Financial statements for the year ended December 31, 2019

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Financial statements for the year ended December 31, 2019

1 CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated income statement

(In millions of euros)	Notes	12/31/2019	12/31/2018 restated[(a)]
Revenue	**3.1/4.1/4.2**	**3,281.8**	**3,133.3**
Cost of linen, equipment and other consumables		(532.0)	(513.7)
Processing costs		(1,230.4)	(1,171.7)
Distribution costs		(538.3)	(514.8)
Gross margin		**981.2**	**933.0**
Selling, general and administrative expenses		(539.6)	(520.0)
Value adjustments for losses on trade and other receivables		0.5	(5.5)
Operating income before other income and expenses and amortization of intangible assets recognized in a business combination	**3.2**	**442.1**	**407.5**
Amortization of intangible assets recognized in a business combination	4.5	(88.3)	(112.5)
Goodwill impairment	6.1	-	-
Other operating income and expenses	4.6	(18.5)	(49.8)
Operating income		**335.3**	**245.2**
Net financial income (loss)	8.2	(150.0)	(110.5)
Income (loss) before tax		**185.3**	**134.7**
Income tax expense	9	(47.6)	(51.7)
Share of income of equity-accounted companies		-	-
Income from continuing operations		**137.7**	**83.0**
Income from discontinued operations, net of tax	2.5	4.1	(1.2)
Net income (loss)		**141.9**	**81.8**
Attributable to:			
› owners of the parent		142.0	82.2
› non-controlling interests		(0.2)	(0.4)
Earnings (loss) per share (EPS) (in euros):			
› basic, attributable to owners of the parent	10.3	€0.64	€0.38
› diluted, attributable to owners of the parent	10.3	€0.63	€0.38
Earnings (loss) per share (EPS) from continuing operations (in euros):			
› basic, attributable to owners of the parent	10.3	€0.63	€0.38
› diluted, attributable to owners of the parent	10.3	€0.61	€0.38

(a) See Note 1.4.

1.2 Consolidated statement of comprehensive income

(In millions of euros)	Notes	12/31/2019	12/31/2018 restated[(a)]
Net income (loss)		**141.9**	**81.8**
Gains (losses) on change in fair value of hedging instruments	8.8	(7.4)	(2.9)
Cash flow hedge reserve reclassified to income	8.8	13.4	2.9
Total change in cash flow hedge reserve, before taxes		**6.0**	**0.0**
Related tax	8.8	(2.1)	(0.1)
Net change in the cost of hedging, before tax	**8.8**	**0.3**	**0.5**
Related tax	8.8	(0.1)	(0.2)
Effects of changes in foreign exchange rates – net translation differences		**8.2**	**(100.2)**
Other comprehensive income (loss) which may be subsequently reclassified to income		**12.3**	**(99.9)**
Actuarial gains (losses) on defined benefit plans, before tax		**(5.8)**	**4.6**
Related tax		2.2	(0.5)
Other comprehensive income (loss) which may not be subsequently reclassified to income		**(3.5)**	**4.1**
Other comprehensive income		**8.7**	**(95.8)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**150.6**	**(14.0)**
Attributable to:			
› owners of the parent		150.7	(12.6)
› non-controlling interests		(0.1)	(1.4)

(a) See Note 1.4.

The change in hedge reserve reflects the change in fair value of derivatives eligible for hedge accounting. Details are presented in Note 8.8 "Derivative financial instruments and hedges".

Translation reserves arise from the translation, during consolidation, of assets and liabilities of Group entities denominated in foreign currencies as described in Note 2.3 "Foreign currency translation".

Actuarial gains and losses arising on the remeasurement of employee benefits reflect the effect of changes in assumptions (obligation discount rate, salary increase rate, retirement benefit increase rate and expected return on plan assets) used to measure defined benefit plan obligations.

1.3 Consolidated statement of financial position

Assets

(In millions of euros)	Notes	12/31/2019	12/31/2018 restated[(a)]
Goodwill	6.1	3,801.3	3,745.7
Intangible assets	6.2	866.7	925.2
Right-of-use assets	6.4	411.4	-
Property, plant and equipment	6.3	1,993.6	1,907.0
Equity-accounted companies		-	-
Other equity investments		0.2	0.2
Other non-current assets	8.7	69.0	67.7
Deferred tax assets	9	24.4	56.5
Employee benefit assets	5.3	32.1	17.5
TOTAL NON-CURRENT ASSETS		**7,198.7**	**6,719.8**
Inventories	4.7	125.1	120.2
Contract assets	4.3	36.2	31.7
Trade and other receivables	4.4	632.9	649.5
Current tax assets		11.8	10.4
Other assets	4.9	21.1	26.0
Cash and cash equivalents	8.4/8.5	172.3	197.0
Assets held for sale	2.5	0.7	41.7
TOTAL CURRENT ASSETS		**999.9**	**1,076.6**
TOTAL ASSETS		**8,198.6**	**7,796.4**

(a) See Note 1.4.

Equity and liabilities

(In millions of euros)	Notes	12/31/2019	12/31/2018 restated[(a)]
Share capital	10.1	221.3	219.9
Additional paid-in capital	10.1/10.2	2,646.4	2,943.9
Treasury share reserve		(10.1)	(11.4)
Other reserves		6.8	0.7
Retained earnings (accumulated deficit)		290.3	(77.7)
Other components of equity		(198.9)	(208.7)
Equity attributable to owners of the parent		**2,955.8**	**2,866.8**
Non-controlling interests	**2.7**	**0.8**	**1.4**
TOTAL EQUITY		**2,956.7**	**2,868.2**
Provisions	7.1	83.3	93.5
Employee benefit liabilities	5.3	119.1	99.0
Borrowings and financial debt	8.3/8.5	3,116.3	3,101.6
Deferred tax liabilities	9	316.7	370.9
Lease liabilities	6.4	342.5	-
Other non-current liabilities	8.7	11.3	15.3
TOTAL NON-CURRENT LIABILITIES		**3,989.2**	**3,680.3**
Current provisions	7.1	17.0	23.2
Current tax liabilities		23.7	23.9
Trade and other payables	4.8	290.2	274.5
Contract liabilities	4.3	71.5	68.3
Current lease liabilities	6.4	63.6	-
Other liabilities	4.9	358.8	381.6
Bank overdrafts and current borrowings	8.3/8.5	428.1	453.1
Liabilities directly associated with assets held for sale	2.5	-	23.3
TOTAL CURRENT LIABILITIES		**1,252.8**	**1,247.9**
TOTAL EQUITY AND LIABILITIES		**8,198.6**	**7,796.4**

(a) See Note 1.4.

1.4 Consolidated statement of cash flows

(In millions of euros)	Notes	12/31/2019	12/31/2018 restated[a]
CONSOLIDATED NET INCOME (LOSS)		**141.9**	**81.8**
Income tax expense	2.5/9	48.3	51.4
Net financial income (loss)	2.5/8.2	150.1	110.3
Share-based payments		11.0	13.0
Depreciation, amortization and provisions	4.5	721.2	663.0
Portion of grants transferred to income	4.5	(0.4)	(0.3)
Net gains and losses on disposal of property, plant and equipment and intangible assets		2.4	6.9
Other		(6.7)	19.5
CASH FLOWS BEFORE FINANCE COSTS AND TAX		**1,067.8**	**945.7**
Change in inventories	4.7	(2.6)	(12.7)
Change in trade and other receivables and contract assets	4.4	33.2	(26.4)
Change in other assets	4.9	7.6	2.2
Change in trade and other payables	4.8	3.2	7.0
Change in contract and other liabilities	4.9	(13.4)	16.2
Other changes		0.2	(3.5)
Employee benefits		(1.3)	1.4
Tax paid		(76.2)	(76.7)
NET CASH FROM OPERATING ACTIVITIES		**1,018.4**	**853.3**
Acquisition of intangible assets		(23.2)	(20.0)
Proceeds from disposal of intangible assets		0.0	0.4
Acquisition of property, plant and equipment		(659.1)	(634.4)
Proceeds from disposal of property, plant and equipment		22.0	9.5
Acquisition of subsidiaries, net of cash acquired	2.4	(83.2)	(62.2)
Proceeds from disposal of subsidiaries, net of cash transferred		30.0	1.0
Changes in loans and advances		(2.0)	0.4
Dividends from equity-accounted companies		0.0	0.1
Investment grants		0.0	0.1
NET CASH FROM INVESTING ACTIVITIES		**(715.5)**	**(704.9)**
Capital increase	10.1/2.7	6.6	9.0
Treasury shares		1.5	(11.1)
Dividends and distributions paid			
› to owners of the parent		(81.2)	(81.0)
to non-controlling interests		-	(0.1)
Change in borrowings[b]	8.3	(34.6)	(1.1)
› proceeds from new borrowings	8.3	2,392.0	1,684.1
› repayment of borrowings	8.3	(2,426.5)	(1,685.2)
Lease liability payments – principal (2018: payments under finance leases)	6.4	(73.3)	(3.0)
Net interest paid (including interest on lease liabilities)		(110.7)	(55.2)
Other cash flows related to financing activities		(20.0)	(26.4)
NET CASH FROM FINANCING ACTIVITIES		**(311.6)**	**(168.7)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(8.7)**	**(20.4)**
Cash and cash equivalents at beginning of period		179.1	203.0
Effect of changes in foreign exchange rates on cash and cash equivalents		0.4	(3.6)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**8.4**	**170.8**	**179.1**

(a) See Note 1.4.
(b) Net change in credit lines.

1.5 Consolidated statement of changes in equity as at December 31, 2019

(In millions of euros)	Notes	Share capital	Additional paid-in capital	Treasury share reserve	Other reserves
Balance as at December 31, 2018 (restated[(a)])		**219.9**	**2,943.9**	**(11.4)**	**0.7**
First-time adoption of IFRS 16					
First-time adoption of IFRIC 23					
Adjusted balance as at January 1, 2019		**219.9**	**2,943.9**	**(11.4)**	**0.7**
Cash increase in share capital	10.1	0.6	6.1	-	-
Amounts paid to shareholders	10.2	-	(81.4)	-	-
Issue of convertible notes		-	-	-	-
Share-based payments		-	-	-	-
Changes in treasury shares		-	-	1.3	-
Acquisition of NCI without a change in control		-	-	-	-
Disposal of subsidiary – NCI					
Other changes	10.1	0.8	(222.2)	-	6.1
Net income (loss) for the period		**-**	**-**	**-**	**-**
Gains (losses) recognized directly in equity		-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		**-**	**-**	**-**	**-**
Balance as at December 31, 2019		**221.3**	**2,646.4**	**(10.1)**	**6.8**

(a) See Note 1.4.

1.6 Consolidated statement of changes in equity as at December 31, 2018

(In millions of euros)	Notes	Share capital	Additional paid-in capital	Treasury share reserve	Other reserves
Balance as at December 31, 2017		**219.4**	**3,025.7**	**(0.7)**	**0.7**
First-time adoption of IFRS 15 (net of tax effect)					
First-time adoption of IFRS 9 (net of tax effect)					
Adjusted balance as at January 1, 2018		**219.4**	**3,025.7**	**(0.7)**	**0.7**
Cash increase in share capital	2.7	-	-	-	-
Amounts paid to shareholders	10.2	-	(81.0)	-	-
Issue of convertible notes		-	-	-	-
Share-based payments		-	-	-	-
Changes in treasury shares		-	-	(10.8)	-
Acquisition of NCI without a change in control		-	-	-	-
Acquisition of subsidiary – NCI					
Other changes		0.6	(0.8)	0.1	(0.0)
Net income (loss) for the period		**-**	**-**	**-**	**-**
Gains (losses) recognized directly in equity		-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		**-**	**-**	**-**	**-**
Balance as at December 31, 2018 (restated)		**219.9**	**2,943.9**	**(11.4)**	**0.7**

Retained earnings (accumulated deficit)	Cash flow hedge reserve	Cost of hedging reserve	Translation reserve	Equity component of convertible notes	Owners of the parent	Non-controlling interests	Total equity
(77.7)	**(5.6)**	**0.3**	**(241.3)**	**37.8**	**2,866.8**	**1.4**	**2,868.2**
-					-		-
-					-		-
(77.7)	**(5.6)**	**0.3**	**(241.3)**	**37.8**	**2,866.8**	**1.4**	**2,868.2**
(0.0)	-	-	-	-	6.6	-	6.6
0.2	-	-	-	-	(81.2)	-	(81.2)
-	-	-	-	-	-	-	-
11.0	-	-	-	-	11.0	-	11.0
-	-	-	-	-	1.3	-	1.3
3.0	-	-	(2.5)	-	0.5	(0.5)	0.0
						0.1	0.1
215.3	-	-	-	-	0.0	-	0.0
142.0	**-**	**-**	**-**	**-**	**142.0**	**(0.2)**	**141.9**
(3.5)	**3.9**	**0.2**	**8.1**	**-**	**8.7**	**0.1**	**8.7**
138.5	**3.9**	**0.2**	**8.1**	**-**	**150.7**	**(0.1)**	**150.6**
290.3	**(1.6)**	**0.6**	**(235.7)**	**37.8**	**2,955.8**	**0.8**	**2,956.7**

(198.9)

Retained earnings (accumulated deficit)	Cash flow hedge reserve	Cost of hedging reserve	Translation reserve	Equity component of convertible notes	Owners of the parent	Non-controlling interests	Total equity
(213.7)	**(5.5)**	**-**	**(143.6)**	**37.8**	**2,920.2**	**2.9**	**2,923.0**
22.6					22.6		22.6
10.8					10.8		10.8
(180.3)	**(5.5)**	**-**	**(143.6)**	**37.8**	**2,953.6**	**2.9**	**2,956.4**
8.2	-	-	-	-	8.2	0.8	9.0
(0.1)	-	-	-	-	(81.0)	(0.1)	(81.1)
-	-	-	-	-	-	-	-
13.0	-	-	-	-	13.0	-	13.0
-	-	-	-	-	(10.8)	-	(10.8)
(13.3)	-	-	1.4	-	(11.9)	(0.8)	(12.7)
						(0.0)	(0.0)
8.4	(0.0)	-	-	-	8.3	(0.0)	8.3
82.2	**-**	**-**	**-**	**-**	**82.2**	**(0.4)**	**81.8**
4.1	(0.1)	0.3	(99.2)	-	(94.8)	(1.0)	(95.8)
86.3	**(0.1)**	**0.3**	**(99.2)**	**-**	**(12.6)**	**(1.4)**	**(14.0)**
(77.7)	**(5.6)**	**0.3**	**(241.3)**	**37.8**	**2,866.8**	**1.4**	**2,868.2**

(208.7)

1.7 Notes to the consolidated financial statements

Elis is an international multi-service provider, offering textile, hygiene and facility services solutions in Europe and Latin America. The Group serves hundreds of thousands of customers of all sizes in the Hospitality, Healthcare, Industry, and Trade sectors. Elis is a joint-stock corporation governed by a Management Board and a Supervisory Board, listed on the Euronext market in Paris.

Its registered office is located at 5, boulevard Louis-Loucheur, 92210 Saint-Cloud, France.

The IFRS consolidated financial statements of the Elis Group for the 12-month period ended December 31, 2019 were approved by the Management Board on March 3, 2020 and reviewed by the Audit Committee on March 2, 2020 and by the Supervisory Board on March 3, 2020.

SOMMAIRE DE NOTES

NOTE 1 ACCOUNTING POLICIES

1.1 Basis of preparation

The Elis Group's consolidated financial statements include the financial statements of Elis and its subsidiaries. The Elis Group refers to Elis, the parent company of the Elis Group, and the companies included in the scope of consolidation (see Note 2 "Scope of consolidation and significant events of the year" and Note 11 "Related party disclosures").

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, with the main exception of:

- derivative financial instruments and offsetting assets, contingent liabilities and financial liabilities representing a price adjustment, recognized in a business combination, which are measured at fair value;
- liabilities (assets) related to employee benefits, which are measured at the fair value of plan assets less the present value of defined benefit obligations, as limited by IAS 19;
- assets held for sale, which are measured at the lower of the carrying amount and the fair value, less cost to sell.

The consolidated financial statements are presented in millions of euros, unless otherwise stated.

1.2 Accounting standards applied

The accounting policies used to prepare the consolidated financial statements comply with the IFRS standards and IFRIC interpretations as adopted by the European Union as at December 31, 2019 and available on the following website: https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_fr.

The accounting policies adopted are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2018 except for the following standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2019.

Main standards, amendments and interpretations with mandatory application from January 1, 2019

The consolidated financial statements have been prepared for the first time after adopting IFRS 16 and IFRIC 23 as at January 1, 2019.

IFRS 16 "Leases"

The Group adopted this standard using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16 was recognized as an adjustment recorded as at the date of first-time adoption, without a retrospective restatement of comparative information. The Group utilized the simplification measures available, mainly the exemption for leases for which the lease term ends within 12 months of the date of first-time adoption of the standard and maintaining the scope of leases identified under IAS 17 and IFRIC 4.

The Group entered into lease agreements for a variety of assets including property, vehicles, machines, and other equipment. Before adopting IFRS 16, the Group classified all of its leases (as the lessee) as at their start date as either an operating lease or a finance lease. Leases were classified as finance leases when nearly all of the risks and rewards incident to ownership of the leased asset were transferred to the Group. All other leases were classified as operating leases. Finance leases were capitalized at the beginning of the lease term at the initial fair value of the leased asset or, when the value was lower, at the present value of the minimum lease payments. Lease payments were split between interest (recorded as financial expenses) and the reduction of the lease liability. For operating leases, leased assets were not capitalized and lease payments were recorded as lease expenses in the income statement on a straight-line basis over the term of the lease. Prepaid and accrued lease payments were recorded under prepaid expenses and trade payables, respectively.

- Lease agreements previously classified as finance leases:

  The Group did not modify the initial carrying amount of the assets or liabilities recorded as at the date of first-time adoption. Right-of-use assets and liabilities are equal to the lease assets and liabilities previously recorded per IAS 17.
- Lease agreements previously classified as operating leases:

  The Group recorded right-of-use assets and lease liabilities, except for short-term leases and leases of low-value assets. Right-of-use assets were recorded based on an amount equal to the lease liability adjusted for any potential prepaid lease payments or lease payments that had already been recorded. Lease liabilities were recorded based on the present value of the remaining lease payments discounted using the incremental borrowing rate as at the date of first-time adoption.
  In the statement of cash flows, lease payments, previously presented in cash flows from operating activities, are now presented in financing cash flows, broken down between interest (recorded as financial expenses) and principal repayments (presented on a separate line).

As at January 1, 2019, the impact was as follows:

(In millions of euros)	**01/01/2019**
Intangible assets	(1.1)
Right-of-use assets	397.3
Property, plant and equipment	(26.9)
TOTAL ASSETS	**369.3**
Total equity	**-**
Borrowings and financial debt	(19.5)
Lease liabilities	333.1
Current lease liabilities	59.1
Bank overdrafts and current borrowings	(3.4)
TOTAL EQUITY AND LIABILITIES	**369.3**

The Group has adjusted the first-time adoption impact compared to the previously published figures as at June 30, 2019 (increase in lease liabilities as at January 1, 2019 of €3.1 million) in order to take into account the decision of the IFRS Interpretations Committee (IFRIC) published on December 16, 2019 clarifying that:

- an economic approach should be used to determine the enforceable period of a lease; and
- the depreciation period of leasehold improvements is connected to the term of a lease under IFRS 16.

Lease liabilities under lease agreements as at January 1, 2019 may be reconciled against the operating lease commitments as at December 31, 2018 as follows:

Operating lease commitments published as at 12/31/2018	**339.0**
Short-term lease commitments	(4.0)
Reasonably certain renewal options	89.3
Other adjustments	3.0
Undiscounted operating lease liabilities	**427.4**
Weighted average incremental borrowing rate as at 01/01/2019	2.7%
Operating lease liabilities	**369.3**
Commitments previously classified as finance leases	22.9
Lease liabilities as at 01/01/2019	**392.2**
Of which:	
› non-current lease liabilities	333.1
› current lease liabilities	59.1

In addition, as part of the information to be provided, the Group has:

- updated Accounting Policy Note 1.3 "Critical accounting estimates and judgments" and Note 6.4 "Right-of-use assets and lease liabilities";
- detailed the impact of first-time adoption of IFRS 16 on segment information in Note 3.2 "Earnings";
- disclosed the other information required in Note 6.4 "Right-of-use assets and lease liabilities."

IFRIC 23 "Uncertainty over Income Tax Treatments"

In June 2017, the International Accounting Standards Board (IASB) published IFRIC 23 "Uncertainty over income tax treatments" (the application of which is mandatory as from January 1, 2019), in order to clarify the recognition and measurement of uncertainties regarding income taxes. The Group does not believe that this has an impact on the assessment of taxes. However, approximately €1.4 million of uncertain tax liabilities classified as provisions were reclassified in the balance sheet as current tax liabilities, as presented in Note 7 "Provisions and contingent liabilities." The cumulative effect of the initial application of this interpretation was recorded as at the date of first-time adoption, without the restatement of comparative information, as provided in the transition approach.

The other amendments and interpretations that are mandatory as from January 1, 2019 have no material impact on the Group.

Standards that have been published but have not yet entered into force

- Main standards, amendments and interpretations adopted by the European Union but not mandatory as at January 1, 2019:
  - Amendments to the Conceptual Framework for IFRS;
  - Amendments to IAS 1 and IAS 8 – "Definition of Material";
  - Amendments to IFRS 9, IAS 39, and IFRS 7 – "Interest Rate Benchmark Reform".

  The Group does not plan to apply these standards prior to their required effective date in the European Union.
- Main standards, amendments and interpretations that have been published but not yet adopted by the European Union:
  - Amendments to IFRS 3 "Business Combinations" entitled, "Definition of a Business";
  - IFRS 17 "Insurance Contracts".

  To date, the Group has not identified any material impact of these new standards and does not expect to be impacted by IFRS 17 "Insurance Contracts."

1.3 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires the Elis Group to make estimates and assumptions that affect the carrying amount of assets, liabilities, income and expenses and the disclosures in some of the notes to the financial statements. The Elis Group reviews these estimates and judgments on a regular basis, taking into consideration past experience and other factors deemed relevant in light of economic conditions.

Amounts reported in future financial statements may differ from current estimates due to changes in assumptions or if conditions vary from those anticipated.

Critical accounting estimates and assumptions

Allocation of the acquisition price in business combinations

Business combinations are accounted for using the purchase accounting method: this means that, at the date on which control is acquired, the identifiable assets, liabilities and contingent liabilities acquired or assumed are measured at fair value. One of the most significant estimates when accounting for an acquisition is the determination of the fair value and the assumptions used to determine it. While the fair value of some acquired items, such as property, plant and equipment, can be accurately measured (using the market price), others are more complex to measure, such as intangible assets or contingent liabilities. These measurements are generally made by independent experts who base their work on assumptions and must estimate the effect of future events that are uncertain at the acquisition date.

Recoverable amount of goodwill and intangible assets with indefinite useful lives

The Group performs annual impairment tests on goodwill and intangible assets with indefinite useful lives (brands) in accordance with IAS 36 "Impairment of Assets." The recoverable amount of cash-generating units is calculated on the basis of their value in use. These calculations require the use of estimates. Concerning goodwill, the estimates used, together with an analysis of assumption sensitivity, are presented in Note 6.1 "Goodwill."

Employee benefit liabilities

The present value of employee benefit obligations is computed on an actuarial basis using various assumptions. The discount rate is one of the assumptions used to calculate the net cost of retirement benefits. Any change in the assumptions affects the carrying amount of the employee benefit liabilities.

The Group sets the appropriate discount rate at the end of each reporting period. This is the interest rate applied to calculate the present value of future disbursements necessary to meet retirement benefit obligations. To determine the appropriate rate, the Group takes into account the interest rates on high-quality corporate bonds (Iboxx Corporate AA 10+ for France) in the currencies in which benefits are to be paid and with a term comparable to the estimated average maturity of the corresponding obligation.

Note 5.3 "Employee benefit assets/liabilities" provides further details on the matter.

Provisions

The Group records provisions, mainly for disputes and environmental compliance:

- Provisions for disputes: some subsidiaries of the Group may be involved in regulatory, legal or arbitration proceedings that may, given the potential uncertainties, have a material impact on the Group's financial position, as described in Note 7.2 "Contingent liabilities." The Group's legal team keeps track of ongoing proceedings, regularly reviews their progress and assesses the need to establish adequate provisions or change their amounts, if events occurring in the course of the proceedings require a reappraisal of the risk. The decision to set aside a provision for a risk and the amount of the provision to be recorded is based on a case-by-case assessment of the risk, management's estimate of the unfavorable nature of the outcome of the proceedings in question (probable nature) and the ability to reliably estimate the related amount.
- Provisions for environmental compliance: Provisions for environmental compliance are assessed based on experts' reports and the Group's experience. The Group's Quality, Safety and Environment Department conducts an assessment of the sites concerned, monitors the progress and costs of the sites being cleaned up and ensures that appropriate provisions are updated in line with the studies carried out and the progress of the clean-up measures.

Defining terms of leases with renewal options

The Group defines the lease term as the non-cancellable period of the lease as well as any period covered by an option to extend the lease if it is reasonably certain that such option will be exercised, or any period covered by a lease termination option if the Group is reasonably certain it will not exercise this option.

Under some of its leases, the Group has the possibility of extending the period during which the assets are leased. The Group uses its own judgment to determine whether it is reasonably certain that it will exercise a renewal option. In other words, it takes any relevant factors that provide an economic incentive to exercise the renewal option as well as the Group's five-year strategic investment plan into account.

Critical judgments in applying accounting policies

Recognition of assets related to rental, laundry and maintenance services

Rental, laundry and maintenance agreements are generally considered service agreements that do not transfer rights of use for the asset to the customer (mainly due to the substantive substitution right for textiles). Accordingly, items subject to rental, laundry and maintenance service agreements are recognized as non-current assets.

Accounting classification of the French business tax (*cotisation sur la valeur ajoutée des entreprises* – CVAE)

According to the Group's analysis, the French business tax (CVAE) meets the definition of income tax in paragraph 2 of IAS 12 "Income Taxes." Total current and deferred amounts of CVAE are therefore presented in the line item "Income tax expense."

1.4 Restatements of prior years' financial information

The following tables present adjustments to the income statement, the statement of financial position, and the statement of cash flows as at December 31, 2018, compared to the previously published financial statements as at December 31, 2018 related to prior business combinations (IFRS 3).

IFRS 3 "Business combinations"

IFRS 3 requires previously published comparative periods to be retrospectively restated for business combinations (recognition of the final fair value of the assets acquired and the liabilities and contingent liabilities assumed when this fair value was provisionally determined at the previous balance sheet date).

The changes are mainly related to the final measurement of provisions, especially environmental provisions (total of €1.1 million). The final fair value of assets and liabilities acquired in a business combination in 2018 is disclosed in the "Acquisitions in 2018" section of Note 2.4 "Changes in scope of consolidation."

