Financial statements for the year ended December 31, 2017



Financial statements for the year ended December 31, 2017 AFR

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1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 CONSOLIDATED INCOME STATEMENT

(In millions of euros)	Notes	2017	2016 restated *
Revenue	**3.1/4.1**	**2,214.9**	**1,512.8**
Cost of linen, equipment and other consumables		(361.4)	(247.7)
Processing costs		(849.2)	(569.2)
Distribution costs		(358.5)	(238.7)
Gross margin		**645.8**	**457.2**
Selling, general and administrative expenses		(357.3)	(249.2)
Operating income before other income and expense and amortization of customer relationships	**3.2**	**288.5**	**207.9**
Amortization of customer relationships	4.3	(54.2)	(45.8)
Goodwill impairment	6.1	–	–
Other income and expense	4.4	(89.9)	24.5
Operating income		**144.5**	**186.6**
Net financial expense	8.2	(59.8)	(55.7)
Income (loss) before tax		**84.6**	**130.9**
Income tax benefit (expense)	9	(17.9)	(38.0)
Share of net income of equity-accounted companies		–	–
Net income (loss)		**66.8**	**93.0**
Attributable to:			
– owners of the parent		66.2	93.0
– non-controlling interests		0.6	(0.0)
Earnings (loss) per share (EPS)/ Earnings (loss) per share (EPS) from continuing operations *(In euros)*:			
– basic, attributable to owners of the parent	10.3	0.41	0.82
– diluted, attributable to owners of the parent	10.3	0.41	0.81

* *See Note 1.4.*

1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	Notes	2017	2016 restated *
Net income (loss)		**66.8**	**93.0**
Gains (losses) on change in fair value of hedging instruments	8.8	(4.8)	(3.9)
Hedging reserve reclassified to income	8.8	6.2	4.1
Total change in hedging reserve		**1.4**	**0.2**
Related tax		(0.5)	(0.1)
Translation reserve		**(150.2)**	**39.1**
Other comprehensive income (loss) which may be subsequently reclassified to income		**(149.3)**	**39.3**
Actuarial gains and losses recognized in equity		**16.3**	**(2.7)**
Related tax		(3.1)	0.5
Other comprehensive income (loss) which may not be subsequently reclassified to income		**13.2**	**(2.2)**
Other comprehensive income		**(136.1)**	**37.1**
TOTAL COMPREHENSIVE INCOME (LOSS)		**(69.3)**	**130.1**
Attributable to:			
– owners of the parent		(69.7)	130.1
– non-controlling interests		0.4	0.0

* *See Note 1.4.*

The change in hedging 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	12/31/2017 net	12/31/2016 restated * net
Goodwill	6.1	4,335.5	1,732.9
Intangible assets	6.2	378.8	389.7
Property, plant and equipment	6.3	1,744.5	898.4
Equity-accounted companies		–	–
Available-for-sale financial assets		0.1	0.1
Other non-current assets	8.7	6.8	6.8
Deferred tax assets	9	46.9	23.9
Employee benefit assets	5.3	16.4	–
TOTAL NON-CURRENT ASSETS		6,529.0	3,051.8
Inventories	4.5	127.2	61.6
Trade and other receivables	4.2	705.6	394.0
Current tax assets		18.2	6.9
Other assets	4.7	30.9	16.7
Cash and cash equivalents	8.4/8.5	416.4	169.0
Assets held for sale	6.3	1.0	1.1
TOTAL CURRENT ASSETS		1,299.3	649.4
TOTAL ASSETS		**7,828.4**	**3,701.2**

* *See Note 1.4.*

Equity and liabilities

(In millions of euros)	Notes	12/31/2017	12/31/2016 restated *
Share capital	10.1	219.4	1,140.1
Additional paid-in capital	10.1/10.2	3,025.7	280.9
Treasury share reserve		(0.7)	(1.6)
Other reserves		0.7	0.7
Retained earnings (accumulated deficit)		(189.1)	(274.8)
Other components of equity		(110.2)	1.1
Equity attributable to owners of the parent		2,945.8	1,146.3
Non-controlling interests	2.7	9.2	4.5
TOTAL EQUITY		2,955.0	1,150.8
Non-current provisions	7.1	39.7	29.3
Employee benefit liabilities	5.3	96.6	64.8
Non-current borrowings	8.3/8.5	2,060.9	1,277.8
Deferred tax liabilities	9	244.1	188.0
Other non-current liabilities	8.7	12.6	22.3
TOTAL NON-CURRENT LIABILITIES		2,453.8	1,582.3
Current provisions	7.1	15.2	4.9
Current tax liabilities		21.8	4.6
Trade and other payables	4.6	277.5	166.8
Other liabilities	4.7	462.8	296.4
Bank overdrafts and current borrowings	8.3/8.5	1,642.2	495.4
Liabilities directly associated with assets held for sale		0.0	–
TOTAL CURRENT LIABILITIES		2,419.6	968.1
TOTAL EQUITY AND LIABILITIES		**7,828.4**	**3,701.2**

* *See Note 1.4.*

1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions of euros)	Notes	2017	2016 restated *
Cash flows from operating activities			
CONSOLIDATED NET INCOME (LOSS)		66.8	93.0
Depreciation, amortization and provisions	4.3	436.2	296.1
Portion of grants transferred to income	4.3	(0.3)	(0.1)
Goodwill impairment	6.1	–	–
Share-based payments		6.9	4.7
Discounting adjustment on provisions and retirement benefits	8.2	0.8	1.0
Net gains and losses on disposal of assets		4.5	(41.2)
Share of net income of equity-accounted companies		–	–
Other		(18.6)	(1.0)
Dividends received (from non-consolidated entities)		(0.1)	(0.0)
CASH FLOWS AFTER FINANCE COSTS AND TAX		496.3	352.5
Net finance costs	8.2	77.7	54.6
Income tax expense	9	17.9	38.0
CASH FLOWS BEFORE FINANCE COSTS AND TAX		591.8	445.1
Income tax paid		(53.3)	(47.1)
Change in inventories	4.5	(3.1)	(7.0)
Change in trade and other receivables	4.2	(51.2)	8.9
Change in other assets	4.7	0.1	(1.4)
Change in trade and other payables	4.6	6.3	6.6
Change in other liabilities	4.7	(69.6)	20.0
Other changes		(0.8)	(0.2)
Employee benefits		(0.6)	(0.0)
NET CASH FROM OPERATING ACTIVITIES		419.6	424.8
Cash flows from investing activities			
Acquisition of intangible assets		(16.8)	(11.1)
Proceeds from sale of intangible assets		0.1	0.0
Acquisition of property, plant and equipment		(463.0)	(252.5)
Proceeds from sale of property, plant and equipment		1.3	53.1
Acquisition of subsidiaries, net of cash acquired	2.4	(1,362.9)	(217.0)
Proceeds from disposal of subsidiaries, net of cash transferred		1.0	1.0
Changes in loans and advances		0.1	0.4
Dividends from equity-accounted companies		0.1	0.0
Investment grants		0.3	0.1
NET CASH FROM INVESTING ACTIVITIES		(1,839.9)	(426.0)
Cash flows from financing activities			
Capital increase	10.1	506.0	0.5
Treasury shares		1.1	0.7
Dividends paid			
– to owners of the parent		(51.7)	(39.8)
– to non-controlling interests		(0.0)	(0.1)
Change in borrowings [(a)]	8.3	1,080.2	197.7
– Proceeds from new borrowings	8.3	4,126.0	1,514.8
– Repayment of borrowings	8.3	(3,045.9)	(1,317.2)
Net interest paid		(60.5)	(50.0)
Other flows related to financing activities		17.4	(0.2)
NET CASH USED IN FINANCING ACTIVITIES		1,492.4	108.7
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		72.2	107.5
Cash and cash equivalents at beginning of period		165.2	55.8
Effect of changes in foreign exchange rates on cash and cash equivalents		(34.3)	1.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8.4	203.0	165.2

(a) Net change in credit lines.

