |
| collection expected in more than one year | - | - | - |

*Credit risk*

The management of credit risk is described in detail in the note 8.1 Financial risk management.

### 4.3 Depreciation, amortization and provisions

| (In thousands of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Depreciation and amortization** | | | |
| *- included in "Operating income before other income and expense and amortization of customer relationships"* | | | |
| Property, plant and equipment and intangible assets | (61,731) | (57,724) | (52,273) |
| Linen and mats | (140,550) | (114,207) | (83,549) |
| Other leased items | (16,718) | (16,349) | (16,208) |
| Portion of grants transferred to income | 125 | 119 | 151 |
| *- amortization of customer relationships* | (41,107) | (39,644) | (38,558) |
| **Total depreciation and amortization including portion of grants transferred to income** | **(259,981)** | **(227,805)** | **(190,437)** |
| **Additions to or reversal of provisions** | | | |
| *- included in "Operating income before other income and expense and amortization of customer relationships"* | 3,394 | 20 | 1,139 |
| *- included in "Other income and expense"* | 5,154 | 1,750 | (5,148) |
| **Total additions to or reversal of provisions** | **8,547** | **1,770** | **(4,009)** |

The increase in the depreciation expense for linen and mats from €83.5 million in 2012 to €114.2 million in 2013 was mainly due to the extension after January 1st, 2012 of the depreciation schedule for flat linen from an average of two to three years.

The section entitled “Change in accounting estimates” in note 6.3 Property, plant and equipment contains additional information on this matter.

### 4.4 Other income and expense

Items of material amounts that are unusual, abnormal and infrequent are disclosed separately in the income statement as "Other income and expense", in order to better reflect Group performance.

| (In thousands of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Transaction costs | (4,289) | (924) | (754) |
| Restructuring costs | (620) | (3,421) | (5,804) |
| Le Jacquard Français brand impairment | 0 | 0 | (5,900) |
| Uncapitalizable costs for change in IT systems | (18,231) | (14,480) | (679) |
| Impairment of IT system | 0 | (26,504) | 0 |
| Net gains on site disposals | 3,738 | (715) | 0 |
| Expenses relating to site disposal (employee profit-sharing, professional fees) | (4,899) | (771) | (645) |
| Environmental rehabilitation costs | (398) | (145) | (1,325) |
| Expense associated with free shares granted to key managers and employees | 0 | 0 | (3,534) |
| Preliminary expenses related to the IPO | (701) | 0 | 0 |
| Retirement plan amendment in Switzerland - negative past service costs | 3,730 | 0 | 0 |
| Other | (1,461) | (2,207) | 112 |
| **Other income and expense** | **(23,130)** | **(49,167)** | **(18,529)** |

*Impairment of IT system*

According to project progress reports based on expert assessments and testing of the invoicing and sales management modules on a pilot site, actual performance of the IT system may be considerably lower than initially planned and hinder deployment of the new modules on all Group sites. As a result, as at December 31, 2013, the Group recognized an impairment loss of €26.5 million for these modules under assets in progress in the consolidated statement of financial position, thereby writing down the value of the asset in full.
As at December 31, 2014, no final decision has been taken on whether or not to deploy these modules.

### 4.5 Inventories

Inventories are measured at the lower of cost and net realizable value.

Inventories of raw materials, consumables and spare parts are recorded at acquisition cost and have high turnover.

Goods in progress and finished goods (linen, textiles and hygiene equipment) are measured at production cost, which includes:

- the acquisition cost of raw materials;
- direct production costs;
- overheads that can be reasonably linked to the production of the goods.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Raw materials, supplies | 13,832 | 10,709 | 10,413 |
| Work in progress | 379 | 263 | 193 |
| Intermediate and finished goods | 12,268 | 7,258 | 7,287 |
| Goods for resale | 32,162 | 26,195 | 19,716 |
| **Inventories** | **58,641** | **44,424** | **37,610** |
| o/w inventories (at cost) | 59,432 | 45,083 | 38,052 |
| o/w impairment | (791) | (659) | (443) |

### 4.6 Trade and other payables

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Trade payables | 121,006 | 106,342 | 72,988 |
| Trade payables (fixed assets) | 14,280 | 9,081 | 21,897 |
| Other payables | 4,344 | 2,911 | 3,536 |
| **Total trade and other payables** | **139,630** | **118,334** | **98,421** |

### 4.7 Other current assets and liabilities

| (In thousands of euros) | Note | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|---|
| Prepaid expenses | | 10,627 | 3,449 | 4,457 |
| Other current asset derivatives | 8.8 | 2,834 | 0 | 0 |
| Other assets | | 0 | 1 | 1 |
| **Total other assets** | | **13,461** | **3,450** | **4,458** |
| Deposits received | | 11,620 | 14,778 | 15,214 |
| Payroll-related liabilities | | 103,643 | 95,037 | 83,871 |
| Taxes payable | | 74,754 | 69,002 | 63,749 |
| Other current liability derivatives | 8.8 | 0 | 1,125 | 506 |
| Unearned revenue | | 47,011 | 44,814 | 46,390 |
| **Total other liabilities** | | **237,028** | **224,756** | **209,731** |

Unearned revenue primarily consists of services invoiced that will be rendered in the following month.

# Note 5 – Personnel expenses and employee benefits

## 5.1 Average number of employees

| In number of people | 2014 | 2013 | 2012 |
|---|---|---|---|
| Executives | 1,384 | 1,320 | 1,313 |
| Supervisory personnel | 1,370 | 1,248 | 1,269 |
| Office and service employees | 4,902 | 4,451 | 4,213 |
| Other employees | 11,501 | 8,219 | 8,167 |
| **Total employees per category** | **19,158** | **15,238** | **14,962** |
| France | 12,156 | 11,761 | 11,838 |
| Other countries | 7,002 | 3,477 | 3,124 |
| **Total employees** | **19,158** | **15,238** | **14,962** |

## 5.2 Employee benefits

| In thousands of euros | 2014 | 2013 | 2012 |
|---|---|---|---|
| Wages and salaries | -404,073 | -360,814 | -345,419 |
| Social security contributions | -140,876 | -127,686 | -121,134 |
| Mandatory/optional profit-sharing | -26,375 | -25,486 | -25,667 |
| Other employee benefits | 437 | 943 | -92 |
| **Total payroll expenses** | **(570,887)** | **(513,043)** | **(492,312)** |

Payments by the Group to defined contribution plans are recognized as expenses when incurred.

In the case of defined benefit plans, the cost of benefits is estimated using the projected unit credit method. Under the method, rights to benefits are allocated to service periods using the plan's vesting formula and applying a linear progression when vesting is not uniform over subsequent service periods. Future payments corresponding to benefits granted to employees are estimated on the basis of assumptions regarding salary increase rates, retirement age and mortality, after which their present value is calculated using the interest rate on long-term bonds issued by investment grade issuers.

Actuarial gains and losses relating to obligations arising as a result of defined benefit plans are recognized directly in equity.

### 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. In the case of the latter, the Group's obligation is limited to the payment of contributions.

*Defined benefit plans*

Elis Group's commitments to defined benefit plans and other post-employment benefits are chiefly related to its French subsidiaries and consist of:

- complementary retirement benefits paid to a category of senior executives. All members of the complementary retirement scheme have already retired and the scheme is now closed;
- retirement benefits paid to employees when they retire in accordance with normal French regulations.
- long-service awards (*médailles du travail)*, 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 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, 2011** | **42,309** | **9,065** | **33,245** |
| Current service cost | 2,223 | | 2,223 |
| Interest expense | 1,389 | 168 | 1,221 |
| Benefits paid | -1,741 | | -1,741 |
| Employee contributions | 243 | 641 | -398 |
| Employer contributions | | | |
| Past service cost | | | |
| Plan amendments | | | |
| Plan curtailments or settlements | | | |
| Return on plan assets | | | |
| Actuarial gains and losses | 1,860 | -2,031 | 3,891 |
| Changes in consolidation scope | | | |
| Reclassification to liabilities directly related with assets held for sale | -476 | | -476 |
| Translation adjustments | 26 | | 26 |
| **As at December 31, 2012** | **45,834** | **7,843** | **37,991** |
| Current service cost | 3,254 | | 3,254 |
| Interest expense | 1,736 | 473 | 1,263 |
| Benefits paid | -2,375 | | -2,375 |
| Employee contributions | 881 | 881 | |
| Employer contributions | 1 | 1,133 | -1,132 |
| Past service cost | | | |
| Plan amendments | -700 | | -700 |
| Plan curtailments or settlements | | | |
| Return on plan assets | | | |
| Actuarial gains and losses | -6,662 | -934 | -5,728 |
| Changes in scope of consolidation | 34,029 | 20,321 | 13,708 |
| Reclassification to liabilities directly related to assets held for sale | | | |
| Translation adjustments | -598 | -421 | -177 |
| **As at December 31, 2013** | **75,400** | **29,296** | **46,104** |
| Current service cost | 3,771 | | 3,771 |
| Interest expense | 1,905 | 618 | 1,287 |
| Benefits paid | -339 | -339 | |
| Employee contributions | 1,750 | 1,750 | |
| Employer contributions | -2,576 | 1,605 | -4,181 |
| Past service cost | -3,743 | | -3,743 |
| Plan amendments | | | |
| Plan curtailments or settlements | | | |
| Return on plan assets | | 418 | -418 |
| Actuarial gains and losses | 5,220 | | 5,220 |
| Changes in scope of consolidation | 27 | | 27 |
| Reclassification to liabilities directly related to assets held for sale | | | |
| Translation adjustments | 1,032 | 776 | 256 |
| **As at December 31, 2014** | **82,447** | **34,124** | **48,323** |

The corresponding obligations are measured using the projected unit credit method.

*Funded status of employee benefit obligation*

| (In thousands of euros) | | | |
|---|---|---|---|
| Present value of unfunded obligations | 36,452 | 33,686 | 34,086 |
| Present value of fully or partially funded obligations | 45,994 | 41,713 | 11,748 |
| **Total value of defined benefit plan obligations (1)** | **82,446** | 75,399 | **45,834** |
| Fair value of plan assets (2) | **34,123** | 29,295 | **7,843** |
| **Total value of defined benefit plan liability (1) - (2) - (3)** | **48,323** | 46,104 | **37,991** |

### *Geographic information*

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| France | 35,070 | 32,276 | 32,476 |
| Switzerland | 11,791 | 12,355 | 3,856 |
| Other countries | 1,462 | 1,474 | 1,660 |
| **Employee benefit liabilities** | **48,323** | 46,104 | **37,991** |

### *France - details*

Pension obligations and provisions break down as follows:

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Present value of unfunded obligations | 35,070 | 32,276 | 32,476 |
| Present value of fully or partially funded obligations | 0 | 0 | 0 |
| **Total value of defined benefit plan obligations (1)** | **35,070** | 32,276 | **32,476** |
| Fair value of plan assets (2) | | | |
| **Total value of defined benefit plan liability (1) - (2) - (3)** | **35,070** | 32,276 | **32,476** |

The actuarial assumptions used to measure the liability and obligation for France are as follows:

| | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Discount rate | 1.8% | 3.0% | 3.0% |
| Expected salary increase rate | inflation+0 to 6% | inflation+0 to 6% | inflation+0 to 6% |
| Expected retirement benefit increase rate | 1.1% | 1.7% | 1.7% |

A 0.25 point increase or decrease in these rates would have the following impact on the projected benefit obligation as at December 31, 2014:

| | Sensitivity France |
|---|---|
| Discount rate: -0.25% impact | +2.7% |
| Discount rate: +0.25% impact | -2.5% |
| Expected salary/retirement benefit increase rate: -0.25 impact | -2.3% |
| Expected salary/retirement benefit increase rate: +0.25 impact | +2.3% |

An indication the future cash flows is shown below:

| | France |
|---|---|
| Expected contribution for next financial year | 2,042 |
| Weighted average duration of the obligation | 7.9 |

### *Switzerland - details*

Pension obligations and provisions break down as follows:

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Present value of unfunded obligations | | | |
| Present value of fully or partially funded obligations | 45,761 | 41,434 | 11,532 |
| **Total value of defined benefit plan obligations (1)** | **45,761** | 41,434 | **11,532** |
| Fair value of plan assets (2) | **33,970** | 29,080 | **7,676** |
| **Total value of defined benefit plan liability (1) - (2) - (3)** | **11,791** | 12,355 | **3,856** |

The actuarial assumptions used to measure the liability and obligation for Switzerland are as follows:

| | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Discount rate | 1.4% | 2.3% | 1.8% |
| Expected salary increase rate | 2.0% - 3.0% | 2.0% - 3.0% | 2.0% - 3.0% |
| Expected retirement benefit increase rate | 0.5% | 0.5% | 0.5% |

A 0.25 point increase or decrease in these rates would have the following impact on the projected benefit obligation as at December 31, 2014:

| | Sensitivity Switzerland |
|---|---|
| Discount rate: -0.25% impact | +3.6% |
| Discount rate: +0.25% impact | -3.4% |
| Expected salary increase rate:  -0.25 impact | -0.7% |
| Expected retirement benefit increase rate: + 0.25 impact | +0.6% |

An indication the future cash flows is shown below:

| | Switzerland |
|---|---|
| Expected contribution for next financial year | 1,366 |
| Weighted average duration of the obligation | 15.9 |

The breakdown of plan assets as at December 31, 2014 is shown in the table below:

| | Switzerland |
|---|---|
| Cash and cash equivalents | 325 |
| Share | 10,632 |
| Bonds | 19,540 |
| Properties & mortgages | 3,338 |
| Derivatives | 136 |
| Total | 33,970 |

### 5.4 Share-based payments

When a free share scheme enables members to acquire free shares in the Group's parent company, the fair value of the equity instruments is recognized as an expense, with a corresponding increase in equity under other reserves (the free shares are classified as an 'equity-settled transaction') over the vesting period. The expense is calculated by estimating the number of equity instruments that will be awarded in light of the grant terms and conditions.

On December 23, 2010, Elis' shareholders' meeting authorized the President to implement a free share plan, under which over 9,103,717 shares have been issued to certain key managers and employees of the Group in order to involve them in the Group's development. The shares granted will only vest after a minimum period of two years and under various conditions (performance, presence and IPO of the company within four years).

The fair value of Elis' shares is based on multiples of comparable companies applied to income statement indicators. The related expense is disclosed in note 4.4 Other income and expense.

There were no free share plan as at December 31, 2014.