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	12/31/2018 published	IFRS 3	12/31/2018 restated
Revenue	**3,133.3**	**-**	**3,133.3**
Cost of linen, equipment and other consumables	(513.7)	-	(513.7)
Processing costs	(1,171.7)	-	(1,171.7)
Distribution costs	(514.8)	-	(514.8)
Gross margin	**933.0**	**-**	**933.0**
Selling, general and administrative expenses	(520.0)	-	(520.0)
Value adjustments for losses on trade and other receivables	(5.5)	-	(5.5)
Operating income before other income and expenses and amortization of intangible assets recognized in a business combination	**407.5**	**-**	**407.5**
Amortization of intangible assets recognized in a business combination	(112.5)	-	(112.5)
Goodwill impairment	-	-	-
Other operating income and expenses	(49.8)	-	(49.8)
Operating income	**245.2**	**-**	**245.2**
Net financial income (loss)	(110.5)	-	(110.5)
Income (loss) before tax	**134.7**	**-**	**134.7**
Income tax expense	(51.7)	-	(51.7)
Share of income of equity-accounted companies	-		-
Income from continuing operations	**83.0**	**-**	**83.0**
Income from discontinued operations, net of tax	(1.2)	-	(1.2)
Net income (loss)	**81.8**	**-**	**81.8**
Attributable to:			
› owners of the parent	82.2	-	82.2
› non-controlling interests	(0.4)	-	(0.4)
Earnings (loss) per share (EPS) *(in euros)*:			
› basic, attributable to owners of the parent	€0.38		€0.38
› diluted, attributable to owners of the parent	€0.38		€0.38
Earnings (loss) per share (EPS) from continuing operations *(in euros)*:			
› basic, attributable to owners of the parent	€0.38		€0.38
› diluted, attributable to owners of the parent	€0.38		€0.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	12/31/2018 published	IFRS 3	12/31/2018 restated
Net income (loss)	**81.8**	**-**	**81.8**
Gains (losses) on change in fair value of hedging instruments	(2.9)		(2.9)
Cash flow hedge reserve reclassified to income	2.9		2.9
Total change in cash flow hedge reserve, before taxes	**0.0**	**-**	**0.0**
Related tax	(0.1)		(0.1)
Net change in the cost of hedging, before tax	**0.5**		**0.5**
Related tax	(0.2)		(0.2)
Effects of changes in foreign exchange rates – net translation differences	**(100.2)**	**-**	**(100.2)**
Other comprehensive income (loss) which may be subsequently reclassified to income	**(99.9)**	**-**	**(99.9)**
Actuarial gains (losses) on defined benefit plans, before tax	**4.6**		**4.6**
Related tax	(0.5)		(0.5)
Other comprehensive income (loss) which may not be subsequently reclassified to income	**4.1**	**-**	**4.1**
OTHER COMPREHENSIVE INCOME	**(95.8)**	**-**	**(95.8)**
TOTAL COMPREHENSIVE INCOME (LOSS)	**(14.0)**	**-**	**(14.0)**
Attributable to:			
› owners of the parent	(12.6)	-	(12.6)
› non-controlling interests	(1.4)	-	(1.4)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

(In millions of euros)	12/31/2018 published	IFRS 3 appropriation as at the acquisition date	IFRS 3 change between the acquisition date and the balance sheet date	IFRS 3 translation differences	12/31/2018 restated
Goodwill	3,744.9	0.7	-	-	3,745.7
Intangible assets	925.2	(0.0)	-	-	925.2
Right-of-use assets					
Property, plant and equipment	1,906.3	0.7	-	-	1,907.0
Equity-accounted companies	-	-	-	-	-
Other equity investments	0.2	-	-	-	0.2
Other non-current assets	67.7	-	-	-	67.7
Deferred tax assets	56.4	0.1	-	-	56.5
Employee benefit assets	17.5	-	-	-	17.5
TOTAL NON-CURRENT ASSETS	**6,718.2**	**1.6**	**-**	**-**	**6,719.8**
Inventories	120.2	-	-	-	120.2
Contract assets	31.7	-	-	-	31.7
Trade and other receivables	649.9	(0.4)	-	-	649.5
Current tax assets	10.4	-	-	-	10.4
Other assets	26.0	-	-	-	26.0
Cash and cash equivalents	197.0	-	-	-	197.0
Assets held for sale	41.7	-	-	-	41.7
TOTAL CURRENT ASSETS	**1,077.0**	**(0.4)**	**-**	**-**	**1,076.6**
TOTAL ASSETS	**7,795.2**	**1.2**	**-**	**-**	**7,796.4**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

(In millions of euros)	12/31/2018 published	IFRS 3 appropriation as at the acquisition date	IFRS 3 change between the acquisition date and the balance sheet date	IFRS 3 translation differences	12/31/2018 restated
Share capital	219.9				219.9
Additional paid-in capital	2,943.9				2,943.9
Treasury share reserve	(11.4)				(11.4)
Other reserves	0.7				0.7
Retained earnings (accumulated deficit)	(77.7)	(0.0)	-	-	(77.7)
Other components of equity	(208.7)	-	-	-	(208.7)
Equity attributable to owners of the parent	**2,866.8**	**(0.0)**	**-**	**-**	**2,866.8**
Non-controlling interests	**1.4**	**-**	**-**	**-**	**1.4**
TOTAL EQUITY	**2,868.2**	**(0.0)**	**-**	**-**	**2,868.2**
Provisions	92.4	1.1	-	-	93.5
Employee benefit liabilities	99.0	-	-	-	99.0
Borrowings and financial debt	3,101.6	-	-	-	3,101.6
Deferred tax liabilities	370.9	(0.1)	-	-	370.9
Lease liabilities					
Other non-current liabilities	15.3	-	-	-	15.3
TOTAL NON-CURRENT LIABILITIES	**3,679.3**	**1.0**	**-**	**-**	**3,680.3**
Current provisions	23.2	-	-	-	23.2
Current tax liabilities	23.9	-	-	-	23.9
Trade and other payables	274.4	0.1	-	-	274.5
Contract liabilities	68.3	-	-	-	68.3
Current lease liabilities					
Other liabilities	381.5	0.1	-	-	381.6
Bank overdrafts and current borrowings	453.1	-	-	-	453.1
Liabilities directly associated with assets held for sale	23.3	-	-	-	23.3
TOTAL CURRENT LIABILITIES	**1,247.7**	**0.2**	**-**	**-**	**1,247.9**
TOTAL EQUITY AND LIABILITIES	**7,795.2**	**1.2**	**-**	**-**	**7,796.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions of euros)	12/31/2018 published	IFRS 3	12/31/2018 restated
CONSOLIDATED NET INCOME (LOSS)	**81.8**	**-**	**81.8**
Income tax expense	51.4	-	51.4
Net financial income (loss)	110.3	-	110.3
Share-based payments	13.0		13.0
Depreciation, amortization and provisions	663.0	-	663.0
Portion of grants transferred to income	(0.3)		(0.3)
Net gains and losses on disposal of property, plant and equipment and intangible assets	6.9		6.9
Other	19.5		19.5
CASH FLOWS BEFORE FINANCE COSTS AND TAX	**945.7**	**-**	**945.7**
Change in inventories	(12.7)		(12.7)
Change in trade and other receivables and contract assets	(26.4)		(26.4)
Change in other assets	2.2		2.2
Change in trade and other payables	7.0	-	7.0
Change in contract and other liabilities	16.2		16.2
Other changes	(3.5)		(3.5)
Employee benefits	1.4		1.4
Tax paid	(76.7)		(76.7)
NET CASH FROM OPERATING ACTIVITIES	**853.3**	**-**	**853.3**
Acquisition of intangible assets	(20.0)		(20.0)
Proceeds from disposal of intangible assets	0.4		0.4
Acquisition of property, plant and equipment	(634.4)	-	(634.4)
Proceeds from disposal of property, plant and equipment	9.5		9.5
Acquisition of subsidiaries, net of cash acquired	(62.2)		(62.2)
Proceeds from disposal of subsidiaries, net of cash transferred	1.0		1.0
Changes in loans and advances	0.4		0.4
Dividends from equity-accounted companies	0.1		0.1
Investment grants	0.1		0.1
NET CASH FROM INVESTING ACTIVITIES	**(704.9)**	**-**	**(704.9)**
Capital increase	9.0		9.0
Treasury shares	(11.1)		(11.1)
Dividends and distributions paid			
› to owners of the parent	(81.0)		(81.0)
› to non-controlling interests	(0.1)		(0.1)
Change in borrowings[(a)]	(1.1)		(1.1)
› proceeds from new borrowings	1,684.1		1,684.1
› repayment of borrowings	(1,685.2)		(1,685.2)
Lease liability payments – principal (2018: payments under finance leases)	(3.0)		(3.0)
Net interest paid (including interest on lease liabilities)	(55.2)		(55.2)
Other cash flows related to financing activities	(26.4)		(26.4)
NET CASH FROM FINANCING ACTIVITIES	**(168.7)**	**-**	**(168.7)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(20.4)**	**-**	**(20.4)**
Cash and cash equivalents at beginning of period	203.0		203.0
Effect of changes in foreign exchange rates on cash and cash equivalents	(3.6)	-	(3.6)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**179.1**	**-**	**179.1**

(a) Net change in credit lines.

NOTE 2 SCOPE OF CONSOLIDATION AND SIGNIFICANT EVENTS OF THE YEAR

2.1 Basis of consolidation

Fully consolidated companies

Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there have been 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 obtains control until the date the Group ceases to control the subsidiary.

Net income or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in income.

Associates and joint ventures

Investments in companies over which the Group has significant influence on financial and operating decisions but does not exercise control and joint ventures are accounted for using the equity method.

2.2 Business combinations

Business combinations as from July 1, 2009

Business combinations are accounted for using the acquisition method. Accordingly, when the Group acquires a business, its assets, liabilities and contingent liabilities are measured at fair value. Moreover, for each business combination, the Group measures the non-controlling interests in the acquiree either at fair value or at the Group's proportionate share of the acquiree's identifiable net assets.

Acquisition-related transaction costs are expensed as incurred (see Note 4.6 "Other operating income and expenses").

At the acquisition date, the Group recognizes goodwill as the difference between the consideration transferred plus any non-controlling interests in the acquiree 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 profit or loss.

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 date. Assets and liabilities denominated in foreign currencies are translated using the exchange rate effective at the reporting date. Foreign currency translation gains and losses are recognized in the income statement, except for those concerning monetary items associated with a net investment in a foreign operation. For the latter, translation differences are recognized directly in equity until the net investment is sold, when they are reclassified to the income statement.

For consolidation purposes, the assets and liabilities of Group entities denominated in foreign currencies are translated using the exchange rate effective at the reporting date. Income statement items are translated using the average exchange rate for the reporting period. Resulting foreign currency differences are recognized directly in equity and presented in a separate column ("Translation reserve").

2.4 Changes in scope of consolidation

2019 acquisitions

The Group acquired the following business combinations during the year:

In Germany

On January 14, Elis acquired 100% of Curantex GmbH and Curantex GmbH & Co. KG ("Curantex"). The Curantex plant, located in Erkelenz in North Rhine-Westphalia, serves customers in the Healthcare sector, including hospitals and retirement homes (flat linen, workwear and residents' clothing). Curantex is a family-owned company that generated revenue of €13.6 million in 2019. This acquisition, which expands Elis's existing network in the Cologne region, will enable it to streamline its plants in Western Germany, a densely populated area in which Elis already operates five flat linen plants and two garment plants.

In Brazil

On October 31, the Group acquired BR Laundry. Located in Anápolis, in the state of Goiás, BR Laundry specializes in workwear in the Industry and Healthcare sectors. The company generates annual revenue of approximately €1.6 million.

In Colombia

On January 14, Elis completed the acquisition of 100% of Metropolitana SAS. Metropolitana has two plants in Bogotá dedicated to operators in the Healthcare, Industry and Hospitality sectors. Metropolitana is a family-owned company that generated revenue of €4.4 million in 2019. This acquisition boosts Elis's existing network in the Bogotá region and allows it to expand further in the Hospitality and Industry sectors, where until now it had a limited foothold.

On September 19, the Group acquired 100% of Lavamejor, located in Cartagena. This laundry business mainly serves hotels on the Caribbean coast. The company employs nearly 80 people and generates annual revenue of €1.6 million. This acquisition extends Elis's coverage in Colombia.

In Denmark

On January 4, the Group completed the acquisition of 100% of A-vask A/S. A-vask A/S is a family-owned group with two multi-service plants in Aabenraa (southern Denmark) and Taastrup (Copenhagen region) with customers in the Hospitality and public sectors. A-vask A/S generated revenue of around €6.5 million in 2019.

In Spain

On January 29, Elis announced the acquisition of 100% of Lloguer Textil Maresme, SL (Lloguer Textil). Lloguer Textil is a family-owned group with a flat linen plant in Mataró, north of Barcelona, that generated revenue of around €2.5 million in 2019. In addition, the Group also acquired Base Lavanderias and Marina de Complementos, which operate in the Healthcare sector (flat linen) in Valencia and La Rioja, employing nearly 50 people and generating almost €1.6 million in revenue.

On October 30, the Group acquired the assets of La Perla. Based in the Barcelona region, La Perla operates mainly in the workwear segment. The company generates annual revenue of approximately €1.9 million and employs around 40 people.

In France

On February 5, Elis acquired 100% of Rathiboust, a French pest control company that mainly serves building management companies in the Greater Paris region. The company has 13 employees and generated revenue of approximately €1.4 million in 2019.

On February 21, the Group completed the acquisition of 100% of Blanchisserie Sud Aquitaine. The company, which operates in the Hospitality sector in Nouvelle-Aquitaine in southwestern France, has nearly 40 employees and revenue of approximately €3.9 million.

In addition, on March 1, 2019, Les Lavandières acquired a pest control business in Nantes (€0.2 million in revenue last year with four employees).

In Italy

On July 4, 2019, the Group acquired Italian company Organizzazione Arrigoni, which is located near Milan. The company, which specializes in pest control, generated €1.3 million in revenue in 2019 and employs 14 people.

In Norway

At the end of April, the Group completed the acquisition of the business assets of Storvask, a company specialized in mats and workwear located in the Trondheim area. This business generates nearly €1 million in revenue.

In Great Britain

At the end of March, Elis acquired the business assets of Ocean Breeze, which operates in the Hospitality sector in Cornwall. This business generates nearly €0.7 million in revenue.

In Russia

On July 17, 2019, the Group acquired 100% of the mat business of Blesk InCare. Blesk InCare is a mat market leader with five locations providing coverage across Russia. Blesk InCare's mat business serves 10,000 customers across all private-sector industries and generated revenue of approximately €11.2 million in 2019 in a rapidly expanding market. It has approximately 350 employees.

In Sweden

On March 1, Elis acquired 100% of Carpeting Entrémattor. A family-run group located in Stockholm, Carpeting Entrémattor is dedicated exclusively to the rental and maintenance of mats for clients of all sizes operating in a variety of sectors. In 2019, it generated revenue of around €3.3 million.

At the end of March, Elis moved to acquire Skräddarens Tvätt & Hyrservice, a mat and workwear company located in the Umeå area. The company has 13 employees and generates revenue of approximately €2.3 million.

In Switzerland

On April 2, Elis moved forward with the acquisition of AS Désinfection, which operates in the Pest control sector in the Fribourg area. The company has three employees and generates revenue of approximately €0.4 million.

Summary of the aforementioned acquisitions

The identifiable assets and liabilities as at the acquisition date were as follows:

(In millions of euros)	Fair value as at the acquisition date	Of which France	Of which Germany	Of which Brazil	Of which Colombia	Of which Denmark	Of which Spain	Of which Italy	Of which UK & Ireland	Of which Russia	Of which Norway	Of which Sweden	Of which Switzerland
Balance sheet													
Intangible assets	27.7	0.4	8.2	-	1.0	4.4	3.4	0.0	0.7	0.1	1.1	8.4	-
Right-of-use assets	6.0	0.4	-	-	0.7	2.7	-	0.2	-	2.1	-	-	-
Property, plant and equipment	30.7	1.5	8.9	1.8	2.8	1.8	1.8	0.0	0.2	6.1	0.4	5.3	0.0
Other equity investments	0.0	0.0	-	-	-	-	0.0	-	-	-	-	-	-
Other non-current assets	0.2	0.0	0.1	-	0.1	-	-	0.0	-	-	-	-	-
Deferred tax assets	0.2	-	-	-	-	-	0.0	-	-	0.2	-	-	-
Inventories	0.6	0.1	0.1	-	0.1	-	0.3	0.0	0.0	0.0	-	-	0.0
Trade and other receivables	12.3	0.9	1.3	0.2	1.4	3.7	2.2	0.4	-	1.3	-	0.9	0.0
Current tax assets	0.3	-	0.0	-	-	-	0.0	-	-	0.2	-	0.1	-
Other assets	0.1	0.1	0.0	-	-	0.0	-	-	-	0.0	-	0.0	0.0
Cash and cash equivalents	3.3	0.1	(0.1)	0.1	0.6	(0.1)	0.8	0.5	-	0.1	-	1.3	0.1
Provisions	(0.6)	-	-	-	(0.1)	(0.5)	-	-	-	-	-	-	(0.0)
Employee benefit liabilities	(0.1)	-	-	-	-	-	-	(0.1)	-	-	-	-	-
Borrowings and financial debt	(0.1)	-	-	(0.1)	-	-	-	(0.0)	-	-	-	-	-
Deferred tax liabilities	(2.8)	(0.0)	(0.0)	-	-	(0.6)	-	-	-	-	-	(2.2)	-
Lease liabilities	(2.7)	(0.2)	-	-	(0.6)	(1.3)	(0.1)	(0.2)	-	(0.4)	-	-	-
Other non-current liabilities	(3.4)	(0.5)	-	-	(1.0)	-	-	-	(0.1)	(1.8)	-	-	-
Current tax liabilities	(0.7)	-	(0.0)	-	(0.1)	(0.2)	-	(0.0)	-	-	-	(0.4)	(0.0)
Trade and other payables	(9.8)	(0.3)	(2.7)	(0.0)	(0.6)	(3.2)	(1.6)	(0.0)	-	(0.4)	-	(0.8)	(0.0)
Contract liabilities	(0.8)	-	-	-	(0.0)	(0.6)	-	-	-	(0.0)	-	(0.2)	-
Current lease liabilities	(2.3)	(0.1)	-	-	(1.9)	(0.0)	-	(0.0)	-	(0.2)	-	-	-
Other liabilities	(5.6)	(0.5)	(0.4)	(0.1)	(0.4)	(0.8)	(0.4)	(0.1)	-	(1.2)	-	(1.6)	(0.0)
Bank overdrafts and current borrowings	(15.1)	(1.3)	(5.3)	(0.0)	(0.6)	-	(0.8)	-		(7.1)	-	-	-
TOTAL IDENTIFIABLE NET ASSETS AND LIABILITIES AT FAIR VALUE[(A)]	**37.4**	**0.5**	**10.1**	**1.9**	**1.3**	**5.1**	**5.8**	**0.6**	**0.8**	**(1.1)**	**1.4**	**10.9**	**0.1**
Goodwill	60.8	4.2	1.5	2.8	4.1	2.8	0.8	2.4	1.6	32.3	-	7.9	0.4
PURCHASE PRICE	**98.2**	**4.7**	**11.6**	**4.7**	**5.3**	**8.0**	**6.6**	**3.0**	**2.4**	**31.2**	**1.4**	**18.8**	**0.5**
Acquisition-related transaction costs	2.6	0.0	0.8	0.3	0.2	0.2	0.2	0.2	-	0.8	-	-	-

(a) Provisional amount, see below.

As at December 31, 2019, due to these recent acquisitions, the initial accounting for the business combinations acquired during the last 12 months had not been completed and the amounts recognized were therefore provisional.

Since their acquisition, the acquired companies have contributed €46.5 million to revenue, €13.8 million to EBITDA, €8.4 million to operating income (before amortization of intangible assets recognized in a business combination) and €3.4 million to net income in 2019. If these acquisitions had taken place at the beginning of 2019, the additional revenue would have been €14.6 million, with additional EBITDA of €3.2 million, additional operating income (before amortization of intangible assets recognized in a business combination) of €2.1 million, and additional net income of €0.5 million.

Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the expected synergies arising from the acquisitions.

Cash flows from acquisitions

(In millions of euros)	12/31/2019	of which France	of which Germany	of which Brazil	of which Colombia	of which Denmark	of which Spain	of which Italy	of which United Kingdom & Ireland	of which Russia	of which Norway	of which Sweden	of which Switzerland
Net cash acquired	3.3	0.1	(0.1)	0.1	0.6	(0.1)	0.8	0.5	-	0.1	-	1.3	0.1
Amount paid	(86.5)	(26.0)	(11.6)	(4.7)	(5.3)	(8.4)	(5.9)	(3.0)	(2.5)	-	(1.4)	(17.0)	(0.5)
NET CASH FLOW	**(83.2)**	**(25.9)**	**(11.7)**	**(4.6)**	**(4.8)**	**(8.5)**	**(5.1)**	**(2.5)**	**(2.5)**	**0.1**	**(1.4)**	**(15.8)**	**(0.4)**

2019 disposals

In Switzerland

On July 2, 2019, the Group sold its 50.02% stake in On My Way, a Swiss startup offering dry cleaning services to individual customers. The results of this disposal were not material.

In the United Kingdom

On August 22, 2019, the Group completed the sale of the single use (Rocialle)/medical consumables (Guardian) divisions of its Clinical Solutions segment to Multigate Medical Products UK Ltd and New Beginnings Investment (Hong Kong) Co, Ltd, subsidiaries of Multigate Medical Products and Zhende Medical, respectively. This division supplies single-use products used for specific surgical procedures in the form of medical packs as well as surgical drapes, gowns, and surgical tray packaging. This division posted revenue of approximately GBP 42 million in 2018.

Then, on October 31, 2019, Elis completed the sale of IHSS, another Clinical Solutions division that belonged to Berendsen prior to its acquisition by Elis in 2017. This division provides decontamination and sterilization solutions for medical equipment in the private and public Healthcare sector. This division posted revenue of approximately GBP 19 million in 2018. The division was sold to Vamed, an international service provider based in Germany that provides customized services to hospitals and other healthcare institutions. The disposal of IHSS thus completes the process of selling the Clinical Solutions business, which had been split into two parts for the purposes of the sale. In order to remain focused on its core business, at the end of the first half of 2018, Elis had announced the disposal of the totality of its Clinical Solutions business – see also Note 2.5 "Non-current assets (or groups of assets) held for sale."

2018 acquisitions

In Germany

On January 3, 2018, the Group acquired:

- Sächsische Mietwäsche und Handels, a company located in Germany near Dresden, with annual revenue of approximately €2.3 million in the Hospitality sector. Its volumes were transferred to the Riesa plant and the former manager, Thomas Pfeiff, became the Director of Riesa;
- Alsco's hotel customer portfolio in the Berlin and Hamburg areas of Germany. In 2017, Alsco generated revenue of nearly €2 million.

On March 23, 2018, the Group completed the acquisition of BW Textilservice in Germany. BW Textilservice is a family-owned laundry company in the Stuttgart region with around 500 employees. In 2018, it generated revenue of €25 million entirely in the Healthcare segment.

On June 6, 2018, Elis completed the acquisition of Wäscherei Waiz GmbH, a family-owned laundry business located near Nuremberg, which generated revenue of around €10 million in 2017. This company employs around 200 people and operates mainly in the Healthcare market in northern Bavaria, a region where the Group did not have a presence before.

In Belgium

On April 24, 2018, the Group acquired Ardenne et Meuse, a Belgian family business with some 80 employees and a laundry near Liège. The company posted revenue of around €8 million in 2018. It is specialized in flat linen processing for Hospitality customers.

In Spain

In February 2018, the Group completed the acquisition of the assets of Camps, which operates a laundry in the Barcelona region and generated revenue of around €2 million in 2017.

On December 5, 2018, the Group completed the acquisition of 100% of Lavanderias Triton SL The Lavanderias Triton SL plant, located in the Madrid region, specializes in flat linen and mainly serves customers in the Hospitality market. Through service partners, the company also covers the cities of Barcelona, Málaga, Elche and Segovia. A family-owned group, Lavanderias Triton SL generated revenue of around €8 million in 2017.

In France

The Group also acquired Big Bang, a company based in Nice. With 16 employees, Big Bang generated revenue in 2017 of around €2 million in the HWB (hygiene and well-being) market in the Nice, Marseille, Lyon and Paris regions.

In addition, on June 29, 2018, Les Lavandières acquired a pest control business in Nantes (€0.3 million in revenue last year and two employees).

Summary of the aforementioned acquisitions

The identifiable assets and liabilities as at the acquisition date were as follows:

(In millions of euros)	Fair value as at the acquisition date	of which France	of which Germany	of which Belgium	of which Spain
Balance sheet					
Intangible assets	6.3	-	2.3	1.8	2.2
Property, plant and equipment	34.2	0.1	18.6	11.4	4.0
Deferred tax assets	0.1	-	-	-	0.1
Inventories	0.3	0.1	0.1	0.2	0.0
Trade and other receivables	7.5	0.3	4.2	1.1	2.0
Current tax assets	0.3	-	0.3	-	-
Other assets	0.2	0.0	0.1	0.0	0.0
Cash and cash equivalents	4.3	0.2	0.3	0.4	3.4
Assets held for sale	0.2	-	-	-	0.2
Provisions	(1.1)	-	(0.8)	(0.0)	(0.3)
Borrowings and financial debt	(7.3)	(0.0)	(2.5)	(3.8)	(1.0)
Deferred tax liabilities	(1.8)	-	(0.4)	(1.2)	(0.2)
Current tax liabilities	(1.0)	0.0	(0.2)	(0.0)	(0.8)
Trade and other payables	(6.8)	(0.0)	(2.6)	(0.8)	(3.3)
Contract liabilities	(0.4)	(0.3)	-	(0.1)	-
Other liabilities	(4.1)	(0.2)	(2.1)	(1.1)	(0.7)
Bank overdrafts and current borrowings	(6.4)	-	(5.4)	(0.8)	(0.1)
TOTAL IDENTIFIABLE NET ASSETS AND LIABILITIES AT FAIR VALUE	**24.4**	**0.2**	**11.7**	**7.0**	**5.5**
Non-controlling interests (-)	-	-	-	-	-
Goodwill	41.0	3.4	25.0	3.0	9.6
PURCHASE PRICE	**65.4**	**3.6**	**36.7**	**10.0**	**15.2**
Acquisition-related transaction costs	0.8	0.0	0.5	0.2	0.2

CASH FLOWS FROM ACQUISITIONS

(In millions of euros)	12/31/2018	of which France	of which Germany	of which Belgium	of which Spain
Net cash acquired	3.3	0.2	(0.8)	0.4	3.4
Amount paid	(65.4)	(3.6)	(36.7)	(10.0)	(15.2)
NET CASH FLOW	**(62.2)**	**(3.4)**	**(37.4)**	**(9.6)**	**(11.8)**

Since their acquisition, the acquired companies contributed €31.6 million to revenue, €7.3 million to EBITDA, €1.6 million to operating income (before amortization of intangible assets recognized in a business combination) and €0.8 million to net income in 2018. If these acquisitions had taken place at the beginning of 2018, additional revenue would have been €20.9 million, with additional EBITDA of €5.1 million, additional operating income (before amortization of intangible assets recognized in a business combination) of €1.6 million, and additional net income of €0.9 million.

Residual goodwill

Residual goodwill reflects unidentifiable items, such as the Group's human capital and the expected synergies arising from the acquisitions.

2.5 Non-current assets (or groups of assets) held for sale

Non-current assets (or groups of assets) are considered as held for sale and measured at the lower of the carrying amount or fair value less cost to sell if their carrying amount will be recovered primarily through sale rather than continued 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.

Discontinued operations are presented separately in the income statement for both the current and comparative financial years. IFRS 5 states that a group of assets to be disposed of is a discontinued operation when it corresponds, in particular, to a cash-generating unit or group of units, is classified as a group held for sale, and represents a separate major line of business or a geographical area of operations. A separate major business line or geographical area may, for example, comprise all or part of an operating segment as defined by IFRS 8.