* *See Note 1.4.*

1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2017

(In millions of euros)	Notes	Share capital	Additional paid-in capital	Treasury share reserve	Other reserves
Balance as at December 31, 2016 (restated)		**1,140.1**	**280.9**	**(1.6)**	**0.7**
Cash increase in share capital	10.1	269.2	236.8	–	–
Amounts paid to shareholders	10.2	–	(51.9)	–	–
Issue of convertible notes		–	–	–	–
Share–based payments		–	–	–	–
Changes in treasury shares		–	–	0.9	–
Acquisition of NCI without a change in control		–	–	–	–
Acquisition of subsidiary – NCI					
Other	10.1	(1,189.9)	2,559.9	–	0.0
Net income (loss) for the period		–	–	–	–
Other comprehensive income		–	–	–	–
TOTAL COMPREHENSIVE INCOME		**–**	**–**	**–**	**–**
Balance as at December 31, 2017		**219.4**	**3,025.7**	**(0.7)**	**0.7**

1.6 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2016

(In millions of euros)	Notes	Share capital	Additional paid-in capital	Treasury share reserve	Other reserves
Balance as at December 31, 2015 (restated)		**1,140.1**	**320.8**	**(2.2)**	**0.7**
Cash increase in share capital		–	–	–	–
Amounts paid to shareholders	10.2	–	(39.9)	–	–
Share–based payments		–	–	–	–
Changes in treasury shares		–	–	0.6	–
Acquisition of NCI without a change in control		–	–	–	–
Acquisition of subsidiary – NCI					
Other		–	0.0	–	–
Net income (loss) for the period		–	–	–	–
Other comprehensive income		–	–	–	–
TOTAL COMPREHENSIVE INCOME		**–**	**–**	**–**	**–**
Balance as at December 31, 2016 (restated)		**1,140.1**	**280.9**	**(1.6)**	**0.7**

(a) The "Actuarial gains and losses" column shown in Note 6.1.5 "Consolidated Statement of Changes in Equity" in the 2016 registration document has been merged into "Retained earnings (accumulated deficit)".

Retained earnings (accumulated deficit)	Hedging reserves	Translation reserve	Equity component of convertible notes	Owners of the parent	Non-controlling interests	Total equity
(274.8)	**(6.4)**	**7.5**	**–**	**1,146.3**	**4.5**	**1,150.8**
(0.0)	–	–	–	506.0	-	506.0
0.2	–	–	–	(51.7)	(0.0)	(51.7)
–	–	–	37.8	37.8	-	37.8
6.9	–	–	–	6.9	-	6.9
–	–	–	–	0.9	-	0.9
(0.9)	–	–	–	(0.9)	(1.9)	(2.8)
					6.2	6.2
0.2	0.0	–	–	1,370.1	-	1,370.1
66.2	–	–	–	66.2	0.6	66.8
13.2	0.9	(150.0)	–	(135.9)	(0.2)	(136.1)
79.4	**0.9**	**(150.0)**	**–**	**(69.7)**	**0.4**	**(69.3)**
(189.1)	**(5.5)**	**(142.6)**	**37.8**	**2,945.8**	**9.2**	**2,955.0**
		(110.2)				

Retained earnings (accumulated deficit) [(a)]	Hedging reserves	Translation reserve	Equity component of convertible notes	Owners of the parent	Non-controlling interests	Total equity
(365.3)	**(6.5)**	**(33.3)**	**–**	**1,054.2**	**(0.3)**	**1,053.9**
(0.0)	–	–	–	(0.0)	0.5	0.5
0.0	–	–	–	(39.9)	–	(39.9)
4.7	–	–	–	4.7	–	4.7
-	–	–	–	0.6	–	0.6
(5.1)	–	1.7	–	(3.4)	0.5	(3.0)
					3.9	3.9
(0.0)	–	0.0	–	(0.0)	(0.0)	(0.0)
93.0	–	–	–	93.0	(0.0)	93.0
(2.2)	0.1	39.1	–	37.1	0.0	37.1
90.8	**0.1**	**39.1**	**–**	**130.1**	**0.0**	**130.1**
(274.8)	**(6.4)**	**7.5**	**–**	**1,146.3**	**4.5**	**1,150.8**
		1.1				

1.7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Elis is a leading multi-service group in the rental, laundry and maintenance of textile, hygiene and well-being appliances in Europe and Latin America. The Group serves hundreds of thousands of customers of all sizes in the Hospitality, Healthcare, Industry, Trade and Services sectors. Elis is a French company 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, 2017 were approved by the Management Board on March 6, 2018 and reviewed by the Audit Committee on March 5, 2018 and by the Supervisory Board on March 6, 2018.

On September 12, 2017, Elis announced it had completed the acquisition of Berendsen. In the consolidated financial statements, the Berendsen Group is consolidated as from September 1, 2017. Given the material impact of the acquisition, pro forma information is presented in Note 2.4 to the consolidated financial statements.

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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 its consolidation scope (see Note 2 "Scope of consolidation").

The consolidated financial statements have been prepared on a going concern basis, and under the historical cost convention, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The financial statements are presented in 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 and IFRIC interpretations as adopted by the European Union as at December 31, 2017 and available on the website: https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002_en.

The accounting policies adopted are identical to those used to prepare the consolidated financial statements for the year ended December 31, 2016 except for the following standards and amendments effective for annual periods beginning on or after January 1, 2017:

Main standards, amendments and interpretations with mandatory application from January 1, 2017

- Amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets;"
- amendments to IAS 7 "Disclosure Initiative".

These amendments with mandatory application from January 1, 2017 had no material impact on the Elis Group's consolidated financial statements for the 2017 financial year. In Note 8.3, the Group presents a reconciliation of its beginning and closing debt balances to cash flows from financing activities.

Main standards, amendments and interpretations adopted by the European Union but not mandatory as of January 1, 2017

- IFRS 9 "Financial Instruments", applicable as of January 1, 2018;
- amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4", applicable from January 1, 2018;
- IFRS 15 "Revenue from Contracts with Customers", applicable from January 1, 2018;
- "Clarifications to IFRS 15" amendments, applicable from January 1, 2018;
- IFRS 16 "Leases", applicable from January 1, 2019.

The Group does not plan to apply these standards prior to their required effective date in the European Union.

The estimated impact of these new texts is presented in Note 14.

Main standards, amendments and interpretations published but not yet adopted by the European Union

Lastly, the standards and amendments published but not yet adopted by the European Union are:

- for annual periods beginning on or after January 1, 2018:
  - amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions",
  - IFRIC 22 "Foreign Currency Transactions and Advance Consideration",
  - Annual Improvements to IFRS Standards 2014-2016 Cycle,
  - amendments to IAS 40 "Transfers of Investment Property;"
- for annual periods beginning on or after January 1, 2019:
  - IFRIC 23 "Uncertainty over Income Tax Treatments",
  - amendments to IFRS 9 "Prepayment Features with Negative Compensation",
  - amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures",
  - Annual Improvements to IFRS Standards 2015-2017 Cycle,
  - IFRS 17 "Insurance Contracts".

The Group is currently assessing the impact of these texts.

1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Critical accounting estimates and assumptions

Recoverable amount of goodwill and intangible assets with indefinite useful lives

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

Employee benefit liabilities

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

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

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

Critical judgments in applying accounting policies

Recognition of assets related to rental, laundry and maintenance services

Rental, laundry and maintenance services agreements are not deemed to transfer to the lessee substantially all the risks and rewards incident to ownership of the assets (linen, equipment, etc.) associated with the service agreements. Accordingly, items subject to rental, laundry and maintenance services agreements are recognized as non-current assets.

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

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

1.4 CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT OF PRIOR-YEAR FINANCIAL INFORMATION

IFRS 3 requires previously published comparative periods to be retrospectively restated in the event of business combinations (recognition of the final fair value of the assets acquired and liabilities and contingent liabilities assumed if fair value had been estimated on a provisional basis at the end of the previous reporting period).

In connection with adjustments recorded following acquisitions made in 2016, the amount of goodwill increased by €22.8 million compared with the amount presented in the consolidated financial statements for the year ended December 31, 2016 published for the purposes of the registration document.

(In millions of euros)	2016 published	IFRS 3	2016 restated
Revenue	**1,512.8**		**1,512.8**
Cost of linen, equipment and other consumables	(247.5)	(0.3)	(247.7)
Processing costs	(568.9)	(0.3)	(569.2)
Distribution costs	(238.7)		(238.7)
Gross margin	**457.7**	**(0.5)**	**457.2**
Selling, general and administrative expenses	(249.2)	(0.1)	(249.2)
Operating income before other income and expense and amortization of customer relationships	**208.6**	**(0.6)**	**207.9**
Amortization of customer relationships	(45.6)	(0.2)	(45.8)
Goodwill impairment	–		–
Other income and expense	24.5	–	24.5
Operating income	**187.4**	**(0.8)**	**186.6**
Net financial expense	(55.7)		(55.7)
Income (loss) before tax	**131.7**	**(0.8)**	**130.9**
Income tax benefit (expense)	(38.1)	0.1	(38.0)
Share of net income of equity-accounted companies	–		–
Net income (loss)	**93.7**	**(0.7)**	**93.0**
Attributable to:			
– owners of the parent	93.7	(0.7)	93.0
– non-controlling interests	(0.0)		(0.0)
Earnings (loss) per share (EPS) / Earnings (loss) per share (EPS) from continuing operations *(In euros)*:			
– basic, attributable to owners of the parent	0.82		0.82
– diluted, attributable to owners of the parent	0.82		0.81