### 5.5 Executive compensation (Related party transactions)

As at December 31, 2014, executives comprise the 7 members of the Executive Board, along with the President of the Management Board. Compensation paid to executives not holding corporate office are as follows:

| (In thousands of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Short-term employee benefits | 2,972 | 3,373 | 2,996 |
| Post-employment benefits | | | |
| Termination benefits | 132 | | 69 |
| Share-based payments | | | 2,147 |

As at December 31, 2014, employee benefit liability accrued in respect of these pension obligations amounted to €295 thousand (€261 thousand as at December 31, 2013 and €185 thousand as December 31, 2012).

## Note 6 – Intangible assets and property, plant and equipment

### 6.1 Goodwill

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Gross value | 1,507,661 | 1,488,500 | 1,499,632 |
| Accumulated impairment | (52,713) | (48,640) | (32,958) |
| **Carrying amount at beginning of period** | **1,454,948** | **1,439,859** | **1,466,675** |
| Acquisitions | 81,888 | 20,083 | 14,425 |
| Disposals | 0 | 0 | 0 |
| Translation adjustments | 2,983 | (976) | 633 |
| Reclassification as assets held for sale | 0 | 0 | (26,190) |
| Other changes | (13) | 54 | 0 |
| **Changes in gross carrying amount** | **84,857** | **19,161** | **(11,133)** |
| Impairment | 0 | (4,000) | (37,583) |
| Translation adjustments | (272) | (73) | 0 |
| Reclassification as assets held for sale | 0 | 0 | 21,900 |
| **Changes in impairment** | **(272)** | **(4,073)** | **(15,683)** |
| **Carrying amount at end of period** | **1,539,534** | **1,454,948** | **1,439,859** |
| Gross value | 1,592,519 | 1,507,661 | 1,488,500 |
| Accumulated impairment | (52,985) | (52,713) | (48,640) |

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) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| **France CGU/segment** | **1,381,745** | **1,378,376** | **1,375,263** |
| Spain | 1,612 | 1,625 | 0 |
| Belgium | 18,513 | 18,513 | 18,513 |
| Luxembourg | 1,275 | 1,275 | 1,275 |
| Germany | 1,955 | 1,955 | 1,465 |
| Italy | 1,669 | 1,669 | 1,669 |
| Switzerland | 34,874 | 34,217 | 19,838 |
| **Europe segment** | **59,897** | **59,253** | **42,760** |
| **Brazil CGU/segment** | **79,419** | **0** | **0** |
| Kennedy | 18,473 | 17,318 | 21,837 |
| **Manufacturing entities segment** | **18,473** | **17,318** | **21,837** |
| **Carrying amount of goodwill** | **1,539,534** | **1,454,948** | **1,439,859** |

*Recognition of impairment*

No impairment losses were recognized against goodwill as at December 31, 2014.

As at December 31, 2013, the Group recognized an impairment loss of €4.0 million on the Kennedy CGU, reflecting the decline in estimated future cash flows.

As at December 31, 2012, the Group recognized impairment losses of €37.6 million, mainly for the Molinel, Portugal and Le Jacquard Français CGUs. This reflected the continuing economic crisis affecting the CGUs and the increase in their WACC. These impairment losses were recorded on the basis of a multi-criteria approach (discounted cash flow valuation and valuation by multiples of economic indicators).

### 6.2 Intangible assets

*Brands*

Brands acquired in a business combination are recognized at fair value at the acquisition date. Costs incurred to create a new brand or to develop an existing one are recognized as expenses.

Brands with finite useful lives are amortized over their useful lives. Brands with indefinite useful lives are not amortized but are tested for impairment on an annual basis or whenever there is an indication of impairment.

The following criteria are used to determine whether a brand has a finite or indefinite life:
- overall market positioning of the brand, measured by sales volume, international reach and reputation;
- long-term profitability outlook;
- exposure to fluctuations in the economy;
- major developments in the industry liable to have an impact on the brand's future;
- age of the brand.

*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 is recognized from the date on which the asset is first used.

| (In thousands of euros) | Brands | Customer relationships | Other | Total |
|---|---|---|---|---|
| **Gross value** | 221,164 | 507,122 | 40,021 | 768,307 |
| **Accumulated amortization and impairment** | (615) | (248,181) | (12,905) | (261,700) |
| **Net carrying amount as at Dec. 31, 2011** | **220,550** | **258,941** | **27,116** | **506,607** |
| Investments | 227 | 0 | 18,924 | 19,152 |
| Changes in scope of consolidation | 0 | 426 | 5 | 431 |
| Retirements and disposals | 0 | 0 | 0 | 0 |
| Amortization | (231) | (38,558) | (3,438) | (42,226) |
| Translation adjustments | 31 | 63 | 0 | 94 |
| Impairment | (5,900) | 0 | 0 | (5,900) |
| Other | 0 | 0 | 7 | 7 |
| **Gross value** | 215,979 | 507,618 | 58,412 | 782,008 |
| **Accumulated depreciation and impairment** | (6,602) | (286,746) | (16,099) | (309,447) |
| **Net carrying amount at Dec 31, 2012** | **209,377** | **220,873** | **42,313** | **472,562** |
| Investments | 153 | 0 | 12,107 | 12,259 |
| Changes in scope of consolidation | (1) | 10,565 | 1,254 | 11,818 |
| Retirements and disposals | (270) | 0 | (157) | (427) |
| Amortization | (233) | (39,644) | (4,710) | (44,587) |
| Translation adjustments | (28) | (253) | (13) | (293) |
| Impairment | 0 | 0 | (23,173) | (23,173) |
| Reclassification as assets held for sale | 0 | 0 | 0 | 0 |
| Other | 59 | 0 | 41 | 100 |
| **Gross value** | 215,920 | 517,897 | 71,635 | 805,452 |
| **Accumulated depreciation and impairment** | (6,864) | (326,356) | (43,974) | (377,194) |
| **Net carrying amount at Dec 31, 2013** | **209,056** | **191,540** | **27,661** | **428,257** |
| Investments | 112 | 71 | 4,670 | 4,853 |
| Changes in scope of consolidation | 0 | 17,249 | 129 | 17,378 |
| Retirements and disposals | 0 | 0 | 0 | 0 |
| Amortization | (220) | (41,107) | (5,820) | (47,148) |
| Translation adjustments | 89 | 459 | 9 | 557 |
| Impairment | 0 | 0 | 0 | 0 |
| Reclassification as assets held for sale | 0 | 0 | 0 | 0 |
| Other | 78 | 0 | (1,332) | (1,254) |
| **Gross value** | 215,966 | 537,186 | 78,476 | 831,628 |
| **Accumulated depreciation and impairments** | (6,851) | (368,973) | (53,160) | (428,984) |
| **Net carrying amount at Dec 31, 2014** | **209,115** | **168,213** | **25,316** | **402,645** |

Other intangible assets mainly comprise software and include the investments associated with the change in IT systems amounting to €20.0 million as at December 31, 2013 (€43.1 million of which €23.1 million for assets in progress fully written off), €32.7 million as at December 31, 2012 (assets in progress: €23.0 million) and €16.5 million as at December 31, 2011 (recognized under assets in progress).

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) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 | Amortization |
|---|---|---|---|---|
| Elis brands in France | 184,700 | 184,700 | 184,700 | Not amortized |
| Elis brands in Europe | 21,800 | 21,800 | 21,800 | Not amortized |
| *-Le Jacquard Français brand* | *900* | *900* | *900* | *Impaired* |
| *-Kennedy trademark* | *1,427* | *1,338* | *1,366* | *Not amortized* |
| Brands of manufacturing entities | 2,327 | 2,238 | 2,266 | |
| Other | 288 | 318 | 611 | |
| **Total brands** | **209,115** | **209,056** | **209,377** | |

*Recognition of impairment*

Impairment tests carried out on all of the Elis Group's brands resulted in the recognition of an impairment loss of €5.9 million for the JacquardFrançais brand as at December 31, 2012.

Moreover, as described in note 4.4 Other income and expense, as at December 31, 2013, the Group recognized an impairment loss of €26.5 million for IT system.

### 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 and laundry service agreements (textiles, equipment and other leased items) are initially recognized as inventory and are capitalized when they are allocated to the Group's operating site responsible for their leasing. These items are depreciated over an 18-month to 5-year period from the date they are available for use.

Depreciation is recognized from the date the asset is first used. Land is not depreciated.

*Change in accounting estimates*

At the end of 2011, a study on the actual useful life of textiles led to an increase in the depreciation period for rented textile items as from January 1, 2012. This led to a decrease in depreciation expense of €40.2 million for 2012 and€9.7 million for 2013. The lengthening of the depreciation period primarily concerned flat linen, for which the average depreciation period has increased from two to three years.

In addition, the depreciation period for buildings was extended from 30 to 50 years as from January 1, 2012. The impact of the change in accounting estimate on the financial statements for the year ended December 31, 2012 amounts to €20 million (not material in 2013).

| (In thousands of euros) | Land and buildings | Vehicles | Plant & equipment | Rental-cleaning items | Total |
|---|---|---|---|---|---|
| **Gross value** | 276,235 | 58,733 | 272,705 | 381,045 | 988,718 |
| **Accumulated depreciation and impairment** | (48,702) | (28,654) | (93,742) | (194,511) | (365,609) |
| **Net carrying amount as at Dec. 31, 2011** | **227,534** | **30,079** | **178,963** | **186,534** | **623,109** |
| Investments | 35,229 | 5,453 | 41,592 | 144,237 | 226,511 |
| Changes in scope of consolidation | 27 | 18 | 349 | 321 | 714 |
| Retirements and disposals | (89) | (118) | (543) | (836) | (1,585) |
| Depreciation | (13,603) | (8,217) | (26,854) | (99,758) | (148,432) |
| Translation adjustments | 212 | 8 | 126 | 24 | 370 |
| Reclassification as assets held for sale | (1,304) | (10) | (180) | (21) | (1,516) |
| Other movements | 153 | 7 | (241) | 75 | (7) |
| **Gross value** | 310,060 | 63,232 | 309,720 | 496,688 | 1,179,700 |
| **Accumulated depreciation and impairment** | (61,901) | (36,012) | (116,510) | (266,112) | (480,535) |
| **Net carrying amount as at Dec. 31, 2012** | **248,158** | **27,220** | **193,211** | **230,576** | **699,165** |
| Investments | 8,284 | 5,916 | 34,813 | 142,245 | 191,258 |
| Changes in scope of consolidation | 10,270 | 704 | 11,784 | 4,704 | 27,463 |
| Retirements and disposals | (8,794) | (134) | (1,327) | (54) | (10,308) |
| Depreciation | (13,828) | (8,372) | (30,288) | (130,556) | (183,044) |
| Translation adjustments | (525) | (29) | (360) | (168) | (1,082) |
| Impairment | 0 | 0 | (0) | 0 | (3,331) |
| Reclassification as assets held for sale | (88,879) | 0 | 0 | 0 | (88,879) |
| Other movements | 474 | 1 | (781) | 207 | (100) |
| **Gross value** | 228,805 | 69,010 | 352,421 | 526,696 | 1,176,931 |
| **Accumulated depreciation and impairment** | (73,644) | (43,704) | (148,700) | (279,742) | (545,791) |
| **Net carrying amount as at Dec. 31, 2013** | **155,161** | **25,307** | **203,720** | **246,953** | **631,140** |
| Investments | 6,743 | 8,817 | 36,525 | 185,042 | 237,127 |
| Changes in scope of consolidation | 6,022 | 1,893 | 30,033 | 11,189 | 49,136 |
| Retirements and disposals | (439) | (194) | (835) | (7) | (1,474) |
| Depreciation | (12,184) | (8,941) | (34,525) | (157,267) | (212,917) |
| Translation adjustments | 745 | 53 | 682 | 163 | 1,643 |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| Reclassification as assets held for sale | 0 | 0 | 0 | 0 | 0 |
| Other movements | 1,297 | 774 | (1,720) | 677 | 1,028 |
| **Gross value** | 232,618 | 81,417 | 431,554 | 596,922 | 1,342,511 |
| **Accumulated depreciation and impairment** | (75,274) | (53,709) | (197,673) | (310,172) | (636,827) |
| **Net carrying amount as at Dec. 31, 2014** | **157,344** | **27,708** | **233,881** | **286,750** | **705,683** |

*Finance lease*

Assets financed by leases with purchase options or long-term leases, which transfer substantially all the risks and rewards incident to ownership of the asset to the lessee, are recognized as non-current assets and depreciated in accordance with the accounting principles applicable to property, plant and equipment. The cost of leased assets includes the initial direct costs attributable to negotiating and arranging the lease, including professional and legal fees. The financial commitments arising under leases are recognized as financial liabilities.

| (in thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Owned property, plant and equipment | **699,401** | **624,523** | **689,913** |
| Leased property, plant and equipment | **6,282** | **6,617** | **9,251** |
| **Total property, plant and equipment** | **705,683** | **631,140** | **699,165** |

## 6.4 Off-balance sheet commitments relating to non-current assets and leases

Future minimum operating lease commitments in force are as follows:

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| - Future minimum lease payments under non-cancellable operating leases | | | |
| within one year | 2,543 | 1,430 | 2,360 |
| between 1 and 5 years | 13,957 | 14,712 | 9,016 |
| after 5 years | 164,271 | 14,860 | 7,770 |
| **TOTAL** | **180,771** | **31,002** | **19,146** |

The increase in commitments at the end of December 2014 is mainly related to sale and leaseback transactions described in note 2.5 Non-current assets (or groups of assets) held for sale.

## 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 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.

If the recoverable amount is less than the carrying amount, an impairment loss is recognized, corresponding to the difference between the two amounts. Impairment of property, plant and equipment may subsequently be reversed (by up to the amount of the initial impairment) if the recoverable amount rises above the carrying amount.

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 property, plant and equipment is exposed to a risk of impairment due to events or changes in market conditions, they are reviewed to determine whether their carrying amount is less than their recoverable amount, defined as the higher of fair value (less costs to sell) and value in use.

*Discounted cash flow method:*

1. *Calculating future cash flows*

Goodwill impairment tests are performed by determining the value in use of each cash-generating unit, using the following method for calculating recoverable amounts:

- estimation of projected future cash flows based on the five-year business plans set by the management of each cash-generating unit and validated by the management team of the parent company. Future cash flows are estimated based on conservative growth assumptions;
- cash flows are calculated according to the discounted cash flow method (EBITDA +/- changes in working capital - normative tax - capital expenditure);
- the terminal value is calculated on a perpetual income basis;
- discounted cash flow is calculated on the basis of the weighted average cost of capital (WACC), which in turn is based on inputs for the financial return and industry-specific risks of the market on which it operates.