On July 25, 2018, the Group publicly announced the decision authorized by the Supervisory Board to sell the Clinical Solutions business in the United Kingdom. This business was classified under "Discontinued operations" as at June 30, 2018 and no longer presented under "Segment information." The net income (or loss) for this business for the year is as follows:

(In millions of euros)	12/31/2019	12/31/2018
Revenue	46.4	67.3
Expenses	(44.9)	(68.8)
Gain on disposal	3.4	
Income (loss) from discontinued operations before tax	4.8	(1.5)
Income tax expense	(0.7)	0.3
NET INCOME (LOSS)	**4.1**	**(1.2)**

As at December 31, 2019, the process of selling the Clinical Solutions business, which had been split into two parts, was completed. The after-tax profit from the disposal included in "Income from discontinued operations, net of tax" came to €3.4 million.

The assets and liabilities of the Clinical Solutions business in the United Kingdom classified as held for sale as at December 31, 2018 were as follows:

(In millions of euros)	12/31/2019	12/31/2018
Right-of-use assets	-	-
Property, plant and equipment	-	4.8
Deferred tax assets	-	0.7
Inventories	-	12.5
Trade and other receivables	-	16.8
Current tax assets	-	0.0
Other assets	-	2.0
Cash and cash equivalents	-	4.6
Assets held for sale	-	41.4
Provisions	-	0.7
Deferred tax liabilities	-	1.3
Lease liabilities	-	-
Current provisions	-	0.1
Current tax liabilities	-	0.3
Trade and other payables	-	2.6
Current lease liabilities	-	-
Other liabilities	-	7.7
Bank overdrafts and current borrowings	-	10.5
Liabilities directly associated with assets held for sale	-	23.3

Trade receivables as at December 31, 2018 totaled €16.8 million.

The consolidated statement of cash flows presents the cash flows from both continuing and discontinued operations. The cash flows included in the consolidated statement of cash flows for discontinued operations are:

(In millions of euros)	12/31/2019	12/31/2018
Cash flows from operating activities	2.5	(6.5)
Cash flows from investing activities	27.2	0.2
proceeds from disposal of subsidiaries, net of cash transferred	30.1	-
acquisitions/disposals of non-current assets	(2.9)	0.2
Cash flows from financing activities	(1.1)	-
NET CASH FLOWS FOR THE PERIOD	**28.6**	**(6.3)**

2.6 Off-balance sheet commitments relating to changes in the consolidation scope

Commitments given relate to guarantees granted by Elis in connection with disposals. They totaled €11.7 million at December 31, 2019 (nil at December 31, 2018).

Commitments received totaled €179.8 million as at December 31, 2019 (€149.4 million as at December 31, 2018) and correspond to the maximum guarantees granted to Elis in connection with its acquisitions.

Commitments to acquire equity

On July 25, 2018, the Group signed an agreement to acquire 100% of Kings Laundry Ltd. in Ireland. Kings Laundry has two plants in Cork and Dublin specialized in flat linen. It generated revenue of around €30 million in 2017. This acquisition, which complements Elis's existing network, will generate synergies and will expand the Group's portfolio of customers. As at the date the annual consolidated financial statements were prepared, the Kings Laundry acquisition had been approved by the Irish Competition and Consumer Protection Commission (CCPC) after a detailed review (phase II). For the approval to be finalized, the CCPC required that Elis put mandatory legal provisions in place. These provisions relate to the assignment of several contracts in the Healthcare sector. It is Elis's intention to comply with these provisions in the coming months and thus continue finalizing this transaction.

2.7 Non-controlling interests

In May 2019, the Group acquired a) the balance of the shares of its main Brazilian subsidiary Atmosfera Gestão e Higienização de Têxteis SA and b) 20% of the shares of its Danish subsidiary Jysk Linnedservice A/S per the buyback agreements made previously by the Group and recorded as at December 31, 2018 under other current liabilities.

In April 2018, the former Lavebras shareholder had subscribed to a €9 million capital increase in Atmosfera, the Group's direct subsidiary in Brazil.

No detailed information is provided under IFRS 12 as there is no subsidiary with material non-controlling interests.

2.8 Refinancing

In 2019, the Group carried out two significant refinancing transactions:

1. On April 30, 2019, the Group used two new borrowings in order to fully repay €800 million in High-Yield Bonds maturing in 2022:
   - as part of its EMTN program, on April 11, 2019, Elis issued €500 million worth of bonds maturing in five years with a coupon rate of 1.75%;
   - on April 24, 2019, Elis also took out a USPP loan with two tranches: one tranche in euros in the amount of €300 million maturing in 10 years with an interest rate of 2.70%, and another tranche in US dollars in the amount of US$40 million maturing in 10 years with an interest rate of 4.99%. The tranche in dollars was converted to euros using a 10-year cross-currency swap with a synthetic coupon rate in euros of 2.69%.

   As part of the USPP transaction, the Group underwent the rating process of the rating agency DBRS, which assigned Elis SA an issuer rating of BBB low. This rating is the first investment-grade rating Elis SA has received.
2. On October 3, 2019, the Group fully repaid its bank debt maturing in 2022 without penalty via a dual-tranche bond issue consisting of:
   - a 5.5-year tranche (maturing April 2025) in the amount of €500 million with an annual coupon rate of 1%;
   - an 8.5-year tranche (maturing April 2028) in the amount of €350 million with an annual coupon rate of 1.625%.

   With the longest maturities and lowest coupon rates ever achieved by the Group, these two refinancing transactions aligned well with the Group's active refinancing strategy, aimed at smoothing maturities over a longer period and lowering the average cost of debt.

2.9 Events after the reporting period relating to changes in the consolidation scope

On January 31, 2020, the Group acquired 100% of Textile Washing Company in the Czech Republic. Textile Washing Company is a family-owned group located in Kralovice whose business is dedicated exclusively to the rental and maintenance of flat linen for customers mainly from the Hospitality sector. In 2018, it generated revenue of around €4.5 million.

NOTE 3 SEGMENT INFORMATION

The Group is structured into six main operating segments, based mainly on geography. In grouping different countries together, the Group used its best judgment and considered that the groupings presented best reflect the similar economic characteristics and long-term growth maturity of each country.

The geographical breakdown of rental and maintenance services for textiles and hygiene and well-being appliances is as follows:

- France;
- United Kingdom & Ireland;
- Central Europe: Germany, Austria, Belgium, Luxembourg, the Netherlands, Poland, the Czech Republic, Hungary, Slovakia and Switzerland;
- Scandinavia & Eastern Europe: Denmark, Finland, Norway, Sweden, Estonia, Latvia, Lithuania and Russia;
- Southern Europe: Spain, Andorra, Italy and Portugal;
- Latin America: Brazil, Chile and Colombia.

The other segments include manufacturing entities that comprise the cash-flow generating units of Le Jacquard Français in France and Kennedy Hygiene in the United Kingdom and holding companies.

To track performance, management monitors each segment's EBITDA. Financing costs and income tax expense are primarily monitored at the Group level.

3.1 Revenue

2019

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Eliminations & other segments	Total
External customers	1,065.7	396.1	731.0	507.0	298.2	262.5	21.4	3,281.8
Inter-segment	1.6	1.0	3.6	0.5	0.4	-	(7.1)	-
SEGMENT REVENUE	**1,067.3**	**397.1**	**734.6**	**507.5**	**298.6**	**262.5**	**14.3**	**3,281.8**

2018

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Eliminations & other segments	Total
External customers	1,032.8	397.8	682.1	483.8	268.0	247.7	21.0	3,133.3
Inter-segment	1.8	1.3	3.1	0.2	0.4	-	(6.9)	-
SEGMENT REVENUE	**1,034.6**	**399.1**	**685.2**	**484.0**	**268.4**	**247.7**	**14.1**	**3,133.3**

3.2 Earnings

Non-IFRS indicators

EBIT is defined as net income (loss) before net financial income (loss), income tax, share in net income of equity-accounted companies, amortization of intangible assets recognized in a business combination, goodwill impairment losses, other operating income and expense, miscellaneous financial items (bank fees recognized in operating income) and IFRS 2 expense (share-based payments). A reconciliation of EBIT with the consolidated income statement is presented below.

EBITDA is defined as EBIT before depreciation and amortization, net of the portion of grants transferred to income. A reconciliation of EBITDA with the consolidated income statement is presented below.

2019

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Eliminations & other segments	Total
Operating income before other income and expenses and amortization of intangible assets recognized in a business combination	**206.8**	**14.7**	**79.0**	**105.8**	**20.6**	**37.5**	**(22.4)**	**442.1**
Miscellaneous financial items	*0.5*	*0.3*	*0.1*	*0.0*	*0.2*	*0.1*	*0.4*	*1.7*
Expenses related to share-based payments	*0.4*	*-*	*0.0*	*0.2*	*-*	*-*	*10.6*	*11.2*
EBIT	207.7	15.0	79.1	106.0	20.8	37.6	(11.4)	454.9
Depreciation and amortization, net of the portion of grants transferred to income	*198.4*	*98.5*	*152.7*	*90.2*	*65.1*	*42.1*	*1.2*	*648.1*
EBITDA	**406.1**	**113.5**	**231.8**	**196.2**	**85.9**	**79.7**	**(10.2)**	**1,103.0**
	38.0%	*28.6%*	*31.6%*	*38.7%*	*28.8%*	*30.4%*		*33.6%*

2018

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Eliminations & other segments	Total
Operating income before other income and expenses and amortization of intangible assets recognized in a business combination	**191.6**	**18.0**	**74.9**	**102.3**	**16.6**	**31.2**	**(27.1)**	**407.5**
Miscellaneous financial items	*0.8*	*0.2*	*0.2*	*0.0*	*0.2*	*0.0*	*0.4*	*1.8*
Expenses related to share-based payments	*2.0*	*(0.1)*	*0.0*	*-*	*-*	*-*	*15.1*	*17.0*
EBIT	194.4	18.1	75.2	102.4	16.7	31.2	(11.6)	426.4
Depreciation and amortization, net of the portion of grants transferred to income	*167.6*	*87.2*	*134.7*	*78.6*	*54.2*	*35.6*	*1.3*	*559.2*
EBITDA	**362.0**	**105.3**	**209.9**	**181.0**	**71.0**	**66.7**	**(10.3)**	**985.6**
	35.0%	*26.4%*	*30.6%*	*37.4%*	*26.4%*	*26.9%*		*31.5%*

Impact of the first-time adoption of IFRS 16

The EBITDA of each sector improved due to the adoption of IFRS 16. The impact on the EBIT and EBITDA of each sector during the first half of 2019 is as follows:

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Eliminations & other segments	Total
EBIT	**0.8**	**0.7**	**0.4**	**0.3**	**0.3**	**1.2**	**(0.0)**	**3.7**
Depreciation and amortization, net of the portion of grants transferred to income	(23.8)	(10.3)	(14.0)	(10.4)	(4.9)	(2.9)	(0.4)	(66.6)
EBITDA	**24.6**	**11.0**	**14.4**	**10.7**	**5.2**	**4.1**	**0.4**	**70.3**

3.3 Information by region

(In millions of euros)	12/31/2019	12/31/2018
France (including Le Jacquard Français)	1,075.9	1,042.9
Germany	388.9	354.1
United Kingdom (including Kennedy Hygiene)	361.0	361.2
Sweden	213.8	208.6
Denmark	195.9	189.8
Netherlands	129.2	120.2
Spain and Andorra	209.2	188.8
Brazil	225.0	216.2
Other countries	483.0	451.4
REVENUE	**3,281.8**	**3,133.3**

(In millions of euros)	12/31/2019	12/31/2018
France (including Le Jacquard Français)	2,347.3	2,143.9
Germany	481.2	438.0
United Kingdom (including Kennedy Hygiene)	473.6	379.5
Sweden	847.6	842.0
Denmark	688.8	684.9
Netherlands	531.8	527.1
Spain and Andorra	306.6	283.9
Brazil	472.2	464.1
Other countries	924.0	814.4
NON-CURRENT ASSETS	**7,073.0**	**6,577.9**

The non-current assets presented above comprise goodwill, property, plant and equipment, intangible assets and right-of-use assets.

NOTE 4 OPERATING DATA

4.1 Revenue

Revenues are recognized once the Group has delivered the promised goods or service to the customer.

Services

Revenue from services is recognized as and when the services are rendered.

The five-step model introduced by IFRS 15 requires, among other things, the identification of the performance obligations set out in each service contract. Almost all of the Group's revenue is derived from the sale of services under multi-year contracts. An analysis of contracts shows that, in general, the various services promised to customers constitute a single performance obligation.

Revenue from services is recognized in the period in which the services are delivered, as the customer benefits from these services as and when Elis delivers them. These services are most often invoiced and paid on a monthly basis: Group entities are entitled to receive payment from a customer for an amount directly corresponding to the value to the customer of the performance obligation they have fulfilled up to the relevant date.

Where these services are invoiced in advance as part of a subscription of one month or more, the portion of the invoice corresponding to a service not yet rendered is recognized under "Contract liabilities."

Sale of goods

Revenue from the sale of goods is recognized on the date on which control of the asset sold is transferred to the customer.

4.2 Disaggregation of revenue

Revenue from services is generated by three main activities: flat linen, workwear, and hygiene and well-being. These services are rendered to customers who mainly operate in the Hospitality, Industry, Trade, and Healthcare sectors.

2019

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Other segments	Total
Flat linens	442.7	258.2	319.7	107.4	212.2	208.2	-	1,548.5
Workwear	364.5	111.5	346.0	190.0	51.1	52.8	-	1,115.8
Hygiene and well-being	295.9	16.8	53.2	171.8	35.9	0.0	0.7	574.3
Other	(37.3)	9.6	12.1	37.8	(1.1)	1.5	20.6	43.2
Revenue by service	**1,065.7**	**396.1**	**731.0**	**507.0**	**298.2**	**262.5**	**21.4**	**3,281.8**
Hospitality	376.0	124.1	112.0	78.3	175.0	22.6	-	888.0
Industry	192.5	120.9	212.2	320.0	35.9	62.3	-	943.8
Healthcare	170.6	139.5	288.2	59.8	39.4	178.1	-	875.6
Trade	364.0	11.6	118.6	48.8	48.0	(0.6)	-	590.4
Other	(37.4)	(0.0)	0.0	0.0	(0.0)	0.0	21.4	(16.0)
Revenue by customer segment	**1,065.7**	**396.1**	**731.0**	**507.0**	**298.2**	**262.5**	**21.4**	**3,281.8**
Services (supplied over a given period)	1,064.0	384.0	715.5	474.2	297.8	260.4	1.5	3,197.2
Sales of goods (supplied on a specific date)	1.8	12.1	15.5	32.8	0.4	2.1	19.9	84.6
REVENUE	**1,065.7**	**396.1**	**731.0**	**507.0**	**298.2**	**262.5**	**21.4**	**3,281.8**

2018

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Other segments	Total
Flat linens	426.7	256.5	299.9	106.3	190.0	195.9	-	1,475.4
Workwear	353.4	112.5	321.0	187.6	44.7	49.6	-	1,068.9
Hygiene and well-being	284.8	18.2	49.6	152.6	34.1	0.0	0.4	539.7
Other	(32.1)	10.6	11.5	37.3	(0.8)	2.2	20.6	49.3
Revenue by service	**1,032.8**	**397.8**	**682.1**	**483.8**	**268.0**	**247.7**	**21.0**	**3,133.3**
Hospitality	341.8	127.0	114.3	77.8	154.3	19.9	-	835.0
Industry	188.5	122.8	226.5	307.8	33.7	58.6	-	938.0
Healthcare	169.9	135.9	252.7	59.3	36.4	169.1	-	823.3
Trade	364.7	12.1	88.5	39.0	43.6	0.0	-	548.0
Other	(32.0)	0.0	0.0	(0.0)	(0.0)	0.0	21.0	(11.0)
Revenue by customer segment	**1,032.8**	**397.8**	**682.1**	**483.8**	**268.0**	**247.7**	**21.0**	**3,133.3**
Services (supplied over a given period)	1,030.7	384.2	668.0	451.7	267.3	245.8	2.6	3,050.2
Sales of goods (supplied on a specific date)	2.0	12.4	14.1	32.1	0.8	2.0	18.4	81.9
REVENUE	**1,032.8**	**397.8**	**682.1**	**483.8**	**268.0**	**247.7**	**21.0**	**3,133.3**

4.3 Contract balances

Contract assets
Current contract assets represent services that were rendered to customers during the final months of the reporting period and for which invoices have not yet been issued. These amounts are transferred to trade receivables when the Group acquires an unconditional right to the receivable. This generally happens when the invoice is sent to the customers.

Contract liabilities
Current contract liabilities reflect deferred income, i.e. the invoicing of services that will mainly be performed in the month following the close of the reporting period.

Contract costs
IFRS 15 requires that the incremental costs of obtaining a contract with a customer whose term exceeds one year must be recognized in assets and amortized over the same period. In the Group's case, this asset item corresponds in particular to sales commissions paid in proportion to the amount or number of contracts signed. The change in this asset item (classified as "Non-current assets") between two reporting periods is recognized in the income statement under "Selling, general and administrative expenses."

The amounts of trade receivables, assets and liabilities on contracts with customers are presented in Note 2.5 "Assets held for sale," Note 4.4 "Trade and other receivables and contract assets" and Note 4.9 "Other current assets and liabilities."

Revenue recognized during the year includes the full amount that was shown in the opening balance of contract liabilities at the beginning of the year.

4.4 Trade and other receivables and contract assets

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets.

Trade receivables are subject to impairment for "expected credit losses," which requires the Group to exercise its judgment in assessing expected credit losses over the entire life of the receivable. To do this, the Group mainly uses an impairment matrix based on historical data. These impairment losses are recognized in operating income.

The Group derecognizes financial assets whenever the contractual rights to the assets expire or are relinquished by the Company or when the Company transfers or assigns its rights and substantially all of the associated risks and rewards.

(In millions of euros)	**12/31/2019**	12/31/2018
Trade receivables and notes receivable (gross)	636.4	629.4
(-) Impairment of trade receivables	(56.3)	(56.9)
TRADE RECEIVABLES AND NOTES RECEIVABLE	**580.1**	**572.5**
Other receivables	52.8	77.0
TOTAL TRADE AND OTHER RECEIVABLES	**632.9**	**649.5**
Contract assets	36.2	31.7
TOTAL TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS	**669.1**	**681.2**
› collection expected in less than one year	669.1	681.2
› collection expected in more than one year	-	-

Changes in trade and other receivables and contract assets during the financial years presented are analyzed as follows:

(In millions of euros)	**12/31/2019**	12/31/2018
Opening balance	**681.2**	**676.0**
Adjustment related to first-time adoption of IFRS 9	-	(0.8)
Change in gross WC	(33.8)	32.1
Change in write-downs	0.6	(5.8)
Change in net WC	(33.2)	26.4
Increase related to business combinations	12.3	7.5
Translation differences	1.6	(9.0)
Change in receivables on disposal of fixed assets	0.4	(1.0)
Other movements	6.8	(17.8)
AT DECEMBER 31	**669.1**	**681.2**

Net movements in working capital requirements were mainly due to the recognition in 2019 of €16.5 million in receivables related to France's tax credit for competitiveness and employment (Crédit d'impôt pour la compétitivité des entreprises – CICE), which were not pre-financed (compared with an increase in CICE receivables of €11.3 million in 2018), and to better monitoring of trade receivables and the positive impact of the collection schedule during the last few days of the year due to a busier business period.

Movements in the impairment of trade receivables are as follows:

(In millions of euros)	Impairment
At December 31, 2018	(56.9)
Movements for the year	0.7
Changes in consolidation scope	(0.3)
Translation differences	0.1
Other	0.1
AS AT DECEMBER 31, 2019	**(56.3)**

Credit risk

The management of credit risk is described in detail in Note 8.1 "Financial risk management."

4.5 Depreciation, amortization, provisions and other costs by type

(In millions of euros)	**12/31/2019**	12/31/2018
Depreciation and amortization (net of the portion of grants transferred to income)		
› included in Operating income before other income and expenses and amortization of intangible assets recognized in a business combination		
Textile rental, laundry and maintenance items	(396.5)	(386.0)
Other leased items	(29.3)	(28.8)
Other property, plant and equipment and intangible assets	(153.5)	(144.7)
Right-of-use assets	(69.2)	
Portion of grants transferred to income	0.4	0.3
› included in Other operating income and expenses	(0.2)	0.0
› amortization of intangible assets recognized in a business combination	(88.3)	(112.5)
› included in Income from discontinued operations	(0.0)	(2.0)
TOTAL DEPRECIATION AND AMORTIZATION (NET OF THE PORTION OF GRANTS TRANSFERRED TO INCOME)	**(736.6)**	**(673.7)**
Additions to or reversals of provisions		
› included in Operating income before other income and expenses and amortization of intangible assets recognized in a business combination	*0.1*	*7.2*
› included in Other operating income and expenses	*15.7*	*3.8*
TOTAL ADDITIONS TO OR REVERSALS OF PROVISIONS	**15.8**	**11.0**

4.6 Other operating income and expenses

Items of material amounts that are unusual, abnormal or infrequent are disclosed separately in the income statement under "Other operating income and expenses," in order to better reflect Group performance.

(In millions of euros)	12/31/2019	12/31/2018
Costs related to acquisitions and earnouts	(9.0)	(31.0)
Restructuring costs	(12.7)	(30.0)
Uncapitalizable costs for change in IT systems	(2.0)	(0.8)
Litigation	11.6	(1.1)
Net gain (loss) on site disposals	(0.5)	5.0
Expenses relating to site disposal	(3.9)	(1.2)
Environmental rehabilitation costs	0.2	(1.0)
Compensation received from litigation	-	15.9
Other	(2.2)	(5.7)
OTHER OPERATING INCOME AND EXPENSES	**(18.5)**	**(49.8)**

The "Litigation" line mainly corresponds to a reversal of provisions in the United Kingdom (see Note 7 "Provisions and contingent liabilities").

4.7 Inventories

Inventories are measured at the lower of cost and net realizable value. Impairment losses are recognized whenever the probable realizable value is lower than the cost price.

Inventories of raw materials, consumables, spare parts and goods for resale are recorded at acquisition cost and have high turnover.

Goods in progress and finished goods (linen, textiles and hygiene appliances) are measured at production cost, which includes:

- the acquisition cost of raw materials;
- direct production costs;
- overhead that can be reasonably linked to the production of the goods.

(In millions of euros)	12/31/2019	12/31/2018
Raw materials, supplies	36.7	33.0
Work in progress	0.4	0.2
Intermediate and finished goods	18.3	19.4
Goods for resale	69.6	67.7
INVENTORIES	**125.1**	**120.2**
› o/w inventories (at cost)	129.5	127.0
› o/w write-downs	(4.4)	(6.7)

Changes in net inventories during the financial years presented are analyzed as follows:

(In millions of euros)	12/31/2019	12/31/2018
At January 1	**120.2**	**122.1**
Change in gross inventory	0.4	11.8
Change in write-downs	2.2	0.9
Change in net inventory	2.6	12.7
Increase related to business combinations	0.6	0.3
Translation differences	0.9	(1.9)
Other movements	0.7	(12.9)
AT DECEMBER 31	**125.1**	**120.2**

Other movements in 2018 mainly correspond to the reclassification of the inventories of the Clinical Solutions business as "Assets held for sale."

4.8 Trade and other payables

(In millions of euros)	12/31/2019	12/31/2018
Trade payables	264.9	252.2
Trade payables (fixed assets)	17.7	17.2
Other payables	7.6	5.1
TOTAL TRADE AND OTHER PAYABLES	**290.2**	**274.5**

Chages in trade and other payables during the financial years presented are analyzed as follows:

(In millions of euros)	12/31/2019	12/31/2018
At January 1	**274.5**	**268.1**
Change in WC	3.2	7.0
Increase related to business combinations	9.8	6.8
Translation differences	0.6	(3.0)
Change in trade payables (fixed assets)	0.6	(8.2)
Other movements	1.5	3.9
AT DECEMBER 31	**290.2**	**274.5**

4.9 Other current assets and liabilities

(In millions of euros)	Notes	12/31/2019	12/31/2018
Prepaid expenses		19.2	23.0
Current asset derivatives – cash flow hedging	8.8	(0.0)	1.3
Other current asset derivatives		0.3	0.1
Other assets		1.5	1.6
TOTAL OTHER ASSETS		**21.1**	**26.0**
Deposits received		8.8	9.0
Payroll-related liabilities		178.7	182.1
Tax liabilities and other debt		161.3	161.6
Deferred consideration payable on acquisitions		3.5	11.7
Liability for repurchase commitments to non-controlling interests		1.9	14.5
Current liability derivatives – cash flow hedging	8.8	1.9	-
Other current liability derivatives		0.5	0.1
Investment grants		2.2	2.6
TOTAL OTHER LIABILITIES		**358.8**	**381.6**
Contract liabilities		71.5	68.3
TOTAL CONTRACT AND OTHER LIABILITIES		**430.3**	**449.9**

Changes in other assets during the financial years presented are analyzed as follows:

(In millions of euros)	12/31/2019	12/31/2018
At January 1	**26.0**	**28.9**
Change in WC	(7.6)	(2.2)
Increase related to business combinations	0.1	0.2
Translation differences	0.3	(0.1)
Change in derivatives	(1.3)	1.3
Other movements	3.5	(2.2)
AT DECEMBER 31	**21.1**	**26.0**

Changes in other current liabilities during the financial years presented are analyzed as follows:

(In millions of euros)	12/31/2019	12/31/2018
At January 1	**449.9**	**444.5**
Change in WC	(13.4)	16.2
Increase related to business combinations	6.4	4.5
Translation differences	2.9	(5.2)
Change in debt related to business combinations	(16.5)	(3.6)
Change in derivatives	2.3	(2.6)
Other movements	(1.3)	(3.8)
AT DECEMBER 31	**430.3**	**449.9**

The change in 2019 WC mainly reflects the reduction of social security contributions in France, offset by the elimination of the tax credit for competitiveness and employment (CICE).

NOTE 5 EMPLOYEE BENEFITS EXPENSE

5.1 Average number of employees

(In number of people)	12/31/2019	12/31/2018
Executives	2,528	2,308
Supervisory personnel	3,504	3,538
Office employees	4,559	4,105
Service employees	8,484	7,998
Other employees	30,792	29,831
Total employees per category	**49,868**	**47,779**
France	13,267	13,122
Other countries	36,601	34,657
Total employees	**49,868**	**47,779**

For companies acquired during the year, the number of employees is calculated on a prorated basis.

5.2 Expenses related to employee benefits

Payments by the Group to defined contribution plans are expensed as incurred.

In the case of post-employment defined benefit plans, the cost of benefits is estimated using the projected unit credit method. Under this method, rights to benefits are allocated to service periods using the plan's vesting formula and by applying a linear progression when vesting is not uniform over subsequent service periods. Future payments corresponding to benefits granted to employees are estimated on the basis of assumptions regarding salary increase rates, retirement age and mortality, after which their present value is calculated using the interest rate on long-term bonds issued by investment grade issuers.

Actuarial gains and losses relating to obligations arising as a result of defined benefit plans are recognized directly in equity.

(In millions of euros)	12/31/2019	12/31/2018
Wages and salaries	(1,056.4)	(1,010.0)
Social security contributions	(266.4)	(269.8)
Tax credit for competitiveness and employment (CICE)	-	16.2
Mandatory/optional profit-sharing	(27.1)	(23.7)
Other employee benefits	1.4	(2.1)
Equity-settled share-based payments	(11.2)	(17.0)
TOTAL EMPLOYEE BENEFIT EXPENSES FROM CONTINUING OPERATIONS	**(1,359.8)**	**(1,306.4)**

5.3 Employee benefit assets/liabilities

Defined contribution plans
The Group pays contributions under a range of mandatory systems or on a voluntary basis under contractual agreements. The Group's obligation is limited to paying the contributions.