(In millions of euros)	12/31/2016 published	IFRS 3	12/31/2016 restated
Goodwill	1,755.7	(22.8)	1,732.9
Intangible assets	350.9	38.8	389.7
Property, plant and equipment	896.5	1.9	898.4
Equity-accounted companies	–	–	–
Available-for-sale financial assets	0.1	0.0	0.1
Other non-current assets	4.2	2.6	6.8
Deferred tax assets	19.4	4.5	23.9
Employee benefit assets	–	–	–
TOTAL NON-CURRENT ASSETS	3,026.8	25.0	3,051.8
Inventories	62.4	(0.8)	61.6
Trade and other receivables	392.6	1.4	394.0
Current tax assets	6.6	0.3	6.9
Other assets	17.0	(0.3)	16.7
Cash and cash equivalents	169.6	(0.6)	169.0
Assets held for sale	1.1	–	1.1
TOTAL CURRENT ASSETS	649.3	0.1	649.4
TOTAL ASSETS	**3,676.1**	**25.1**	**3,701.2**

(In millions of euros)	12/31/2016 published	IFRS 3	12/31/2016 restated
Share capital	1,140.1	–	1,140.1
Additional paid-in capital	280.9	–	280.9
Treasury share reserve	(1.6)	–	(1.6)
Other reserves	0.7	–	0.7
Retained earnings (accumulated deficit)	(274.1)	(0.7)	(274.8)
Other components of equity	1.1	–	1.1
Equity attributable to owners of the parent	1,147.0	(0.7)	1,146.3
Non-controlling interests	4.0	0.5	4.5
TOTAL EQUITY	1,151.0	(0.2)	1,150.8
Non-current provisions	24.2	5.1	29.3
Employee benefit liabilities	62.9	1.9	64.8
Non-current borrowings	1,276.8	1.0	1,277.8
Deferred tax liabilities	176.8	11.2	188.0
Other non-current liabilities	22.6	(0.3)	22.3
TOTAL NON-CURRENT LIABILITIES	1,563.4	18.8	1,582.3
Current provisions	4.9	(0.0)	4.9
Current tax liabilities	3.9	0.7	4.6
Trade and other payables	162.6	4.2	166.8
Other liabilities	296.3	0.1	296.4
Bank overdrafts and current borrowings	494.1	1.3	495.4
Liabilities directly associated with assets held for sale	–	–	–
TOTAL CURRENT LIABILITIES	961.7	6.4	968.1
TOTAL EQUITY AND LIABILITIES	**3,676.1**	**25.1**	**3,701.2**

(In millions of euros)	2016 published	IFRS 3	2016 restated
Cash flows from operating activities			
CONSOLIDATED NET INCOME (LOSS)	93.7	(0.7)	93.0
Depreciation, amortization and provisions	295.3	0.8	296.1
Portion of grants transferred to income	(0.1)		(0.1)
Goodwill impairment	–		–
Share-based payments	4.7		4.7
Discounting adjustment on provisions and retirement benefits	1.0		1.0
Net gains and losses on disposal of assets	(41.2)		(41.2)
Share of net income of equity-accounted companies	–		–
Other	(1.0)		(1.0)
Dividends received (from non-consolidated entities)	(0.0)		(0.0)
CASH FLOWS AFTER FINANCE COSTS AND TAX	352.4	0.1	352.5
Net finance costs	54.6		54.6
Income tax expense	38.1	(0.1)	38.0
CASH FLOWS BEFORE FINANCE COSTS AND TAX	445.1	–	445.1
Income tax paid	(47.1)		(47.1)
Change in inventories	(7.0)		(7.0)
Change in trade and other receivables	8.9		8.9
Change in other assets	(1.4)		(1.4)
Change in trade and other payables	6.6		6.6
Change in other liabilities	20.0		20.0
Other changes	(0.2)		(0.2)
Employee benefits	(0.0)		(0.0)
NET CASH FROM OPERATING ACTIVITIES	424.8	–	424.8
Cash flows from investing activities			
Acquisition of intangible assets	(11.1)		(11.1)
Proceeds from sale of intangible assets	0.0		0.0
Acquisition of property, plant and equipment	(252.5)		(252.5)
Proceeds from sale of property, plant and equipment	53.1		53.1
Acquisition of subsidiaries, net of cash acquired	(216.3)	(0.7)	(217.0)
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	0.0		0.0
Investment grants	0.1		0.1
NET CASH FROM INVESTING ACTIVITIES	(425.3)	(0.7)	(426.0)
Cash flows from financing activities			
Capital increase	0.5		0.5
Treasury shares	0.7		0.7
Dividends paid			
– to owners of the parent	(39.8)		(39.8)
– to non-controlling interests	(0.1)		(0.1)
Change in borrowings [(a)]	197.7		197.7
– Proceeds from new borrowings	1,514.8		1,514.8
– Repayment of borrowings	(1,317.2)		(1,317.2)
Net interest paid	(50.0)		(50.0)
Other flows related to financing activities	(0.2)		(0.2)
NET CASH USED IN FINANCING ACTIVITIES	108.7	–	108.7
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108.2	(0.7)	107.5
Cash and cash equivalents at beginning of period	55.8		55.8
Effect of changes in foreign exchange rates on cash and cash equivalents	1.8		1.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD	165.9	(0.7)	165.2

(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 are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in 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 4.4 "Other income and expense").

At the acquisition date, the Group recognizes goodwill as the difference between the consideration transferred plus any non-controlling interests in the entity acquired and the net identifiable assets acquired and liabilities assumed.

In a step acquisition where control is obtained in stages, the Group measures the previously-held equity interest in the acquiree at the acquisition-date fair value and recognizes any gain or loss in income.

Business combinations prior to June 30, 2009

The different accounting treatments applicable to these business combinations are as follows:

- transaction costs directly attributable to the acquisition were included in the acquisition cost;
- non-controlling interests (previously referred to as "minority interests") were measured at the share of net assets acquired;
- step acquisitions were recognized separately and did not affect subsequently recognized goodwill.

2.3 FOREIGN CURRENCY TRANSLATION

Foreign currency transactions by Group companies are translated into the functional currency using the exchange rates effective at the transaction 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 line item ("Foreign currency translation reserve").

2.4 CHANGES IN THE SCOPE OF CONSOLIDATION

2017 acquisitions

Acquisition of the Berendsen Group

On September 12, 2017, Elis announced that it had completed the acquisition of Berendsen, a European company specializing in services solutions for textile, hygiene and protection articles, operating mainly in the United Kingdom, Scandinavia, Eastern and Central Europe. Berendsen, with revenue of €1.4 billion in 2016 and 15,700 employees, provides the Group with greater geographical diversity and strong positions in most of the markets in which it will operate. In practice, Berendsen has been consolidated in the Group's financial statements since September 1, 2017.

The purchase price paid in cash in the amount of £5.40 and via delivery of 0.403 new Elis shares for each Berendsen share was €2.4 billion.

Given the material impact of this acquisition, pro forma financial statements are presented below.

In Brazil

On May 23, 2017, Elis announced it had finalized the acquisition of Lavebras Gestão de Têxteis SA, ("Lavebras"), ranked second in the Brazilian market. Lavebras has operations in 17 states in Brazil and employs approximately 4,000 employees spread out over 76 industrial sites. This family-owned company established in 1997 has the densest industrial laundry complex in Brazil. The Lavebras Group serves customers in the Healthcare, Industry (particularly Agri-food) and Hospitality segments. The Lavebras Group's revenue was €100 million in 2017. Lavebras has been consolidated in the Group's financial statements since June 1, 2017.

On July 10, 2017, Elis reached an agreement to acquire 100% of Bardusch Arrendamentos Texteis Ltda (renamed Atmosfera Gestao e Higienização de Uniformes Ltda), the Brazilian subsidiary of the Bardusch Group, which operates three production sites in the country. These three laundries, located in Curitiba, Jundiaí and Rio Verde (at a customer's facility) mainly offer a rental and maintenance service of professional clothing for industrial customers in the Automotive and Agri-Food sectors. In 2017, these three production sites posted revenues of €10 million. The company has around 350 employees.

In October, the Group acquired Totalqualy, a company with a revenue of approximately €2.5 million. The company mainly serves customers in the Healthcare segment in São Paulo.

In France

On March 3, 2017, the Group acquired HTE Sanitation, a company located in Châteauneuf-les-Martigues, specialized in 3D Prevention and operating in the Aix-Avignon-Marseille region. This company generated revenue of €0.4 million in 2017 and employs nine people.

On March 13, 2017, the Group acquired Blanchisserie Blésoise, a laundry company operating in Blois, whose customers come from the Health and Hospitality sectors in the Centre Val de Loire and Île-de-France regions. This company generated revenue of €13.6 million in 2017 and employs around 180 people.