2. *Method for calculating WACC*

Given the financial crisis, 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;
- 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 |
|---|---|---|---|---|---|---|---|---|---|
| Risk-free rate | 2.69% | 7.26% | 4.67% | 3.09% | 2.10% | 2.73% | 1.14% | 4.50% | 11.40% |
| Credit spread (weighted average of actual debt) | 0.83% | 0.83% | 0.83% | 0.83% | 0.83% | 0.83% | 0.83% | 0.83% | 0.83% |
| ***Cost of debt (before tax)*** | **3.52%** | **8.09%** | **5.50%** | **3.92%** | **2.93%** | **3.56%** | **1.97%** | **5.33%** | **12.23%** |
| Tax rate | 34.00% | 23.00% | 30.00% | 33.99% | 29.60% | 20.00% | 17.90% | 31.40% | 34.00% |
| ***Cost of debt, net of tax*** | **2.32%** | **6.23%** | **3.85%** | **2.59%** | **2.06%** | **2.85%** | **1.62%** | **3.66%** | **8.07%** |
| Equity risk premium | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| ***Levered beta*** | **0.940** | **0.961** | **0.947** | **0.940** | **0.948** | **0.966** | **0.970** | **0.945** | **0.940** |
| ***Cost of equity*** | **7.38%** | **12.06%** | **9.41%** | **7.79%** | **6.84%** | **7.56%** | **5.99%** | **9.22%** | **16.10%** |
| Gearing | 19.00% | 19.00% | 19.00% | 19.00% | 19.00% | 19.00% | 19.00% | 19.00% | 19.00% |
| **WACC 2014** | **6.4%** | **11.0%** | **8.4%** | **6.8%** | **5.9%** | **6.7%** | **5.2%** | **8.2%** | **14.6%** |
| *WACC 2013* | *6.9%* | *13.0%* | *9.4%* | *7.4%* | *6.3%* | *6.8%* | *5.5%* | *9.1%* | |

*Fundamental assumptions for impairment tests*

The business plans of each CGU were prepared on the basis of management's best estimate of the impact of the current economic downturn. Projected cash flows are therefore reasonable and reflect, where appropriate, the resilience of the CGU's business.

*Sensitivity of tests related to goodwills*

The most significant sensitivities of the impairment tests are as follows (difference between the carrying amount and recoverable amount of the CGU):

| **France**<br>(In millions of euros) | | **Perpetuity growth rate** | | |
|---|---|---|---|---|
| | | **1.5%** | **2.0%** | **2.5%** |
| WACC | 5.9% | 1,146 | 1,479 | 1,910 |
| | **6.4%** | 839 | **1,099** | 1,427 |
| | 6.9% | 588 | 797 | 1,054 |

| **Belgium**<br>(In millions of euros) | | **Perpetuity growth rate** | | |
|---|---|---|---|---|
| | | **1.5%** | **2.0%** | **2.5%** |
| WACC | 6.3% | 1 | 6 | 11 |
| | **6.8%** | (3) | **1** | 5 |
| | 7.3% | (6) | (3) | 0 |

| **Kennedy**<br>(In millions of euros) | | **Perpetuity growth rate** | | |
|---|---|---|---|---|
| | | **1.5%** | **2.0%** | **2.5%** |
| WACC | 6.2% | 0 | 3 | 7 |
| | **6.7%** | (2) | **(0)** | 3 |
| | 7.2% | (4) | (3) | (0) |

| **Brazil**<br>(In millions of euros) | | **EBITDA Budget 2015** | | |
|---|---|---|---|---|
| | | **-10.0%** | **-** | **10.0%** |
| Multiple | 6,5x | -13 | 2 | 17 |
| | **7x** | -3 | **13** | 29 |
| | 7,5x | 7 | **25** | 42 |

The sensitivity analysis presented above shows that the recoverable amount of the CGUs exceeds the carrying amount. In accordance with IAS 36, impairment testing is performed and accounted for 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 | 7.4% | 7.4% | 7.7% |
| 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:

| (In millions of euros) | Perpetuity growth rate | | |
|---|---|---|---|
| **Discount rate** | **1.5%** | **2.0%** | **2.5%** |
| **6.9%** | 103 | 128 | 160 |
| **7.4%** | 77 | **98** | 123 |
| **7.9%** | 56 | 73 | 94 |

## 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.

Elis recognizes contingent liabilities for disputes and legal proceedings occurring in the ordinary course of its business. It does not expect these liabilities to result in material obligations beyond those for which provisions have already been recognized.

Liabilities resulting from restructuring plans are recognized when there is an obligation, the related costs have been forecast in detail and it is highly probable that they will be implemented.

Obligations arising from onerous contracts are also recognized as provisions.

*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, for restructuring, provisions for onerous contracts and provisions for disputes arising in the ordinary course of operations of the Group.

| (in thousands of euros) | Compliance | Litigation | Other | Total |
|---|---|---|---|---|
| **As at December 31, 2011** | 15,243 | 3,354 | 932 | **19,529** |
| Increases/additions for the year | 1,325 | 2,105 | 3,827 | 7,257 |
| Changes in consolidation scope | | | | |
| Decreases/reversals of provisions used | -1,193 | -1,659 | -394 | -3,247 |
| Reclassification in liabilities associated with assets held for sales | -183 | | -14 | -197 |
| Reclassification/translation adjustments | 5 | | 0 | 5 |
| **As at December 31, 2012** | 15,197 | 3,800 | 4,351 | **23,348** |
| Increases/additions for the year | 1,623 | 1,959 | 303 | 3,885 |
| Changes in consolidation scope | | 89 | 224 | 313 |
| Decreases/reversals of provisions used | -1,323 | -1,430 | -2,899 | -5,652 |
| Reclassification in liabilities associated with assets held for sales | | | | |
| Reclassification/translation adjustments | -11 | | 0 | -12 |
| **As at December 31, 2013** | 15,487 | 4,418 | 1,978 | **21,883** |
| Increases/additions for the year | 938 | 1,438 | 99 | 2,475 |
| Changes in consolidation scope | 2,139 | 8,380 | 6,035 | 16,555 |
| Decreases/reversals of provisions used | -1,528 | -3,517 | -2,281 | -7,326 |
| Reclassification in liabilities associated with assets held for sales | | | | |
| Reclassification/translation adjustments | 39 | 107 | -657 | -511 |
| **As at December 31, 2014** | 17,074 | 10,825 | 5,176 | **33,075** |
| Current portion | | 3,548 | 531 | **4,078** |
| Non-current portion | 17,074 | 7,278 | 4,645 | **28,997** |
| *France* | *12,310* | *2,854* | *550* | *15,714* |
| *Europe* | *2,601* | *507* | *169* | *3,277* |
| *Brazil* | *2,164* | *7,359* | *4,450* | *13,973* |
| *Manufacturing Entities* | | *105* | *6* | *111* |

The increase of provisions between December 31, 2013 and December 31, 2014 is mainly related to the fact that Atmosfera, acquired in February 2014, joined the Group's consolidation scope.

### 7.2 Contingent liabilities

Elis has contingent liabilities relating to legal or arbitration proceedings arising in the normal course of its business.

Proceeding related to alleged bribery in Brazil

On November 21, the Group was informed that a civil action, relating to alleged bribery in the frame of contracts in the State of Rio de Janeiro, was brought against several industrial laundry service providers including Atmosfera. Pending additional information, the Company is unable to estimate the contingent incurred liability 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.

# 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's customers, there is no material concentration of credit risk (meaning no one counterparty or group of counterparties accounts for a material proportion of trade receivables). The maximum exposure to credit risk is limited to the carrying amount of trade receivables. The due dates of trade and other receivables are as follows:

| (in thousands of euros) | Dec. 31, 2014 | | |
|---|---|---|---|
| | Gross value | Impairment | Net value |
| Not yet due or less than 120 days overdue | 274,615 | (1,196) | **273,419** |
| Between 120 and 360 days overdue | 8,627 | (3,665) | **4,962** |
| More than 360 days overdue | 29,728 | (24,648) | **5,080** |
| **Trade receivables** | **312,971** | **(29,510)** | **283,461** |

| (in thousands of euros) | Dec. 31, 2013 | | |
|---|---|---|---|
| | Gross value | Impairment | Net value |
| Not yet due or less than 120 days overdue | 253,954 | (702) | **253,252** |
| Between 120 and 360 days overdue | 9,906 | (3,749) | **6,157** |
| More than 360 days overdue | 29,124 | (23,464) | **5,659** |
| **Trade receivables** | **292,983** | **(27,915)** | **265,069** |

| (in thousands of euros) | Dec. 31, 2012 | | |
|---|---|---|---|
| | Gross value | Impairment | Net value |
| Not yet due or less than 120 days overdue | 245,513 | (403) | **245,110** |
| Between 120 and 360 days overdue | 9,709 | (3,658) | **6,051** |
| More than 360 days overdue | 23,251 | (18,982) | **4,269** |
| **Trade receivables** | **278,473** | **(23,043)** | **255,430** |

- Financial investments: the Group's policy is to invest its cash in short-term money-market mutual funds (*fonds communs de placement*), with the aim of obtaining returns close to EONIA while complying with rules regarding diversification and counterparty quality. As at December 31, 2014, short-term investments totaled €34.5 million and consisted mainly of money-market mutual funds managed by one of the largest players in the global asset management in industry. In the Group's view, therefore, those investments do not expose it to any material counterparty risk. As part of its policy for managing interest-rate and exchange-rate risks, the Group arranges hedging contracts with top-ranking financial institutions and believes that counterparty risk in this respect can be regarded as insignificant.

*Liquidity risk*

The Group must always have financial resources available, not just to finance the day-to-day running of its business, but also to maintain its investment capacity.
The Group manages liquidity risk by paying constant attention to the duration of its financing arrangements, the permanence of its available credit facilities and the diversification of its resources. The Group also manages its available cash prudently and has set up cash management agreements in the maincountries in which it operates in order to optimize available cash.
As at December 31, 2014, the Group's adjusted net debt was €2,019.1 million.

Loan agreements relating to this debt include the legal and financial undertakings usually involved in such transactions, and specify accelerated maturities if those undertakings are not complied with. The financial undertakings include an obligation for the Group to maintain certain financial ratios in particular. Based on these consolidated financial statements, the Group was in compliance with all these commitments as at December 31, 2014:

- Consolidated interest cover ratio = 3.68 (must be above 2.60);
- Cash flow cover ratio = 2.16 (must be above than 1.00);
- Senior leverage ratio = 3.31 (must be below 4.06);
- Leverage ratio = 4.20 (must be below 5.23);
- Capital expenditure = 68.2 (must be below 240.4).

As at December 31, 2014, the repayment dates for consolidated debt and related interest are presented hereafter.

The future contractual cash flows are based on the receivables shown in the statement of financial position at the end of the fiscal year, and do not take into account any possible subsequent management decision that could significantly alter the Group's debt structure or hedging policy. The figures for interest payable reflect the cumulative interest payable until the due date or planned repayment date of the related loan. They were estimated on the basis of forward rates calculated from the yield curves at the reporting date.

| in thousand of euros | Carrying value<br>Amortized cost | Cash flow 2015<br>Principal | Contractual fixed rate interest | Hedged variable-rate interest | *Variable-rate interest* | *Hedge impact* | Non-hedged variable-rate interest |
|---|---|---|---|---|---|---|---|
| Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35% | 205,136 | | | | | | |
| Senior subordinated notes 3-month EURIBOR+7% | 381,436 | | | | | | 30,738 |
| Senior secured bonds 6% | 451,125 | | 27,000 | | | | |
| Other structured financing EURIBOR+4.25% | 1,025,567 | 113,000 | | 39,602 | *29,681* | *9,922* | 11,222 |
| Unamortized loan costs | -38,090 | | | | | | |
| Loan from employee profit-sharing fund | 31,692 | 3,123 | 696 | | | | |
| Financial leases | 5,752 | 579 | 379 | | | | 0 |
| Other | 8,627 | 2,835 | 196 | | | | 0 |
| Overdrafts | 732 | 732 | | | | | |
| **Total interest-bearing loans and borrowings** | **2,071,976** | **120,268** | **28,271** | **39,602** | ***29,681*** | ***9,922*** | **41,960** |

| in thousand of euros | Carrying value<br>Amortized cost | Cash flow 2016<br>Principal | Contractual fixed rate interest | Hedged variable-rate interest | *Variable-rate interest* | *Hedge impact* | Non-hedged variable-rate interest |
|---|---|---|---|---|---|---|---|
| Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35% | 205,136 | | | | | | |
| Senior subordinated notes 3-month EURIBOR+7% | 381,436 | | | | | | 30,907 |
| Senior secured bonds 6% | 451,125 | | 27,000 | | | | |
| Other structured financing EURIBOR+4.25% | 1,025,567 | 0 | | 42,354 | *32,281* | *10,073* | 7,242 |
| Unamortized loan costs | -38,090 | | | | | | |
| Loan from employee profit-sharing fund | 31,692 | 6,340 | 1,084 | | | | |
| Financial leases | 5,752 | 295 | 369 | | | | 0 |
| Other | 8,627 | 2,529 | 135 | | | | 0 |
| Overdrafts | 732 | 0 | | | | | |
| **Total interest-bearing loans and borrowings** | **2,071,976** | **9,164** | **28,587** | **42,354** | ***32,281*** | ***10,073*** | **38,149** |

| in thousand of euros | Carrying value<br>Amortized cost | Cash flow 2017-2018-2019<br>Principal | Contractual fixed rate interest | Hedged variable-rate interest | *Variable-rate interest* | *Hedge impact* | Non-hedged variable-rate interest |
|---|---|---|---|---|---|---|---|
| Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35% | 205,136 | | | | | | |
| Senior subordinated notes 3-month EURIBOR+7% | 381,436 | 380,000 | | | | | 60,547 |
| Senior secured bonds 6% | 451,125 | 450,000 | 39,375 | | | | |
| Other structured financing EURIBOR+4.25% | 1,025,567 | 899,913 | | 42,181 | *32,711* | *9,470* | 7,339 |
| Unamortized loan costs | -38,090 | | | | | | |
| Loan from employee profit-sharing fund | 31,692 | 18,971 | 1,481 | | | | |
| Financial leases | 5,752 | 566 | 1,059 | | | | |
| Other | 8,627 | 2,249 | 101 | | | | |
| Overdrafts | 732 | | | | | | |
| **Total interest-bearing loans and borrowings** | **2,071,976** | **2,198,127** | **42,016** | **42,181** | ***32,711*** | ***9,470*** | **67,886** |

| in thousand of euros | Carrying value<br>Amortized cost | Cash flow 2020 and beyond<br>Principal | Contractual fixed rate interest | Hedged variable-rate interest | *Variable-rate interest* | *Hedge impact* | Non-hedged variable-rate interest |
|---|---|---|---|---|---|---|---|
| Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35% | 205,136 | 0 | | | | | 0 |
| Senior subordinated notes 3-month EURIBOR+7% | 381,436 | | | | | | |
| Senior secured bonds 6% | 451,125 | | | | | | |
| Other structured financing EURIBOR+4.25% | 1,025,567 | | | | | | |
| Unamortized loan costs | -38,090 | | | | | | |
| Loan from employee profit-sharing fund | 31,692 | | | | | | |
| Financial leases | 5,752 | 4,312 | 4,551 | | | | |
| Other | 8,627 | 0 | | | | | |
| Overdrafts | 732 | | | | | | |
| **Total interest-bearing loans and borrowings** | **2,071,976** | **4,312** | **4,551** | **0** | ***0*** | ***0*** | **0** |

| in thousand of euros | Carrying value<br>Amortized cost | Estimate of future cash flows as of 12/31/2013<br>Principal | Total hedged fixed/variable rate interests | Total non-hedged fixed/variable rate interests |
|---|---|---|---|---|
| Legendre Holding 27 (PIK Loan) 12-month EURIBOR+10.35% | 205,136 | 446,428 | 0 | 0 |
| Senior subordinated notes 3-month EURIBOR+7% | 381,436 | 380,000 | 0 | 122,192 |
| Senior secured bonds 6% | 451,125 | 450,000 | 93,375 | 0 |
| Other structured financing EURIBOR+4.25% | 1,025,567 | 1,012,913 | 124,137 | 25,803 |
| Unamortized loan costs | -38,090 | | | |
| Loan from employee profit-sharing fund | 31,692 | 28,434 | 3,261 | 0 |
| Financial leases | 5,752 | 5,752 | 6,357 | 0 |
| Other | 8,627 | 7,612 | 432 | 0 |
| Overdrafts | 732 | 732 | 0 | 0 |
| **Total interest-bearing loans and borrowings** | **2,071,976** | **2,331,870** | **227,562** | **147,995** |