Defined benefit plans
The Elis Group's commitments to defined benefit plans and other post-employment benefits relating to its French subsidiaries consist of:

- supplementary retirement benefits paid to a category of senior executives. The supplementary retirement plan, for which all the beneficiaries have already retired, is now closed;
- retirement benefits paid to employees when they retire in accordance with French regulations;
- long-service awards, for which the amount paid depends on seniority.

The commitments of the Group's subsidiaries in the United Kingdom are grouped in a single pension plan specific to them. These commitments are covered by a dedicated external fund set up on February 1, 2016 and covering all commitments at that date, so as not to have to make additional payments except in extraordinary circumstances. The last three-year review of the fund's valuation under UK regulations was carried out in February 2019 and confirmed the fund's ability to meet its commitments.

The benefits paid to the beneficiaries of this plan depend on their seniority in the plan and their compensation in the final years preceding their retirement. The benefits paid are adjusted by 5% each year for rights vested before February 1, 1999, and in line with the Consumer Price Index for commitments vested after that date. The terms and conditions governing the management of the plan's assets are defined by UK regulations, as well as the relationship between the Group and the managers (trustees) of the fund. Responsibility for the management of the fund, including decisions on asset allocation and calls for contributions, rests jointly with the Group and the fund managers, the latter comprising representatives of the Group and beneficiaries of the plan in accordance with current regulations.

A comparatively small defined benefit plan also exists in the Republic of Ireland. It is also covered by a dedicated external fund.

The commitments of the Group's subsidiaries in Sweden stem mainly from their participation in the ITP-2 plan covering certain categories of private sector employees born before 1978.

The Group's Swiss subsidiaries have employee benefit liabilities in accordance with the Swiss Law on Occupational Benefits.

Employee-related liabilities
The corresponding obligations are measured using the projected unit credit method.

The Group's obligations are partially funded by external funds. Unfunded amounts are covered by provisions recognized in the balance sheet.

The following table shows changes in the liability recognized in the Elis Group's balance sheet:

(In millions of euros)	Obligation	Fair value of plan assets	Net Liability (Asset)
December 31, 2017	**559.2**	**475.5**	**83.7**
Current service cost	5.9		5.9
Interest expense	11.8	10.3	1.5
Benefit paid	(21.3)	(17.7)	(3.6)
Employee contributions	3.7	3.7	-
Employer contributions		3.0	(3.0)
Past service cost	(1.0)		(1.0)
Plan amendments	3.5		3.5
Plan curtailments or settlements	(0.7)	(0.1)	(0.6)
Return on plan assets		(21.7)	21.7
Actuarial gains and losses	(26.3)		(26.3)
Increase related to business combinations and other movements	(0.2)	(0.3)	0.1
Reclassification to liabilities directly related to assets held for sale			-
Translation adjustments	(1.4)	(0.9)	(0.5)
At December 31, 2018	**533.3**	**451.7**	**81.5**
Current service cost	6.7		6.7
Interest expense	12.9	11.3	1.7
Benefit paid	(30.1)	(25.7)	(4.4)
Employee contributions	7.8	7.8	-
Employer contributions		3.0	(3.0)
Past service cost			-
Plan amendments			-
Plan curtailments or settlements	(0.2)	(0.1)	(0.0)
Return on plan assets		51.7	(51.7)
Actuarial gains and losses	57.1		57.1
Increase related to business combinations and other movements	0.1		0.1
Reclassification to liabilities directly related to assets held for sale			
Translation adjustments	21.6	22.5	(0.9)
DECEMBER 31, 2019	**609.3**	**522.2**	**87.1**

FUNDED STATUS OF EMPLOYEE BENEFIT OBLIGATION

(In millions of euros)	12/31/2019	12/31/2018
Present value of unfunded obligations	88.9	80.0
Present value of partially or fully funded obligations	520.3	453.3
Total value of defined benefit plan obligations (1)	609.3	533.3
Fair value of plan assets (2)	522.2	451.7
NET VALUE OF DEFINED BENEFIT PLAN LIABILITY (ASSET) (1) - (2) = (3)	**87.1**	**81.5**

INFORMATION BY REGION

(In millions of euros)	12/31/2019	12/31/2018
France	44.0	40.8
United Kingdom	(30.4)	(15.8)
Sweden	37.9	34.1
Switzerland	30.2	17.5
Other countries	5.4	5.0
NET EMPLOYEE BENEFIT LIABILITIES (ASSETS)	**87.1**	**81.5**

FRANCE – DETAILS

The Group's obligations and provisions for its French subsidiaries break down as follows:

	12/31/2019	12/31/2018
Discount rate	0.7%	1.6%
Expected salary increase rate	inflation+0/6%	inflation+0/6%
Expected retirement benefit increase rate	1.3%	1.5%

(In millions of euros)	12/31/2019	12/31/2018
Present value of unfunded obligations	44.0	40.8
Present value of partially or fully funded obligations		
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	**44.0**	**40.8**
Fair value of plan assets (2)		
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**44.0**	**40.8**

	Sensitivity France
Discount rate: -0.5% impact	+4.0%
Discount rate: +0.5% impact	-4.8%
Expected salary/retirement benefit increase rate: -0.5 impact	-5.0%
Expected salary/retirement benefit increase rate: +0.5 impact	+5.0%

	France
Expected contribution for next financial year	2.0
Weighted average duration of the obligation	10.4

UNITED KINGDOM AND IRELAND – DETAILS

On October 26, 2018, the High Court of Justice in the United Kingdom ruled that companies must equalize the benefits paid to men and women who have guaranteed minimum pensions (GMP). These GMPs were acquired between May 17, 1990 and April 5, 1997 by employees who benefited from the British state pension system, the calculation rules for which could lead to different payments depending on the beneficiary's gender. The Group's UK subsidiaries, in agreement with their Boards, estimated the impact of this measure at 1% of obligations, or €3.5 million of past service costs recorded in the 2018 income statement as "Other income and expense." This estimate was further confirmed during the three-year review of the valuation of the external fund that was carried out in February 2019. The final adjustment of the commitment was recognized during the financial year.

The Group's obligations and provisions for its UK and Irish subsidiaries break down as follows:

	12/31/2019	12/31/2018
Discount rate	2.10%	2.90%
Expected salary increase rate	2.50%	2.90%
Taux d'augmentation attendue des retraites	2,60 %	3,00 %

(In millions of euros)	12/31/2019	12/31/2018
Present value of unfunded obligations		
Present value of partially or fully funded obligations	431.6	378.1
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	**431.6**	**378.1**
Fair value of plan assets (2)	462.0	393.9
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**(30.4)**	**(15.8)**

	Sensitivity UK & Ireland
Discount rate: -0.5% impact	+9.1%
Discount rate: +0.5% impact	-8.0%
Expected salary/retirement benefit increase rate: -0.5 impact	-0.2%
Expected salary/retirement benefit increase rate: +0.5 impact	+0.2%

	UK & Ireland
Expected contribution for next financial year	0.8
Weighted average duration of the obligation	17.4

	United Kingdom & Ireland
Cash and cash equivalents	0.5
Shares	84.8
Bonds	369.8
Properties & mortgages	1.0
Derivatives	6.0
FAIR VALUE OF PLAN ASSETS	**462.0**

SWEDEN – DETAILS

The Group's obligations and provisions for its Swedish subsidiaries break down as follows:

	12/31/2019	12/31/2018
Discount rate	1.50%	2.25%
Expected salary increase rate		-
Expected retirement benefit increase rate	2.00%	2.00%

(In millions of euros)	12/31/2019	12/31/2018
Present value of unfunded obligations	37.9	34.1
Present value of partially or fully funded obligations		
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	**37.9**	**34.1**
Fair value of plan assets (2)		
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**37.9**	**34.1**

	Sensitivity Sweden
Discount rate: -0.5% impact	+10.0%
Discount rate: +0.5% impact	-8.8%
Expected salary/retirement benefit increase rate: -0.5 impact	-8.7%
Expected salary/retirement benefit increase rate: +0.5 impact	+9.9%

	Sweden
Expected contribution for next financial year	0.9
Weighted average duration of the obligation	19.0

SWITZERLAND – DETAILS

The Group's obligations and provisions for its Swiss subsidiaries break down as follows:

	12/31/2019	12/31/2018
Discount rate	0.15%	0.95%
Expected salary increase rate	1.00%	1.00%
Expected retirement benefit increase rate	-	-

(In millions of euros)	12/31/2019	12/31/2018
Present value of unfunded obligations		
Present value of partially or fully funded obligations	88.5	75.2
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	**88.5**	**75.2**
Fair value of plan assets (2)	58.2	57.6
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**30.2**	**17.5**

	Sensitivity Switzerland
Discount rate: -0.5% impact	+11.1%
Discount rate: +0.5% impact	-9.5%
Expected salary/retirement benefit increase rate: -0.5 impact	-1.2%
Expected salary/retirement benefit increase rate: +0.5 impact	+1.3%

	Switzerland
Expected contribution for next financial year	2.7
Weighted average duration of the obligation	10.2

	Switzerland
Cash and cash equivalents	4.2
Shares	15.6
Bonds	20.0
Properties & mortgages	12.7
Derivatives	5.8
FAIR VALUE OF PLAN ASSETS	**58.2**

5.4 Share-based payments

Free performance share grants
Pursuant to IFRS 2, Elis estimated the plans' fair value based on the fair value of the equity instruments granted. That fair value was based on the share price at the grant date, weighted by a reasonable estimate of the extent to which the share allocation criteria would be fulfilled. The cost, recognized through equity, is spread over the vesting period following the Management Board decision and is mentioned in Note 5.2 "Expenses related to employee benefits."

"Elis for All" Group Savings Plan
The Group measures the IFRS 2 expense of the benefit offered to employees subscribing to its Group Savings Plan by reference to the fair value of the discount provided on non-transferable shares. The fair value of the discount granted by the Group is thus reduced by the cost to the employee of not being able to sell the shares. This cost is measured as the cost of a strategy combining the forward sale of shares at the end of the lock-up period with the cash purchase of the same number of shares, financed by an unrestricted loan with bullet repayment, taken out for the lock-up period at the rate that a bank would grant to an individual with an average risk profile. The valuation date used is the date on which the Group and its employees accepted the share-based payment agreement.

Free performance share grants:

The performance share plans implemented by the Company under which shares either vested during the year or were still in the process of vesting during the year are as follows:

Free performance share grants	Plan nos. 3 and 4 – 2016	Plan no. 5 – 2016	Plan no. 6 – 2017	Plan no. 7 – 2018	Plan no. 8 – 2018	Plan no. 9 – 2018	Plan no. 10 – 2019	Plan no. 11 – 2019
Date of shareholders' meeting	05/27/2016	05/27/2016	05/27/2016	05/27/2016	05/27/2016	05/27/2016	05/27/2016	05/27/2016
Date of Supervisory Board meeting	03/09/2016	03/09/2016	03/14/2017	03/06/2018	03/06/2018	03/06/2018	03/06/2019	03/06/2019
Date of decision of the Management Board	06/15/2016	12/20/2016	03/24/2017	03/29/2018	08/31/2018	12/20/2018	05/02/2019	07/25/2019
Number of rights originally granted	1,048,303[c]	57,837[c]	577,050	1,071,374	29,750	28604	1,476,558	10,018
› of which for members of the Executive Committee	498,434	-	249,300	494,100	-	-	417,746	-
› of which for corporate officers:	294,720	-	146,700	206,490	-	-	194,300	-
– Xavier Martiré	220,268	–	100,000	117,995	–	–	116,580	-
– Louis Guyot	37,226	–	23,350	49,164	–	–	45,337	-
– Matthieu Lecharny	37,226	–	23,350	39,331	–	–	32,383	-
Number of beneficiaries	213	43	230	472	36	25	521	4
› of which for members of the Executive Committee	9	–	9	11	–	–	11	-
› of which corporate officers	3(a)	–	3[a]	3[a]	–	–	3[a]	-
Grant date	06/15/2016	12/21/2016	03/24/2017	04/06/2018	08/31/2018	12/20/2018	05/02/2019	08/01/2019
Vesting date								
› members of the Management Committee and the Executive Committee	06/15/2019(d)	–	03/24/2020[d]	04/06/2021[d]	–	–	05/02/2022[d]	-
› other beneficiaries	06/15/2018[d]	12/21/2018[d]	03/24/2019[d]	04/06/2020[d]	08/31/2020[d]	12/20/2020[d]	05/02/2021[d]	08/01/2021[d]
End of share lock-up period								
› members of the Management Committee and the Executive Committee	06/15/2019[f]	–	03/24/2020[f]	04/06/2021[f]	–	–	05/02/2022	-
› other beneficiaries	06/15/2018[f]	12/21/2018[f]	03/24/2019[f]	04/06/2020[f]	08/31/2020[f]	12/20/2020[f]	05/02/2021[f]	08/01/2021[f]
Rights vested in 2019	**498,434[g]**	**0**	**299,820 [h]**	**0[e]**	**0[e]**	**0[e]**	**0[i]**	**0[i]**
Number of rights lapsed or forfeited as at 12/31/2019	43,282	3,234	27,930	83,329	763	954	43,071	2,732
Number of rights outstanding as at 12/31/2019		-	249,300	988,045	28,987	27,650	1,433,487	7,286
› of which for members of the Executive Committee		-	249,300	494,100	-	-	417,746	-
› of which for corporate officers:		-	146,700	206,490	-	-	194,300	-
– Xavier Martiré		-	100,000	117,995	-	-	116,580	-
– Louis Guyot		-	23,350	49,164	-	-	45,337	-
– Matthieu Lecharny		-	23,350	39,331	-	-	32,383	-
Number of working beneficiaries as at 12/31/2019	167	35	189	401	35	24	499	2
› of which for members of the Executive Committee	9	0	9	11	0	0	11	-
› of which for corporate officers:	3[b]	0	3[b]	3[b]	0	0	3[b]	-

(a) Xavier Martiré, Louis Guyot and Matthieu Lecharny.
(b) Xavier Martiré, Louis Guyot and Matthieu Lecharny.
(c) This number takes into account the adjustment related to beneficiaries' rights under the capital increase with preferential subscription rights which was carried out in February 2017, said share issue having had a dilutive effect on the share's value following the removal of the preferential subscription rights. This adjustment was made by transposing the rules on stock options provided for in Article R. 228-91-1 of the French Commercial Code.
(d) Shares vest at the end of a vesting period set at two years from the date of the grant for all beneficiaries, except for the members of the Executive Committee (including members of the Management Board) for whom the vesting period is set at three years from the date of the grant.
(e) The vesting of shares is contingent on the achievement of performance targets measured over a period of two years for employees and three years for members of the Executive Committee. The performance targets are set in reference to three quantitative criteria related to consolidated revenue, consolidated EBIT and the performance of the Elis share price relative to a benchmark index. The level of performance expected with regard to internal criteria is set on the basis of the business plan, which is itself in line with market expectations. The vesting of the performance shares granted under the 2018 plan to the members of the Executive Committee also includes performance targets linked to the successful integration of Berendsen: synergies achieved and EBIT margin in the UK and Germany, which are also in line with the guidance provided to the market. The number of vested shares will depend on the number of targets achieved with the understanding that, for each share class, the achievement of performance targets is binary, so that if a target is not met, the number of rights linked to that target are not due and the corresponding shares do not vest.
(f) There is no lock-up period under this plan, so the shares will be available and may be freely transferred by the beneficiaries at the end of the vesting period, subject to statutory blackout periods and the provisions of the French Code of Conduct for Trading and Market Activities. In addition, throughout their terms of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board in accordance with the compensation policy for corporate officers detailed in the Supervisory Board's report on corporate governance, provided in chapter 2 of this 2019 universal registration document.
(g) At its meeting on March 6, 2019, the Supervisory Board reviewed the performance associated with the vesting of the performance shares granted to the members of the Executive Committee in 2016 and for which the vesting period expired in 2019. The Supervisory Board noted that all performance conditions had been met, such that 100% of the shares granted in 2016 were vested. These performance targets were linked to internal absolute criteria relating to revenue and EBIT set on the basis of the business plan, itself in line with market expectations, and to an external criterion linked to the Elis share price relative to a benchmark index. The shares vested on June 15, 2019.
(h) At its meeting on March 6, 2019, the Supervisory Board reviewed the performance associated with the vesting of the performance shares granted to employees (excluding the Executive Committee) in 2017 and for which the vesting period expired in 2019. The Supervisory Board noted that all performance conditions had been met, such that 100% of the shares granted in 2017 to employees (excluding the Executive Committee) were vested. These performance targets were linked to internal absolute criteria relating to revenue and EBIT and to a criterion linked to the Elis share price relative to a benchmark index.
(i) The vesting of shares is contingent on the achievement of performance targets measured over a two-year period for all beneficiaries, except for the members of the Executive Committee, whose performance is measured over a three-year period. Unless waived by the Management Board, the vesting of shares is also contingent on uninterrupted, continuous service within the Group for the duration of the vesting period. The performance targets associated with the vesting of the shares were defined in reference to internal absolute criteria linked to consolidated revenue and consolidated EBIT set on the basis of the business plan, itself in line with market expectations, and to the performance of the Elis share price relative to a benchmark index. The number of vested shares will thus depend on the number of targets achieved, with the understanding that, for each share class, the achievement of performance targets is binary, so that if a target is not met, the number of rights linked to that target are not due and the corresponding shares do not vest. For plans implemented in 2019, only 34% of the shares granted will vest if one of the performance conditions is met, 67% if two of the conditions are met, and 100% if all three conditions are met. No shares will vest if none of the performance conditions is met.

Group Savings Plan

Pursuant to the 21st resolution of the annual general shareholders' meeting on May 23, 2019, the Management Board, after receiving authorization from the Supervisory Board on July 24, 2019, decided on July 24, 2019 on the principle of a capital increase reserved for employees who are members of the Elis Group Savings Plan.

Pursuant to the 22nd resolution of the annual general shareholders' meeting on May 23, 2019, the Management Board, after receiving authorization from the Supervisory Board on July 24, 2019, decided on July 24, 2019 on the principle of a capital increase reserved for employees of Elis's foreign subsidiaries operating in the following countries: Belgium, Brazil, Denmark, Germany, United Kingdom, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden and Switzerland.

These two capital increases, known as "Elis For All," are intended to help grow the Elis Group's employee share ownership with the aim of bolstering its employees' sense of belonging by giving them the opportunity to be more closely connected to its future development and performance. They involve a so-called "standard" formula only, with a discount and matching contribution, under which the subscriber is fully exposed to changes in the Elis share price.

The table below sets out the main features of the Plan offered in 2019 and the valuation assumptions used:

Plan characteristics			
Date of general shareholders' meeting	05/23/2019		
Date of Management Board decision setting the subscription price	09/19/2019		
Closing date of employee subscriptions	10/08/2019		
Plan maturity (in years)	5		
Subscription price	€12.98		
Closing price on the subscription closing date	€15.08		
Face value discount	20.00%		
Discount relative to price on the subscription closing date	13.93%		
Number of shares matched	1 for 10		
Valuation assumptions (5-year maturity)			
Employee financing rate over 5 years	3.54%		
5-year risk-free interest rate	-0.44%		
Securities lending or borrowing rate	0.50%		
Non-transferability for the market participant, as a %.	21.16%		
Amounts subscribed and valuation	**Subscription**	**Matching contribution**	**Total**
Amount subscribed by employees (in millions of euros)	7.0		
Number of shares granted	541,292	53,500	594,792
Gross expense, before non-transferability discount (in millions of euros)	1.1	0.8	1.9
Valuation of non-transferability discount (in millions of euros)	-1.1	-0.2	-1.3
Net expense (in millions of euros)	0.0	0.6	0.6
Impact of a 0.5 point decrease in the employee financing rate	0	0	0

The amount expensed in 2019 for standard plans is €0.6 million, net of the cost of non-transferability for employees of €1.3 million. The expense for free shares related to the matching contribution is €0.8 million.

5.5 Executive compensation (related party transactions)

As at December 31, 2019, the main executives comprise the ten members of the Executive Committee, along with the Chairman of the Management Board. The total compensation (paid or payable) of the main executives is as follows:

(In millions of euros)	**12/31/2019**	12/31/2018
Number of people	**11**	**11**
Employee benefits	(9.3)	(8.9)
Post-employment benefits	-	-
Termination benefits	-	-
Expenses related to share-based payments (IFRS 2)	(3.3)	(6.6)

As at December 31, 2019, employee benefit liability accrued in respect of termination benefits amounted to €0.7 million (€0.5 million as at December 31, 2018).

Compensation allocated to members of the Supervisory Board and expensed as Directors' fees amounted to €0.5 million (€0.5 million as at December 31, 2018).

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 Goodwill

(In millions of euros)	12/31/2019	12/31/2018
Gross value	3,811.6	3,833.5
Accumulated impairment	(66.0)	(66.1)
CARRYING AMOUNT AT BEGINNING OF PERIOD	**3,745.7**	**3,767.4**
Increase related to business combinations	60.8	41.0
Disposals	-	-
Translation adjustments	(5.3)	(62.9)
Other changes	0.6	(0.0)
CHANGES IN GROSS CARRYING AMOUNT	**56.1**	**(21.9)**
Impairment	-	-
Translation adjustments	(0.4)	0.1
Other changes	0.0	(0.0)
CHANGES IN IMPAIRMENT	**(0.4)**	**0.1**
CARRYING AMOUNT AT END OF PERIOD	**3,801.3**	**3,745.7**
Gross value	3,867.8	3,811.6
Accumulated impairment	(66.4)	(66.0)

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 main cash-generating units as follows:

(In millions of euros)	12/31/2019	12/31/2018
CGU France	1,409.8	1,405.6
CGU Germany	175.3	173.8
CGU United Kingdom	88.8	84.4
CGU Denmark	390.8	388.2
CGU Sweden & Finland	557.8	560.1
CGU Netherlands	364.7	364.7
UGT Spain & Andorra	100.7	99.9
CGU Brazil	292.4	293.8
Other CGU	421.0	375.2
CARRYING VALUE OF GOODWILL	**3,801.3**	**3,745.7**

Recognition of impairment

The method and assumptions used for impairment tests are described in Note 6.5.

Following the impairment tests carried out as at December 31, 2019 and 2018, the Group recorded no impairment losses.

6.2 Other intangible assets

Brands
Brands acquired in a business combination are recognized at fair value (valued using the relief from royalty method) at the acquisition date. Costs incurred to create a new brand or to develop an existing one are expensed.

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 14 years

Amortization is recorded from the date the asset is first used.

(In millions of euros)	Trademarks & non-competition clauses	Customer relationships	Other	Total
Gross value	**268.4**	**1,283.6**	**167.6**	**1,719.6**
Accumulated depreciation and impairment	**(12.2)**	**(560.2)**	**(102.7)**	**(675.1)**
NET CARRYING AMOUNT AS AT DECEMBER 31, 2017	**256.2**	**723.4**	**64.9**	**1,044.5**
Investments	0.0	1.1	18.8	20.0
Acquisitions through business combinations	-	6.7	(0.4)	6.3
Retirements and disposals	-	-	(1.6)	(1.6)
Amortization	(10.3)	(102.2)	(16.0)	(128.5)
Translation adjustments	(1.9)	(13.4)	(0.6)	(15.9)
Impairment	(0.0)	-	-	(0.0)
Other movements	0.8	0.0	(0.2)	0.5
Gross value	**266.2**	**1,275.1**	**164.2**	**1,705.5**
Accumulated depreciation and impairment	**(21.4)**	**(659.5)**	**(99.4)**	**(780.3)**
NET CARRYING AMOUNT AS AT DECEMBER 31, 2018	**244.8**	**615.6**	**64.8**	**925.2**
Adjustment related to first-time adoption of IFRS 16	-	-	(1.1)	(1.1)
Investments	0.0	1.0	22.2	23.2
Acquisitions through business combinations	-	27.7	0.1	27.7
Retirements and disposals	(0.0)	(0.0)	(0.0)	(0.0)
Amortization	(12.2)	(76.1)	(17.8)	(106.1)
Translation adjustments	(0.1)	(2.4)	0.1	(2.4)
Impairment	(0.0)	-	-	(0.0)
Other movements	(0.0)	0.1	0.0	0.1
Gross value	**265.9**	**1,280.3**	**169.5**	**1,715.7**
Accumulated depreciation and impairment	**(33.4)**	**(714.3)**	**(101.4)**	**(849.0)**
NET CARRYING AMOUNT AS AT DECEMBER 31, 2019	**232.5**	**566.0**	**68.2**	**866.7**

Other intangible assets consist primarily of software.

The values of the Group's brands, which are all derived from a business combination, measured for the purpose of allocating goodwill, are as follows:

(In millions of euros)	12/31/2019	12/31/2018	Amortization
Elis brands in France	184.7	184.7	Not amortized
Elis brands in Europe	21.8	21.8	Not amortized
Berendsen brands	14.5	22.8	3.33 years
› Le Jacquard Français brand	0.9	0.9	Impairment
› Kennedy brand	1.3	1.2	Not amortized
Brands of manufacturing entities	2.2	2.1	
Non-competition clauses and miscellaneous	9.2	13.3	
TRADEMARKS & NON-COMPETITION CLAUSES	**232.5**	**244.8**	

Recognition of impairment

No brand impairment loss was recognized in the last two financial years. The Le Jacquard Français brand, worth €6.8 million gross, has an accumulated impairment loss of €5.9 million.

6.3 Property, plant and equipment

Items of property, plant and equipment are carried in the balance sheet at 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: 40 to 50 years,
  - internal walls, partitions, painting and floor coverings: 10 to 12.5 years;
- production equipment: 10 to 30 years;
- vehicles: 4 to 8 years;
- office equipment and furniture: 5 to 10 years;
- IT equipment: 3 to 5 years;
- items related to rental, laundry and maintenance service agreements (textiles, equipment and other leased items) are initially recognized as inventories and are then capitalized and depreciated over a period of 18 months to five years.

Depreciation is recorded from the date the asset is first used. Land is not depreciated.

(In millions of euros)	Land and buildings	Vehicles	Plant & equipment	Rental, laundry and maintenance items	Total
Gross value	**794.1**	**143.7**	**1,473.6**	**1,701.0**	**4,112.5**
Accumulated depreciation and impairment	**(285.9)**	**(100.8)**	**(881.3)**	**(1,031.9)**	**(2,299.8)**
NET CARRYING AMOUNT AS AT DECEMBER 31, 2017	**508.3**	**42.9**	**592.4**	**669.2**	**1,812.8**
Investments	47.2	17.2	133.0	447.3	644.8
Acquisitions through business combinations	11.2	1.9	13.0	8.1	34.2
Retirements and disposals	(3.3)	(0.4)	(6.7)	(4.9)	(15.3)
Amortization	(24.5)	(12.3)	(93.9)	(414.8)	(545.6)
Translation adjustments	(4.8)	0.1	(10.1)	(6.2)	(21.0)
Impairment	-	-	-	-	-
Other movements	(1.2)	0.6	(2.7)	0.4	(3.0)
Gross value	**772.9**	**158.7**	**1,492.9**	**1,830.3**	**4,254.8**
Accumulated depreciation and impairment	**(240.0)**	**(108.9)**	**(867.8)**	**(1,131.1)**	**(2,347.8)**
NET CARRYING AMOUNT AS AT DECEMBER 31, 2018	**532.9**	**49.9**	**625.1**	**699.2**	**1,907.0**
Adjustment related to first-time adoption of IFRS 16	(15.6)	(3.7)	(7.6)		(26.9)
Investments	59.5	12.7	114.0	471.5	657.8
Acquisitions through business combinations	14.1	1.1	9.4	6.0	30.7
Retirements and disposals	(4.2)	(14.1)	(1.8)	(4.7)	(24.8)
Amortization	(26.8)	(12.5)	(96.3)	(425.8)	(561.5)
Translation adjustments	5.0	0.1	4.9	4.0	14.0
Impairment	(0.0)	-	0.1	-	0.1
Other movements	20.6	0.7	(23.1)	(0.9)	(2.7)
Gross value	**849.7**	**143.4**	**1,569.9**	**1,954.0**	**4,517.1**
Accumulated depreciation and impairment	**(264.3)**	**(109.3)**	**(945.2)**	**(1,204.7)**	**(2,523.5)**
NET CARRYING AMOUNT AS AT DECEMBER 31, 2019	**585.4**	**34.2**	**624.7**	**749.3**	**1,993.6**

"Other movements" include reclassifications to assets held for sale relating to the disposal of the Clinical Solutions business and item-to-item transfers on the commissioning of new plants.