In April 2017, the Group acquired the business assets of the Blanchisserie des Gaves (Biarritz/Lourdes/Pau region) and FlashOcean (Charente-Maritime and Bordeaux regions) which generate annual revenue of around €0.5 million and €0.6 million, respectively.

In Germany

On May 10, 2017, Elis reached an agreement to acquire the business assets (plant, equipment and customer portfolio) of MTR, a company located in Riesa, Saxony. The business remained on site and the vast majority of jobs were saved. In 2017, the Riesa center achieved revenue of around €5 million. This acquisition allows Elis to continue to expand its network in Germany and to optimize the distribution of volumes between production centers in the region.

In Hungary

On July 4, 2017, Elis completed the acquisition of Első Magyar Tisztatéri Mosoda Ltd (EMTM), a company located in Miskolc, Hungary. EMTM is active in the workwear and Ultra-Clean business, operating one of the main cleanroom laundries. This company generated revenue of €1.6 million in 2017 and employs around 65 people. EMTM serves mainly industrial customers in the Pharmaceutical, Electronics and Chemicals sectors, in Hungary and its neighboring countries. With this acquisition Elis strengthens its offer in the Ultra-Clean and workwear segment in Central Europe, a nice complementary fit with our plant in Slavkov.

In Colombia

The Group acquired:

- Centro de Lavado y Aseo (CLA) in September 2017. CLA operates two laundries in Bogotá, employs 200 people and serves mainly private Healthcare players. Revenue in 2017 was €2.4 million;
- Lavanser, which operates a plant in Bogota, in October 2017. Lavanser has 200 employees and generated revenue of €3.0 million in 2017.

In line with the acquisition of SIL in December 2016, Elis has thus strengthened its position in this high-growth potential country.

Summary of the aforementioned acquisitions

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

(In millions of euros)	Fair value at the acquisition date	of which Berendsen	of which France	of which Germany excluding Berendsen	of which Colombia	of which Brazil	of which Hungary	of which Spain
Statement of financial position								
Intangible assets	41.7	*29.8*	*4.8*	*1.1*	*0.0*	*6.0*	*0.1*	–
Property, plant and equipment	764.2	*711.1*	*8.8*	*2.7*	*2.3*	*37.4*	*1.8*	–
Available-for-sale financial assets	0.1	*0.1*	*0.0*	–	–	–	–	–
Other non-current assets	40.8	*40.8*	–	–	–	–	*0.0*	–
Deferred tax assets	11.1	*8.8*	–	–	*0.2*	*2.1*	–	–
Employee benefit assets	1.4	*1.4*	–	–	–	–	–	–
Inventories	64.1	*62.2*	*0.1*	*0.0*	*0.4*	*1.5*	–	–
Trade and other receivables	268.0	*240.0*	*3.1*	–	*1.3*	*23.3*	*0.3*	–
Current tax assets	5.0	*4.9*	–	–	*0.1*	–	*0.0*	–
Other assets	37.3	*36.5*	*0.2*	–	*0.5*	*0.1*	–	–
Cash and cash equivalents	243.0	*237.6*	*0.8*	–	*(0.1)*	*4.6*	*0.1*	–
Non-current provisions	(6.6)	*(4.8)*	–	*(0.0)*	–	*(1.7)*	–	–
Employee benefit liabilities	(36.1)	*(35.9)*	*(0.3)*	–	–	–	–	–
Non-current borrowings	(5.6)	*(0.1)*	*(4.7)*	–	*(0.1)*	*(0.6)*	*(0.1)*	–
Deferred tax liabilities	(50.7)	*(48.9)*	*(1.8)*	–	–	–	–	–
Other non-current liabilities	(10.3)	*(4.7)*	*(0.5)*	–	*(0.8)*	*(3.8)*	*(0.5)*	–
Current provisions	(5.1)	*(5.0)*	*(0.0)*	–	–	*(0.1)*	–	–
Current tax payables	(20.5)	*(19.0)*	*0.3*	–	*(0.1)*	*(1.7)*	*(0.0)*	–
Trade and other payables	(104.5)	*(96.0)*	*(1.6)*	–	*(1.5)*	*(5.3)*	*(0.1)*	–
Other liabilities	(258.5)	*(242.4)*	*(1.6)*	–	*(0.9)*	*(13.0)*	*(0.6)*	–
Bank overdrafts and current borrowings	(829.3)	*(820.5)*	*(0.0)*	–	*(0.0)*	*(8.7)*	*(0.0)*	–
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE [a]	**149.3**	***95.7***	***7.5***	***3.8***	***1.2***	***39.9***	***1.2***	**–**
Non-controlling interests [b]	(6.2)	*(6.2)*	–	–	–	–	–	–
Goodwill	2,684.5	*2,342.0*	*8.5*	*0.0*	*4.9*	*328.1*	*1.0*	–
PURCHASE PRICE	**2,827.6**	***2,431.5***	***16.0***	***3.8***	***6.1***	***368.0***	***2.2***	**–**

(a) Provisional amount, see below.
(b) Share of fair value of net assets acquired.

CASH FLOWS FROM ACQUISITIONS

(In millions of euros)	12/31/2017	of which Berendsen	of which France	of which Germany excluding Berendsen	of which Colombia	of which Brazil	of which Hungary	of which Spain
Net cash acquired	95.3	90.0	0.7	–	(0.1)	4.6	0.1	–
Amount paid	(1,458.2)	(1,051.0)	(17.3)	(3.6)	(6.1)	(377.7)	(2.2)	(0.3)
NET CASH FLOW	**(1,362.9)**	**(961.1)**	**(16.6)**	**(3.6)**	**(6.3)**	**(373.1)**	**(2.0)**	**(0.3)**

As at December 31, 2017, due to the recent large acquisitions of the second half of the year, the initial recognition of business combinations was incomplete and the above amounts were therefore set out on a provisional basis. The final valuations will be carried out in 2018 and the acquisition will be definitively recognized on the basis of valuations and studies done with the help of outside valuation specialists. Measurement of the fair value of assets acquired and liabilities assumed may result in the recognition of certain identifiable assets acquired (such as customer relationships) that will have a finite useful life and will be amortized. Consequently, the Group's net income may be materially impacted by amortization charges related to these identifiable assets acquired.

Since their acquisition, the companies acquired have contributed €523.1 million to revenue, €160.1 million to EBITDA and €72.6 million to operating income (before amortization of customer relationships). If the acquisitions had taken place at the beginning of the year, additional revenue would have been €950.8 million, additional EBITDA €278.2 million and additional operating income (before amortization of customer relationships) €118.2 million.

Residual goodwill

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

Elis Berendsen pro forma financial statements

The pro forma income statement as at December 31, 2017 was prepared on the assumption of a merger of the Elis and Berendsen groups as at January 1, 2017.

The objective of the consolidated unaudited pro forma financial statements of the Combined Group is to disclose information intended to describe the impact that the Transaction (including the financing of the Transaction) would have had on the income statement for the period from January 1 to December 31, 2017 if the Transaction had taken place prior to its actual occurrence.

This pro forma income statement is not adjusted for other acquisitions made in 2017 or their financing. As a result, the pro forma income statement does not include (i) Lavebras' income statement for the period from January 1, 2017 to April 30, 2017 or (ii) the income statement of other acquisitions between January 1, 2017 and the date of their takeover.

The pro forma financial statements prepared in accordance with the provisions of Annex II to Regulation (EC) no. 809/2004 and ESMA Recommendations on pro forma financial statements are purely indicative and reflect a hypothetical situation. Consequently, they do not represent the financial position or operating performance of Elis Berendsen, if the combination had actually taken place on January 1, 2017.

Scope of consolidation and historical information used

The pro forma income statement has been prepared in millions of euros, the euro being the functional and presentation currency of the Group's historical consolidated financial statements. Berendsen's historical consolidated financial statements prepared in millions of British pounds have been converted at the average exchange rate for the first eight months of 2017 (£1 = €1.150).

The pro forma financial statements have been prepared based on:

- the consolidated financial statements of the Elis Group as at December 31, 2017, which have been audited by the Statutory Auditors;
- the consolidated financial statements of the Berendsen Group as at December 31, 2017. This historical information has not undergone any audit or review by the Statutory Auditors. Specific procedures were carried out on the opening balance sheets of the main subsidiaries by members of the audit networks.

Reclassifications and adjustments

The adjustments made to the pro forma income statement items are restatements to the net financial expense (interest expense and amortization of set-up costs) on the assumption that the 2017 Bridge Term Facility Agreement would have been drawn down over 12 months to fund the cash portion of the purchase price and the cancelation of pre-takeover costs recognized by Berendsen.