Along with its initial public offering, the Group refinanced its debt, with an effective date as of the settlement-delivery of the shares issued as part of the Company's admission to trading on the Euronext exchange in Paris. The refinancing consisted in paying off in its entirety the principal amount and interest due under the Senior Credit Facilities Agreement, paying off about 40% of the principal amount and interest due under the Senior Subordinated Notes due 2018 and of amounts due under the Legendre 27 (PIK bonds) loan ; the remainder will be offset by a capital increase.

Part of the amount due under the Senior Credit Facilities Agreement would be paid off with the New Senior Credit Facilities Agreement of €650 million euros (which include also revolving facilities); the outstanding balance under the Senior Credit Facilities Agreement would be paid off using the proceeds of the capital increase related to the initial public offering.

*Market risk*

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, 2014, the Group had €1,584.6 million of floating-rate debt outstanding and €487.4 million of fixed-rate debt outstanding.
To manage this risk effectively, the Group has taken out certain derivatives contracts (swaps), under which it has undertaken to swap, at specific times, the difference between the fixed rate agreed to in the swap contract and the floating rate applying to the relevant debt, based on a given notional amount. The Group's financing terms are monitored regularly, including in monthly financial performance monitoring meetings.
As at December 31, 2014, the Group was a party to interest-rate hedging contracts covering a total amount of €735 million of debt. These contracts effectively convert some of the Group's floating-rate debt into fixed-rate debt. However, no guarantee can be given regarding the Group's ability to manage its exposure to interest-rate fluctuations appropriately in the future or to continue doing so at a reasonable cost.

Net exposure to interest-rate risk as at December 31, 2014, before and after hedging, was as follows:

| (in thousand of euros) | Dec. 31, 2014 | Fixed | Floating | | Maturities |
|---|---|---|---|---|---|
| | | | hedged | unhedged | |
| Legendre Holding 27 (PIK Loan) 12-month EURIBOR (*) +10.35% | **205,136** | | | 205,136 | June 2019 |
| Senior subordinated notes 3-month EURIBOR (*) +7% | **381,436** | | | 381,436 | Dec. 2018 |
| Senior secured bonds 6% | **451,125** | 451,125 | | | June 2018 |
| Other structured financing EURIBOR +4.25% | **1,025,567** | | 735,000 | 290,567 | Oct. 2017 |
| Unamortized loan costs | **(38,090)** | (9,772) | | (28,318) | |
| Loan from employee profit-sharing fund | **31,692** | 31,692 | | | |
| Finance leases | **5,752** | 5,752 | | | |
| Other | **8,627** | 8,627 | | | |
| Overdrafts | **732** | | | 732 | |
| **Borrowings** | **2,071,976** | **487,423** | **735,000** | **849,552** | |
| (* floor at 1%) | | | | | |

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 derivatives eligible for cash flow hedge accounting. Changes in the fair value of such derivatives have an impact on the hedging reserve in equity, and are therefore included when calculating the sensitivity of equity to interest rate risk;
- changes in the interest rate curve impact derivatives (interest rate swaps, caps, etc.) that are not eligible for hedge accounting insofar as the changes affect their fair value. These movements are recognized in the income statement. This impact is therefore included when calculating the sensitivity of net income and equity to interest rate risk.

The following table shows the effect on 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:

| Type | +100 bp | | -100 bp | |
|---|---|---|---|---|
| | **Hedging reserves** | **Net financial expense** | **Hedging reserves** | **Net financial expense** |
| Financial instruments designated as hedging instruments | 18 958 | 0 | (19 650) | 0 |
| Non-derivative variable-rate financial instruments (not hedged) | 0 | (3 371) | 0 | 2 913 |
| Total derivatives not eligible for hedge accounting | 0 | 0 | 0 | 0 |
| **Total impact (pre-tax)** | **18 958** | **(3 371)** | **(19 650)** | **2 913** |
| ***Sensitivity of equity to interest rate changes*** | *+100 bp* | ***3,4%*** | *-100 bp* | ***-3,5%*** |
| ***Sensitivity of consolidated net income to interest rate changes*** | *+100 bp* | ***-10,1%*** | *-100 bp* | ***10,1%*** |

The Group does not have any significant interest-bearing assets.

*Currency risk*

The Group operates mainly in eurozone countries. For the year ended December 31, 2014, countries outside the eurozone – mainly Brazil, Switzerland and the UK, where it operates through its Kennedy Hygiene Products subsidiary – accounted for 12.5% of consolidated revenue (6.4% for Brazil, 5.5% for Switzerland and 0.5% for the UK).

When the Group prepares its consolidated financial statements, it must translate the accounts of its non-eurozone subsidiaries into euros at the applicable exchange rates. As a result, the Group is exposed to fluctuations in exchange rates, which have a direct accounting impact on the Group's consolidated financial statements. This creates a risk relating to the conversion into euros of non-eurozone subsidiaries' balance sheets and income statements.

As at December 31, 2014, the Group's sensitivity to fluctuations in exchange rates arose mainly from:

- Fluctuations in the Brazilian real against the euro – a 10% rise or fall of the Brazilian real against the euro relative to the exchange rates seen for the six-month period ended December 31, 2014 would cause equity to vary by €15.0 million and consolidated net income by €0.3 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 year ended December 31, 2014 would cause equity to vary by €9.4 million andconsolidated net income by €0.5 million;
- Fluctuations of the pound sterling against the euro – a 10% rise or fall of the pound sterling against the euro relative to the exchange rates seen for the year ended December 31, 2013 would cause equity to vary by €3.1 million and consolidated net income by €0.1 million.

The Group is also exposed to operational exchange-rate risk through its goods purchases, which are partly denominated in pounds sterling and US dollars. In 2014, goods purchases denominated in foreign currencies totaled $50.5 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 goods procurement. As at December 31, 2014, the Group had made forward purchases with a 2015 maturity amounting to $40.2 million ($33.8 million one year ago).

*Equity risk*

As at December 31, 2014, the Group did not own any financial securities other than shares in non-consolidated companies. As a result, the Group believes that it does not have any material exposure to market risk relating to equity or other financial instruments.

### 8.2 Net financial expense

| (In thousands of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Interest expense on borrowings and employee profit-sharing fund | (150,508) | (154,639) | (144,290) |
| **Gross finance costs** | **(150,508)** | **(154,639)** | **(144,290)** |
| Gains (losses) on traded derivatives | (1,129) | (8,225) | (9,093) |
| Other financial income and expenses | 369 | 161 | 19 |
| **Total finance expense** | (760) | (8,064) | (9,074) |
| **Net finance costs** | **(151,268)** | **(162,703)** | **(153,365)** |
| Foreign exchange losses | (283) | (463) | (336) |
| Foreign exchange gains | 259 | 261 | 521 |
| Interest expense on provisions and retirement benefits | (1,266) | (1,262) | (1,214) |
| Other | (992) | (31) | 39 |
| **Total other financial income and expenses** | **(2,283)** | **(1,495)** | **(990)** |
| **Net financial expense** | **(153,551)** | **(164,198)** | **(154,355)** |

### 8.3 Gross debt

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently measured at amortized cost. Any difference between the income (net of transaction costs) and the repayment value is recognized in income over the term of borrowings using the effective interest rate method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer payment of the liability by at least 12 months after the reporting date, in which case the borrowings are classified as non-current liabilities.

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, 2014, consolidated debt comprised the main following:

- Private PIK Notes and PIK Proceeds Loan

Legendre Holding 27, which directly owns more than 90% of the Elis' equity, issued Private PIK Notes on June 14, 2013 with a principal amount of €173.0 million, bearing interest at a floating interest rate equal to 12-month Euribor (with a floor of 1.0% per year) plus 10.25% per year, maturing in June 2019.
The Private PIK Notes were subscribed by funds managed by Goldman Sachs International. Interest on the Private PIK Notes is payable annually through the allotment of additional

Private PIK Notes. Proceeds from the Private PIK Notes have been reconveyed by Legendre Holding 27 to Elis through a loan that reproduces the financial terms of the Private PIK Notes (the "PIK Proceeds Loan").

- Senior Subordinated Notes

Elis issued Senior Subordinated Notes on June 14, 2013 in a principal amount of €380 million, bearing interest at a floating interest rate equal to 3-month Euribor (with a floor of 1.00% per year) plus 7.0% per year, maturing in December 2018. Interest on the Senior Subordinated Notes is payable quarterly. The Senior Subordinated Notes were subscribed by funds managed by Goldman Sachs International.

- Senior Secured Notes

On June 14, 2013, Novalis, a wholly-owned subsidiary of the Company, issued bonds with a principal amount of €450 million and paying interest at an annual rate of 6%, maturing in June 2018 (the "High Yield Bonds"). Interest is payable every six months. The Group used the proceeds from the High Yield Bonds to redeem part of the debt it took out in October 2007. The High Yield Bonds are listed for trading on the Global Exchange Market of the Irish Stock Exchange (organized multilateral trading facility within the meaning of European Parliament and Council Directive 2004/39/EC of April 21, 2004 as amended).

- Senior Credit Facilities Agreement

On October 4, 2007, the Elis, Novalis and M.A.J. entered into a Senior Credit Facilities Agreement with BNP Paribas (as Mandated Lead Arranger, Facility Agent, Security Agent and Original Senior Lender). The Senior Credit Facilities Agreement was amended on June 14, 2013. The margin on the Senior Credit Facilities Agreement is currently 425 base points.

As at December 31, 2014, the Group had an undrawn credit line of €43 million.

*Maturity of financial liabilities*

| (in thousand of euros) | Dec. 31, 2014 | 2,015 | 2,016 | 2017-2019 | 2,020 and beyond |
|---|---|---|---|---|---|
| Legendre Holding 27 (PIK Loan) 12-month EURIBOR (*)+10.35% | **205,136** | | | 205,136 | |
| Senior subordinated notes 3-month EURIBOR (*)+7% | **381,436** | 1,436 | | 380,000 | |
| Senior secured bonds 6% | **451,125** | 1,125 | | 450,000 | |
| Other structured financing EURIBOR +4.25% | **1,025,567** | 128,224 | | 897,343 | |
| Unamortized loan costs | **(38,090)** | (11,617) | (12,734) | (13,739) | |
| Loan from employee profit-sharing fund | **31,692** | 3,818 | 8,442 | 19,432 | |
| Finance leases | **5,752** | 579 | 295 | 566 | 4,312 |
| Other | **8,627** | 2,949 | 1,971 | 3,375 | 333 |
| Overdrafts | **732** | 732 | | | |
| **Borrowings** | **2,071,976** | **127,245** | **(2,026)** | **1,942,112** | **4,645** |
| (* floor at 1%) | | | | | |

### 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) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Demand deposits | 24,760 | 25,223 | 34,472 |
| Term deposits and marketable securities | 34,495 | 24,231 | 20,680 |
| **Cash and cash equivalents** | **59,255** | **49,454** | **55,152** |
| Cash classified as assets held for sale | 0 | 0 | 465 |
| Bank overdrafts | (732) | (856) | (939) |
| **Cash and cash equivalents, net** | **58,523** | **48,598** | **54,678** |

In Brazil, where exchange control restrictions may exist, cash and cash equivalents amounted to €4,320 thousand as at December 31, 2014, compared to €1,255 thousand as at December 31, 2013.