6.4 Right-of-use assets and lease liabilities

The Group adopted IFRS 16 for the first time on January 1, 2019 by applying the modified retrospective method as described in Note 1.2 "Accounting standards applied." As a result, comparative information has not been restated retrospectively.

Right-of-use assets

The Group records right-of-use assets on the lease start date (the date on which the underlying set of assets becomes available). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted according to the measurement of the lease liabilities. The cost of right-of-use assets comprises the amount of the lease liability, initial direct costs incurred, and lease payments made before the start date, less any lease incentives received. Unless the Group is reasonably certain that ownership of the leased asset will be transferred at the end of the lease term, right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

As at the lease start date, the Group records lease liabilities as measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price for a purchase option that the Group is reasonably certain will be exercised, as well as penalty payments for terminating a lease if the lease term reflects exercise of the termination option by the Group. Variable lease payments that do not depend on an index or a rate are recorded as expenses in the period during which the event or condition that triggered the payments occurred.

To calculate the present value of lease payments, the Group uses the Group's incremental borrowing rate adjusted using a spread for each country as at the lease start date if the interest rate implicit in the lease cannot be readily determined. The rate also depends on the duration of the agreement. After the start date, the lease liability is increased to reflect interest incurred and reduced to reflect lease payments made. The carrying amount of the lease liability is remeasured in the event there is a change in the term of the lease, the in-substance fixed lease payments are changed, or the measurement is modified such that the underlying asset may be purchased.

Simplification measures used

The Group applies the recognition exemption for short-term leases (leases with terms shorter than 12 months from the start date that do not include a purchase option). It also applies the recognition exemption for the leasing of low-value assets (assets whose replacement cost is less than €4,000). Lease payments on short-term leases and leases of low-value assets are recorded as expenses on a straight-line basis over the term of the lease.

The Group has also chosen to use the simplification measure provided for in the standard whereby lease components are not separated from non-lease components (mainly for leased vehicles). Instead, these components are recognized as a single lease component.

	Right-of-use assets				Lease liabilities
(In millions of euros)	**Land and buildings**	**Vehicles**	**Plant & equipment**	**Total**	
As at January 1, 2019	**326.2**	**57.5**	**13.5**	**397.3**	**392.2**
Increase related to business combinations	3.3	0.0	2.6	6.0	5.0
Reclassified to assets held for sale	(6.7)	(0.1)	(0.1)	(6.8)	(6.8)
New rights of use	22.7	47.5	4.1	74.2	74.2
Remeasuring of rights of use	12.8	(0.0)	(0.0)	12.7	12.7
Depreciation & amortization / impairment	(39.1)	(26.4)	(4.0)	(69.5)	-
Principal payments				-	(73.3)
Translation differences	3.0	0.8	0.1	3.8	3.1
Other movements	(4.0)	(0.5)	(1.8)	(6.3)	(1.1)
December 31, 2019	**318.2**	**78.8**	**14.3**	**411.4**	**406.1**

As at December 31, 2019, the Group had recognized lease expenses relating to:

- short-term lease agreements in the amount of €16.0 million;
- leases of low-value assets in the amount of €2.3 million; and
- variable lease payments in the amount of €1.0 million.

The remaining contractual maturities of lease liabilities are as follows (undiscounted amounts):

	Carrying value	Cash flow 2020	Cash flow 2021	Cash flow 2022-2023-2024	Cash flow 2025 and beyond	Estimate of future cash flows as at 12/31/2019
Lease liabilities	406.1	79.5	69.5	158.9	187.3	495.3

6.5 Impairment losses on non-current assets

Fair value method

Impairment tests are systematically performed on goodwill and intangible assets with indefinite useful lives on December 31 or whenever there is an indication of impairment. Goodwill impairment losses may not subsequently be reversed.

Value in use is calculated by discounting to present value the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal. These calculations are supplemented by a valuation using multiple economic indicators (mainly EBITDA).

If the recoverable amount is less than the carrying amount, an impairment loss is recognized corresponding to the difference between the two amounts.

To assess impairment, assets are combined in the smallest group of assets that generates separately identifiable cash flows (cash-generating unit or group of cash-generating units).

In accordance with IAS 36 "Impairment of Assets," whenever the value of intangible assets and property, plant and equipment with definite useful lives is exposed to a risk of impairment due to events or changes in market conditions, these assets are reviewed to determine whether their carrying amount is less than their recoverable amount, defined as the higher of fair value (less cost to sell) and value in use.

If applicable, impairment losses are recognized at the CGU level.

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.

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 business plans established by the management teams of each cash-generating unit and approved by the Management Board and the Supervisory Board. Future cash flows are estimated based on conservative growth assumptions;
- Cash flows are calculated using the discounted cash flow method = EBITDA (operating income before depreciation and amortization) – rents +/– change in WC – income tax at standard rate – capital expenditure);
- the terminal value is calculated on a perpetual growth basis;
- discounted cash flow is calculated on the basis of the weighted average cost of capital (WACC) which, in turn, is based on inputs for the financial return and industry-specific risks of the market in which the Group operates.

2. Method for calculating WACC

Elis used the following inputs for calculating the WACC:

- risk-free rate: the average risk-free interest rate over a two- to five-year observation period by country;
- credit spread: the average over a two- to five-year observation period;
- 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);
- average gearing ratio (net debt/equity) for comparable companies: ratio calculated on the basis of market capitalizations to net debt (excluding lease liabilities), 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 the WACC (extreme values are excluded from the average),
  - the gearing used to calculate the WACC is derived from the average debt (excluding lease liabilities) to equity ratio calculated on the basis of the quarterly ratios of comparable companies.

The WACC used for impairment testing on each of the main CGUs was as follows:

Country	France	Germany	Brazil	Denmark	Spain	United Kingdom	Netherlands	Sweden
Risk-free rate	0.7%	0.3%	8.0%	0.4%	1.4%	1.4%	0.5%	0.6%
Credit spread	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost of debt (before tax)	**1.7%**	**1.3%**	**9.0%**	**1.5%**	**2.5%**	**2.4%**	**1.5%**	**1.6%**
Tax rate	25.8%	30.0%	34.0%	22.0%	25.0%	17.0%	21.7%	20.6%
Cost of debt, net of tax	**1.3%**	**0.9%**	**5.9%**	**1.1%**	**1.8%**	**2.0%**	**1.2%**	**1.3%**
Risk premiums	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
Levered beta	0.99	0.98	0.97	0.99	0.99	1.00	0.99	0.99
Cost of equity	6.9%	6.5%	14.1%	6.7%	7.6%	7.6%	6.7%	6.8%
Gearing	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%	13.1%
WACC 2019	6.1%	5.8%	13.0%	6.0%	6.9%	6.9%	6.0%	6.1%
WACC 2018	6.2%	5.8%	13.0%	6.0%	7.1%	7.0%	6.0%	6.2%
PRE-TAX DISCOUNT RATE 2019 (APPROXIMATION)	**8.3%**	**8.2%**	**19.8%**	**7.6%**	**9.2%**	**8.3%**	**7.6%**	**7.7%**
Pre-tax discount rate 2018 (approximation)	8.4%	8.3%	19.7%	7.7%	9.4%	8.4%	8.0%	7.9%

3. Multiples used

In addition, fair value is determined based on a multiple of the EBITDA (or EBIT) of the segment.

The multiples used for the fair value as at December 31, 2019 are 6.9 × EBITDA after lease payments or 16.5 × EBIT budgeted for the 2020 financial year.

Fundamental assumptions for impairment tests

The business plans of the CGUs were prepared on the basis of management's best estimates. Projected cash flows are therefore reasonable and reflect, where appropriate, the resilience of the CGU's business.

Sensitivity of tests related to goodwill

The most significant sensitivities of the impairment tests are as follows (difference between the carrying amount and the recoverable amount of the CGU):

France *(In millions of euros)*		Perpetual growth rate		
		1.5%	**2.0%**	**2.5%**
WACC	5.6%	1,300	1,698	2,224
	6.1%	940	1,248	1,640
	6.6%	651	894	1,197

Germany *(In millions of euros)*		Perpetual growth rate		
		1.5%	2.0%	2.5%
WACC	5.3%	348	458	609
	5.8%	255	339	448
	6.3%	182	247	330

Brazil *(In millions of euros)*		EBIT – 2020 budget		
		-10.0%	-	10.0%
Multiple	16x	39	97	155
	16.5x	55	115	175
	17x	71	133	195

Denmark *(In millions of euros)*		Perpetual growth rate		
		1.5%	2.0%	2.5%
WACC	5.5%	108	203	331
	6.0%	27	100	194
	6.5%	(37)	20	92

Spain *(In millions of euros)*		Perpetual growth rate		
		1.5%	2.0%	2.5%
WACC	6.4%	95	134	184
	6.9%	58	90	129
	7.4%	28	54	86

United Kingdom *(In millions of euros)*		Perpetual growth rate		
		1.5%	2.0%	2.5%
WACC	6.4%	42	83	135
	6.9%	3	37	78
	7.4%	(28)	(1)	32

Netherlands *(In millions of euros)*		Perpetual growth rate		
		1.5%	2.0%	2.5%
WACC	5.4%	216	310	435
	5.9%	136	208	300
	6.4%	72	129	200

Sweden *(In millions of euros)*		Perpetual growth rate		
		1.5%	2.0%	2.5%
WACC	5.6%	57	163	305
	6.1%	(35)	47	153
	6.6%	(109)	(44)	38

As the sensitivity analysis presented shows that the recoverable amount of these CGUs exceeds their carrying value, no impairment loss was recorded for the 2019 financial year. The same applies to the Group's other CGUs.

Sensitivity of tests for unamortized brands

The assumptions used in impairment tests performed using the relief from royalty method are as follows:

	Elis	**Le Jacquard Français**	**Kennedy**
Discount rate	7.1%	7.1%	7.9%
Perpetual growth rate	2.0%	2.0%	2.0%
Royalty rate	1.0%	4.0%	2.0%

The sensitivity of the excess of the recoverable amount of the Elis brand over its carrying amount is as follows:

(In millions of euros)	Perpetual growth rate		
Discount rate	1.5%	2.0%	2.5%
6.6%	317	366	427
7.1%	271	311	360
7.6%	233	266	305

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 future outflows of resources required to settle the obligation can be estimated reliably.

The amount recognized represents the best estimate made by management with respect to risks and their likelihood of occurrence, based on information available at the date of reporting the consolidated financial statements.

Liabilities resulting from restructuring plans are recognized when there is an obligation, when the related costs have been forecast in detail and when it is highly probable that the plans will be implemented.

Provisions are also recognized for obligations arising from onerous contracts.

(In millions of euros)	Compliance	Litigation	Other	**Total**
At December 31, 2018	**70.3**	**19.0**	**27.3**	**116.7**
Reclassification related to first-time adoption of IFRIC 23	-	-	(1.4)	(1.4)
As at January 1, 2019	**70.3**	**19.0**	**26.0**	**115.3**
Increases/additions for the year	4.5	3.2	2.8	10.5
Increase related to business combinations	0.0	0.0	0.6	0.6
Decreases/reversals of used and unused provisions	(5.1)	(14.1)	(7.1)	(26.3)
Translation differences	0.3	0.1	(0.2)	0.2
Other	0.7	(0.4)	(0.4)	(0.0)
DECEMBER 31, 2019	**70.8**	**7.8**	**21.7**	**100.2**
Current portion	**0.1**	**3.5**	**13.4**	**17.0**
Non-current portion	**70.7**	**4.2**	**8.3**	**83.3**
France	*17.2*	*2.4*	*0.4*	*19.9*
United Kingdom & Ireland	*12.6*	*-*	*(0.0)*	*12.6*
Scandinavia & Eastern Europe	*27.5*	*-*	*1.9*	*29.4*
Latin America	*5.5*	*5.2*	*15.4*	*26.0*
Other segments	*8.0*	*0.2*	*4.0*	*12.3*

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, particularly in relation to the ongoing degradation recorded. They relate to sites or categories of work that will be completed in the foreseeable future.

Provisions for litigation

Provisions for litigation chiefly includes provisions for employee-related risks. The main movement during the period corresponds to the reversal of an unused €10.4 million provision in the United Kingdom after the end of an employee dispute.

Other provisions

Other provisions also include provisions for tax risks (not related to income tax), restructuring costs, onerous contracts and disputes arising in the normal course of the Group's business.

7.2 Contingent liabilities

The Elis Group has contingent liabilities relating to disputes or legal proceedings arising in the normal course of its business:

In Brazil

Proceedings related to alleged acts of administrative improbity

Atmosfera filed a preliminary response in December 2014 to a public action filed against several industrial laundry service providers, including Atmosfera and Prolav, relating to alleged bribery of civil servants between 2003 and 2011 regarding contracts in the state of Rio de Janeiro. The public prosecutor rejected the arguments put forward by Atmosfera and ruled to continue the action.

As at December 31, 2019, Atmosfera and Prolav were still awaiting additional information and therefore were unable to estimate the contingent liability incurred and the indemnification asset to be received under the respective liability guarantees. The Atmosfera Group's former owners, who received provisional notification of the proceedings 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.

Atmosfera and Prolav could face the following penalties as a result of the proceedings: (i) reimbursement to the Public Treasury of all monies illegally obtained by Atmosfera from the acts of improbity and/or (ii) payment of a civil fine of up to three times the amount referred to in (i). In addition, Atmosfera and Prolav could potentially be prohibited from entering into agreements with any Brazilian public entities or receiving tax benefits in Brazil for five or ten years.

Proceedings related to degrading working conditions

Proceedings initiated by Atmosfera before the Labor Court against Brazil's Ministry of Work and Employment

In these proceedings, following the inspection conducted in 2014 by the Brazilian Federal Police at the premises of Maiguá (an Atmosfera supplier), Atmosfera lodged an appeal against the decision of the Ministry of Labor resulting from the aforementioned inspection, which provided, in particular, for the inclusion of Atmosfera on the blacklist of companies convicted of this type of practice.

The decision on the merits rendered by the Labor Court at first instance in May 2017 was favorable to Atmosfera and overturned all sanctions imposed by the Ministry of Labor against Atmosfera, including its inclusion on the blacklist. This first-instance decision was appealed by the administration, resulting in a new proceeding. This proceeding was still underway as at December 31, 2019, and there is no specific time frame known for this case. If the Ministry of Labor's decision is upheld on the aforementioned appeal, Atmosfera will be put on the blacklist for a period of two years.

Should this happen, and even if it were not mandatory, ministries, federal agencies and public bodies could terminate service agreements with Atmosfera at the next renewal date. Furthermore, some private companies may have internal regulations that prohibit them from working with blacklisted suppliers, even if this is not stated in the contracts. Regulations in the states of São Paulo, Rio de Janeiro and Bahia require removal of the state tax number (Inscrição Estadual) of any blacklisted companies, and the regulations in the states of São Paulo and Bahia require this to be done for a period of 10 years (the state of Rio de Janeiro does not provide a time frame). The loss of Atmosfera's state tax number could make it necessary to use external service providers for transportation relating to Atmosfera's rental and laundry business. If Atmosfera were blacklisted, it is possible that Atmosfera's image and that of the rest of the Group could be tarnished by negative publicity, especially in the Brazilian press. It is nevertheless possible that more Brazilian customers may decide to terminate their contracts with Atmosfera, even though the Company has opened its in-house production workshop and launched a major advertising campaign targeting its customers.

Administrative proceedings initiated by the CADE

In February 2016, Prolav was ordered by the Brazilian competition authority (CADE) to pay a fine of R$2.5 million (approximately €0.6 million) for antitrust offenses. Any delay in payment of this fine will incur interest on arrears at the benchmark rate of Brazil's central bank (SELIC), which may lead to significant additional costs. Prolav has not, to date, paid the aforementioned fine and has set aside a provision in the amount of R$3.0 million (approximately €0.7 million). After lodging an appeal, which was rejected by CADE, Prolav was unable to reach an agreement with CADE's prosecutor on a possible reduction of the fine and payment in installments. As at the reporting date, Prolav was awaiting the implementation of the enforcement phase of the sanction.

Proceedings against NJ Lavanderia

Proceedings initiated by Brazil's Federal District public prosecutor

The public civil action brought in 2014 by the Federal District's public prosecutor against NJ Lavanderia Industrial e Hospitalar Ltda ("NJ Lavanderia"), a subsidiary of Lavebras, and the government of the federal district (GDF) concerns the validity of a public contract signed between NJ Lavanderia and the GDF (contract no. 184/ 2014) for the provision by NJ Lavanderia of industrial laundry services to public health establishments in the Federal District (Brasilia). This public civil action aims to annul the contract signed between the two parties and compel the GDF to implement a restructuring plan for the laundry services that must be provided to four regional public hospitals located in the Federal District. A decision on the merits was rendered in August 2018 by which the judge annulled contract no. 184/2014 and ordered the GDF to launch a new tender for the provision of laundry services to the four regional hospitals within 180 days of the date of the decision. NJ Lavanderia was not ordered to return the amounts received under the annulled contract (which has already been performed in full) and the judge did not find any evidence of wrongdoing on the part of NJ Lavanderia or its representatives in connection with the tender procedure for contract no. 184/2014. The plaintiff (the Federal District's public prosecutor's office) did not appeal the decision, although the GDF itself appealed the decision to launch a new tender within 180 days. A decision following the GDF's appeal is expected before the end of 2020. In any case, NJ Lavanderia is no longer exposed to any risks in connection with this public civil action.

Other proceedings are also ongoing against NJ Lavanderia as part of a public civil action initiated in 2014 by Federal District's public prosecutor for alleged breach of the public tender process under Brazil's law on public procurement at the time the public-service contract described above was entered into. The closing briefs have been submitted for these proceedings and a decision on the merits is expected in the coming months.

To date, the Company has no information allowing it to estimate the contingent liability incurred by NJ Lavanderia as a result of these proceedings in the event of an unfavorable outcome, its impact on the Group's financial condition, its business, reputation or earnings, or the amount of the compensatory assets to be received under the liability guarantee. No provision has been set aside by Lavebras or NJ Lavanderia in relation to these proceedings.

Proceedings before Brazil's Federal Court of Accounts

NJ Lavanderia is also party to administrative proceedings initiated in March 2014 by the Democratas political party against the Health Secretariat of Brazil's Federal District government, alleging that NJ Lavanderia continued to provide services under two public service contracts (one being the contract involved in the proceedings initiated by Brazil's Federal District public prosecutor described above) entered into as emergency agreements, beyond their respective terms. The Federal Court of Accounts ruled on February 12, 2019 that it had found irregularities in the delivery of these services and indicated that the Health Secretariat of Brazil's Federal District government should, according to the results of the public civil action described above, initiate specific administrative proceedings to review said irregularities and, if applicable, impose a penalty.

NJ Lavanderia is also party to another proceeding initiated in 2016 by the Federal District's public prosecutor's office attached to the Federal District Court of Accounts against the Health Secretariat of Brazil's Federal District Government, alleging that NJ Lavanderia offered its services at excessive prices, resulting in possible harm to the Brazilian National Treasury. On December 11, 2018, the Federal District Court of Accounts found that the prices for services rendered by NJ Lavanderia were excessive and that the Health Secretariat of the Federal District should initiate an administrative procedure against NJ Lavanderia. To the Company's knowledge, no proceedings have been initiated to date on this basis. However, the Company expects that such proceedings will be initiated in the near future.

If the rulings in the above proceedings are against NJ Lavanderia, the possible penalties could include the repayment of profits derived from the contracts in question, as well as fines and a ban on participating in public tenders and entering into public contracts.

To date, the Company has no information allowing it to estimate the contingent liability incurred by NJ Lavanderia as a result of this proceeding in the event of an unfavorable outcome, its impact on the Group's financial condition, its business, reputation or earnings, or the amount of the compensatory assets to be received under the liability guarantees. No provision has been set aside by Lavebras or NJ Lavanderia in relation to this proceeding.

Proceedings against Lavebras

The Group was informed of the existence of an anti-corruption investigation initiated by the Brazilian Federal Police, which may have identified potential violations of two Brazilian statutes, the Brazilian Clean Companies Act and the Administrative Improbity Act, that may involve Lavatec Lavanderia Técnica Ltda. ("Lavatec"), a former subsidiary that merged with Lavebras in 2014.

As at December 31, 2019, Lavebras had not received any formal notification of these potential violations, with the exception of separate proceedings conducted by the tax authorities against ICN, a social organization.

In these tax proceeding against ICN, the Brazilian tax authorities argue that Lavebras – as well as other companies – must be held jointly and severally liable for ICN's obligations in view of (i) the illegal nature of the payments made by ICN under contracts it entered into and under which Lavebras and ICN had a business relationship, and (ii) the lack of cooperation shown by ICN during the audit by the Brazilian tax authorities. At the end of June 2019, the amount of the dispute was approximately R$337 million, or around €75 million (including all penalties but excluding the potential effect of future inflation). Lavebras submitted its defense and a first instance administrative decision was issued in September 2019, which upheld the position of the Brazilian tax authorities. Lavebras has appealed this decision (through an ordinary appeal), submitted its defense, and is awaiting a new decision. Lavebras does not believe that this first instance decision will undermine its assessment of the case. Lavebras still believes that it has strong arguments to contest the Brazilian tax authorities' position. The Group therefore considers that the risk of Lavebras being held jointly and severally liable with ICN for payment of the tax penalty is limited. No provision has been set aside by Atmosfera or Lavebras in relation to these proceedings.

In the event that Lavebras is notified and, as a result of the investigation by the Brazilian Federal Police, held liable for the offenses, it could be subject to various penalties, including (i) a ban on receiving incentives, subsidies, grants, donations or loans from public entities or financial institutions for a period of up to five years, (ii) a fine of up to three times the amounts unjustly collected, (iii) a ban on entering into agreements with public entities for a period of up to 10 years, and (iv) an obligation to fully compensate the government for all damage actually suffered. In addition, Lavebras could also be subject to an administrative fine of between 0.1% and 20% of the gross revenue excluding tax in the financial year preceding the filing of the administrative proceedings. As a consequence of Lavatec's merger with Lavebras in 2014, the Brazilian authorities could argue that the amount of the administrative fine should be calculated on the basis of Lavebras's gross revenue instead of Lavatec's, which Lavebras will contest on the basis that Lavebras's total liability (including the amount of the fine and any compensation due for the damage that may have been caused) should be limited to the amount of the Lavatec assets transferred to Lavebras in connection with the merger.

Since no notification has been received, no provision has been set aside by Atmosfera or Lavebras in relation to these proceedings.

Proceedings related to the conclusion of public contracts in the state of São Paulo

The Group has been informed of various investigations and proceedings initiated by five authorities in the state of São Paulo related to the conclusion of several contracts between public customers (hospitals) and various companies of the same sector as the Group (including but not limited to Atmosfera, Lavebras and other companies of the Group in Brazil).

These investigations and proceedings are the result of an audit conducted by the General Controller of the state of São Paulo (CGA) at various state hospitals during which the CGA noticed a high number of contracts entered into as emergency contracts (outside the regular tender process provided by Brazilian law) and decided to (i) open an investigation of the various hospitals and companies concerned to check whether there were any irregularities with these emergency contracts and (ii) transmit the results of its audit to various Brazilian authorities so that they could initiate investigations at their own discretion.

As a consequence, the Group (as well as some of its competitors) are facing the five investigations or proceedings described below. Other investigations or proceedings by other Brazilian authorities might occur as a result of the transmission of the results of the audit referred to above to those authorities.

- The CGA has initiated an administrative proceeding based on the Brazilian Clean Company Act (law n°12.846/2013) for which the Group has presented its defense in November 2019 together with a description of its compliance program in Brazil (it being understood that the other parties have to present their defenses before the CGA can move on). In the coming months, the CGA should decide to either close the proceedings, impose sanctions against one or more parties, or postpone the timeline for the proceedings to continue its investigations.
- The Public Prosecutor's office of the state of São Paulo has filed a civil inquiry on the basis of the Administrative Improbity Act (law no. 8429/1992) at the end of which it may decide to file a public civil action against any of the Company's subsidiaries. The Group has submitted its defense and is awaiting a decision from the Public Prosecutor's office in the coming months on whether it will launch a public civil action.
- The Public Prosecutor's Office of the city of Paulínia (state of São Paulo) has filed a civil inquiry on the basis of the Administrative Improbity Act at the end of which it may decide to file a public civil action against Lavebras. The Group has submitted its defense and is awaiting a decision from the Public Prosecutor's office on whether it will file a public civil action.
- The Public Prosecutor's Office of the city of Santos (state of São Paulo) intends to open a civil inquiry on the basis of the Administrative Improbity Act against Atmosfera and Lavebras in relation to the Guilherme Àlvaro Hospital. Both companies have presented their arguments against the initiation of such a civil inquiry. On the basis of these arguments, the Public Prosecutor's Office will decide whether or not to launch a civil inquiry against Atmosfera and/or Lavebras and, eventually, whether or not to file a public civil action. As far as Lavebras is concerned, since this inquiry relates to a period prior to the acquisition of Lavebras by Atmosfera, it has notified Lavebras' sellers.
- The Group has been informed that, in connection with the aforementioned CGA administrative proceeding, the São Paulo state police have initiated a criminal inquiry against the corporate officers of the Group's subsidiaries in Brazil. The Group has presented the same arguments as those presented to the CGA; the Police are continuing their inquiry.

In the event that a penalty is imposed on the Group, the following could apply to the companies concerned.

- Under the Brazilian Clean Company Act, (i) a fine of between 0.1% and 20% of the revenue of companies subject to the penalty (the fine may be reduced by up to 4% of revenue depending on the quality of the compliance program set up to fight against antitrust practices and corruption) and/or (ii) the publication of the decision.
- In connection with the Administrative Improbity Act, (i) a fine, (ii) a ban on participating in public tenders and entering into public contracts for up to 10 years and (iii) a ban on receiving subsidies and tax benefits.

These various investigations and proceedings are still at an early stage, such that no provision has been recognized in the consolidated financial statements for the year ended December 31, 2019. The Company considers that it has strong arguments in connection with these various investigations and proceedings, which also concern other players in the sector.

Proceeding in Minas Gerais

Atmosfera is facing a dispute with one of its former customers in the state of Minas Gerais, Imprensa Oficial (with which it stopped doing business in September 2015). As a result of overbilling in the amount of R$25,000 (approximately €5,000) over the term of the contract (five years), on June 14, 2019, Imprensa Oficial published its decision to impose various penalties on Atmosfera consisting of (i) the repayment of the overbilled amounts, (ii) a fine of R$12,000 (approximately €3,000), and (iii) a ban on participating in public tenders in the state of Minas Gerais for a period of 12 months with retroactive effect to April 23, 2019.