(In millions of euros)	Data for Elis 12/31/2017	Historical data for Berendsen 8 months	Sum of historical data	Recurring interest expense Elis	Non recurring interest expense	Berendsen pre-takeover costs	Pro forma Financial Information
Revenue	**2,214.9**	**890.3**	**3,105.2**				**3,105.2**
Operating expenses	(1,926.4)	(784.3)	(2,710.7)				(2,710.7)
Operating income before other income and expense and amortization of customer relationships	**288.5**	**106.1**	**394.5**				**394.5**
Amortization of customer relationships	(54.2)	(5.7)	(59.8)				(59.8)
Goodwill impairment	–	–	–				–
Other income and expense [(a)]	(89.9)	(35.6)	(125.4)			25.2	(100.3)
Operating income	**144.5**	**64.8**	**209.3**			**25.2**	**234.4**
Net financial expense	(59.8)	(13.8)	(73.6)	(11.8)	(4.0)		(89.4)
Income (loss) before tax	**84.6**	**51.0**	**135.7**	**(11.8)**	**(4.0)**	**25.2**	**145.0**
Income tax benefit (expense)	(17.9)	(13.0)	(30.8)	3.1	1.4	(4.8)	(31.3)
Share of net income of equity-accounted companies	–	–	–				–
Net income (loss)	**66.8**	**38.1**	**104.8**	**(8.8)**	**(2.6)**	**20.3**	**113.8**
Attributable to:							
– owners of the parent	66.2	37.8	104.0				112.9
– non-controlling interests	0.6	0.3	0.9				0.9

(a) Other income and expense mainly include:
(i) Elis: €30.3 million of transaction costs and €46.0 million of restructuring costs as mentioned in the Note 4.4.
(ii) Berendsen: 25.2 million relating to pre-takeover by Elis and €9.7 million in respect of restructuring costs.

NON-IFRS INDICATORS: PRO FORMA EBIT AND EBITDA FOR THE 2017 FINANCIAL YEAR

Pro forma EBIT and EBITDA as defined in Note 3.2 are presented below:

(In millions of euros)	Historical data for Elis	Historical data for Berendsen	Sum of historical datas
EBITDA	**670.0**	**265.6**	**935.5**
EBITDA margin	30.2%	29.8%	30.1%
EBIT	**298.6**	**108.4**	**407.0**
EBIT margin	13.5%	12.2%	13.1%

2016 acquisitions

The Group made the following investments during the financial year ended December 31, 2016:

In Germany

The Group acquired:

- two laundries in Wismar and Stralsund on January 7, 2016, employing 340 people. The two laundries had combined revenue of €16.1 million in 2016, with the Wismar plant's customers split equally between the Hospitality and Healthcare sectors, and the Stralsund plant, located on the Baltic Coast, serving mainly Hotel customers;
- Puschendorf Textilservice on December 8, 2016, a family-owned company with five laundries in Germany, which posted revenue of €40.2 million in 2016. This transaction strengthens the company's positions in the German *Länder* where at present the Group has only limited operations, mostly along an axis connecting the Lower Saxony cities of Hanover and Wolfsburg, Magdeburg in Saxony-Anhalt and Leipzig in Saxony. In these regions, Puschendorf is the uncontested market leader in the Healthcare sector, servicing hospitals and retirement homes, and has established an innovative system for tracking flat linen. Elis now operates 16 laundries in the country.

In Brazil

The Group acquired:

- Uniforme Lavanderia e Locação Eireli on June 15, 2016, operating a laundry in Camaçari providing services mainly to the industry in the Bahia region (revenue of €0.3 million). This company employed some 26 people;
- two companies – Prontlav Lavanderia and Toalshão locação e higienização e Higienização de Enxoval – on October 1, 2016, operating a laundry at Fortaleza (state of Ceará), in the Healthcare market serving hospitals and clinics, with revenue of €2.0 million in 2016 and employing 80 people. This acquisition increases Elis's breadth in this northeastern state of Brazil.

In Colombia

Elis reached an agreement for the acquisition of Servicios Industriales de Lavado SIL in Colombia on December 27, 2016, thus moving into its third Latin American country, after Brazil and Chile. Elis purchased 100% of SIL shares from its owner, who continues to assist the Group in its development in Colombia, with the stated goal of rapidly becoming the market leader. The company, which operates two laundries in Bogotá and in Cali, primarily serves private Healthcare players. SIL finished 2016 with revenue of 11 billion Colombian peso, or approximately €3.5 million.

In Spain

Elis Manomatic acquired:

- the assets of Servicios Hosteleros Textil Rent on June 2, 2016, a company in liquidation proceedings operating a laundry in Almansa, Albacete, catering primarily to the Hospitality market in the area of Valencia, Alicante and Murcia, with revenue of around €1.5 million and a staff of some 40 people;
- Compañia Navarra de Servicios Integrales SL (Indusal) on December 21, 2016. With this acquisition, Elis became the leading operator in the sector in Spain. A family-owned company founded in 1981, Indusal is the second largest operator in the sector in Spain, slightly ahead of Elis. Indusal operates in the textile rental and laundry sector and serves the Hospitality, Healthcare and Industry end markets. Indusal has 24 production facilities and in 2016 recorded revenue of €90.0 million.

In France

On April 1, 2016, the Group acquired BMF, based in Yerres (department of Essonne). Active in the eradication of insects and rodents and disinfection services market and employing 16 people, BMF posted total revenue of €1.2 million in 2016.

On November 14, 2016, Elis acquired Hygiène Technique et Protection de l'Environnement, a company based in Bobigny (department of Seine-Saint-Denis). Active in the eradication of insects and rodents and disinfection services market and employing some 40 people, HTPE posted total revenue of €3 million. Its primary customers are local authorities, town halls and providers of social housing.

These acquisitions consolidated Elis' hold on the 3D market in the Île-de-France region.

Furthermore, the Group now owns all shares of SCI Maine Beauséjour, an owner of buildings in the profit center of Limoges (department of Haute-Vienne).

In Switzerland

On June 9, 2016, the Group acquired On My Way, a Swiss start-up that offers innovative dry cleaning solutions to private customers (www.on-my-way.ch). On My Way provides customers with a linen-cleaning service, collecting their laundry at convenient pickup points (gas stations, supermarkets) or at their place of work. These activities are a natural extension of the Group's services.

In early July, the Group completed two acquisitions:

- Hygienis SA, a company specializing in eradication of insects and rodents and disinfection services (3D Prevention). Hygienis generated revenue of CHF2.3 million in 2016 and employs 12 people;
- Wäscherei Mariano, a laundry near Zurich whose customers are primarily restaurants. The company employs 45 people and generated revenue of CHF7.3 million in 2016. This acquisition enables Elis to extend its coverage in the canton of Zurich, which is the country's leading Hotel market. The Group is now the leading player in Switzerland with 18 production sites across the country, providing it with an unrivaled network to serve its historical customers in Hospitality and Healthcare, but also in Industry with its workwear offering.

Summary of the aforementioned acquisitions

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

(In millions of euros)	Fair value at the acquisition date	of which France	of which Germany	of which Spain	of which Switzerland	of which Brazil	of which Colombia
Statement of financial position							
Intangible assets	47.4	*0.8*	*12.9*	*24.9*	*6.7*	*0.9*	*1.2*
Property, plant and equipment	110.4	*1.8*	*38.8*	*64.8*	*3.2*	*1.0*	*0.7*
Available-for-sale financial assets	0.1	–	*0.0*	*0.1*	–	–	–
Other non-current assets	2.9	–	*(0.3)*	*3.2*	*0.0*	–	–
Deferred tax assets	11.4	–	*0.5*	*10.9*	–	–	*0.0*
Employee benefit assets	–	–	–	–	–	–	–
Inventories	1.1	*0.0*	*0.4*	*0.5*	*0.2*	*0.0*	*0.1*
Trade and other receivables	37.4	*1.5*	*5.8*	*26.8*	*1.7*	*0.9*	*0.8*
Current tax assets	1.1	*0.0*	*0.0*	*1.0*	–	–	–
Other assets	0.4	*0.0*	*0.2*	*0.1*	*0.1*	–	*0.0*
Cash and cash equivalents	12.4	*1.1*	*1.0*	*5.6*	*4.5*	*0.2*	*0.0*
Non-current provisions	(5.1)	*(0.1)*	*(0.1)*	*(4.8)*	–	*(0.2)*	–
Employee benefit liabilities	(1.8)	*(0.0)*	*(0.0)*	–	*(1.8)*	–	–
Non-current borrowings	(14.0)	*(0.0)*	*(11.2)*	*(2.6)*	*(0.1)*	*(0.1)*	–
Deferred tax liabilities	(15.2)	*(0.4)*	*(5.9)*	*(7.4)*	*(1.1)*	–	*(0.4)*
Other non-current liabilities	(4.1)	*(0.5)*	*(3.0)*	*(0.5)*	–	*(0.0)*	–
Current provisions	(0.0)	*(0.0)*	*(0.0)*	–	–	–	–
Current tax payables	(0.8)	*0.1*	*(0.1)*	*(0.8)*	*0.1*	*(0.1)*	*(0.0)*
Trade and other payables	(24.9)	*(0.6)*	*(5.0)*	*(18.6)*	*(0.2)*	*(0.1)*	*(0.4)*
Other liabilities	(13.3)	*(0.6)*	*(5.6)*	*(5.8)*	*(0.6)*	*(0.6)*	*(0.1)*
Bank overdrafts and current borrowings	(52.9)	–	*(10.5)*	*(42.3)*	*(0.1)*	*(0.0)*	*(0.0)*
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	**92.3**	***3.1***	***17.9***	***54.9***	***12.4***	***2.0***	***2.0***
Non-controlling interests [(a)]	(5.7)	–	–	*(3.9)*	*(1.8)*	–	–
Goodwill	125.7	*4.7*	*23.0*	*85.2*	*9.1*	*1.8*	*2.0*
PURCHASE PRICE	**212.3**	***7.8***	***40.9***	***136.2***	***19.7***	***3.8***	***4.0***

(a) Switzerland: at fair value/Spain: at portion of acquired net assets.