## 8.5 Net debt

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| Bonds subscribed by Eurazeo/ECIP Elis | 0 | 0 | 381,010 |
| Legendre Holding 27 (PIK Loan) | 192,854 | 173,000 | 0 |
| Other bond debt | 830,000 | 830,000 | 620,509 |
| Bond debt | 1,022,854 | 1,003,000 | 1,001,519 |
| Structured facilities | 1,012,903 | 994,850 | 1,343,712 |
| Finance lease liabilities | 5,752 | 6,335 | 5,946 |
| Other loans and overdrafts | 9,348 | 10,930 | 10,260 |
| Loan from employee profit-sharing fund | 31,692 | 33,626 | 44,529 |
| Loans | 1,059,694 | 1,045,742 | 1,404,447 |
| Accrued interest | 27,517 | 26,053 | 28,090 |
| Unamortized loan costs | (38,090) | (48,047) | (9,635) |
| **Borrowings** | **2,071,976** | **2,026,748** | **2,424,421** |
| Of which maturing in less than one year | 124,684 | 118,013 | 117,134 |
| Of which maturing in more than one year | 1,947,291 | 1,908,735 | 2,307,287 |
| **Cash and cash equivalents (assets)** | **59,255** | **49,454** | **55,617** |
| **Net debt** | **2,012,721** | **1,977,294** | **2,368,805** |
| **Loans and borrowings by currency** | | | |
| EUR | 2,066,891 | 2,020,404 | 2,418,335 |
| GBP | | | |
| CHF | 3,055 | 6,344 | 6,086 |
| CZK | | | |
| BRL | 2,030 | 0 | 0 |
| Other | | | |

### 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 (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 income are measured based on market prices for listed instruments (level 1 of fair value – quoted prices in active markets);
- non-current derivatives are measured using a valuation technique based on market rates (e.g., Euribor) (level 2 of fair value – derived from observable market data);
- loans and borrowings are recognized at amortized cost, calculated using the Effective Interest Rate (EIR) method. The fair values shown for fixed-rate debt include the effects of interest rate movements, while those for total debt include changes in Group credit risk;
- given their very short maturities, the fair value of trade payables and receivables approximates the same as their carrying amount.

| | Dec. 31, 2014 | | Breakdown by category of financial instrument | | | | |
|---|---|---|---|---|---|---|---|
| (In thousands of euros) | Carrying amount | Fair value | Fair value through income | Fair value through equity | Loans and receivables | Debt at amortized cost | Derivative financial instruments |
| Available-for-sale financial assets (non-current) | 168 | 168 | | 168 | | | |
| Other non-current assets | 6,890 | 6,890 | | | 6,890 | | 0 |
| Trade and other receivables | 327,863 | 327,863 | | | 327,863 | | |
| Other current assets | 13,461 | 13,461 | | | 10,627 | | 2,834 |
| Cash and cash equivalents | 59,255 | 59,255 | 59,255 | | | | |
| **Financial assets** | **407,637** | **407,637** | **59,255** | **168** | **345,380** | **0** | **2,834** |
| Loans and borrowings | 1,947,291 | 1,992,484 | | | | 1,947,291 | |
| Other non-current liabilities | 34,552 | 34,552 | | | 9,129 | | 25,423 |
| Trade and other payables | 139,630 | 139,630 | | | 139,630 | | |
| Other liabilities | 237,028 | 237,028 | | | 237,028 | | 0 |
| Bank overdrafts and portions of loans due in less than one year | 124,684 | 136,301 | | | | 124,684 | |
| **Financial liabilities** | **2,483,185** | **2,539,995** | **0** | **0** | **385,787** | **2,071,976** | **25,423** |

| | Dec. 31, 2013 | | Breakdown by category of financial instrument | | | | |
|---|---|---|---|---|---|---|---|
| (In thousands of euros) | Carrying amount | Fair value | Fair value through income | Fair value through equity | Loans and receivables | Debt at amortized cost | Derivative financial instruments |
| Available-for-sale financial assets (non-current) | 137 | 137 | | 137 | | | |
| Other non-current assets | 7,971 | 7,971 | | | 7,971 | | 0 |
| Trade and other receivables | 297,092 | 297,092 | | | 297,092 | | |
| Other current assets | 3,450 | 3,450 | | | 3,450 | | 0 |
| Cash and cash equivalents | 49,454 | 49,454 | 49,454 | | | | |
| **Financial assets** | **358,105** | **358,105** | **49,454** | **137** | **308,514** | **0** | **0** |
| Loans and borrowings | 1,908,735 | 1,946,390 | | | | 1,908,735 | |
| Other non-current liabilities | 21,293 | 21,293 | | | 3,600 | | 17,693 |
| Trade and other payables | 118,334 | 118,334 | | | 118,334 | | |
| Other liabilities | 224,756 | 224,756 | | | 223,631 | | 1,125 |
| Bank overdrafts and portions of loans due in less than one year | 118,013 | 128,405 | | | | 118,013 | |
| **Financial liabilities** | **2,391,131** | **2,439,177** | **0** | **0** | **345,565** | **2,026,748** | **18,818** |

| | Dec. 31, 2012 | | Breakdown by category of financial instrument | | | | |
|---|---|---|---|---|---|---|---|
| (In thousands of euros) | Carrying amount | Fair value | Fair value through income | Fair value through equity | Loans and receivables | Debt at amortized cost | Derivative financial instruments |
| Available-for-sale financial assets (non-current) | 152 | 152 | | 152 | | | |
| Other non-current assets | 2,956 | 2,956 | | | 2,956 | | 0 |
| Trade and other receivables | 274,616 | 274,616 | | | 274,616 | | |
| Other current assets | 4,458 | 4,458 | | | 4,458 | | 0 |
| Cash and cash equivalents | 55,152 | 55,152 | 55,152 | | | | |
| **Financial assets** | **337,333** | **337,333** | **55,152** | **152** | **282,030** | **0** | **0** |
| Loans and borrowings | 2,307,287 | 2,311,962 | | | | 2,307,287 | |
| Other non-current liabilities | 40,011 | 40,011 | | | 2,271 | | 37,740 |
| Trade and other payables | 98,421 | 98,421 | | | 98,421 | | |
| Other liabilities | 209,731 | 209,731 | | | 209,225 | | 506 |
| Bank overdrafts and portions of loans due in less than one year | 117,134 | 122,094 | | | | 117,134 | |
| **Financial liabilities** | **2,772,584** | **2,782,219** | **0** | **0** | **309,917** | **2,424,421** | **38,246** |

## 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 closing date. These are classified as non-current assets.

| (in thousands of euros) | Note | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|---|
| Non-current asset derivatives | 8.8 | 0 | 0 | 0 |
| Loans and receivables | | 6,890 | 7,971 | 2,956 |
| **Other non-current assets** | | **6,890** | **7,971** | **2,956** |
| Non-current liability derivatives | 8.8 | 25,423 | 17,693 | 37,740 |
| Deferred consideration payable on acquisitions | | 7,991 | 3,600 | 2,271 |
| Other non-current liabilities | | 1,138 | 0 | 0 |
| **Other non-current liabilities** | | **34,552** | **21,293** | **40,011** |

### 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 asset or liability or a highly probable forecast transaction (cash flow hedge);
- hedges of the fair value of recognized assets or liabilities (fair value hedge);
- derivative instruments that do not meet hedge accounting criteria.

The impact of changes in fair value of derivative instruments in a fair value hedging relationship and derivative instruments not eligible for hedge accounting during the year is recorded in the income statement. However, the effective portion of changes in the fair value of derivative instruments in a cash flow hedging relationship is recognized 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 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 Dec 31, 2014 | Changes in fair value during the reporting period | Impact on net financial expense (*) | Impact on equity |
|---|---|---|---|---|---|
| Interest rate swaps maturing in 2017 1.418% | 735,000 | (25,423) | (7,730) | (1,110) | (6,620) |
| **Total non-current derivatives - liabilities** | | **(25,423)** | | | |
| **Total interest-rate derivatives eligible for hedge accounting** | | **(25,423)** | **(7,730)** | **(1,110)** | **(6,620)** |

(*) Ineffective portion/impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.

| (In thousands of euros) | Principal | Fair values as at December 31, 2013 | Changes in fair value during the year | Impact on net financial expense (*) | Impact on equity |
|---|---|---|---|---|---|
| Interest rate cap 3% maturing in 2013 | 400,000 | 0 | | | |
| **Total non-current asset derivatives** | | **0** | | | |
| | | | | | |
| Interest rate swaps maturing in 2017 1.418% (**) | 735,000 | **(17,693)** | 3,661 | 1,005 | 2,656 |
| Interest rate swaps maturing in 2014 2.738% (***) | 365,000 | **0** | 7,124 | (9,262) | 16,386 |
| **Total non-current liability derivatives** | | **(17,693)** | | | |
| **Total interest-rate derivatives eligible for hedge accounting** | | **(17,693)** | **10,785** | **(8,257)** | **19,042** |

(*) Ineffective portion / impact of restructuring instruments eligible for hedge accounting and change in fair value of other derivatives.
(**) 1.85% before 4 April 2013
(***) terminated on 9 October 2013 against a cash payment

| (In thousands of euros) | Principal | Fair values as at December 31, 2012 | Changes in fair value during reporting period | Impact on net financial expense (*) | Impact on equity |
|---|---|---|---|---|---|
| Interest rate cap 3% maturing in 2013 | 400,000 | **0** | (46) | (46) | |
| **Total non-current asset derivatives** | | **0** | | | |
| | | | | | |
| Interest rate swaps maturing in 2012 4.319% | 750,000 | **0** | 17,606 | 0 | 17,606 |
| Interest rate swaps maturing in 2014 1.85% | 735,000 | **(21,354)** | (1,970) | (9,230) | 7,260 |
| Interest rate swaps maturing in 2014 2.738% | 365,000 | **(16,386)** | (4,311) | - | (4,311) |
| **Total non-current liability derivatives** | | **0** | | | |
| **Total interest-rate derivatives eligible for hedge accounting** | | **0** | **11,279** | **(9,276)** | **20,555** |

(*) Ineffective portion / impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.

### *Currency derivatives*

Currency rate derivatives 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 Dec 31, 2014 | Changes in fair value during the reporting period | Impact on net financial expense | Impact on equity |
|---|---|---|---|---|---|
| Currency forward USD/EUR | 40,200 | 2,834 | 3,959 | (19) | 3,978 |
| **Total current derivatives - asset** | | **2,834** | | | |
| | | | | | |
| Currency forward USD/EUR | | | | | |
| **Total current derivatives - liabilities** | | **0** | | | |
| **Total currency derivatives** | | **2,834** | **3,959** | **(19)** | **3,978** |

| (In thousands of euros) | Nominal (in foreign currencies) | Fair values as at December 31, 2013 | Changes in fair value during the year | Impact on net financial expense | Impact on equity |
|---|---|---|---|---|---|
| Currency forward USD/EUR | | **0** | 0 | 0 | 0 |
| Currency forward GBP/EUR | | **0** | 0 | 0 | 0 |
| **Total current asset derivatives** | | **0** | | | |
| Currency forward USD/EUR | 33,750 | **(1,125)** | (379) | 20 | (399) |
| Currency forward GBP/EUR | | **0** | 43 | 12 | 31 |
| **Total current liability derivatives** | | **(1,125)** | | | |
| Reclassification as liabilities directly associated with assets held for sale | | **0** | | | |
| **Total other derivatives** | | **(1,125)** | **(336)** | **32** | **(368)** |

| (In thousands of euros) | Fair values as at December 31, 2012 | Changes in fair value during reporting period | Impact on net financial expense | Impact on equity |
|---|---|---|---|---|
| Currency forward USD/EUR | **0** | (2,078) | 306 | (2,384) |
| Currency forward GBP/EUR | **0** | (213) | (101) | (112) |
| **Total current asset derivatives** | **0** | | | |
| Currency forward USD/EUR | **(746)** | (746) | (17) | (729) |
| Currency forward GBP/EUR | **(43)** | (43) | (12) | (31) |
| Currency forward EUR/CHF | **0** | 7 | 8 | (0) |
| **Total current liability derivatives** | **(789)** | | | |
| Reclassification as liabilities directly associated with assets held for sale | **789** | | | |
| **Total other derivatives** | **0** | **(3,073)** | **183** | **(3,256)** |

## 8.9 Off-balance sheet commitments relating to Group financing and other commitments

| (In thousands of euros) | Dec. 31, 2014 | Dec. 31, 2013 | Dec. 31, 2012 |
|---|---|---|---|
| **Commitments given** | | | |
| Assignment and pledge of receivables as collateral (*) | 542,529 | 629,702 | 577,244 |
| Pledges, mortgages and sureties | 208 | 839 | 207 |
| Pledges, endorsements and guarantees given | 9,014 | 3,827 | 3,217 |
| Other commitments given | | | |
| **Commitments received** | | | |
| Pledges, mortages and sureties | | | |
| Pledges, endorsements and guarantees received | 12,745 | 9,927 | 8,098 |
| Other commitments received | | | |

(*) Receivables assigned and pledged for collateral purposes include receivables due between consolidated companies.

*Information on commitments given*

The following commitments were given to a pool of lenders to guarantee the financing facilities subscribed by Elis in 2007 for the acquisition of Novalis shares and amended on June 14, 2013:

| Companies | Pledged items | | Other commitments (see below) |
|---|---|---|---|
| | Shares | Bank accounts | |
| Legendre Holding 27 | Yes | | (1) |
| Elis | Yes | Yes | (2) |
| Novalis | Yes | Yes | (3) |
| M.A.J. | Yes | Yes | (3)/(4)/(5)/(6)/(7) |
| S.P.C.I. | Yes | | (8) |
| Pierrette T.B.A. | Yes | | |
| Grenelle Service | Yes | | |
| Les Lavandières | Yes | | |
| R.L.S.T. | Yes | | |
| Hades | Yes | | |
| Lavotel | Yes | | |
| Hedena | Yes | | |
| Kennedy Hygiene Products | Yes | | |
| Atmosfera Gestao e Higienização de Têxteis | Yes | Yes | |

(1) Legendre Holding 27 has pledged receivables due from Elis for the loan it granted to Elis;
(2) Elis has pledged receivables due from the sellers of Novalis shares and receivables due from the suppliers of reports prepared for the sale of Novalis shares;
(3) Novalis and M.A.J. have each signed an agreement to assign business receivables ("Dailly" receivables) relating to current account loans and advances to Elis Group companies;
(4) M.A.J. has pledged the Elis brand;
(5) M.A.J. has signed an agreement to assign the business receivables ("Dailly" receivables) it holds in respect of its customers;
(6) M.A.J. has made a delegation of payment of any compensation to be received from the seller of Lavotel and Hedena shares under the vendor warranty;
(7) M.A.J. has pledged receivables due from cash pool members in its capacity as cash pool manager;
(8) S.P.C.I. has pledged receivables due from the purchaser of Molinel shares under a vendor loan.