Meanwhile, although it immediately paid the above amounts, Atmosfera lodged an administrative appeal against the decision to ban it from participating in public tenders, which Atmosfera considers to be in violation of the constitutional principle of proportionality of penalties imposed by public entities.

Atmosfera lost this administrative appeal in June 2019 and immediately challenged the decision before the Belo Horizonte courts, seeking its annulment on the grounds that it violated the above-mentioned principle of proportionality. At the same time, Atmosfera obtained an emergency injunction suspending the ban on participating in public tenders pending a decision on the merits. On December 6, 2019, the judge in charge of the case finally and surprisingly dismissed Atmosfera's action for annulment.

Atmosfera immediately filed (i) an appeal before the Superior Court of Minas Gerais, which should rule on it during the second half of 2020, and (ii) an emergency injunction to suspend the ban on participating in public tenders pending a final decision on the merits.

In early January 2020, Atmosfera was informed that the emergency injunction had been rejected and, as a result, the ban on participating in public tenders was in force for a duration of nine months and 13 days as from December 18, 2019, i.e., until October 1, 2020.

Although it considers this penalty to be disproportionate and believes there is a good chance of obtaining a favorable decision from the Superior Federal Court, Atmosfera believes that it is unlikely that the Minas Gerais Superior Court will issue its decision before the end of the ban period, which will probably run for its entire duration.

The ban on participating in public tenders has no effect on existing public contracts (with the exception, however, of (i) renewals of existing contracts, which Atmosfera's public customers may consider inappropriate on a case-by-case basis, and (ii) contracts under which the existence of such a ban may constitute a valid cause for termination).

As it stands, as regards public establishments associated with the state of Minas Gerais, this ban applies only to Atmosfera (excluding its subsidiaries, in particular Lavebras). However, the Group cannot rule out the possibility that this ban may be extended to other Brazilian states (at the federal, state or municipal level) or at the federal or municipal level in the state of Minas Gerais. Such an extension could, however, only take place on a case-by-case basis, pursuant to a specific request filed by an interested party.

Based on the above, and taking into account the scope of the ban on participating in public tenders, the Group believes that the ban should have a limited effect on the Group's financial performance in Brazil.

Proceeding related to Lavebras' plant in Teresina

The Group was informed of a public civil action filed in October 2019 by the Public Prosecutor's Office of Teresina before the State Court of Piauí regarding the laundry operated by Lavebras in Teresina. Pursuant to this public civil action, the Public Prosecutor's Office is asking the judge in charge of the case to impose various penalties on Lavebras, namely the payment of a fine reflecting damages suffered (without specifying the amount of this fine) and a ban on participating in public tenders and entering into public contracts. The duration and scope (the public entities concerned) of such a ban would be determined by the judge, with the understanding that (i) it may be up to five years and (ii) the Public Prosecutor's Office has not issued any recommendation to that effect.

This public action follows the difficulties faced by Lavebras in its discussions with the Environment Secretariat (SEMAM) to renew its operating permits and licenses for the Teresina laundry. Although the laundry has been running since 2005 with all the required permits and licenses, Lavebras encountered a number of difficulties in 2019 in renewing these permits and licenses and had to take legal action to ultimately obtain authorization from the court to operate its plant.

In this public civil action, the Public Prosecutor's Office alleges that Lavebras has caused water pollution through illegal wastewater discharges and intends to obtain compensation for the alleged damage caused.

Lavebras's main defense is the fact that the Teresina laundry has always operated in compliance with the permits and authorizations it holds, including for the treatment and discharge of wastewater.

The Group believes that it has strong arguments to defend itself in this case. No provision has been recorded in connection with this proceeding in the consolidated financial statements for the year ended December 31, 2019.

In addition, the Group has been informed that a criminal inquiry has been initiated against the Lavebras corporate officers in connection with this proceeding.

In France

Inquiry by DIRECCTE

The Group was informed of an inquiry by the French competition authorities following a complaint relating to some of the Group's pricing practices, which was filed in 2014 by a bed and breakfast, a customer of the Group, with the Pays de la Loire regional department for companies, competition, consumption, labor and employment (DIRECCTE). The Group cannot rule out the investigation being extended to practices other than pricing practices.

No provision is being recognized since at this stage, it is difficult to assess whether this risk will materialize and what the consequences, especially financial, for the Group might be.

Tax audits

The Group is subject to tax audits in various countries. When the Group considers, with its advisors, that it has a sufficiently strong case, no provision is recorded.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Financial risk management

Credit and counterparty risk

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

- trade receivables: their amount and aging are monitored in detail as an integral part of the monthly reporting system:
  - in France, the Group insures its customer risk with a well-known insurance company. Trade receivables are managed in a decentralized manner by the operational centers and by the Key Accounts Department, which handle the first stage of receivables collection. A second stage of receivables collection and dispute management is handled by the Finance and Legal Departments, depending on the type of receivable.
  - in other countries where the Group operates, the Group may use an insurance company to insure its customer risk. This is the case in the United Kingdom. Receivables collection and disputes may be handled by the operational centers and/or by the central finance departments at the country level.

As at December 31, 2019, the exposure to credit risk on trade receivables by operating segment is as follows:

(In millions of euros)	**12/31/2019**	12/31/2018
France	223.2	222.5
United Kingdom & Ireland	61.4	68.8
Central Europe	106.0	98.4
Scandinavia & Eastern Europe	85.5	79.1
Southern Europe	77.6	75.0
Latin America	59.1	57.3
Other operating segments	3.6	3.1
TRADE RECEIVABLES AND CONTRACT ASSETS	**616.3**	**604.2**

Because of the large number of Group 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 on the consolidated balance sheet.

Exposure to credit risk related to trade receivables and contract assets is presented in the form of an impairment matrix as shown below:

	12/31/2019			
(In millions of euros)	**Gross value**	**Impairment**	**Expected credit loss rate**	**Net value**
Not yet due or less than 1 month overdue	516.3	(0.8)	(0.2%)	515.5
Between 1 and 4 months overdue	86.3	(0.7)	(0.8%)	85.6
Between 5 and 12 months overdue	17.3	(7.3)	(42.3%)	10.0
More than 1 year overdue	52.6	(47.5)	(90.2%)	5.1
TRADE RECEIVABLES AND CONTRACT ASSETS	**672.5**	**(56.3)**		**616.3**

	12/31/2018			
(In millions of euros)	Gross value	Impairment	Expected credit loss rate	Net value
Not yet due or less than 1 month overdue	469.1	(1.3)	(0.3%)	467.8
Between 1 and 4 months overdue	116.0	(1.8)	(1.6%)	114.1
Between 5 and 12 months overdue	24.3	(9.4)	(38.8%)	14.9
More than 1 year overdue	51.7	(44.3)	(85.7%)	7.4
TRADE RECEIVABLES AND CONTRACT ASSETS	**661.1**	**(56.9)**		**604.2**

- Cash assets: due to historically low and significantly negative interest rates, the Group's policy is to minimize its cash position in order to reduce its debt and optimize its financial expenses. With its remaining cash, the Group invests in short-term money market funds or deposits it in bank accounts with the bank counterparties that finance the Group in accordance with the diversification and counterparty quality rules set out in the Group's Cash and Investment Management Policy.
- Derivatives: as part of its Interest Rate and Currency Risk Management Policies, the Group enters into hedging contracts with leading financial institutions and the Group's financing banks.

Bank counterparty risk is managed by the Financing and Treasury Department in accordance with both the Treasury and Investment Management Policies and the Interest Rate and Foreign Exchange Risk Management Policies. It is related to outstanding deposits, the market values of derivative instruments, and credit lines opened with each bank. In line with its financial policy, in most cases, the Group only enters into commitments on financial instruments with counterparties that have a minimum long-term rating of "A-" from Standard & Poor's or "A3" from Moody's. The list of bank counterparties involved in investments and the list of financial instruments are regularly reviewed and approved by the Group's Finance Department.

In the Group's view, these investments and derivatives do not expose it to any material counterparty risk.

Liquidity risk

The Group must always have financial resources available, not just to finance the day-to-day running of its business, but also to maintain its investment capacity. The Group's has several sources of financing: its free cash flow and cash flow from operating activities; financing on short- and medium-term capital markets; and bank financing.

The use of these various sources of financing is part of an overall financing policy implemented by the Finance Department. This financing policy is reviewed on a regular basis to best support the Group's development and respond to changes in financial market conditions while maintaining a credit profile compatible with a minimum long-term financial rating by Standard & Poor's and Moody's in the "BB/Ba2" category. The aim of the Group's financing strategy is to maintain its leverage ratio (net debt/EBITDA) at around three times EBITDA.

Financing policy

The Group's financing policy is based on the following principles:

- active debt management, which may lead the Group to seek advance financing on the capital and banking markets in order to (i) extend the average maturity of the debt, (ii) stagger repayment dates over time, and (iii) optimize financing costs. This active management policy led the Group to enter into two major refinancing transactions in 2019. As a result, as at December 31, 2019, the weighted average maturity of borrowings and gross financial debt was 4.75 years compared to 3.6 years as at December 31, 2018, with a percentage of long-term debt (borrowings and gross financial debt maturing in more than one year/total borrowings and gross financial debt) of 89%;
- the use of bank loans and bonds to diversify its sources of liquidity and creditors: in order to benefit from economies of scale and facilitate access to financing on the capital markets (bonds and commercial paper), the Group centralizes the vast majority of its financing transactions through Elis;
- maintaining a permanent and significant buffer of undrawn confirmed credit lines to secure its liquidity and meet its short-term debt obligations, especially on its commercial paper program in case of capital market closures. As at December 31, 2019, the Group had undrawn confirmed credit lines totaling €930 million;
- continuous monitoring of available cash: as at December 31, 2019, the Group had available cash and cash equivalents as presented in Note 8.4;
- implementation in all the main countries where it operates and where permitted by local regulations of a daily physical centralization of all cash requirements and surpluses via MAJ and Elis SA, the central treasury entities for the consolidation scope formerly under Elis and Berendsen, respectively;
- financing through capital increases, if necessary.

The implementation of this financing policy significantly reduces liquidity risk, which is also mitigated by the regularity of the cash flows generated by the Group.

Financial ratings

The implementation of the financing policy and liquidity risk management require regular monitoring of the Group's financial ratings. As at December 31, 2019, the Company is rated by Standard & Poor's, Moody's and DBRS:

- In a press release issued on October 22, 2019, Standard & Poor's confirmed the "BB+" (stable outlook) rating assigned to the Company since April 2018. In 2019, Standard & Poor's also rated the EMTN program in connection with its renewal (approved by the AMF on March 26, 2019), as well as the bond issues carried out under this program in April and October 2019; the ratings assigned to the EMTN program and the bond issues are the same as the Company's rating ("BB+").
- In a press release published on April 1, 2019, following the publication of the Group's 2018 annual results and in connection with the renewal of its EMTN program, Moody's raised the Company's rating outlook from stable to positive while confirming the current "Ba2" rating. This upgrade demonstrates the relevance of the Group's growth strategy, the soundness of its business model in an uncertain economic environment, and the continued improvement of its financial fundamentals, and particularly its financial structure.
- As part of the USPP transaction, the Group underwent a rating process by the DBRS rating agency, which, in a press release dated April 4, 2019, assigned the Company an issuer rating of "BBB low." This is the first investment-grade rating obtained by the Company.

Finally, in a press release dated December 16, 2019, the rating agency Fitch confirmed the withdrawal of its ratings for the Company and its related financial instruments.

Net debt and future cash flows

The Group's net debt balance is detailed in Note 8.5 "Net debt."

Loan agreements relating to this debt include the legal and financial commitments usually involved in such transactions and specify accelerated maturities if those commitments are not met. The financial commitments include the Group's obligation to meet a financial covenant: the ratio of net debt as defined in the agreement to the pro forma EBITDA of acquisitions finalized over the last 12 months, after synergies and excluding the impact of IFRS 16. Based on these consolidated financial statements as at December 31, 2019, the Group met this ratio:

- Leverage Ratio = 3.2x (must be less than 3.75).

The repayment dates for consolidated debt and related interest as at December 31, 2019 are presented below.

The future contractual cash flows are shown based on the liabilities in the balance sheet at the reporting date and do not take into account any possible subsequent management decision that could significantly alter the Group's debt structure or hedging policy. The figures for interest payable reflect the cumulative interest payable until the due date or planned repayment date of the related loan. They were estimated on the basis of forward rates calculated from the yield curves as at the reporting date.

(In millions of euros)	Carrying value Amortized cost	Cash flow 2020 Nominal	Cash flow 2020 Interest	Cash flow 2021 Nominal	Cash flow 2021 Interest	Cash flow 2022-2023-2024 Nominal	Cash flow 2022-2023-2024 Interest	Cash flow 2025 and beyond Nominal	Cash flow 2025 and beyond Interest	Estimate of future cash flows as at 12/31/2019 Nominal	Estimate of future cash flows as at 12/31/2019 Interest
EMTN (Euro Medium Term Notes)	2,378.4	-	41.7	-	41.7	1,150.0	95.8	1,200.0	31.6	2,350.0	210.8
Convertible bonds	364.6	-	-	-	-	400.0	-	-	-	400.0	-
USPP	337.3	-	9.1	-	14.6	-	29.7	335.6	39.1	335.6	92.5
Revolving / bilateral short term	0.9	-	0.9	-	-	-	-	-	-	-	0.9
Schuldschein	75.1	11.5	1.2	21.0	1.0	42.5	1.6	-	-	75.0	3.8
Commercial paper	382.4	382.4	-	-	-	-	-	-	-	382.4	-
Unamortized debt issuance costs	(24.3)	-	-	-	-	-	-	-	-	-	-
Loan from employee profit-sharing fund	21.2	5.1	0.8	5.4	0.6	9.0	0.4	-	-	19.5	1.7
Other	7.2	2.1	0.2	1.7	0.2	2.5	0.4	0.9	0.1	7.2	0.9
Overdrafts	1.5	1.5	0.0	-	-	-	-	-	-	1.5	0.0
TOTAL BORROWINGS AND FINANCIAL DEBT	**3,544.4**	**402.6**	**53.8**	**28.1**	**58.2**	**1,604.0**	**127.9**	**1,536.5**	**70.8**	**3,571.1**	**310.6**

Market risks

The Elis Group is exposed to market risk, particularly concerning the cost of its debt and as a result of foreign currency transactions. The Finance Department manages the main financial risks centrally, mainly foreign exchange and interest rate risks, in accordance with specific management policies and detailed operating procedures. These policies, which focus on the unpredictability of financial markets, seek to minimize the potentially adverse effects on its financial performance. To hedge certain risk exposures, interest rate and currency hedging strategies are developed and implemented according to market opportunities through derivatives, while respecting the principles of prudence and risk limitation provided for in the corresponding management policies.

Interest rate risk

Interest rate risk mainly includes the risk of fluctuations in future cash flows relating to variable-rate debt, historically based in part on the EURIBOR. The Group's rate risk management policy is to maintain the vast majority of its total debt at fixed rates over a medium- to long-term horizon. As part of the refinancing transactions carried out in 2019, the Group increased the share of its direct fixed-rate debt. As a result, as at December 31, 2019, the Group had €37 million of variable-rate debt outstanding (before taking into account hedging instruments) compared to €878 million as at December 31, 2018.

Given the refinancing of all bank debt on October 3, 2019 through new fixed-rate bonds, the Group has terminated the derivatives contracts (swaps) it had entered into to swap, at specific times, the difference between the fixed rate agreed to in the swap contract and the variable rate applying to the relevant debt, based on a given notional amount.

Net exposure to interest rate risk as at December 31, 2019, before and after hedging, was as follows:

(In millions of euros)	12/31/2019	Fixed	Variable hedged	Variable unhedged	Maturity of debt
EMTN (Euro Medium Term Notes)	2,378.4	2,378.4			2023, 2024, 2025, 2026 and 2028
Convertible bonds	364.6	364.6			2023
USPP	337.3	337.3			2029
Revolving / bilateral short term	0.9			0.9	Various
Schuldschein	75.1	34.6		40.6	2020 to 2024
Commercial paper	382.4	382.4			< 12 months
Unamortized debt issuance costs	(24.3)	(18.2)		(6.1)	
Loan from employee profit-sharing fund	21.2	21.2			
Other	7.2	6.7	0.2	0.4	
Overdrafts	1.5			1.5	
TOTAL BORROWINGS AND FINANCIAL DEBT	**3,544.4**	**3,507.0**	**0.2**	**37.2**	

In accordance with IFRS 7, an analysis of the sensitivity to changes in interest is presented below. 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 variable-rate financial instruments if they are not designated as hedged items. Interest rate movements have an impact on gross finance costs and are therefore included when calculating the sensitivity of net income and equity to interest rate risk;
- changes in the interest rate curve impact the fair values of derivative financial instruments eligible for cash flow hedge accounting. The change in the fair value of the instrument affects the hedge reserve in shareholders' equity. This effect is therefore included when calculating the sensitivity of equity to interest rate risk;
- changes in the interest rate curve impact derivative financial instruments (interest rate swaps, caps, etc.) that are not eligible for hedge accounting insofar as this affects their fair value, the change in which is then recognized in the income statement. This impact is therefore included when calculating the sensitivity of net income and equity to interest rate risk;
- commercial paper is considered to be variable-rate in substance, although it is issued at a fixed rate on a short-term basis.

The following table shows the effect on the Elis Group's results of a 100 basis point increase or decrease in interest rates based on the above-mentioned assumptions and on the basis of an immediate impact across the entire curve occurring on the first day of the financial year and remaining constant thereafter:

	+100 bp		-100 bp	
Type of financial instrument	**Hedge reserves**	**Net financial income (loss)**	**Hedge reserves**	**Net financial income (loss)**
› designated as hedging instruments	Not material		Not material	
› non-derivative, at variable-rates		(4.1)		3.8
› derivatives not eligible for hedge accounting		-		-
TOTAL IMPACT (PRE-TAX)	**-**	**(4.1)**	**-**	**3.8**
Sensitivity of equity to interest rate changes	***+100 bp***	***0.0%***	***-100 bp***	***0.0%***
Sensitivity of consolidated net income to interest rate changes	***+100 bp***	***2.0%***	***-100 bp***	***-1.8%***

The Group does not have any material interest-bearing assets.

Currency risk

Transactional currency risk

The Group is exposed to transactional currency risk mainly related to its purchases of goods from third party suppliers (linen) denominated in US dollars. In 2019, these purchases totaled US$97.0 million, compared to US$95.0 million in 2018. However, the Group seeks to reduce the impact of exchange rate movements on its income by using currency hedging for the procurement of goods for resale. As at December 31, 2019, the Group had made forward purchases with a 2020 maturity of US$90 million (compared to US$83 million in 2018).

The Group is also exposed to the foreign-currency commercial flows of operating entities (including purchases of goods denominated in a currency other than the operating entities' functional currency) and to intra-group financial flows (management fees, brand royalties, dividends). In this context, the Group may occasionally or on a recurring basis enter into currency forward contracts to hedge these risks.

Transactional currency risk is managed centrally by the Finance Department as part of a dedicated management policy and a centralized currency risk management agreement. Foreign currency flows of operating entities are hedged as part of the annual budget process for subsidiaries with recurring foreign currency flows. At the end of the year, when drawing up their budgets, the subsidiaries communicate their exposure to currency risk for the following year to the Finance Department, which centralizes the execution of external foreign exchange derivative transactions at Elis. Elis thus acts as the internal counterparty for negotiating hedging transactions for subsidiaries with transactional currency risk exposure.

Financial currency risk

The financing needs of foreign subsidiaries outside the euro area covered by intra-group loans and the centralization of cash surpluses expose some Group entities to financial currency risk (risk related to changes in the value of borrowings or financial receivables denominated in currencies other than the borrowing or lending entity's functional currency). This currency risk is mainly hedged through currency swaps as part of a hedging policy implemented by the Finance Department. As at December 31, 2019, currency swaps against the euro mainly covered the Swedish krona (SEK), Norwegian krone (NOK), Danish krone (DKK), Czech koruna (CZK), pound sterling (GBP), Swiss franc (CHF), ruble (RUB) and Polish zloty (PLN).

USPP financing denominated in US dollars

As at December 31, 2019, the Group was only party to one cross-currency swap contract for a notional amount of US$40 million backed by USPP financing.

The Group's exposure to currency risk

The Group operates a significant share of its activities in countries within the euro area. For the financial year ended December 31, 2019, countries outside the euro area accounted for 38.6% of the Group's consolidated revenue, including 11.0% for the United Kingdom, 6.9% for Brazil, 6.5% for Sweden, 6.0% for Denmark and 3.1% for Switzerland.

When the Group prepares its consolidated financial statements, it must translate the financial statements of its non-euro area 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 translation into euros of non-euro area subsidiaries' balance sheets and income statements.

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

With this in mind, the table below presents the risk of foreign currency translation losses, in terms of equity and income, on the Group's main currencies.

(In millions of euros)	Change in equity resulting from a 10% fall in exchange rate	Change in net income resulting from a 10% fall in exchange rate
GBP (United Kingdom)	(68.3)	(2.2)
BRL (Brazil)	(51.6)	(1.1)
SEK (Sweden)	(73.9)	(2.2)
DKK (Denmark)	(64.3)	(1.3)
NOK (Norway)	(16.3)	(0.7)
PLN (Poland)	(16.2)	(0.8)
CHF (Switzerland)	(12.2)	(0.4)

Equity risk

As at December 31, 2019, the Group's exposure to equity risk mainly concerns the 512,733 Elis shares held either in treasury stock, as part of the liquidity agreement implemented on April 13, 2015, or through the Berendsen Employee Benefit Trust.

These shares were valued at €9.5 million based on the December 31, 2019 closing price (€18.50). Accordingly, the Group did not consider it necessary to introduce an equity risk management policy.

Commodities risk

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

8.2 Net financial income (loss)

(In millions of euros)	12/31/2019	12/31/2018
Interest expense on borrowings and loans from employee profit-sharing fund measured at amortized cost	(120.3)	(105.6)
Interest expense on lease liabilities and finance leases	(9.7)	(0.8)
TOTAL INTEREST EXPENSE	**(130.0)**	**(106.3)**
Gains (losses) on interest rate derivatives measured at fair value through profit or loss	(19.6)	(4.4)
Interest income using the effective interest rate method	1.2	0.4
Foreign currency translation gains (losses)	0.4	1.4
Gains (losses) on foreign exchange derivatives measured at fair value through profit or loss	(0.1)	0.1
Interest expense on provisions and retirement benefits	(2.2)	(1.5)
Other	0.4	(0.1)
NET FINANCIAL INCOME (LOSS)	**(150.0)**	**(110.5)**

The changes were mainly due to:

- higher interest expense compared to financial year 2018, due to the early refinancing of the 2022 High-Yield Bonds and the term loan tranches of the syndicated credit facilities (especially early termination fees and the accelerated amortization of bond issuance costs);
- the lease liability interest expense that appeared for the first time in 2019 due to the first-time adoption of IFRS 16 according to the modified retrospective method;
- the impact of the termination of interest rate swaps historically backed by bank debt, which were fully repaid in October 2019.

8.3 Gross debt

Borrowings are initially recognized at fair value, net of related transaction costs. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the repayment value is recognized in income over their term using the effective interest rate method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer payment of the liability by at least 12 months after the reporting date, in which case they are classified as non-current liabilities.

The Group derecognizes a financial liability once the liability is extinguished. If a liability is exchanged with a creditor under materially different terms and conditions, a new liability is recognized.

The Elis Group has several sources of financing: short- and medium-term financing from capital markets, bank financing, and private placements.

As at December 31, 2019, consolidated debt mainly comprised the following:

Capital markets

Commercial paper

On the short-term capital market, Elis has an unrated commercial paper program (NEU CP), approved by Banque de France, for a maximum amount of €600 million. In addition to other financing, this program provides the Group with access to disintermediated short-term resources at favorable market conditions. As at December 31, 2019, outstandings under this program totaled €382.4 million, versus €413.1 million as at December 31, 2018, a decrease of €30.7 million.

Convertible bonds (OCÉANEs)

On October 6, 2017, Elis issued bonds convertible into and/or exchangeable for new or existing Elis shares (obligations à option de conversion et/ou d'échange en actions, or "OCÉANEs") with a maturity date of October 6, 2023. The nominal amount of the issue totals €400 million and is represented by 12,558,869 bonds with a par value of €31.85. The bonds are non-interest bearing (zero coupon). The funds raised from this issue were used to repay the bridge loan set up in connection with the Berendsen acquisition and extend the maturity of the Group's debt.

OCÉANE bonds qualify as a compound financial instrument and, as such, falls within the scope of IAS 32, which requires that the equity component (the call option held by the bondholder to convert the bond into shares) and the debt component (the contractual commitment to deliver cash) be recognized separately in the balance sheet. The fair value of the debt component is equivalent to €345.1 million at inception and €54.9 million for the options component (before deferred tax).

EMTN (Euro Medium Term Notes)

On the long-term capital markets, Elis has an EMTN program approved by the AMF in the amount of €3 billion, under which it has carried out the following bond issues:

- On February 15, 2018, a dual-tranche bond issue comprising a €650 million tranche with a maturity of 5 years and a coupon of 1.875%, and a €350 million tranche with a maturity of 8 years and a coupon of 2.875%. These funds, totaling €1 billion, were used to refinance the bridge loan set up for the acquisition of Berendsen.
- On April 11, 2019, a bond issue in the amount of €500 million, with a 5-year maturity and a coupon of 1.75%. The proceeds from this issue have been allocated in full to refinance the High-Yield Bonds maturing in 2022.
- On October 3, 2019, a dual-tranche bond issue in the amount of €850 million comprising a €500 million tranche with a maturity of 5.5 years (maturing April 2025) and an annual coupon of 1.0%, and a €350 million tranche with a maturity of 8.5 years (maturing April 2028) and an annual coupon of 1.625%. These bonds were used to fully refinance the tranches drawn from the two syndicated bank credit facilities taken out in 2017.

Bank loans and private placement

USPP private placement

During the first half of 2019, the Group also took out a USPP loan with two tranches: one tranche in euros in the amount of €300 million maturing in 10 years with an interest rate of 2.70% and another tranche in US dollars in the amount of US$40 million maturing in 10 years with an interest rate of 4.99%. The tranche in dollars was converted to euros using a 10-year cross-currency swap with a synthetic coupon rate in euros of 2.69%. The proceeds of this issue were mainly used to redeem the €800 million High-Yield Bonds maturing in 2022.

Senior Credit Facilities Agreement – Term Loan

On January 17, 2017, Elis entered into a senior syndicated credit facilities agreement for an amount of €1,150 million maturing in five years, consisting of three tranches: a €450 million term loan, a €200 million CAPEX line and a €500 million revolving credit facility.

During 2019, the €450 million term loan and the drawn-down €200 million CAPEX line tranche were fully repaid and canceled. As at December 31, 2019, the revolving credit tranche was still active but undrawn.

Syndicated Credit Facilities Agreement – Term Loan

On November 7, 2017, Elis entered into a second syndicated credit facilities agreement with two tranches: a €200 million term loan maturing in November 2022 and a €400 million revolving credit line originally maturing in November 2022.

In 2019, the €200 million term loan was fully repaid and canceled. As at December 31, 2019, the revolving credit tranche, with its maturity extended to November 2023, was still active but undrawn.