CASH FLOWS FROM ACQUISITIONS

(In millions of euros)	12/31/2016	of which France	of which Germany	of which Spain	of which Switzerland	of which Brazil	of which Colombia
Net cash acquired	5.8	1.1	(5.5)	5.5	4.5	0.2	0.0
Amount paid	(222.8)	(7.5)	(41.3)	(136.1)	(22.3)	(12.7)	(2.8)
NET CASH FLOW	**(217.0)**	**(6.5)**	**(46.8)**	**(130.6)**	**(17.8)**	**(12.5)**	**(2.8)**

Since their acquisition, in 2016, the acquired companies contributed in €27.3 million to revenue, €7.1 million to EBITDA and €3.5 million to operating income (before amortization of customer relationships). If the acquisitions had taken place at the beginning of 2016, additional revenue would have been €141.7 million, additional EBITDA €33.8 million and additional operating income (before amortization of customer relationships) €10.4 million.

Residual goodwill

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

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 carrying amount or fair value less cost to sell if their carrying amount will be recovered primarily through a sale rather than continuing use. For this to be the case, an asset (or group of assets) must be available for immediate sale in its current state, subject only to terms that are usual and customary for sales of such assets, and its sale must be deemed highly probable.

2.6 OFF-BALANCE SHEET COMMITMENTS RELATING TO CHANGES IN THE CONSOLIDATION SCOPE

Commitments given relate to guarantees granted by Elis in connection with divestments. There were no such commitments as at December 31, 2017 (versus €2.2 million as at December 31, 2016).

Commitments received totaled €173.4 as at December 31, 2017 (€137.9 million as at December 31, 2016) and correspond to guarantees granted to Elis in connection with its acquisitions.

2.7 NON-CONTROLLING INTERESTS

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

2.8 OTHER SIGNIFICANT EVENTS OF THE YEAR

Financing for the Indusal and Lavebras acquisitions

In order to finance its acquisitions of Indusal and Lavebras, on February 13, 2017 Elis carried out a capital increase with preferential subscription rights in the amount of €325 million (gross amount before deduction of issuance costs) through the issue of 25,910,490 new shares. This transaction closed the financing of the bridge loan entered into by Elis in connection with the above mentioned acquisitions.

Financing for the Berendsen acquisition

The Berendsen acquisition was carried out partly in securities and partly in cash, as described in the prospectus registered with the AMF under number 17-390 on July 27, 2017.

The securities financing consisted of the direct issuance of new Elis shares to Berendsen shareholders. The cash portion of this acquisition was financed by a bridge term facility agreement of €1,920 million to cover the repayment of Berendsen's debt. As at December 31, 2017, Berendsen Plc's entire debt, consisting of a syndicated bank loan and USPP issues, was repaid.

Since September 12, 2017, various refinancing transactions have been carried out on the 2017 Bridge Term Facility Agreement, i.e.:

- a €200 million capital increase reserved for CPPIB on September 13, 2017;
- a €400 million convertible bond *(Océanes)* issue on October 6, 2017;
- a syndicated credit facility on November 7, 2017 with leading credit institutions, including a €200 million term loan and a €400 million revolving credit line;
- various *Schuldschein* lines on November 23, 2017 for €75 million.

As at December 31, 2017, the balance of the bridge credit facility to be refinanced amounted to €1,015 million.

The Group's various financing arrangements are detailed in Note 8.3 "Gross debt".

2.9 EVENTS AFTER THE REPORTING PERIOD RELATING TO CHANGES IN THE CONSOLIDATION SCOPE

Elis completed three new acquisitions in January 2018:

- SMH – Sächsische Mietwäsche und Handels, a company located in Germany near Dresden, with revenue of approximately €2.3 million in the Hospitality sector. The volumes will be transferred to the Riesa plant and the former manager, Thomas Pfeiff, will become director of Riesa;
- Alsco's portfolio of Hospitality customers in Germany in the Berlin and Hamburg regions, which represents nearly €2 million in revenue; and
- Big Bang, a company based in Nice, France. With 16 employees, Big Bang generates revenue of €1.7 million in the HWB (hygiene and well-being) market in the Nice, Marseille, Lyon and Paris regions.

In addition, the Group announced on February 19 that it had signed an agreement to acquire 100% of BW Textilservice in Germany. The closing of the transaction is subject to regulatory conditions. BW Textilservice is a family-owned laundry company located in the Stuttgart region, with a revenue of around €24 million in 2017, entirely in the Healthcare market, and around 500 employees.

NOTE 3 SEGMENT INFORMATION

Due to the great similarity of Berendsen's and Elis's activities, Elis has not changed the principles of its segment information, which is mainly geographical. 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 Group is structured into six main operating segments, based on geography and/or products and services:

- France, representing Elis's original rental, laundry and maintenance services business in France;
- United Kingdom & Ireland: representing Berendsen's original rental, laundry and maintenance services business in the United Kingdom and Ireland;
- Central Europe: grouping together this same activity in Germany and Austria, the Netherlands, Switzerland, Poland, Belgium and Luxembourg, the Czech Republic, Hungary and Slovakia;
- Scandinavia & Eastern Europe: grouping together this same activity resulting from the Berendsen acquisition in Sweden, Denmark, Norway, Finland, Latvia, Estonia, Lithuania and Russia;
- Southern Europe: grouping together Elis' original activities in Spain and Andorra, Portugal and Italy;
- Latin America: grouping Elis's activities in Brazil with those in Chile and Colombia.

The other sectors include manufacturing entities that comprise the activities 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 Group level.

3.1 REVENUE

2017

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Eliminations & other segments	Total
External customers	1,009.0	152.5	388.8	164.2	259.1	221.2	20.0	2,214.9
Inter-segment	1.9	0.6	1.3	0.7	0.1	–	(4.6)	–
SEGMENT REVENUE	**1,010.9**	**153.1**	**390.1**	**164.9**	**259.2**	**221.2**	**15.5**	**2,214.9**

2016

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Eliminations & other segments	Total
External customers	984.2	–	218.6	–	158.1	132.9	18.9	1,512.8
Inter-segment	1.6	–	0.4	–	0.3	–	(2.3)	–
SEGMENT REVENUE	**985.9**	**–**	**219.0**	**–**	**158.4**	**132.9**	**16.6**	**1,512.8**

3.2 EARNINGS

NON-IFRS INDICATORS

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

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

2017

(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 expense and amortization of customer relationships	**186.4**	**6.7**	**33.1**	**30.2**	**17.8**	**22.8**	**(8.5)**	**288.5**
Miscellaneous financial items	*0.7*	*0.0*	*0.2*	*0.0*	*0.2*	*0.0*	*0.3*	*1.5*
Expenses related to share-based payments	*–*	*(0.0)*	*(0.0)*	*–*	*–*	*–*	*8.7*	*8.7*
EBIT	187.1	6.7	33.3	30.2	18.0	22.8	0.5	298.6
Depreciation and amortization including portion of grants transferred to income	*166.6*	*28.4*	*70.6*	*25.6*	*49.9*	*30.9*	*(0.6)*	*371.3*
EBITDA	**353.7**	**35.1**	**103.9**	**55.7**	**67.9**	**53.7**	**(0.0)**	**670.0**
	35.0%	*22.9%*	*26.6%*	*33.8%*	*26.2%*	*24.3%*		*30.2%*