## 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 liability method for all temporary differences existing at the end of the reporting period between the tax base of assets and liabilities and their carrying amount on the statement of financial position.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- when the deferred tax liability is the result of the initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination and which at the time of occurrence, neither affects the accounting income nor the taxable income or loss; and
- for taxable temporary differences related to investments in subsidiaries or associates, when the date on which the temporary difference will be reversed can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards and unused tax credits, to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, it affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income 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) | 2014 | 2013 | 2012 |
|---|---|---|---|
| Consolidated net income (loss) | (21,824) | (44,081) | (46,416) |
| Equity-accounted companies | 0 | (68) | (197) |
| Current taxes | 24,107 | 14,476 | 19,403 |
| Deferred taxes | (11,057) | (15,647) | 2,165 |
| Pre-tax incom | (8,774) | (45,320) | (25,046) |
| Theoretical tax rate | 34.43% | 34.43% | 34.43% |
| **Theoretical tax expense** | **(3,021)** | **(15,604)** | **(8,623)** |
| **Actual tax expense** | **13,050** | **(1,171)** | **21,567** |
| Effect of tax not not based on net income* | 9,730 | 10,536 | 10,976 |
| **Difference** | **(6,340)** | **(3,896)** | **(19,215)** |
| **Breakdown of difference** | 0 | 0 | 0 |
| Tax rate differences and transactions taxed at reduced rates | 1,364 | 797 | 333 |
| Non-taxable (deductible) items | 0 | (199) | (7) |
| Permanent differences | (12,630) | (8,681) | (9,819) |
| Unrecognized tax loss carriyforwards | (4,086) | (2,517) | (2,253) |
| Utilization of previously unrecognized tax losses | 96 | 906 | 826 |
| Goodwill impairment | 0 | (1,377) | (12,940) |
| Other | 8,916 | 7,174 | 4,646 |

(*) CVAE in France, IRAP in Italy

The following table shows the sources of deferred tax assets and liabilities:

| (in thousands of euros) | Dec. 31, 2013 net | Changes in consolidation scope | reclassification as current | Income | Recognized directly in equity | Dec. 31, 2014 net |
|---|---|---|---|---|---|---|
| Intangible assets | (130,109) | 54 | 0 | 13,005 | (45) | (117,094) |
| Property, plant and equipment | (103,120) | (2,317) | (8,641) | 7,276 | 16 | (106,786) |
| Other assets | 1,239 | (912) | 0 | 415 | 0 | 742 |
| Derivative instruments - assets | 0 | 0 | 0 | 0 | (976) | (976) |
| Provisions | 5,239 | 5,569 | 0 | (1,272) | 0 | 9,536 |
| Retirement benefit liabilities | 11,262 | 0 | 0 | (276) | 1,106 | 12,092 |
| Interest-bearing loans and borrowings | (16,606) | 0 | 0 | 3,492 | 0 | (13,114) |
| Derivative instruments - liabilities | 6,683 | 0 | 0 | 390 | 1,885 | 8,957 |
| Other current liabilities | 5,543 | 0 | 0 | 138 | 0 | 5,680 |
| Other | 8 | (47) | 0 | (0) | 0 | (39) |
| Unused tax losses and credits/Consolidated recognized tax losses | 25,823 | 2,642 | 0 | (12,111) | 0 | 16,354 |
| **NET DEFERRED TAX ASSETS (LIABILITIES)** | **(194,038)** | **4,989** | **(8,641)** | **11,057** | **1,986** | **(184,647)** |
| Deferred tax assets | 8,672 | | | | | 12,376 |
| Deferred tax liabilities | (202,711) | | | | | (197,022) |

| (in thousands of euros) | Dec. 31, 2012 net | Changes in consolidation scope | IFRS5 reclassifications | Income | Recognized directly in equity | Dec. 31, 2013 net |
|---|---|---|---|---|---|---|
| Intangible assets | (149,434) | (1,990) | 0 | 21,280 | 35 | (130,109) |
| Property, plant and equipment | (108,347) | (3,450) | 8,641 | (9) | 45 | (103,120) |
| Other assets | 1,015 | 0 | 0 | 224 | 0 | 1,239 |
| Derivative instruments - assets | 438 | 0 | 0 | (438) | 0 | 0 |
| Provisions | 5,675 | (108) | 0 | (328) | 0 | 5,239 |
| Retirement benefit liabilities | 8,977 | 2,954 | 0 | 209 | (878) | 11,262 |
| Interest-bearing loans and borrowings | (3,262) | 0 | 0 | (13,344) | 0 | (16,606) |
| Derivative instruments - liabilities | 13,071 | 203 | 0 | (163) | (6,428) | 6,683 |
| Other current liabilities | 3,261 | 0 | 0 | 2,282 | 0 | 5,543 |
| Other | 7 | 0 | 0 | 1 | 0 | 8 |
| Unused tax losses and credits/Consolidated recognized tax losses | 19,890 | 0 | 0 | 5,933 | 0 | 25,823 |
| **NET DEFERRED TAX ASSETS (LIABILITIES)** | **(208,709)** | **(2,391)** | **8,641** | **15,647** | **(7,226)** | **(194,038)** |
| Deferred tax assets | 9,897 | | | | | 8,672 |
| Deferred tax liabilities | (218,606) | | | | | (202,711) |

Deferred tax assets are recognized for tax loss carryforwards when it is probable that they can be utilized against future taxable profit.

The Group has tax losses of €39.7 million (base) for which no deferred tax assets have been recognized. The majority of the tax losses, which are almost all related to foreign subsidiaries, expire after a period of one to 18 years.

# 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, 2012** | **214,663,565** |
| **Number of shares as at December 31, 2013** | **922,354,554** |
| **Number of shares as at December 31, 2014** | **49,761,041** |
| Number of authorized shares | 49,761,041 |
| Number of shares issued and fully paid up | 49,761,041 |
| Number of shares issued and not fully paid up | - |
| Par value of shares | 10.00 |
| Treasury shares | 0 |
| Shares reserved for issue under options and sales agreements | - |

During fiscal year 2013:

- At the shareholders' meeting of December 6, 2013, shareholders approved the €107.3 million reduction in capital, by reducing the par value of shares from €1 to €0.50. The corresponding amount was recorded in the "additional paid-in capital" account;
- At the shareholders' meeting of December 17, 2013, shareholders decided to increase capital by €417.6 million by capitalizing the bonds previously held by Eurazeo and ECIP ELIS;
- As a result of various contributions by Eurazeo and ECIP ELIS to Legendre Holding 27, Legendre Holding 27 (subsidiary of Eurazeo) holds since then more than 90% stake in Elis.

During fiscal year 2014:

- At the shareholders' meeting of January 31, 2014, shareholders approved the €36.4 million capital increase and recognition of €6.6 milion in "additional paid-in capital";
- At the shareholders' meeting of October 8, 2014, shareholders approved the de-crease in the number of ordinary shares (one new share for twenty old shares) as a result of a reverse share split.

Equity warrant plan for executive management

At the time of the acquisition of the Elis Group by Eurazeo, certain senior executives were authorized to subscribe to equity warrants issued by Elis via Quasarelis, a special purpose entity created to manage the investments of the senior executives. Eurazeo agreed to share with these senior executives the risks and rewards relating to the investment. The equity warrants were subscribed at fair value for an aggregate €3.2 million and were measured using standard models adapted for the purpose. The characteristics of the equity warrants issued by Elis on October 4, 2007 (as amended by decisions of the shareholders on December 17, 2013, on July 31, 2014 and October 8, 2014 with no change in fair value) are as follows:

| Number of warrants | **Issuance price** | | **Exercise conditions** | | | **Maximum increase in share capital** | |
|---|---|---|---|---|---|---|---|
| | Unit | Total | Dates | Exercise price | Par value | No. of shares | Total value in thousands of euros |
| | EUR | In thousands of euros | | EUR | EUR | | |
| 16 000 000 | 0.20 | 3,200 | In the event of disposal or IPO of Elis | 10.00 per share | 10.00 | 8,000,000 | 80,000 |

The investment only potentially generates a gain once a certain level of profitability has been reached. Eurazeo's commitment is confined to passing on the gain realized on the shares (beyond a minimum rate of return defined at inception) in the event of a disposal or stock market listing. Further, Eurazeo's undertaking towards the senior executives is only applicable in the event that the company's shares are sold or floated, i.e., decisions which are at the discretion of Eurazeo.

The equity warrants are accounted for as part of the equity on the line « Additional paid-in capital ». The warrants were exercised pre-IPO, on February 2015, 10.

### 10.2 Dividends paid and proposed

No dividends have been paid to Elis' shareholders during the previous three years. No dividends will be proposed for approval by shareholders at their annual general meeting. An amount of €40 million to be paid will be proposed to the Annual General Meeting.

### 10.3 Earnings per share

As disclosed in note 10.1 Share capital and reserves, some changes in the number of ordinary shares occurred during the reporting period. 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*

Basic earnings per share (EPS) is calculated by dividing net income or loss attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the year.

| (in thousands of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Net income or loss attributable to owners of the parent** | **-22,667** | **-44,334** | **-46,449** |
| Weighted average number of shares | 49,451,609 | 12,187,338 | 10,733,178 |

*Diluted*

Diluted earnings per share (EPS) is calculated by dividing net income or loss for the period profit or loss attributable to ordinary equity holders owners of the parent entity (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 interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share does not assume the conversion, exercise or other issue of potential ordinary shares that would have an accretive antidilutive effect impact on earnings per share (for example i.e., when the conversion to ordinary shares would that does not increase earnings or the loss per share).

## Note 11 – Related party disclosures

*Ultimate parent company*

Eurazeo SA is the ultimate controlling entity of Elis SA.

*Transactions with other related parties*

The following table shows the total amount of transactions entered into with the other related parties during the period, and the amounts in the statement of financial position as at December 31, 2014:

| (In thousands of euros) | Income | Expense | Receivables with related parties | Payables with related parties |
|---|---|---|---|---|
| **Entity with significant influence over the Group** | | | | |
| Legendre Holding 27 (parent company) | | (21,173) | | 205,136 |
| Eurazeo (ultimate parent) | | (71) | | 84 |

*Equity-accounted companies*

Guston Molinel, the equity-accounted company, was classified within assets held for sale as at December 31, 2012 (see notes 2.4 Changes in the scope of consolidation and 2.5 Non-current assets (or groups of assets) held for sale). The Group's share of the net income of associates and joint ventures is as follows:

| (in thousands of euros) | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Share of net income and expenses of associates and joint-ventures:** | | | |
| Revenue | 0 | 639 | 2,916 |
| Net income | 0 | 68 | 197 |

*Subsidiaries and consolidated companies*

The consolidated financial statements include the financial statements of Elis and the following subsidiaries:

| Name of company | Registered office | Country | Principal Activity | % interest 2014 | % interest 2013 | % interests 2012 |
|---|---|---|---|---|---|---|
| Elis | Puteaux | France | Parent Company | 100 | 100 | 100 |
| M.A.J. | Pantin | France | Textile & hygiene services | 100 | 100 | 100 |
| Les Lavandières | Avrillé | France | Textile & hygiene services | 100 | 100 | 100 |
| Régionale de Location et Services Textiles | Marcq en Baroeul | France | Textile & hygiene services | 100 | 100 | 100 |
| Pierrette - T.B.A. | Malzeville | France | Textile & hygiene services | 100 | 100 | 100 |
| Le Jacquard Français | Gerardmer | France | Manufacturing entity | 100 | 100 | 100 |
| Elis Services | Puteaux | France | Other activity | 100 | 100 | 100 |
| Thimeau | Meaux | France | Textile & hygiene services | 100 | 100 | 100 |
| Grenelle Service | Gennevilliers | France | Textile & hygiene services | 100 | 100 | 100 |
| Cassiopée | Puteaux | France | Other activity | - | - | Merger |
| Société de Nettroyage et de Désinfection d'Ivry | Vitry sur Seine | France | Textile & hygiene services | - | - | Merger |
| Maison de Blanc Berrogain | Anglet | France | Textile & hygiene services | 100 | 100 | 100 |
| S.O.C. | Puteaux | France | Other activity | 100 | 100 | 100 |
| Pro Services Environnement | Rochetoirin | France | Textile & hygiene services | 100 | - | 100 |
| Blanchisserie Poulard | Nanterre | France | Textile & hygiene services | Merger | 100 | 100 |
| Poulard 1836 | Nanterre | France | Dormant | 100 | 100 | 100 |
| AD3 | Dardilly | France | Textile & hygiene services | 100 | 100 | 100 |
| Novalis | Puteaux | France | Other activity | 100 | 100 | 100 |
| S.C.I. Château de Janville | Puteaux | France | Other activity | 100 | 100 | 100 |
| Lovetra | St Ouen l'Aumône | France | Textile & hygiene services | 100 | 100 | 100 |
| G.I.E. Eurocall Partners | Villeurbanne | France | Other activity | 100 | 100 | 100 |
| Blanchisserie Moderne | Montlouis sur Loire | France | Textile & hygiene services | 96 | 96 | 96 |
| S.C.I. La Forge | Bondoufle | France | Other activity | 100 | 100 | 100 |
| Société de Participations Commerciales et Industrielles | St Ouen l'Aumône | France | Other activity | 100 | 100 | 100 |
| S.C.I. 2 Sapins | Grenoble | France | Other activity | 100 | 100 | 100 |
| SHF Holding | Puteaux | France | Other activity | 100 | 100 | 100 |
| SHF | Puteaux | France | Textile & hygiene services | 100 | 100 | 100 |
| Pole Services | Puteaux | France | Textile & hygiene services | Merger | 100 | 100 |
| Sud-Ouest Hygiène Services | Puteaux | France | Textile & hygiene services | 100 | 100 | 100 |
| Collectivités Service | Puteaux | France | Textile & hygiene services | Merger | 100 | - |
| Districlean Service | Puteaux | France | Textile & hygiene services | 100 | 100 | - |
| France Tapis Hygiène Service | Marcq en Baroeul | France | Textile & hygiene services | 100 | 100 | - |
| Molinel | Frelinghien | France | Manufacturing entity | - | Deconsolidation | 100 |
| Guston Molinel | Frelinghien | France | Manufacturing entity | - | Deconsolidation | 50 |
| Cleantex Potsdam Textilpfelge GmbH | Potsdam | Germany | Textile & hygiene services | 100 | 100 | - |
| Elis Holding GmbH | Rehburg-Loccum | Germany | Other activity | 100 | 100 | 100 |
| Elis Textil-Service GmbH | Mörlenbach | Germany | Textile & hygiene services | 100 | 100 | 100 |
| RWV Textilservice Beteiligungs GmbH | Rehburg-Loccum | Germany | Other activity | 100 | 100 | 100 |
| Schäfer Wäsche-Vollservice GmbH | Ibbenbüren | Germany | Textile & hygiene services | 100 | 100 | 100 |
| Rolf und Horst Schäfer GmbH & Co. KG | Ibbenbüren | Germany | Other activity | 100 | 100 | 100 |
| Wolfsperger Textilservice GmbH & Co. KG | Freiburg im Breisgau | Germany | Textile & hygiene services | 100 | 100 | 100 |
| Wolfsperger Verwaltungs GmbH | Freiburg im Breisgau | Germany | Other activity | 100 | 100 | 100 |
| Auxiliar Hotelera Arly | Andorre | Andorra | Textile & hygiene services | 100 | 100 | 100 |
| Arly les Valls (in liquidation) | Andorre | Andorra | Dormant | 100 | 100 | 100 |
| Hades | Anderlecht | Belgium | Textile & hygiene services | 100 | 100 | 100 |
| Leudeville Holdings SA | Jundiai | Brazil | Other activity | Merger | - | - |
| Atmo Holding SA | Jundiai | Brazil | Other activity | Merger | - | - |
| Atmosfera Gestao e Higienização de Têxteis Ltda | Jundiai | Brazil | Textile & hygiene services | 100 | - | - |
| Elis Brazil, Serviços e Higienização de Têxteis Ltda | Jundiai | Brazil | Textile & hygiene services | Merger | 100 | 100 |
| SC Lavanderia | Sete Lagoas | Brazil | Textile & hygiene services | 100 | - | 0 |
| L'Acqua Lavanderias | Ponta Grossa | Brazil | Textile & hygiene services | 100 | - | 0 |
| Azelab Productos | Parets del Vallès (Barcelona) | Spain | Textile & hygiene services | 100 | 100 | 100 |
| Elis Textilrenting SL | Parets del Vallès (Barcelona) | Spain | Textile & hygiene services | - | Merger | 100 |
| Elis Servicios Hoteleros SL | Parets del Vallès (Barcelona) | Spain | Textile & hygiene services | - | Merger | 100 |
| Elis Manomatic | Parets del Vallès (Barcelona) | Spain | Textile & hygiene services | 100 | 100 | 100 |
| Explotadora de Lavanderias | Consell (Mallorca) | Spain | Textile & hygiene services | 100 | 100 | - |
| AF System | Rondissone | Italy | Textile & hygiene services | - | Merger | 100 |
| Elis Italia S.p.A. | San Giuliano Milanese | Italy | Textile & hygiene services | 100 | 100 | 100 |
| Elis Luxembourg | Bascharage | Luxembourg | Textile & hygiene services | 100 | 100 | 100 |
| Gafides | Samora Correira | Portugal | Other activity | 100 | 100 | 100 |
| SPAST | Samora Correira | Portugal | Textile & hygiene services | 100 | 100 | 100 |
| Spast II LDA | Samora Correira | Portugal | Textile & hygiene services | 100 | 100 | 100 |
| SNDI S.R.O. | Slavkov ù Brna | Czech Republic | Textile & hygiene services | 100 | 100 | 100 |
| Kennedy Hygiene Products LTD | Uckfield | United Kingdom | Manufacturing entity | 100 | 100 | 100 |
| Kennedy Exports LTD | Uckfield | United Kingdom | Other activity | 100 | 100 | 100 |
| Blanchâtel S.A. | La Chaux-de-Fonds | Switzerland | Textile & hygiene services | 100 | 100 | 100 |
| Blanchival S.A. | Sion | Switzerland | Textile & hygiene services | 100 | 100 | 100 |
| Blanchisserie des Epinettes S.A. | Plan-les-Ouates | Switzerland | Textile & hygiene services | 100 | 100 | 100 |
| Blanchisserie des Epinettes, Acacias S.A. | Nyon | Switzerland | Other activity | 100 | 100 | 100 |
| Großwäscherei Domeisen AG | Endingen | Switzerland | Textile & hygiene services | 75 | 75 | 75 |
| Hedena S.A. | Nyon | Switzerland | Other activity | 100 | 100 | 100 |
| InoTex Bern AG | Bern | Switzerland | Textile & hygiene services | 84 | 84 | - |
| Laventex S.A. | Givisiez | Switzerland | Textile & hygiene services | 100 | 100 | 100 |
| Lavopital S.A. | Plan-les-Ouates | Switzerland | Dormant | 100 | 100 | 100 |
| Lavotel S.A. | Nyon | Switzerland | Textile & hygiene services | 100 | 100 | 100 |
| Lavotel Textilleasing GmbH | Rüdtligen-Alchenflüh | Switzerland | Textile & hygiene services | 100 | 100 | 100 |
| LL La Lavanderie | Plan-les-Ouates | Switzerland | Dormant | - | - | Liquidation |
| Picsou Management AG | Muri Bei Bern | Switzerland | Other activity | 51 | 51 | - |
| SiRo Holding AG | Muri Bei Bern | Switzerland | Other activity | 51 | 51 | - |
| SNDI (Suisse) S.A. | Brügg | Switzerland | Textile & hygiene services | 100 | 100 | 100 |
| Wäscherei Kunz AG | Hochdorf | Switzerland | Textile & hygiene services | 100 | 100 | - |
| Wäscherei Papritz A.G. | Rüdtligen-Alchenflüh | Switzerland | Textile & hygiene services | 100 | 100 | 100 |

## Note 12 – Subsequent events

No events have occurred since the consolidated financial statements were prepared as at December 31, 2014 that are likely to have a material impact on the financial position of the Elis Group at the end of the reporting period.

The Group announced on February 11, 2015 the success of its Initial Public Offering on the regulated market of Euronext Paris. As part of this transaction, Elis has raised 700 million euros by way of a new share capital increase. In parallel, the Group refinanced its debt, with an effective date as of the settlement-delivery of the shares as described in the note 8.1 Financial risk management.

# A. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS TO DECEMBER 31, 2014

**Statutory Auditors' report on the consolidated financial statements**

**For the year ended December 31, 2014**

**Elis SA (formerly Holdelis SAS)**
33, rue Voltaire
92800 Puteaux

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, 2014, on:

- the audit of the accompanying consolidated financial statements of Elis SA (formerly Holdelis SAS);
- 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, 2014 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 of 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" 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. These obligations were valued by external actuaries. 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, April 1, 2015

The Statutory Auditors

| PricewaterhouseCoopers Audit | Mazars |
|---|---|
| Bruno Tesnière | Isabelle Massa |

## IV. SUPERVISORY BOARD'S REPORT ON THE MANAGEMENT REPORT AND FINANCIAL STATEMENTS FOR THE YEAR

Dear all,

The management board has convened a combined general meeting, in accordance with the law and the by-laws, to inform you of the situation and activities of the company during the financial year ended December 31, 2014, and to submit to you for approval the financial statements for the year and the appropriation of income.

We remind you that in accordance with Article 225-68 of the French Commercial Code, the Supervisory Board must present to the annual general meeting observations on the management board's report and the financial statements for the year.

The management board has provided the supervisory board with the full-year financial statements, consolidated financial statements and the management board's report in accordance with Article L. 225-68 of the French Commercial Code. Having verified and checked the full-year financial statements and the management board's report, we believe that there are no specific observations to make on these documents.

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

## V. REPORT OF THE PRESIDENT OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

The purpose of this report is to provide information about the composition and conditions for the preparation and organization of the work of the Supervisory Board (and the statutory board of directors from January 1 to September 5, 2014), as well as internal control and risk management procedures implemented by the Company and its subsidiaries (hereinafter the "Group").

This report has been prepared in accordance with Article 225-68 of the French Commercial Code and the corporate governance recommendations set out in the AFEP-MEDEF corporate governance code for listed companies of June 2013, available on the www.medef.com website. Specific mention is made in this report of the parts of the code not applied by the Company.

The President of the Supervisory Board has asked the internal audit, finance and legal departments to carry out preparatory diligence duties for this report, which was then reviewed by the audit committee and approved by the Supervisory Board on March 11, 2015.

## A. CORPORATE GOVERNANCE

### 1. SUPERVISORY BOARD AND COMMITTEES

#### a. SUPERVISORY BOARD

**Members**

The Company was transformed into a joint-stock corporation (*société anonyme*) governed by a management board and a supervisory board on September 5, 2014. Prior to this, the Company was a simplified limited company (*société par actions simplifiée*) with a statutory board of directors.

The statutory board of directors had eight members from January 1 to September 5, 2014: Virginie Morgon (President), Philippe Audouin, Maxime de Bentzmann (replaced by Florence Noblot on July 31, 2014), Marc Frappier, Eric Schaefer, Michel Datchary, Yannick Marion (replaced by Thierry Morin on June 23, 2014) and Xavier Martiré.

The supervisory board had eight members at December 31, 2014: Virginie Morgon (President), Marc Frappier (Vice-President), Florence Noblot, Thierry Morin, Philippe Audouin, Michel Datchary, Eric Schaefer, all appointed on September 5, 2014, and Agnès Pannier-Runacher, appointed on October 8, 2014.

There were four independent members, therefore making up half of board members: Florence Noblot, Agnès Pannier-Runacher, Thierry Morin and Michel Datchary. The independence of these members is reviewed each year by the appointments committee and then by the supervisory board, deciding on the recommendations of the appointments committee, before the Company publishes its annual report.

The term of office for supervisory board members is four years. The term of office for the first board members appointed in September 2014, when the governance structure with a supervisory board and management board was adopted, is less than four (4) years in order to allow for the staggered renewal of terms of office of supervisory board members, in accordance with the recommendations of the AFEP-MEDEF code.
Consequently, the terms of office of Virginie Morgon and Thierry Morin will end after the ordinary general shareholders' meeting called to vote on the financial statements for the year ended December 31, 2014.

Pursuant to the law of January 27, 2011 relating to the equal representation between women and men on boards of directors and supervisory boards and workplace equality, amending Article 225-68 of the French Commercial Code, in accordance with which this report has been prepared, the principle of equal representation of men and women on the supervisory board has been respected pursuant to the law since July 31, 2014.

**Operation**

The Supervisory Board's operating rules are defined by the board’s rules of procedure that were adopted on September 5, 2014. From January 1 to September 5, 2014, the operations of the statutory Board of Directors were defined in the Company's by-laws.

The supervisory board's rules of procedure state that the board exercises permanent control of the Company's management by the management board, under the conditions provided by law, the Company's by-laws and the rules of procedure of the board and its committees. At any time of the year, it carries out inspections and verifications it considers appropriate, and may receive any documents it deems useful in fulfilling this responsibility.

In particular, at the end of each half-year period, the board verifies and checks the parent company and consolidated half-year and full-year financial statements prepared by the management board. At each annual general meeting of shareholders, the board presents a report containing its observations on the management board's report, as well as on the parent company and consolidated financial statements for the last financial year.

It is informed on a regular basis by the management board of the Group's management targets and if these are achieved - in particular relative to the annual budget and the investment plan - as well as investment policies, control of risk exposure, human resources management and their implementation within the Group. As necessary, it is informed by the management board of any exceptional situations.

The board's rules of procedure also set out the obligations of board members as described in the AFEP-MEDEF code. The rules of procedure 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. Finally, the rules also stipulate that board members will, in general, receive periodic, ongoing information about the Company's results, activities and developments.

The board's rules of procedure define the terms and conditions of its meetings. Consequently, supervisory board meetings are convened by the president or, in the event of an impediment, by the vice-president, and by any means, even orally.

However, the president 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 (15) days of receipt of that request. If the request goes unanswered, its authors may convene the meeting themselves, providing the agenda for the session.

The board meets at least once every three (3) months, 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 sessions must be such that they allow for the examination and in-depth discussion of subjects under the supervisory board's responsibility.

Supervisory board meetings are chaired by the president or, in the event of his/her absence, by the vice-president. In the event of the president and the vice-president being absent, meetings will be chaired by a member of the supervisory board designated by the board. For the purpose of calculating the quorum and the majority of members of the supervisory board, members will be considered in attendance who are present through video conferencing or conference call methods that provide for their identification and can guarantee their effective participation, under the conditions set out by applicable legislation and regulation.

Finally, the rules of procedure stipulate the methodology for assessing the supervisory board's operations. To that end, the board must dedicate an item on its agenda once a year, based on the report of the appointments and compensation committee, to assessing its methods of operation.

A formal assessment of the supervisory board and its committees is carried out at least every three years, possibly led by an independent member of the supervisory board and, if applicable, with the help of an outside consultant. The annual report informs shareholders of assessments carried out and any follow-up actions.

As the supervisory board was created on September 5, 2014, its operations have not yet been assessed.

In 2014:

From January 1 to September 5, the statutory board of directors met 6 times with an average attendance rate of 87.5%. From September 5 to December 31, the supervisory board met 5 times with an average attendance rate of 85%.

The board (in its two forms) notably reviewed the full-year and half-year financial statements, as well as the annual management report and the half-year report and compensation paid to corporate officers.

The board is assisted in its duties by two specialist committees: the audit committee and the appointments and compensation committee.

### b. AUDIT COMMITTEE

#### Members

The following were members of the audit committee in 2014: Mr Audouin (President), Mr Frappier and Mr Schaefer, all employees of Eurazeo.

#### Operation

The audit committee's undertaking is to ensure the follow-up of questions regarding the preparation and auditing of accounting and financial information and to ensure that the risks monitoring and operational internal auditing processes are efficient, in order to assist the supervisory board's exercise of its auditing and verification duties in this area. Within this framework, the audit committee notably performs the following principal duties: (i) monitoring of the process for preparing financial information; (ii) monitoring of the efficiency of internal control, internal auditing and risks management systems relating to financial and accounting information; (iii) monitoring of the legal auditing of corporate and consolidated financial statements by the Company's statutory auditors; and (iv) monitoring of the statutory auditors' independence.

The audit committee's rules of procedure stipulate that the committee will have all resources it deems necessary to fulfil its duties. In particular, the committee may hear the Company's and Group companies' statutory auditors, finance, accounts and cash management directors, and the head of internal audit. If the committee so decides, these people may be heard outside the presence of the members of the management board. It may also ask the management board to supply any information it considers necessary. The committee may also contact members of the Executive Committee after informing the president of the management board and on condition of reporting to the supervisory board and the management board. The committee receives meaningful documents falling under its remit (memos from financial analysts and ratings agencies, summaries of audit assignments etc.). It may request any additional studies that it deems necessary.

The audit committee's reviews of the full-year or half-year financial statements must be accompanied by a presentation by the statutory auditors, highlighting the main points of the results and the accounting options selected, as well as a presentation by the finance director describing the company's exposure to significant risks and off-balance sheet commitments. Meetings take place before the supervisory board's meeting and, to the extent possible, at least two days before such meeting when the audit committee's agenda pertains to examining the bi-annual and annual accounts before they are examined by the supervisory board.

In 2014, the audit committee met four times with an average attendance rate of 100%. In particular, it met to review the full-year and half-year financial statements and related reports, the quarterly activity report from the management board to the supervisory board and financial information documents.