Schuldschein

Elis raised €75 million on November 23, 2017 through a multi-tranche private placement under German law, the so-called "Schuldschein" note.

This transaction enabled the Group to diversify its funding sources. The funds were raised via several tranches at fixed and variable rates, respectively representing 46% and 54% of the total amount, maturing in three to seven years.

Through these two syndicated credit facilities agreements and a bilateral revolving loan agreement, the Group has, as at December 31, 2019, undrawn confirmed credit facilities totaling €930 million, thus ensuring the necessary liquidity for the Group with regard to its commercial paper program in the event that the commercial paper market closes.

Change in debt

(In millions of euros)	12/31/2018	Changes in financing cash flows	Changes arising from obtaining or losing control of subsidiaries or other entities	Effect of changes in foreign exchange rates	Changes in bank overdrafts	Other changes	12/31/2019
EURO MEDIUM TERM NOTES	**1,000.0**	**1,350.0**	**-**	**-**	**-**	**-**	**2,350.0**
CONVERTIBLE BONDS	**355.8**	**-**	**-**	**-**	**-**	**8.9**	**364.6**
USPP (2018: HIGH-YIELD BONDS)	**800.0**	**(464.3)**	**-**	**-**	**-**	**(0.1)**	**335.6**
Senior Credit Facilities Agreement – Term Loan	450.0	(450.0)	-	-	-	-	-
Syndicated credit facility – Term loan	200.0	(200.0)	-	-	-	-	-
Revolving / bilateral short term	-	-	-	-	-	-	-
Schuldschein	75.0	-	-	-	-	-	75.0
Capex line	200.0	(200.0)	-	-	-	-	-
Commercial paper	413.1	(30.7)	-	-	-	-	382.4
Finance lease debt	22.9					(22.9)	
Other loans	18.6	(26.4)	15.1	(0.0)	0.0	0.1	7.2
Overdrafts	12.1	-	10.3	0.4	(21.3)	0.0	1.5
Loan from employee profit-sharing fund	23.2	(2.0)	-	-			21.2
LOANS	**1,414.8**	**(909.2)**	**25.4**	**0.3**	**(21.3)**	**(22.8)**	**487.4**
ACCRUED INTEREST	**28.1**			**(0.0)**	**(0.0)**	**3.0**	**31.1**
UNAMORTIZED DEBT ISSUANCE COSTS	**(44.0)**	**(11.1)**	**-**	**-**	**-**	**30.7**	**(24.3)**
BORROWINGS AND FINANCIAL DEBT	**3,554.7**	**(34.6)**	**25.4**	**0.3**	**(21.3)**	**19.8**	**3,544.4**
Reconciliation to cash flow statement							
› Proceeds from new borrowings		2,392.0					
› Repayment of borrowings		(2,426.5)					
Change in borrowings		**(34.6)**					

As at January 1, 2019, as part of the first-time adoption of IFRS 16, finance lease liabilities have been reclassified as lease liabilities.

Breakdown of financial debt by currency

	12/31/2019	12/31/2018
EUR	3,507.7	3,545.2
USD	35.6	-
GBP	0.1	1.7
BRL	0.1	5.7
CHF	-	0.9
CLP	0.9	1.2
COP	0.0	0.0
BORROWINGS AND FINANCIAL DEBT	**3,544.4**	**3,554.7**

Maturity of financial liabilities

(In millions of euros)	12/31/2019	2020	2021	2022-2024	2025 and beyond
EMTN (Euro Medium Term Notes)	2,378.4	28.4	-	1,150.0	1,200.0
Convertible bonds	364.6	-	-	364.6	-
USPP	337.3	1.7	-	-	335.6
Revolving / bilateral short term	0.9	0.9	-	-	-
Schuldschein	75.1	11.6	21.0	42.5	-
Commercial paper	382.4	382.4	-	-	-
Unamortized debt issuance costs	(24.3)	(6.4)	(6.5)	(9.0)	(2.4)
Loan from employee profit-sharing fund	21.2	5.8	6.2	9.2	-
Other	7.2	2.1	1.6	2.2	1.3
Overdrafts	1.5	1.5	-	-	-
TOTAL BORROWINGS AND FINANCIAL DEBT	**3,544.4**	**428.1**	**22.3**	**1,559.5**	**1,534.5**

As at December 31, 2019, short-term borrowings (maturing in less than one year) mainly comprise commercial paper and the 2020 tranche of the Schuldschein private placement. In 2019, the Group carried out two refinancing transactions in April and October with a focus on maintaining its financial structure, smoothing maturities over a longer period, and lowering the average cost of debt. As a result, as at December 31, 2019, the average weighted maturity of Elis SA (parent company) debt was 4.75 years, compared to 3.6 years at December 31, 2018.

8.4 Cash and cash equivalents

"Cash and cash equivalents" includes cash, demand deposits, other very short-term investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are recognized in the balance sheet as part of borrowings under current liabilities.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

(In millions of euros)	12/31/2019	12/31/2018
Demand deposits	171.4	195.7
Term deposits and marketable securities	0.9	1.3
CASH AND CASH EQUIVALENTS (ASSETS)	**172.3**	**197.0**
Overdrafts	(1.5)	(12.1)
Cash classified as assets held for sale	-	4.6
Bank overdrafts classified as liabilities directly related to assets held for sale	-	(10.5)
CASH AND CASH EQUIVALENTS, NET	**170.8**	**179.1**

In Latin America, where exchange control restrictions may exist, cash and cash equivalents totaled €26.6 million as at December 31, 2019, compared to €6.1 million at December 31, 2018.

In addition, cash allocated to the Elis liquidity agreement implemented on April 10, 2015 was €1.5 million as at December 31, 2019 (not material at December 31, 2018).

8.5 Net debt

(In millions of euros)	**12/31/2019**	12/31/2018
EMTN	**2,350.0**	**1,000.0**
CONVERTIBLE BONDS	**364.6**	**355.8**
USPP (2018: HIGH-YIELD BONDS)	**335.6**	**800.0**
Senior Credit Facilities Agreement – Term Loan	-	450.0
Syndicated Credit Facilities Agreement – Term Loan	-	200.0
Revolving / bilateral short term	-	-
Schuldschein	75.0	75.0
Commercial paper	382.4	413.1
Finance lease debt	-	22.9
Capex line	-	200.0
Other loans	7.2	18.6
Overdrafts	1.5	12.1
Loan from employee profit-sharing fund	21.2	23.2
LOANS	**487.4**	**1,414.8**
ACCRUED INTEREST	**31.1**	**28.1**
UNAMORTIZED DEBT ISSUANCE COSTS	**(24.3)**	**(44.0)**
BORROWINGS AND FINANCIAL DEBT	**3,544.4**	**3,554.7**
Of which maturing in less than one year	428.1	453.1
Of which maturing in more than one year	3,116.3	3,101.6
CASH AND CASH EQUIVALENTS (ASSETS)	**172.3**	**197.0**
NET DEBT	**3,372.1**	**3,357.7**

8.6 Financial assets and liabilities

Initial recognition of financial assets and liabilities

Financial instruments are initially recognized in the balance sheet 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 on the basis of 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 immaterial. Similarly, short-term receivables and liabilities arising in the normal operating cycle are not discounted.

Incremental costs that are directly attributable to transactions (transaction costs, commissions, professional fees, taxes, etc.) are added to the amount initially recognized in assets or deducted from liabilities.

Fair value and carrying amount of financial assets and liabilities

The key measurement methods used are as follows:

- items recognized at fair value through profit or loss are measured based on market prices for listed instruments (level 1 fair value inputs – quoted price in an active market);
- non-current derivative instruments are measured using a valuation technique (discounted cash flow method) that uses rates (EURIBOR yield curve minus the zero coupon curve) quoted in the interbank market (level 2 fair value inputs – valuation based on observable market data);
- borrowings and financial debt are recognized at amortized cost, calculated using the effective interest rate (EIR) method. The fair values shown for fixed-rate debt include the effects of interest rate movements, while those for total debt include changes in Group credit risk;
- given their very short maturities, the fair value of trade payables and receivables is deemed to be the same as their carrying amount.

	12/31/2019		Breakdown by category of financial instrument			
(In millions of euros)	Carrying amount	Fair value	Mandatory at fair value through profit or loss	Fair value – hedging instruments by OCI	Financial assets at amortized cost	Debt at amortized cost
Other equity investments	0.2	0.2	0.2			
Other non-current assets	69.0	69.0	31.7	0.3	37.1	
Contract assets	36.2	36.2			36.2	
Trade and other receivables	632.9	632.9			632.9	
Other current assets	21.1	21.1	0.3	(0.0)	20.7	
Cash and cash equivalents	172.3	172.3			172.3	
FINANCIAL ASSETS	**931.7**	**931.7**	**32.2**	**0.3**	**899.2**	**-**
Borrowings and financial debt	3,116.3	3,205.4				3,116.3
Other non-current liabilities	11.3	11.3	10.3	0.1		0.9
Trade and other payables	290.2	290.2				290.2
Contract liabilities	71.5	71.5				71.5
Other current liabilities	358.8	358.8	5.9	1.9		351.0
Bank overdrafts and current borrowings	428.1	434.5				428.1
FINANCIAL LIABILITIES (EXCLUDING LEASE LIABILITIES)	**4,276.2**	**4,371.7**	**16.2**	**2.0**	**-**	**4,258.0**

	12/31/2018		Breakdown by category of financial instrument			
(In millions of euros)	Fair value	Mandatory at fair value through profit or loss	Fair value – hedging instruments by OCI	Financial assets at amortized cost	Debt at amortized cost	
Other equity investments	0.2	0.2	0.2			
Other non-current assets	67.7	67.7	34.1	-	33.6	
Contract assets	31.7	31.7			31.7	
Trade and other receivables	649.5	649.5			649.5	
Other current assets	26.0	26.0	0.1	1.3	24.6	
Cash and cash equivalents	197.0	197.0			197.0	
FINANCIAL ASSETS	**972.0**	**972.0**	**34.3**	**1.3**	**936.5**	**-**
Borrowings and financial debt	3,101.6	3,098.5				3,101.6
Other non-current liabilities	15.3	15.3	0.0	13.9		1.4
Trade and other payables	274.5	274.5				274.5
Contract liabilities	68.3	68.3				68.3
Other current liabilities	381.6	381.6	26.3	-		355.3
Bank overdrafts and current borrowings	453.1	466.6				453.1
FINANCIAL LIABILITIES	**4,294.5**	**4,304.8**	**26.3**	**13.9**	**-**	**4,254.2**

The table below shows the level at which each fair value is ranked in the fair value hierarchy:

	12/31/2019	Fair value hierarchy		
(In millions of euros)	Fair value	Level 1	Level 2	Level 3
Other equity investments	0.2			0.2
Current derivatives – assets (currency forwards)	0.3		0.3	
Offsetting assets	32.0			32.0
ASSETS MEASURED AT FAIR VALUE	**32.5**	**-**	**0.3**	**32.2**
Non-current derivatives – liabilities (interest rate swaps)	0.1		0.1	
Current derivatives – liabilities (currency forwards)	2.4		2.4	
Debt related to acquisitions	15.7			15.7
LIABILITIES MEASURED AT FAIR VALUE	**18.2**	**-**	**2.5**	**15.7**
EMTN (Euro Medium Term Notes)	2,431.9	2,431.9		
USPP	347.6		347.6	
Convertible bonds – debt component	372.1		372.1	
LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED IN THE NOTES	**3,151.6**	**2,431.9**	**719.7**	**-**

	12/31/2018	Fair value hierarchy		
(In millions of euros)	Fair value	Level 1	Level 2	Level 3
Other equity investments	0.2			0.2
Current derivatives – assets (currency forwards)	1.4		1.4	
Offsetting assets	34.1			34.1
ASSETS MEASURED AT FAIR VALUE	**35.6**	**-**	**1.4**	**34.2**
Non-current derivatives – liabilities (interest rate swaps)	13.9		13.9	
Current derivatives – liabilities (currency forwards)	0.1		0.1	
Debt related to acquisitions	26.2			26.2
LIABILITIES MEASURED AT FAIR VALUE	**40.3**	**-**	**14.1**	**26.2**
EMTN (Euro Medium Term Notes)	978.2	978.2		
High-Yield Bonds 3%	808.3	808.3		
Convertible bonds – debt component	359.2		359.2	
LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED IN THE NOTES	**2,145.8**	**1,786.5**	**359.2**	**-**

8.7 Other non-current assets and liabilities

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, apart from those with maturity dates greater than 12 months after the reporting date, which are classified as non-current assets.

Offsetting assets correspond to vendor warranties and are evaluated on the same basis as indemnified liabilities, subject to value corrections for unrecoverable amounts.

If the indemnification is related to a liability recognized at its fair value at acquisition, the offsetting asset is also recorded at fair value.

Repurchase commitments to non-controlling interests are recognized as liabilities. Subsequent changes in the value of the put option strike price are recorded in the income statement under "Other operating income and expense" in accordance with the provisions of IFRS 9.

(In millions of euros)	Notes	12/31/2019	12/31/2018
Non-current derivatives – assets	8.8	0.3	-
Long-term loans and receivables		3.8	1.7
Offsetting assets and other non-current assets		31.7	34.1
Marginal costs of obtaining contracts		33.3	31.9
OTHER NON-CURRENT ASSETS		**69.0**	**67.7**
Non-current derivatives – liabilities	8.8	0.1	13.9
Deferred consideration payable on acquisitions		10.3	0.0
Liability for repurchase commitments to non-controlling interests		-	-
Other non-current liabilities		0.9	1.4
OTHER NON-CURRENT LIABILITIES		**11.3**	**15.3**

8.8 Derivative financial instruments and hedges

Whether used for hedging purposes or not, derivative financial instruments are initially measured at fair value at inception and are subsequently remeasured at their fair value.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as:

- hedges of a particular risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedge);
- hedges of the fair value of recognized assets or liabilities (fair value hedge);
- derivative instruments that do not meet hedge accounting criteria.

The impact of changes in fair value of derivative instruments in a fair value hedging relationship and of derivative instruments not eligible for hedge accounting during the year is recorded in the income statement. However, the effective portion of changes in the fair value of derivative instruments in a cash flow hedging relationship is recognized directly in equity, with the ineffective portion being recognized in the income statement.

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, 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 the derivatives used 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 meet the cash flow hedge criteria and are designated as such is recognized directly in equity. The gain or loss related to the ineffective portion is immediately recognized in net income. The cumulative gain or loss reported in equity is reclassified to the income statement when the hedged item affects profit or loss. From adoption of IFRS 9 onwards, the Group may recognize the forward component of the hedging instrument in "Other comprehensive income" and accumulate them in a separate component of the reserves until their reclassification in income or loss or in the initial cost of the non-financial asset acquired.

When a transaction results in the recognition of a non-financial asset (for example, a non-current asset or inventory), the hedging gain or loss, deferred as equity, is transferred to the initial carrying amount of the hedged item (method known as basis adjustment).

When a hedging instrument expires or is sold, or when a hedge no longer meets hedge accounting criteria, any cumulative gain or loss in equity at that time remains in equity, and is reclassified to the income statement when the forecast transaction is recognized in profit or loss. 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 financial year are recognized immediately in the income statement.

Cash flow hedges

The Group holds the following derivative instruments to hedge its interest rate and currency risks:

At December 31, 2019	Maturity 1-6 months	6-12 months	More than one year	Total
CURRENCY RISK				
Forward currency purchases (highly probable forecast purchases)				
Nominal (in millions of euros)	25.8	18.7		44.5
Average EUR/USD forward rate	1.12	1.14		-
Forward currency purchases (highly probable forecast purchases)				
Nominal (in millions of euros)	14.2	13.4		27.5
Average GBP/USD forward rate	1.25	1.27		-
Forward currency purchases (highly probable forecast purchases)				
Nominal (in millions of euros)	4.3	3.7		8.0
Average SEK/USD forward rate	9.61	9.64		-
Cross-currency swap – USPP				
Nominal (in millions of euros)			35.6	35.6
Fixed rate			2.69%	-
INTEREST RATE RISK				
Interest rate swap – Chile				
Nominal (in millions of euros)			0.2	0.2
Fixed rate			6.72%	-

At December 31, 2018	Maturity 6-12 months	More than one year	More than one year	Total
CURRENCY RISK				
Forward currency purchases (highly probable forecast purchases)				
Nominal (in millions of euros)	26.2	22.1		48.3
Average EUR/USD forward rate	1.17	1.18		-
Forward currency purchases (highly probable forecast purchases)				
Nominal (in millions of euros)	12.7	11.5		24.2
Average GBP/USD forward rate	1.31	1.33		-
INTEREST RATE RISK				
Interest rate swaps maturing in 2022 – term loan				
Nominal (in millions of euros)			450.0	450.0
Fixed rate			0.46%	-
Other interest rate swaps				
Nominal (in millions of euros)			500.0	500.0
Fixed rate			0.50%	-
Interest rate swap – Chile				
Nominal (in millions of euros)			0.9	0.9
Fixed rate			6.72%	-

Given the negative forward rates until the maturity of the non-floored interest rate swaps maturing in 2022, these instruments have been disqualified from hedge accounting since July 1, 2016.

The amounts relating to the hedged items are as follows:

The other interest rate swaps historically backed by bank debt, fully repaid in October 2019, were terminated at the end of September 2019.

At December 31, 2019	Change in the value of the hedged item used to recognize the ineffective portion of the hedge	Cash flow hedge reserve before tax	Cash flow hedge reserve (hedge accounting no longer applied)
Currency risk			
Highly probable forecast purchases	3.1	(2.4)	-
Interest rate risk			
Variable-rate instruments	4.3	(0.0)	-

At December 31, 2018	Change in the value of the hedged item used to recognize the ineffective portion of the hedge	Cash flow hedge reserve before tax	Cash flow hedge reserve (hedge accounting no longer applied)
Currency risk			
Highly probable forecast purchases	(2.9)	0.8	-
Interest rate risk			
Variable-rate instruments	5.8	(5.9)	(3.3)

The table below details the impact of derivatives on the Elis Group's consolidated financial statements:

	At 12/31/2019				12/31/2019				
		Carrying value							
(In millions of euros)	**Nominal**	**Assets**	**Liabilities**	**Line item in the statement of financial position which includes the hedging instrument**	**Change in the fair value of the hedging instrument recognized in equity**	**Hedging costs recognized in equity**	**Amount reclassified from the hedging reserve to the income statement**	**Amount reclassified from hedging cost to inventory cost**	**Income statement item**
Currency risk									
Forward currency purchases	80.0	(0.0)	1.9	"Other current assets and liabilities," see Note 4.8	(3.1)	(0.0)	-	-	-
Cross-currency swap – USPP	35.6	0.3		"Other non-current assets and liabilities," see Note 8.7	-	0.3	-	-	-
Interest rate risk									
Interest rate swaps	0.2		0.1	"Other non-current assets and liabilities," see Note 8.7	(4.3)	-	(13.4)	-	"Net financial income (loss)," see Note 8.2

	At 12/31/2018				12/31/2018				
		Carrying value							
(In millions of euros)	**Nominal**	**Assets**	**Liabilities**	**Line item in the statement of financial position which includes the hedging instrument**	**Change in the fair value of the hedging instrument recognized in equity**	**Hedging costs recognized in equity**	**Amount reclassified from the hedging reserve to the income statement**	**Amount reclassified from hedging cost to inventory cost**	**Income statement item**
Currency risk									
Forward currency purchases	72.5	1.3	-	"Other current assets and liabilities," see Note 4.8	2.9	0.5	-	-	-
Interest rate risk									
Interest rate swaps	950.9	-	13.9	"Other non-current assets and liabilities," see Note 8.7	(5.8)	-	(2.9)	-	"Net financial income (loss)," see Note 8.2

The reconciliation of each component of equity impacted by hedge accounting is as follow:

(In millions of euros)	Cost of hedging reserve	Cash flow hedge reserve
Cash flow hedges		
BALANCE AS AT DECEMBER 31, 2017		**(5.5)**
Change in fair value resulting from forward currency purchases – forecast purchases	0.5	2.9
Change in fair value resulting from interest rate risk hedging		(5.8)
Amounts reclassified to the income statement		2.9
Tax effect	(0.2)	(0.1)
BALANCE AS AT DECEMBER 31, 2018	**0.3**	**(5.6)**
Change in fair value resulting from forward currency purchases – forecast purchases	0.3	(3.1)
Change in fair value resulting from interest rate risk hedging		(4.3)
Amounts reclassified to the income statement		13.4
Tax effect	(0.1)	(2.1)
BALANCE AS AT DECEMBER 31, 2019	**0.6**	**(1.6)**

8.9 Off-balance sheet commitments relating to group financing and other commitments

(In millions of euros)	12/31/2019	12/31/2018
Commitments given		
Assignment and pledge of receivables as collateral		
Pledges, mortgages and sureties	5.7	9.1
Pledges, endorsements and guarantees given		
Commitments received		
Pledges, mortgages and sureties		
Pledges, endorsements and guarantees received	20.7	23.2

NOTE 9 INCOME TAX EXPENSE

Current income tax

Income tax assets or liabilities due for the current financial year or for previous years are measured at the amount expected to be received from 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 reporting date. Current tax on items recognized outside of profit or loss is recognized outside of profit or loss.

Deferred tax

Deferred taxes are recognized using the variable balance sheet liability method for all temporary differences between the tax base of assets and liabilities and their carrying amount in the balance sheet at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- when the deferred tax liability is the result of the initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination and which, at the time of occurrence, neither affects the accounting profit nor the taxable profit 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 profit will be available against which the deductible temporary differences, tax loss carryforwards and unused tax credits can be offset:

- 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 other than a business combination and, at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and sufficient taxable profit will be available to allow the temporary differences to be offset.

The carrying amount of deferred tax assets is reviewed at each reporting period-end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be offset. Unrecognized deferred tax assets are measured at each reporting period-end and are recognized to the extent that it is probable that a future taxable profit will be available against which they can be offset.

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 recognized outside of profit or loss is recognized outside of profit 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 millions of euros)	12/31/2019	12/31/2018
Consolidated net income (loss)	137.7	83.0
Equity-accounted companies	-	-
Current taxes	71.9	85.4
Deferred taxes	(24.3)	(33.7)
Income (loss) before tax	185.3	134.7
Theoretical tax rate	34.43%	34.43%
THEORETICAL TAX EXPENSE	**63.8**	**46.4**
ACTUAL TAX EXPENSE	**47.6**	**51.7**
Effect of tax not based on net income[(a)]	11.9	11.3
DIFFERENCE	**28.1**	**6.0**
Breakdown of difference		
Tax rate differences and transactions taxed at reduced rates	21.1	18.2
Permanent differences (including interest in 2018 and non-deductible IFRS 2 expenses)	(1.6)	(22.2)
Unrecognized tax loss carryforwards/Utilization of previously unrecognized tax losses	0.4	(0.8)
Goodwill impairment	-	-
Other (deductible CVAE, nontaxable CICE in 2018, etc.)	8.1	10.8

(a) CVAE in France, IRAP in Italy.

The following table shows the sources of deferred tax assets and liabilities:

(In millions of euros)	12/31/2018 net	Increase related to business combinations	Income (loss)	Recognized directly in other comprehensive income	Translation differences & other	12/31/2019 net
Intangible assets	(194.5)	(2.5)	24.7	-	2.1	(170.1)
Property, plant and equipment	(144.5)	(0.5)	(10.7)	-	(2.1)	(157.7)
Other assets	(15.5)	0.0	(3.4)	-	(0.7)	(19.5)
Derivative instruments – assets	(0.3)	-	0.0	0.2	(0.2)	(0.2)
Right-of-use assets / Lease liabilities	(0.0)	0.0	0.7	-	0.0	0.8
Provisions	22.4	(0.0)	(1.2)	-	1.5	22.2
Employee benefit liabilities	12.9	-	0.9	1.9	(0.4)	15.4
Borrowings and financial debt	(29.3)	-	9.9	(0.0)	0.5	(18.9)
Derivative instruments – liabilities	4.5	-	(1.3)	(2.4)	(0.0)	0.7
Other current liabilities	(6.1)	0.3	(1.5)	-	(2.0)	(9.2)
Other	(6.2)	(0.0)	(0.3)	(0.1)	(0.2)	(6.9)
Recognized tax losses	42.2	0.1	6.6	-	2.5	51.4
NET DEFERRED TAX ASSETS (LIABILITIES)	**(314.3)**	**(2.6)**	**24.3**	**(0.4)**	**1.1**	**(292.3)**
Deferred tax assets	56.5					24.4
Deferred tax liabilities	(370.9)					(316.7)

Deferred tax assets are recognized for tax loss carryforwards when it is probable that they can be offset against future taxable profit.

As at December 31, 2019, the Group had tax losses of €40.8 million (base) for which no deferred tax assets had been recognized (€42.9 million at December 31, 2018). The majority of these tax losses, which are almost all related to foreign subsidiaries, have no expiration date.

NOTE 10 SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1 Share capital and reserves

Changes in share capital

Number of shares as at December 31, 2017	**219,370,207**
Number of shares as at December 31, 2018	**219,927,545**
Number of shares as at December 31, 2019	**221,297,797**
Number of authorized shares	221,297,797
Number of shares issued and fully paid up	221,297,797
Number of shares issued and not fully paid up	-
Par value of shares	1.00
Treasury shares[(a)]	512,733
Shares reserved for issue under options and sales agreements	-

(a) *Of which 393,532 shares held by the Berendsen Employee Benefit Trust.*

In 2019:

- Following the vesting of the free performance shares, the share capital was increased on March 24, 2019 and June 15, 2019 by a nominal amount of €0.3 million and €0.5 million respectively through the capitalization of those same amounts in "Additional paid-in capital."
- Furthermore, the general shareholders' meeting of May 23, 2019 decided to clear the accumulated deficit of the parent company by charging €215.2 million to "Additional paid-in capital."
- Finally, as part of the Group Savings Plan, on October 30, 2019:
  - the share capital was increased by €0.6 million and additional paid-in capital by €6.5 million;
  - in addition, the costs related to the capital increases, net of the corresponding tax savings, were then charged to additional paid-in capital;
  - finally, the balance of the additional paid-in capital, in the amount of €6.1 million, was transferred to the legal reserve.

In 2018:

- following the vesting of the free performance shares, the share capital was increased on June 15, 2018 and December 20, 2018 by a nominal amount of €0.5 million and €0.1 million respectively through the capitalization of those same amounts in "Additional paid-in capital."

Since 2015, the Group has also implemented a liquidity agreement consistent with the Code of Conduct issued by the French Financial Markets Association (Association française des marchés financiers – AMAFI) on March 8, 2011 and approved by the French Financial Markets Authority (Autorité des marchés financiers – AMF) on March 21, 2011. Resources initially allocated to the implementation of the liquidity agreement and credited to the liquidity account amounted to €3.0 million. As at December 31, 2019, treasury stock accounted for 115,250 shares valued at €2.1 million based on the historic share price, deducted from equity (198,252 shares, or €3.5 million at December 31, 2018).

10.2 Dividends and distributions paid and proposed

The general shareholders' meeting of May 18, 2018 approved the payment of a dividend of €0.37 per share. The amount distributed to shareholders was therefore €81.1 million.

The general shareholders' meeting of May 23, 2019 approved the payment of a dividend of €0.37 per share. The amount distributed to shareholders was therefore €81.4 million.

A dividend of €0.39 per share or approximately €86.3 million will be proposed at the next annual general shareholders' meeting.