2016

(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 expense and amortization of customer relationships	**181.2**	**–**	**16.4**	**–**	**9.6**	**7.1**	**(6.4)**	**207.9**
Miscellaneous financial items	*0.5*	*–*	*0.2*	*–*	*0.1*	*1.3*	*0.2*	*2.3*
Expenses related to share-based payments	*–*	*–*	*–*	*–*	*–*	*–*	*3.8*	*3.8*
EBIT	181.8	–	16.6	–	9.7	8.4	(2.4)	214.1
Depreciation and amortization including portion of grants transferred to income	*162.8*	*–*	*37.1*	*–*	*30.7*	*21.8*	*1.3*	*253.8*
EBITDA	**344.5**	**–**	**53.8**	**–**	**40.5**	**30.2**	**(1.1)**	**467.9**
	34.9%		*24.5%*		*25.5%*	*22.7%*		*30.9%*

3.3 INFORMATION BY REGION

(In millions of euros)	2017	2016
France (including Le Jacquard Français)	1,019.9	995.8
Germany	189.5	80.6
United Kingdom	146.7	7.3
Sweden	72.9	0.0
Denmark	64.2	0.0
Netherlands	38.3	0.0
Brazil	194.9	112.8
Other countries	488.5	316.3
REVENUE	**2,214.9**	**1,512.8**

(In millions of euros)	2017	2016
France (including Le Jacquard Français)	2,146.6	2,142.4
Germany	419.0	131.0
United Kingdom	340.5	18.9
Sweden	760.5	0.0
Denmark	808.9	0.0
Netherlands	448.6	0.0
Brazil	518.5	207.4
Other countries	1,016.3	521.3
NON-CURRENT ASSETS	**6,458.8**	**3,020.9**

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

3.4 INFORMATION ON REVENUE FROM SERVICES

Revenue from services is generated by three main activities: hygiene and well-being, flat linen and workwear.

(In millions of euros)	2017	2016
Flat linens	1,133.1	741.4
Workwear	653.2	449.1
Hygiene and well-being	386.9	321.5
Other	41.7	0.7
REVENUE	**2,214.9**	**1,512.8**

These services are rendered to customers who mainly operate in the Hospitality, Industry, Trade and Services, and Healthcare sectors.

NOTE 4 OPERATING DATA

4.1 REVENUE

Revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding any trade discounts, volume rebates and other sales reductions. The following specific recognition criteria must also be met before revenue is recognized:

SERVICES

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

Where services are invoiced as part of a monthly or quarterly subscription, the portion of the invoice corresponding to a service not yet rendered is recognized as unearned revenue (see Note 4.7 "Other current assets and liabilities").

SALE OF GOODS

Revenue is recognized when the material risks and benefits attached to the ownership of the property concerned are transferred to the buyer.

(In millions of euros)	2017	2016
Rendering of services	2,147.3	1,484.6
Sales of goods	67.5	28.2
Recurrent dividends	0.1	0.0
REVENUE	**2,214.9**	**1,512.8**

4.2 TRADE AND OTHER RECEIVABLES

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

Trade and notes receivable may be written down for impairment. An impairment loss is recognized when it is probable that the receivable will not be recovered and when the amount of the loss can be measured reliably. Impairment losses are estimated taking into account historical loss experience and the age of the receivables. They are recognized in operating income.

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

(In millions of euros)	12/31/2017	12/31/2016
Trade receivables and notes receivable (gross)	648.9	380.4
Allowance for bad debts	(51.9)	(39.0)
TRADE RECEIVABLES AND NOTES RECEIVABLE	**597.1**	**341.4**
Other receivables	108.5	52.7
TOTAL TRADE AND OTHER RECEIVABLES	**705.6**	**394.0**
collection expected in less than one year	705.6	394.0
collection expected in more than one year	–	–

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

(In millions of euros)	2017	2016
AT JANUARY 1	**394.0**	**356.8**
Change in gross WC	*56.0*	*(9.3)*
Change in write-downs	*(4.8)*	*0.5*
Change in net WC	51.2	(8.9)
Change in consolidation scope	268.0	37.4
Translation differences	(6.8)	5.9
Change in receivable on disposal of assets	0.7	(0.8)
Other	(1.5)	3.6
AT DECEMBER 31	**705.6**	**394.0**

Net movements in working capital requirements were mainly due to the decrease in receivables related to France's tax credit for competitiveness and employment (CICE), which were not prefinanced, and the increase in business volume.

Credit risk

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

4.3 DEPRECIATION, AMORTIZATION, PROVISIONS AND OTHER COSTS BY NATURE

(In millions of euros)	2017	2016
Depreciation and amortization (including portion of grants)		
– *included in Operating income before other income and expense and amortization of customer relationships*		
Property, plant and equipment and intangible assets	(100.7)	(73.4)
Rental-cleaning items	(250.5)	(164.0)
Other leased items	(20.3)	(16.5)
Portion of grants transferred to income	0.3	0.1
– *included in Other income and expense*	*(0.4)*	–
– *amortization of customer relationships*	*(54.2)*	*(45.8)*
TOTAL DEPRECIATION AND AMORTIZATION (INCLUDING PORTION OF GRANTS)	**(425.9)**	**(299.6)**
Additions to or reversals of provisions		
– *included in Operating income before other income and expense and amortization of customer relationships*	*0.5*	*3.0*
– *included in Other income and expense*	*(10.6)*	*0.6*
TOTAL ADDITIONS TO OR REVERSALS OF PROVISIONS	**(10.1)**	**3.6**
Operating lease expense	**(51.2)**	**(36.1)**

4.4 OTHER OPERATING INCOME AND EXPENSE

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

(In millions of euros)	2017	2016
Transaction costs	(30.3)	(4.1)
Restructuring costs	(46.0)	(2.3)
Uncapitalizable costs for change in IT systems	(0.7)	(1.1)
Litigation	(1.2)	(1.2)
Net gains on site disposals	–	42.2
Expenses relating to site disposal	(0.3)	(6.6)
Environmental rehabilitation costs	(6.6)	(0.1)
Expense associated with free shares granted, post IPO	0.0	(1.6)
Badwill		0.8
Other	(4.8)	(1.7)
OTHER INCOME AND EXPENSE	**(89.9)**	**24.5**

4.5 INVENTORIES

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

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

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

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

(In millions of euros)	12/31/2017	12/31/2016
Raw materials, supplies	38.2	22.9
Work in progress	0.6	0.8
Intermediate and finished goods	23.9	13.0
Goods for resale	64.5	24.9
INVENTORIES	**127.2**	**61.6**
o/w inventories (at cost)	132.1	63.2
o/w impairment	(4.9)	(1.5)

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

(In millions of euros)	2017	2016
AT JANUARY 1	**61.6**	**52.5**
Change in gross inventory	*5.7*	*6.9*
Change in write-downs	*(2.6)*	*0.1*
Change in net inventory	3.1	7.0
Change in consolidation scope	64.1	1.1
Translation differences	(1.7)	1.1
Other change	0.0	(0.0)
AT DECEMBER 31	**127.2**	**61.6**

4.6 TRADE AND OTHER PAYABLES

(In millions of euros)	12/31/2017	12/31/2016
Trade payables	255.8	150.1
Trade payables (fixed assets)	17.4	13.6
Other payables	4.4	3.1
TOTAL TRADE AND OTHER PAYABLES	**277.5**	**166.8**

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

(In millions of euros)	2017	2016
AT JANUARY 1	**166.8**	**135.0**
Change in WC	6.3	6.6
Change in consolidation scope	104.5	24.9
Translation differences	(2.5)	1.8
Change in trade payables (fixed assets)	3.9	(2.2)
Other change	(1.3)	0.7
AT DECEMBER 31	**277.5**	**166.8**

4.7 OTHER CURRENT ASSETS AND LIABILITIES

(In millions of euros)	Notes	12/31/2017	12/31/2016
Prepaid expenses		29.1	13.5
Other current asset derivatives	8.8	0.1	2.8
Other assets		1.7	0.5
TOTAL OTHER ASSETS		**30.9**	**16.7**
Deposits received		8.9	8.7
Payroll-related liabilities		172.3	115.0
Taxes payable		212.8	124.1
Other current liability derivatives	8.8	2.7	–
Unearned revenue		66.2	48.6
TOTAL OTHER LIABILITIES		**462.8**	**296.4**

Unearned revenue primarily consists of services invoiced that will be rendered in the following month.

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

(In millions of euros)	2017	2016
AT JANUARY 1	**16.7**	**13.8**
Change in gross WC	(0.1)	1.4
Change in consolidation scope	37.3	0.4
Translation differences	0.6	0.1
Change in derivatives	(22.2)	
Other change	(1.4)	1.0
AT DECEMBER 31	**30.9**	**16.7**

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

(In millions of euros)	2017	2016
AT JANUARY 1	**296.4**	**243.5**
Change in gross WC	(69.6)	20.0
Change in consolidation scope	258.5	13.3
Translation differences	(2.2)	5.1
Change in debt related to business combination	(1.1)	14.3
Change in derivatives	(20.9)	
Other change	1.7	0.1
AT DECEMBER 31	**462.8**	**296.4**

The change in 2017 WC includes a change of -€54.5 million on the Berendsen subsidiaries. These movements are mainly due to the cash settlement of the Berendsen share plans and non-recurring expenses incurred prior to the acquisition.