### c. APPOINTMENTS AND COMPENSATION COMMITTEE

#### Members

The following were members of the appointments and compensation committee in 2014: Virginie Morgon (President), Mr Datchary and Mr Frappier, Mr Datchary being an independent member of the supervisory board.

**Operation**

The principal duties of the appointments and compensation committee are to assist the supervisory board in forming the Company's senior management bodies and in determining and regularly assessing all the compensation and benefits of the members of the management board, including all deferred benefits or severance pay for voluntary or forced departure from the Group. Within this framework, it notably performs the following duties: (i) proposals for appointments of members of the supervisory board, the management board and the board's committees, and analysis of the candidacy of the non-independent members of the supervisory board; (ii) annual evaluation of the multiple offices held by the members of the supervisory board; (iii) examination and proposals to the supervisory board pertaining to all compensation items and terms of the members of the management board; (iv) examination and proposals to the supervisory board pertaining to the method for allocating directors' fees; and (v) special tasks.

In 2014, the appointments and compensation committee met twice with an average attendance rate of 100%. It met primarily to examine means of compensation for the Company's executives.

## 2. LIMITATIONS TO POWERS OF THE MANAGEMENT BOARD

Since September 5, 2014, when the Company was transformed into a joint-stock corporation (*société anonyme*) governed by a management board and a supervisory board, the Company's by-laws stipulate that other than transactions for which prior authorization from the supervisory board is required in accordance with applicable legal and regulatory requirements, management board decisions relating to the following transactions within the Company or subsidiaries controlled within the meaning of Article L. 233-3 of the French Commercial Code (collectively, the "Group") are also subject to such authorization:

- proposals to the general shareholders' meeting of any by-law modification;
- any proposal of resolutions to the general shareholders' meeting on the issuance or redemption of shares or securities giving access, immediately or in the future, to the Company's share capital ;
- any transaction that may lead, immediately or in the future, to an increase or decrease in share capital, by issuance of securities or cancellation of securities;
- any proposal to the general shareholders' meeting to allocate earnings, distribute dividends and any distribution of interim dividends ;
- any implementation of options plans or a free share attribution plan, and any attribution of share subscription or purchase options or any attribution of free shares ;
- the appointment, renewal or removal of the Statutory Auditors ;
- significant transactions that may affect the Group's strategy and modify its financial structure or its business scope, and which may have an impact of 5% or more on the Group's EBITDA ;
- the adoption of the Company's annual budget and investment plan ;
- any debt agreement, financing or partnership, and any issuance of non-convertible bonds if the amount of the transaction or agreement, whether occurring at a single time or several times, exceeds €100 million ;
- acquisitions, extensions or sales of shareholding in any companies formed or to be formed in an amount greater than €20 million in company value ;
- any transaction plan whose investment or divestment amount is greater than €20 million if such transaction is not included in the budget or in the investment plan ;
- any decision to perform a merger, demerger, partial asset contribution or transactions deemed as such involving the Company ;
- in case of disputes, settlement agreements or concessions greater than €5 million ;
- any significant change in the accounting principles applied by the Company other than based on modification of the IAS/IFRS standards.

The board's rules of procedure stipulate that the board must be informed on a regular basis by the management board of the Group's management targets and if these are achieved - in particular relative to the annual budget and the investment plan - as well as investment policies, control of risk exposure, human resources management and their implementation within the Group; as necessary, it is informed by the management board of any exceptional situations, in particular as regards the aforementioned decisions.

### 3. SPECIFIC PROCEDURES FOR ATTENDING GENERAL SHAREHOLDERS' MEETINGS

Attendance at the Company's shareholders' meetings is governed by the applicable laws and Articles 23 and 24 of the Company's by-laws. More specifically, all shareholders have the right to attend general shareholders' meetings and to deliberate in person or by proxy, or by voting by post, subject to the conditions set out in the by-laws.

### 4. PRINCIPLES AND RULES FOR DETERMINING COMPENSATION PAID TO CORPORATE OFFICERS

*See section I-D*

### 5. INFORMATION REQUIRED UNDER ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE

Details of the information required under Article L.225-100-3 of the French Commercial Code are provided in points a to j of section I-B-6 of the Company's annual financial report.

## B. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

This part of the report is based on the AMF reference framework published in July 2010, which takes account of legislative and regulatory changes since the first edition in 2007, including the law of July 3, 2008 and the order of December 8, 2008, transposing into French law Directive 2006/46/EC and the Financial Security Act of August 1, 2003. The AMF framework draws on not only the aforementioned French and European legislative and regulatory requirements, but also best practices and international internal control and risk management standards, in particular ISO 31000 and COSO II.

### 1. SCOPE OF INTERNAL CONTROL

This report covers all controlled companies included in the Group's scope of consolidation and sets out the internal control system adopted by the Group to guarantee the reliability of its parent company and consolidated financial statements.

### 2. INTERNAL CONTROL AND RISK MANAGEMENT WITHIN THE ELIS GROUP

#### a. DEFINITION OF INTERNAL CONTROL AND RISK MANAGEMENT

The Group's internal control and risk management arrangements are based on appropriate resources, policies, procedures, behaviors and actions, aimed at ensuring that the necessary measures are taken to manage:

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

Internal control is defined as a process 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 as to targets falling within the following categories being achieved:

- compliance with applicable laws and regulations;
- application of instructions and guidelines laid out by the management board;
- internal processes contributing to the protection of assets;
- reliability of financial and accounting information.

The likelihood of these objectives being achieved is subject to the limitations inherent in any internal control system, in particular:

- human error or malfunctions while making decisions or in the application thereof;

- cases of deliberate collusion between several people that make it possible to elude the control system in place;

- in the event that the implementation or maintaining of a control system would be more costly than the risk it is supposed to alleviate.

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.

### b. INTERNAL CONTROL ENVIRONMENT

The Group's internal control system 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 comprises principles and values governing the behavior and ethics of all employees, as set out in the Group's code of ethics. It is also based on human resources management ensuring the skills, ethics and involvement of employees.

The Group's code of ethics

The Group's ethical principles are set out in the code of ethics, sent out initially in 2012 to all Group employees and available on the Group's website.

The code of ethics contains the Group's commitments and rules of conduct towards its main stakeholders:

- its employees;
- its customers and consumers;
- its trade partners and competitors;
- the environment;
- civil society.

Human resources policy

The quality of human resources and management cohesion are key factors in the Group's success.
Elis thereby ensures that its various subsidiaries pursue human resources policies suited to their contexts and the challenges they face, but while also meeting the best local standards. The principle of autonomy and giving responsibility to subsidiaries is applied, but the Group ensures the consistency of policies implemented and that they are aligned with Elis's 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 and the Works Council.

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 introduced cross-functional training programs:

- The "Jeunes Talents" training program, the main aims of which are:
  - ✓ Identifying future managers of Elis
  - ✓ Providing essential know-how
  - ✓ Sharing best practices
  - ✓ Developing the feeling of belonging to the Group and fostering loyalty

- The "Astérix" program, the main aims of which are:
  - ✓ A project that concerns France and Spain
  - ✓ Recruiting engineers in Spain to integrate and train them in France
  - ✓ Sending them back to Spain to ensure the durability of key staff

Furthermore, the Group has developed cross-functional tools for individual performance measurement and external competitiveness of compensation packages. The Group has created an appointments and compensation committee to assess compensation paid to members of the Executive Committee and the main directors in the light of market practices.

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

### 3. CONTROL ACTIVITIES

Control activities are performed firstly by functional and operating departments of subsidiaries and central 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:

#### a. THE AUDIT COMMITTEE.

The audit committee, for which details of its members and operation are provided above.

#### b. 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, drawing up the audit plan and definition and monitoring of implementation of action plans).
The modus operandi for internal audit is 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 its operation. It also provides active monitoring of internal control best practices.

The risk management and internal audit department initiates, coordinates and reviews procedures made formal 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, making suggestions to improve their efficiency.

Internal audit helps to ensure that all management, control and corporate governance processes are appropriate and guarantee that:

- risks are identified and managed appropriately;

- actions by senior managers and employees comply with applicable rules, standards, procedures, law 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 and points for attention presented by the Statutory Auditors on completion of their review of internal control.

The yearly audit plan is drawn up by the risk management and internal audit department using a risk-based approach and takes 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 a year on progress made in the audit plan, as well as monitoring of action plans.

## 4. DESCRIPTION OF ANALYSIS OF INTERNAL CONTROL AND RISK MANAGEMENT

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

• managing operational risks (described in Chapter 4 "Risks and uncertainties");

• managing Group risks at various levels (entities, operational departments and subsidiaries);

• monitoring the preparation of accounting and financial information;

• internal audit, which assesses how the internal control and risk management system operates and makes recommendations aimed at improving its operating procedures;

• 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 control procedures forming part of the following operational processes:

• investment decisions and monitoring of non-current assets;

• purchasing decisions and monitoring of trade payables;

• monitoring of inventories and production costs;

• monitoring of work in progress (workshops, worksites and IT projects);

• selling decisions and monitoring of trade receivables (credit and recovery);

• monitoring of cash and bank transactions;

• payroll validation and monitoring of employee benefits;

• accounting entries relating to transactions and monitoring of monthly accounts closings; and

• monitoring of access to IT and data protection applications and hardware.

Risk management at the local level:

Each subsidiary's management team ensures that risk management and internal control procedures are properly applied. It is the duty of each operational manager to check that risk exposure is consistent with the directives issued by the management teams of the divisions concerned. The quality and effectiveness of the controls

carried out within operating subsidiaries are then reviewed by the internal audit division, which shares the results with the departments concerned.

Assessment of internal control and monitoring of action plans:

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

The assignments included in the annual audit plan are presented and approved by the audit committee. The aim is to examine all of the Group's sites in France as well as foreign subsidiaries at least once per year. 115 assignments were performed in 2014 across all business lines.

The management teams of audited sites systematically comment on the audit reports. The reports are then sent to the Group's management committee, and to managers at the head office and at the audited centers. After the final presentation of conclusions and after a concerted action plan has been agreed upon, the centers or subsidiaries concerned must remedy quickly any deficiencies according to a set timetable.

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

Efforts to combat fraud:

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

## 5. DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION OF ACCOUNTING AND FINANCIAL INFORMATION

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

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

## 6. DUTIES OF THE STATUTORY AUDITORS

The role of the Statutory Auditors is to certify the regularity, accuracy and reliability of the parent company financial statements and the consolidated financial statements of the Group on a yearly basis and deliver a review report on the Group's half-year consolidated financial statements.

On performing their diligence assignments, the Statutory Auditors present the audit committee with a summary of their work and the accounting options used within the framework of the accounts.
On reviewing the financial statements, the Statutory Auditors sent the committee a report highlighting the key aspects of the scope of consolidation, results of the legal audit, in particular the accounting options selected, audit adjustments and significant internal control weaknesses identified in the course of their work.
The Statutory Auditors' main recommendations are the object of a plan of action and a monitoring procedure presented to the accounts committee and senior management at least once a year.

Audit assignments are divided between two auditors: Mazars and PricewaterhouseCoopers.

## 7. DEVELOPMENTS AND OUTLOOK

The Group is continuing to develop its internal control and risk management system. This process of continuous improvement relies in particular on the mapping of the Group's risks, as well as devising internal audit self-assessment questionnaires across the entire scope of the Group.
The Group is thereby pursuing its aim of adapting internal control procedures within the framework of changes relating to its new governance.

Thierry Morin
President of the Supervisory Board
Puteaux, 31 March 2015

## C. STATUTORY AUDITORS' REPORT ON THE REPORT OF THE PRESIDENT OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

*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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

**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**

**For the year ended December 31, 2014**

**Elis SA (formerly Holdelis SAS)**
33, rue Voltaire
92800 Puteaux

To the Shareholders,

In our capacity as Statutory Auditors of Elis, and in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you 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, 2014.

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 relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by Article L.225-68 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

**Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information**

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report.

These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;

- determining if any material weaknesses in the internal control and risk management procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Supervisory Board's report, prepared in accordance with Article L.225-68 of the French Commercial Code.

**Other information**

We attest that the Chairman's report sets out the other information required by Article L.225-68 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, April 1, 2015

The Statutory Auditors

PricewaterhouseCoopers Audit | Mazars

Bruno Tesnière | Isabelle Massa

## VI. AUDITORS' FEES

| *(in thousands of euros)* | **Mazars** | | | | **PwC** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Amount (excl. tax)** | | **%** | | **Amount (excl. tax)** | | **%** | |
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| **AUDIT** | | | | | | | | |
| ***Independent audit, certification, review of parent company and consolidated financial statements*** | ***498*** | ***539*** | ***62%*** | ***55%*** | ***577*** | ***612*** | ***74%*** | ***62%*** |
| - Elis | 164 | 164 | | | 163 | 185 | | |
| - Fully consolidated subsidiaries | 334 | 375 | | | 414 | 426 | | |
| ***Other services related to the accounting audit*** | ***275*** | ***429*** | ***34%*** | ***44%*** | ***126*** | ***376*** | ***16%*** | ***38%*** |
| - Elis | 119 | 151 | | | 85 | 148 | | |
| - Fully consolidated subsidiaries | 156 | 279 | | | 41 | 228 | | |
| ***SUB-TOTAL*** | ***773*** | ***968*** | ***96%*** | ***98%*** | ***703*** | ***988*** | ***91%*** | ***99%*** |
| **Other services provided by the networks to fully consolidated subsidiaries** | | | | | | | | |
| - Legal, fiscal, employment-related | 31 | 18 | | | 67 | 5 | | |
| - Other | | | | | 6 | | | |
| ***SUB-TOTAL*** | ***31*** | ***18*** | ***4%*** | ***2%*** | ***73*** | ***5*** | ***9%*** | ***1%*** |
| **TOTAL** | **804** | **986** | **100%** | **100%** | **776** | **993** | **100%** | **100%** |

In order to reflect the Group's overall audit targets, it is also specified that audit fees paid to Deloitte, the incumbent auditors of Atmosfera in Brazil, amounted to €375 million in 2014 (including €106 thousand relating to certification and €269 thousand to other diligence duties).

## VII. STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

"I hereby confirm that to the best of my knowledge the annual financial report has been prepared in accordance with applicable accounting standards and gives a true picture of the assets, financial position and results of the Company and of all companies consolidated by it, and that the management report gives a fair representation of the business trends, results and financial position of the Company and of all companies consolidated by it as well as a description of the main risks and uncertainties that it faces."

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XAVIER MARTIRE
As President of the Management Board of the Company as a joint stock corporation ("*société anonyme*")

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XAVIER MARTIRE
As President of the Company as a simplified limited company ("*société par actions simplifiée*")