10.3 Earnings per share

Basic earnings per share
Basic earnings per share (EPS) is calculated by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share
Diluted earnings per share (DEPS) is calculated by dividing profit for the period attributable to owners of the parent (adjusted for dividends, interest recognized during the period and any other change in income or expense resulting from the conversion of potentially dilutive ordinary shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares.

The calculation of diluted earnings per share does not take into account the conversion, exercise or issue of potential ordinary shares that would have an accretive impact on earnings per share (i.e., that does not increase the loss per share).

(In millions of euros)	12/31/2019	12/31/2018 restated
Net income or loss attributable to owners of the parent		
Continuing operations	137.9	83.4
Discontinued operations	4.1	(1.2)
NET INCOME OR LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**142.0**	**82.2**
Weighted average number of shares	220,238,574	219,379,941
Effect if conversion of convertible notes	13,124,018	12,797,487
Effect of contingently issuable shares	852,061	1,047,554
Weighted average number of shares used for diluted EPS	234,214,653	233,224,982

NOTE 11 RELATED PARTY DISCLOSURES

Except for compensation paid to executives as shown in Note 5.5, no other transactions were carried out with related parties in 2019 or 2018.

Subsidiaries and consolidated companies

The consolidated financial statements include the financial statements of Elis and of all the following fully consolidated subsidiaries:

Entity name	Registered office	Primary business	% equity 12/31/2019	% equity 12/31/2018
Elis, SA	Saint-Cloud	Parent company	100	100
FRANCE				
MAJ, SA	Pantin	Textile & hygiene services	100	100
Les Lavandières, SAS	Avrillé	Textile & hygiene services	100	100
Régionale de Location et Services Textiles, SAS	Marcq-en-Barœul	Textile & hygiene services	100	100
Pierrette TBA, SA	Malzeville	Textile & hygiene services	100	100
Le Jacquard Français, SARL	Gérardmer	Manufacturing entity	100	100
Elis Services, SAS	Saint-Cloud	Other	100	100
Thimeau, SAS	Meaux	Textile & hygiene services	100	100
Maison de Blanc Berrogain, SAS	Anglet	Textile & hygiene services	Merger	100
Société des Oreillers et Couvertures, SARL	Saint-Cloud	Other	-	Merger
Pro Services Environnement, SAS	Rochetoirin	Textile & hygiene services	100	100
AD3, SAS	Dardilly	Textile & hygiene services	100	100
SCI Les Gailletrous	La Chaussée-Saint-Victor	Other	100	100
SCI du Château de Janville	Saint-Cloud	Other	100	100
GIE Eurocall Partners	Villeurbanne	Other	100	100
Blanchisserie Moderne, SA	Montlouis-sur-Loire	Textile & hygiene services	96	96
SCI Maine Beauséjour	Limoges	Other	100	100
SCI La Forge	Bondoufle	Other	100	100
Société de Participations Commerciales et Industrielles, SARL	Saint-Cloud	Other	100	100
SCI des 2 Sapins	Grenoble	Other	100	100
SHF Holding, SA	Saint-Cloud	Other	100	100
SHF, SAS	Saint-Cloud	Textile & hygiene services	100	100
BMF, SAS	Bondoufle	Textile & hygiene services	-	Merger
LSP, SAS	Saint-Cloud	Textile & hygiene services	Merger	100
Elis Prévention Nuisibles, SAS	Bobigny	Textile & hygiene services	100	100
Blanchisserie Professionnelle d'Aquitaine, SARL	Mios	Textile & hygiene services	Merger	100
Big Bang, SAS	Saint-André-de-la-Roche	Textile & hygiene services	-	Merger
Hygiène Contrôle Île de France, SAS	Serris	Textile & hygiene services	-	Merger
HTE Sanitation, SAS	Vitrolles	Textile & hygiene services	-	Merger
Blanchisserie Blésoise, SAS	La Chaussée-Saint-Victor	Textile & hygiene services	100	100
Rathiboust, SAS	Aulnay-sous-Bois	Textile & hygiene services	Merger	-
Blanchisserie Sud Aquitaine, SAS	Bénesse-Maremne	Textile & hygiene services	Merger	-

Entity name	Registered office	Primary business	% equity 12/31/2019	% equity 12/31/2018
GERMANY				
Elis Holding GmbH	Rehburg-Loccum	Other	100	100
Elis Textil-Service GmbH	Mörlenbach	Textile & hygiene services	100	100
Elis Ibbenbüren GmbH	Ibbenbüren	Textile & hygiene services	100	100
Elis Immobilien GmbH & Co. KG	Ibbenbüren	Other	100	100
Elis Freiburg GmbH & Co. KG	Freiburg im Breisgau	Textile & hygiene services	100	100
Wolfsperger Verwaltungs GmbH	Freiburg im Breisgau	Other	100	100
Elis Potsdam GmbH	Potsdam	Textile & hygiene services	100	100
Elis München GmbH	Munich	Textile & hygiene services	100	100
Elis Südwest GmbH	Simmern	Textile & hygiene services	100	100
Elis Wismar GmbH	Wismar	Textile & hygiene services	100	100
KlinTex GmbH	Rehburg-Loccum	Other	Merger	100
Elis Stralsund GmbH	Stralsund	Textile & hygiene services	100	100
Elis Mannheim GmbH	Mannheim	Textile & hygiene services	100	100
Elis Servicegesellschaft Rhein-Neckar mbH	Mannheim	Other	100	100
Elis Ost GmbH	Schönebeck (Elbe)	Textile & hygiene services	100	100
AKK-Service GmbH	Hamburg	Textile & hygiene services	10	10
Askulta Nord Textilpflege GmbH & Co. KG	Glückstadt	Dormant	Merger	100
Berendsen Beteiligungs GmbH	Hamburg	Other	100	100
Elis GmbH	Hamburg	Textile & hygiene services	100	100
Berendsen GmbH Füssen	Hamburg	Dormant	Merger	100
Elis Glückstadt GmbH	Hamburg	Other	100	100
Berendsen GmbH Messkirch	Hamburg	Dormant	Merger	100
Elis Nordost GmbH	Fürstenwalde	Textile & hygiene services	100	100
Elis Schleswig GmbH	Schleswig	Textile & hygiene services	100	100
Elis West GmbH	Hagen	Textile & hygiene services	100	100
Elis Group Services GmbH	Hamburg	Other	100	100
Elis Textilmanagement GmbH	Hamburg	Textile & hygiene services	100	100
Decontam GmbH	Bad Windsheim	Textile & hygiene services	100	100
Glückstadter Textilservice GmbH & Co OHG	Glückstadt	Dormant	Merger	100
Jentex GmbH	Jena	Textile & hygiene services	49	49
PTS Pinneberger Textil-Service GmbH	Glückstadt	Dormant	In liquidation	100
Saniwo Textil-Gesellschaft mbH	Hamburg	Other	100	100
TSL Textil-Service und Logistik GmbH	Fürstenwalde	Dormant	100	100
SMH - Sächsische Mietwäsche und Handels GmbH	Dürrröhrsdorf-Dittersbach	Dormant	Merger	100
BW Textilservice GmbH	Sulz am Neckar	Textile & hygiene services	100	100
Wäscherei Waiz GmbH	Eckental	Textile & hygiene services	100	100
Curantex Verwaltungs GmbH	Erkelenz	Other	100	-
Curantex GmbH & Co. KG	Erkelenz	Textile & hygiene services	100	-
AUSTRIA				
Berendsen GmbH	Hard	Textile & hygiene services	100	100
ANDORRA				
Auxiliar Hotelera Arly	Andorra	Textile & hygiene services	100	100
Arly les Valls	Andorra	Dormant	In liquidation	In liquidation
BELGIUM				
Elis Belgium	Anderlecht	Textile & hygiene services	100	100
Blanchisserie Basse Meuse	Herstal	Textile & hygiene services	100	100
Ardenne & Meuse Logistic	Herstal	Other	100	100
BRAZIL				
Atmosfera Gestão e Higienização de Têxteis SA	Jundiaí	Textile & hygiene services	100	98
L'Acqua Lavanderias Ltda	Ponta Grossa	Textile & hygiene services	100	98
Teclav Tecnologia e Lavagem Industrial Ltda	Eusébio	Textile & hygiene services	100	98
Martins e Lococo Lavanderia Ltda	Caieiras	Textile & hygiene services	100	98

Entity name	Registered office	Primary business	% equity 12/31/2019	% equity 12/31/2018
MPW Lavanderia, Comércio e Serviços Ltda	Piracicaba	Textile & hygiene services	100	98
Megalav Lavanderia Hospitalar Ltda	Serra	Textile & hygiene services	100	98
Uniforme Lavanderia e Locação Ltda	Camaçari	Textile & hygiene services	100	98
Prontlav Lavanderia Ltda	Fortaleza	Textile & hygiene services	100	98
Toalhão Locação e Higienização de Enxoval Ltda	Fortaleza	Textile & hygiene services	100	98
NJ Lavanderia Industrial e Hospitalar Ltda ME	Brasilia	Textile & hygiene services	100	98
Prolav Servicos Tecnicos Ltda	Rio Bonito	Textile & hygiene services	100	98
Global Service Lavanderia Ltda ME	Goiana	Textile & hygiene services	100	98
LVB Holding Ltda	Videira	Other	100	98
Lavebras Gestão de Têxteis SA	Videira	Textile & hygiene services	100	98
Atmosfera Gestão e Higienização de Uniformes Ltda	São José dos Pinhais	Textile & hygiene services	100	98
Totalqualy Higienização Textil Ltda	São Bernardo do Campo	Textile & hygiene services	100	98
BR Laundry Industria, Comercio e Serviços Ltda	Anápolis	Textile & hygiene services	100	-
CHILE				
Elis Chile SA	Santiago	Other	100	100
Albia SA	Recoleta	Textile & hygiene services	100	100
Servicios Hospitalarios SA	Recoleta	Textile & hygiene services	100	100
Comercial Elis Chile SpA	Recoleta	Textile & hygiene services	100	-
CYPRUS				
Coliday Holdings Ltd	Larnaca	Other	100	-
COLOMBIA				
Elis Colombia SAS	Bogotá, D.C.	Textile & hygiene services	100	100
Centro de Lavado y Aseo CLA SAS	Bogotá, D.C.	Textile & hygiene services	100	100
Lavanser SAS	Bogotá, D.C.	Textile & hygiene services	100	100
Lavandería Industrial Metropolitana SAS	Bogotá, D.C.	Textile & hygiene services	100	-
Lavamejor Zona Franca SAS	Cartagena	Textile & hygiene services	100	-
DENMARK				
Berendsen A/S	Søborg	Other	100	100
Berendsen Textil Service A/S	Søborg	Textile & hygiene services	100	100
A-vask A/S	Søborg	Textile & hygiene services	100	-
Jysk Linnedservice A/S	Kjellerup	Textile & hygiene services	90	70
Xtra Måtteservice A/S	Holsted	Textile & hygiene services	-	Merger
SPAIN				
Elis Manomatic, SA	Sant Cugat del Vallès (Barcelona)	Textile & hygiene services	100	100
Lavandería Hotelera Del Mediterraneo	Sant Cugat del Vallès (Barcelona)	Textile & hygiene services	-	Merger
Lavalia Balears Servicios y Renting Textil	Sant Cugat del Vallès (Barcelona)	Textile & hygiene services	-	Merger
Lavalia cee	La Nucia (Alicante)	Dormant	100	100
Elis Indusal UTE	Parets del Vallès (Barcelona)	Textile & hygiene services	100	100
Indusal Centro, SA	Guadalajara (Guadalajara)	Textile & hygiene services	100	100
Indusal Navarra, SA	Marcilla (Navarra)	Textile & hygiene services	100	100
Servicios de Lavandería Industrial de Castilla la Mancha, SA	Yeles (Toledo)	Textile & hygiene services	100	100
Indusal, SA	Arrigorriaga (Vizcaya)	Textile & hygiene services	100	100
Lavandería Industrial La Condesa, SL	Venta de Baños (Palencia)	Textile & hygiene services	Dissolved	100
Goiz Ikuztegia, SL	Zumárraga (Guipúzcoa)	Textile & hygiene services	100	100
Energías Margua SA	Marcilla (Navarra)	Other	100	100
Indusal Sur, SA		Textile & hygiene services	Merger	100

Entity name	Registered office	Primary business	% equity 12/31/2019	% equity 12/31/2018
	Escacena del Campo (Huelva)			
Cogeneración Martiartu, SL	Arrigorriaga (Vizcaya)	Other	100	100
Lesa Inmuebles Siglo XXI, SL	Marcilla (Navarra)	Other	100	100
Gestytex Ibérica, SL	Arrigorriaga (Vizcaya)	Other	-	Dissolved
Lavanderías El Cantábrico, SL	Santurtzi (Vizcaya)	Textile & hygiene services	-	Merger
Casbu, SL	Igualada (Barcelona)	Textile & hygiene services	50	50
Compañía Navarra Servicios Integrales, SL	Marcilla (Navarra)	Other	100	100
Cantabria Lainpak UTE	Cabezón de la Sal (Cantabria)	Dormant	Dissolved	100
Indusal Navarra, SA–Ilunion Navarra, SL UTE	Marcilla (Navarra)	Textile & hygiene services	68	68
Goiz Ikuztegia, SL–Gureak Oiartzun, SL UTE	Zumarraga (Guipúzcoa)	Textile & hygiene services	75	75
Lavanderías Triton, SL	Madrid	Textile & hygiene services	100	100
Lloguer Textil Maresme, SL	Cabrera de Mar (Barcelona)	Textile & hygiene services	100	-
Base Lavandería Industrial, SLU	Riba-Roja de Túria (Valencia)	Textile & hygiene services	100	-
Marina de Complementos, SLU	Manises (Valencia)	Textile & hygiene services	100	-
ESTONIA				
AS Svarmil	Kiviõli	Other	100	100
Elis Textile Service AS	Tartu County	Textile & hygiene services	100	100
FINLAND				
Berendsen Textile Service Oy	Tuusula	Textile & hygiene services	100	100
HUNGARY				
Elis Hungary Kft	Miskolc	Textile & hygiene services	100	100
IRELAND				
Berendsen Finance Ireland (DKK) Ltd	Dublin	Other	100	100
Berendsen Finance Ireland (Euro) Ltd	Dublin	Other	100	100
Berendsen Finance Ireland (PLN) Ltd	Dublin	Other	100	100
Berendsen Ireland Holdings Ltd	Dublin	Dormant	100	100
Berendsen Ireland Ltd	Dublin	Textile & hygiene services	100	100
Nanoclean Ltd	Dublin	Textile & hygiene services	100	100
Steri-tex Ltd	Dublin	Dormant	100	100
ITALY				
Elis Italia SpA	San Giuliano Milanese	Textile & hygiene services	100	100
Organizzazione Arrigoni Srl	Rho	Textile & hygiene services	Merger	-
LATVIA				
Elis Tekstila Serviss AS	Riga	Textile & hygiene services	100	100
LITHUANIA				
Berendsen Textile Service, UAB	Vilnius	Textile & hygiene services	100	100
Luxembourg				
Elis Luxembourg, SA	Bascharage	Textile & hygiene services	100	100
NORWAY				
Berendsen Tekstil Service A/S	Oslo	Textile & hygiene services	100	100
NETHERLANDS				
Elis Nederland BV	Arnhem	Textile & hygiene services	100	100
Groene Team BV	Arnhem	Dormant	100	100
Elis Netherlands Holding BV	Arnhem	Other	100	100
POLAND				
Berendsen Textile Service Sp zoo	Żukowo	Textile & hygiene services	100	100
PORTUGAL				
	Samora Correira	Other	100	100

Entity name	Registered office	Primary business	% equity 12/31/2019	% equity 12/31/2018
Garment Finishing and Distribution European Services, SA				
Sociedade Portuguesa de Aluguer e Serviço de Têxteis, SA	Samora Correira	Textile & hygiene services	100	100
SPAST II, Lda	Samora Correira	Textile & hygiene services	100	100
CZECH REPUBLIC				
Elis Textil Servis sro	Brno	Textile & hygiene services	100	100
Elis Textile Care CZ sro	Velké Pavlovice	Textile & hygiene services	Merger	100
UNITED KINGDOM				
Kennedy Hygiene Products Ltd	Uckfield	Manufacturing entity	100	100
Kennedy Exports Ltd	Uckfield	Other	100	100
BDF Holdings Ltd	Renfrewshire, Scotland	Dormant	100	100
Berendsen Cleanroom Services Ltd	Basingstoke	Textile & hygiene services	100	100
Berendsen Finance (DKK) Ltd	Basingstoke	Other	100	100
Berendsen Finance (Euro) Ltd	Basingstoke	Other	100	100
Berendsen Finance (Euro2) Ltd	Basingstoke	Other	100	100
Berendsen Finance Ltd	Basingstoke	Other	100	100
Berendsen Healthcare Ltd	Basingstoke	Textile & hygiene services	100	100
Berendsen Hospitality Ltd	Basingstoke	Textile & hygiene services	100	100
Berendsen Ltd	Basingstoke	Other	100	100
Berendsen Nominees Ltd	Basingstoke	Other	100	100
Berendsen Northern Ireland Ltd	Belfast	Textile & hygiene services	100	100
Berendsen Supply Chain (Northern Ireland) Ltd	Belfast	Textile & hygiene services	100	100
Elis UK Ltd	Basingstoke	Other	100	100
Berendsen Workwear Ltd	Basingstoke	Textile & hygiene services	100	100
Cavendish Laundry Ltd	Basingstoke	Dormant	Dissolved	100
Davis (BIM) Ltd	Basingstoke	Dormant	100	100
Davis (FH) Ltd	Basingstoke	Dormant	Dissolved	100
Fabricare Ltd	Basingstoke	Dormant	Dissolved	100
IHSS Ltd	Basingstoke	Textile & hygiene services	Sold	100
Lakeland Pennine Group Ltd	Basingstoke	Dormant	100	100
Lakeland Pennine Ltd	Basingstoke	Dormant	100	100
Laundrycraft Ltd	Basingstoke	Dormant	100	100
M Furnishing Group Ltd	Basingstoke	Dormant	100	100
Midland Laundry Group Ltd	Basingstoke	Dormant	100	100
Midland Laundry Group Holdings Ltd	Basingstoke	Dormant	100	100
National Sunlight Laundries Ltd	Basingstoke	Dormant	Dissolved	100
Rocialle Ltd	Basingstoke	Dormant	100	100
Rocialle Healthcare Ltd	Basingstoke	Textile & hygiene services	Sold	-
Spring Grove Services Ltd	Basingstoke	Dormant	100	100
Spring Grove Services Group Ltd	Basingstoke	Dormant	100	100
St. Helens Laundry Ltd	Basingstoke	Dormant	Dissolved	100
Sunlight (Lyndale) Ltd	Basingstoke	Dormant	Dissolved	100
Sunlight Clinical Solutions Ltd	Basingstoke	Other	100	100
Sunlight Services Ltd	Basingstoke	Dormant	100	100
Sunlight Textile Services Ltd	Basingstoke	Dormant	100	100
Sunlight Workwear Services Ltd	Basingstoke	Dormant	100	100
The Sunlight Group Ltd	Basingstoke	Dormant	Dissolved	100
The Sunlight Service Group Ltd	Basingstoke	Dormant	100	100
JERSEY				
Berendsen Employee Benefit Trust	Jersey	Other	100	100
SLOVAKIA				
Elis Textile Care SK sro	Trenčín	Textile & hygiene services	100	100
RUSSIA				

Entity name	Registered office	Primary business	% equity 12/31/2019	% equity 12/31/2018
OOO Berendsen	Moscow	Textile & hygiene services	100	100
OOO Комбинат бытового обслуживания "НОВОСТЬ" (Combine of Consumer Services Novost)	Moscow	Textile & hygiene services	100	-
OOO Маки-сервис (Maki-Service)	Moscow	Textile & hygiene services	100	-
OOO МатСервис (MatService)	Moscow	Textile & hygiene services	100	-
OOO Ковер-Сервис (Kover-Service)	Novossibirsk	Textile & hygiene services	100	-
OOO Холл-Сервис (Holl-Service)	Moscow	Textile & hygiene services	100	-
OOO ГЕО групп (GEO Group)	Moscow	Textile & hygiene services	100	-
SWEDEN				
Elis Design & Supply Chain Centre AB	Gothenburg	Other	100	100
Berendsen Textil Service AB	Malmö	Textile & hygiene services	100	100
Carpeting Entrémattor i Stockholm AB	Skogås	Textile & hygiene services	Merger	-
Skräddarens Tvätt & Hyrservice AB	Umeå	Textile & hygiene services	Merger	-
F5 Umeå AB	Umeå	Other	Merger	-
Vialla Fastigheter AB	Skogås	Other	Merger	-
S. Berendsen AB	Malmö	Other	100	100
SWITZERLAND				
Elis (Suisse) AG	Bern	Textile & hygiene services	100	100
Hygienis SA	Carouge	Textile & hygiene services	100	100
InoTex Bern AG	Bern	Textile & hygiene services	Merger	100
On My Way	Lausanne	Textile & hygiene services	Sold	50
Picsou Management AG	Bern	Other	100	100
SiRo Holding AG	Bern	Other	Merger	100
Elis Cleanroom (Suisse) SA	Brügg	Textile & hygiene services	100	100
Wäscherei Kunz AG	Rüdtligen-Alchenflüh	Textile & hygiene services	Merger	100
Wäscherei Mariano AG	Schlieren	Textile & hygiene services	100	100
Wäscheria Textil Service AG	Ilanz	Textile & hygiene services	100	100
AS Désinfection SA	Lonay	Textile & hygiene services	100	-

NOTE 12 EVENTS AFTER THE REPORTING PERIOD

As at the date the consolidated financial statements were prepared, no events have occurred since December 31, 2019 that are likely to have a material impact on the financial position of the Elis Group at the closing date.

NOTE 13 STATUTORY AUDITORS' FEES

	Mazars				PricewaterhouseCoopers Audit			
	Amount (excl tax)		%		Amount (excl tax)		%	
(In millions of euros)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Independent audit	0.5	0.6	81%	87%	0.3	0.3	71%	74%
Services other than an independent audit	0.1	0.1	19%	13%	0.1	0.1	29%	26%
Required by law			0%	0%			0%	0%
Other[(a)(b)]	0.1	0.1	19%	13%	0.1	0.1	29%	26%
TOTAL	**0.7**	**0.7**	**100%**	**100%**	**0.4**	**0.4**	**100%**	**100%**

(a) In 2019, the services performed by Mazars and PricewaterhouseCoopers Audit involved issuing comfort letters and reports as part of financing transactions during the financial year and a report related to the capital increase reserved for employees. PricewaterhouseCoopers Audit also verified the consolidated non-financial performance statement.

(b) In 2018, the services performed by Mazars and PricewaterhouseCoopers Audit involved issuing comfort letters and reports as part of financing transactions during the financial year and PricewaterhouseCoopers Audit verified the consolidated non-financial performance statement.

In accordance with the ANC (the French Accounting Standards Authority) Regulation 2016-09, these tables only include the fees paid to the Statutory Auditors and do not include fees paid by Elis S.A. or by its fully consolidated subsidiaries to other legal entities affiliated with auditing firms.

2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Elis for the year ended December 31, 2019.

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, 2019 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.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Note 1.2 "Accounting standards applied" to the consolidated financial statements, which describes the impact of the entry into force on January 1, 2019 of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" and their application by Elis.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill

Notes 6.1 "Goodwill" and 6.5 "Impairment losses on non-current assets" to the consolidated financial statements.

Description of risk

At December 31, 2019, goodwill totaled a net amount of €3,801 million, representing the largest item on the consolidated statement of financial position. Goodwill corresponds to the difference at the acquisition date between the acquisition price paid and the fair value of the assets acquired and liabilities assumed. Goodwill is allocated by geographic area to the cash-generating units (CGUs) of the activities into which the various entities acquired have been incorporated.

An impairment charge for this goodwill is recognized on the statement of financial position when the recoverable amount of the CGUs, determined as part of compulsory annual impairment testing, is less than their carrying amount, in accordance with IAS 36.

The recoverable amount is determined using an approach based on multiple criteria (calculation of discounted future cash flows and on market values based on the EBITDA and EBIT multiples of the Group and of listed comparable companies) and requires a significant degree of judgment from management, particularly in relation to business plans, future cash flows based on perpetual growth rate assumptions, and the discounting of these flows based on the weighted average cost of capital. The methods used to measure goodwill are described in Note 6.5 to the consolidated financial statements.

Accordingly, we deemed the measurement of goodwill to be a key audit matter.

How our audit addressed this risk

We assessed the consistency of the methodology applied by the Finance Department.

We also conducted a critical assessment of the procedure for implementing this methodology, and assessed the following:

- that all of the components of the carrying amount of the CGUs tested were taken into account and are consistent with the

EBITDA and EBIT projections integrated in the business plans and the sector multiples used to determine the recoverable amount;

- the reasonableness of the EBITDA and EBIT projections for the CGUs in light of the CGUs' economic and financial environments and, by assessing the reasons for the differences between projected and actual historical performances, the reliability of the process by which the estimates were calculated;
- the consistency of these EBITDA and EBIT projections with management's most recent estimates as validated by the Management Board and approved by the Supervisory Board;
- the reasonableness of the discount rates and the long-term growth rates used to calculate discounted future cash flows, based on our valuation experts' reports;
- the consistency of the 2020 EBITDA and EBIT multiples used with market analyses and the consensus of the main stakeholders;
- the sensitivity analyses of the impairment tests conducted by management to a change in the perpetual growth rate, discount rates or the 2020 EBITDA and EBIT rates budgeted for the CGUs whose value in use is based on multiples.

Lastly, we obtained assurance that Notes 6.1 and 6.5 to the consolidated financial statements provide appropriate disclosures.

Litigation and contingent liabilities

Note 7.2 "Contingent liabilities" to the consolidated financial statements.

Description of risk

Note 7.2 "Contingent liabilities" to the consolidated financial statements summarizes the legal or arbitration proceedings arising in the normal course of business of the Group.

They notably include ongoing proceedings in Brazil and France, where contingent liabilities include in particular an ongoing anti-trust investigation.

Provisions are recorded with respect to these if the Group believes that it has a contractual, legal or constructive obligation, and that the future outflows of resources to cover the risk can be estimated accurately.

Given the uncertain outcome of these proceedings and ongoing investigations, and their potential negative and material effect on the Group owing to the financial penalties that may be incurred, as well as any impact they could have on its businesses and their commercial prospects, we deemed litigation and contingent liabilities to be a key audit matter.

How our audit addressed this risk

To assess whether or not the risks associated with these proceedings and ongoing investigations have been properly assessed, and to verify their non-quantifiable nature, where appropriate, we:

- performed a critical review of the positions adopted by the Company's lawyers and legal advisers involved in these matters;
- examined the analyses of the proceedings/investigations prepared by the Group's Finance and Legal Departments.

We also verified that the disclosures provided in Note 7.2 to the consolidated financial statements were appropriate.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Executive Board's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the Group management report includes the consolidated non-financial information statement required under article L.225-102-1 of the French Commercial Code is included in the Group management report. However, in accordance with article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Elis by the Annual General Meeting held on June 29, 2011 for Mazars and by the bylaws at the time of the Company's incorporation in 2007 for PricewaterhouseCoopers Audit.

At December 31, 2019, Mazars and PricewaterhouseCoopers Audit were in the ninth and thirteenth consecutive year of their engagement, respectively, and the fifth year since the Company's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Management Board.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee, which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Courbevoie, March 3, 2020

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT	MAZARS
Bruno TESNIERE	Isabelle MASSA

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French corporation (Société Anonyme) governed by a Management Board and a Supervisery Board with a share capital of €221,297,797
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