Movements in WC in 2016 were mainly due to VAT to be refunded on the sale of the Puteaux site in the amount of €10.1 million.

NOTE 5 EMPLOYEE BENEFITS EXPENSE

5.1 AVERAGE NUMBER OF EMPLOYEES

(In number of people)	2017	2016
Executives	1,696	1,449
Supervisory personnel	2,287	1,438
Office employees	2,966	2,128
Service employees	4,910	3,601
Other employees	22,476	14,435
TOTAL EMPLOYEES PER CATEGORY	**34,335**	**23,052**
France	12,802	12,520
Other countries	21,533	10,532
TOTAL EMPLOYEES	**34,335**	**23,052**

For companies acquired during the year, the number of employees is calculated prorata temporis.

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 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)	2017	2016
Wages and salaries	(706.1)	(480.5)
Social security contributions	(204.5)	(153.8)
Crédit d'impôt pour la compétitivité des entreprises	18.3	15.3
Mandatory/optional profit-sharing	(23.7)	(30.2)
Other employee benefits	0.7	0.0
Equity-settled share-based payments [(a)]	(8.7)	(5.4)
TOTAL EMPLOYEE BENEFIT EXPENSES	**(924.0)**	**(654.5)**

(a) The 2016 charge related to the plan awarded following the initial public offering figure was reclassified to "Other income and expense" (see Note 4.4).

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 are related to its **French subsidiaries** and consist of:

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

The 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 next triennial revision of the fund valuation is scheduled for February 2019.

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 in respect of rights vested before February 1, 1999 and 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 up to 1978.

The Swiss subsidiaries of Elis have employee benefit liabilities in accordance with Swiss Law on Occupational Benefits.

EMPLOYEE-RELATED LIABILITIES

The corresponding obligations are measured using the projected unit credit method.

The Group's obligations are partially funded by external funds. Unfunded amounts are covered by provisions recognized in the statement of financial position.

The following table shows changes in the liability recognized in the Elis Group's statement of financial position:

(In millions of euros)	Obligation	Fair value of plan assets	Net Liability (Asset)
As at December 31, 2015	**106.8**	**47.8**	**59.0**
Current service cost	4.8		4.8
Interest expense	1.3		1.3
Benefit paid	(3.9)	(1.7)	(2.2)
Employee contributions	2.0	2.0	0.0
Employer contributions	–	2.6	(2.6)
Past service cost	–		–
Plan amendments			
Plan curtailments or settlements			
Return on plan assets		2.5	(2.5)
Actuarial gains and losses	4.2		4.2
Changes in scope of consolidation	8.0	6.1	1.9
Reclassification to liabilities directly related to assets held for sale			
Translation adjustments	1.3	0.6	0.7
As at December 31, 2016	**124.6**	**59.8**	**64.8**
Current service cost	5.6		5.6
Interest expense	6.9	4.9	2.0
Benefit paid	(20.7)	(17.2)	(3.5)
Employee contributions	1.8	1.9	(0.1)
Employer contributions	–	3.3	(3.3)
Past service cost	–		–
Plan amendments			
Plan curtailments or settlements			
Return on plan assets		13.2	(13.2)
Actuarial gains and losses	(4.2)		(4.2)
Changes in scope of consolidation	435.4	399.6	35.8
Reclassification to liabilities directly related to assets held for sale			
Translation adjustments	6.3	9.9	(3.6)
AS AT DECEMBER 31, 2017	**555.7**	**475.5**	**80.2**

FUNDED STATUS OF EMPLOYEE BENEFIT OBLIGATION

(In millions of euros)	12/31/2017	12/31/2016
Present value of unfunded obligations	80.8	39.7
resent value of fully or partially funded obligations	474.9	84.9
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	555.7	124.6
Fair value of plan assets (2)	475.5	59.8
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**80.2**	**64.8**

INFORMATION BY REGION

(In millions of euros)	12/31/2017	12/31/2016
France	38.7	38.5
United Kingdom	(14.1)	–
Sweden	33.8	–
Switzerland	20.0	25.0
Other countries	1.8	1.3
EMPLOYEE BENEFIT LIABILITIES (ASSETS)	**80.2**	**64.8**

FRANCE – DETAILS

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

	12/31/2017	12/31/2016
Discount rate	1.4%	1.3%
Expected salary increase rate	inflation+0/6%	inflation+0/6%
Expected retirement benefit increase rate	1.1%	1.1%

(In millions of euros)	12/31/2017	12/31/2016
Present value of unfunded obligations	38.7	38.5
Present value of fully or partially funded obligations		
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	38.7	38.5
Fair value of plan assets (2)		
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**38.7**	**38.5**

	Sensitivity France
Discount rate: -1.0% impact	+10.8%
Discount rate: +1.0% impact	-9.4%
Expected salary/retirement benefit increase rate: -0.25 impact	-2.4%
Expected salary/retirement benefit increase rate: +0.25 impact	+2.4%

	France
Expected contribution for next financial year	2,192
Weighted average duration of the obligation	10.2

UNITED KINGDOM AND IRELAND – DETAILS

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

	12/31/2017	12/31/2016
Discount rate	2.50%	
Expected salary increase rate	2.90%	
Expected retirement benefit increase rate	2.90%	

(In millions of euros)	12/31/2017	12/31/2016
Present value of unfunded obligations		
Present value of fully or partially funded obligations	408.1	
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	408.1	–
Fair value of plan assets (2)	422.2	
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**(14.1)**	**–**

	Sensitivity United Kingdom
Discount rate: -0.5% impact	+9.7%
Discount rate: +0.5% impact	-8.5%
Expected salary/retirement benefit increase rate: -0.5 impact	-0.1%
Expected salary/retirement benefit increase rate: +0.5 impact	+0.1%

	United Kingdom
Expected contribution for next financial year	0.8
Weighted average duration of the obligation	19.1

	United Kingdom
Cash and cash equivalents	0.9
Share	116.2
Bonds	183.4
Properties & mortgages	0.9
Derivatives	120.8
TOTAL	**422.2**

SWEDEN – DETAILS

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

	12/31/2017	12/31/2016
Discount rate	2.50%	–
Expected salary increase rate	2.00%	–
Expected retirement benefit increase rate	–	–

(In millions of euros)	12/31/2017	12/31/2016
Present value of unfunded obligations	33.8	
Present value of fully or partially funded obligations		
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	33.8	–
Fair value of plan assets (2)		
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**33.8**	**–**

	Sensitivity Sweden
Discount rate: -0.5% impact	+9.7%
Discount rate: +0.5% impact	-8.5%
Expected salary/retirement benefit increase rate: -0.5 impact	
Expected salary/retirement benefit increase rate: +0.5 impact	

	Sweden
Expected contribution for next financial year	0.9
Weighted average duration of the obligation	18.7

SWITZERLAND – DETAILS

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

	12/31/2017	12/31/2016
Discount rate	0.70%	0.25%
Expected salary increase rate	1.00%	1.00%
Expected retirement benefit increase rate	–	–

(In millions of euros)	12/31/2017	12/31/2016
Present value of unfunded obligations		
Present value of fully or partially funded obligations	72.8	85.0
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	72.8	85.0
Fair value of plan assets (2)	52.8	59.9
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**20.0**	**25.0**

	Sensitivity Switzerland
Discount rate: -0.5% impact	+8.6%
Discount rate: +0.5% impact	-7.6%
Expected salary/retirement benefit increase rate: -0.5 impact	-0.9%
Expected salary/retirement benefit increase rate: +0.5 impact	+0.9%

	Switzerland
Expected contribution for next financial year	2.6
Weighted average duration of the obligation	9.1

	Switzerland
Cash and cash equivalents	3.9
Share	14.3
Bonds	20.3
Properties & mortgages	9.4
Derivatives	4.9
TOTAL	**52.8**

5.4 SHARE-BASED PAYMENTS

Pursuant to IFRS 2, Elis estimated the plan's fair value based on the fair value of the equity instruments granted. That fair value was based on the share price at grant date, weighted by a reasonable estimate of the extent to which the share allocation criteria had been fulfilled. The cost, recognized through equity, is spread over the vesting period following the Management Board decision and is mentioned in Note 5.2 "Employee benefits".

Outstanding share grants as at the reporting date have the following characteristics:

Free performance share grants	Plan no. 1 – 2015	Plan no. 2 – 2015	Plan no. 3 – 2016	Plan no. 4 – 2016	Plan no. 5 – 2016	Plan no. 6 – 2017
Date of shareholders' meeting	10/08/2014	10/08/2014	05/27/2016	05/27/2016	05/27/2016	05/27/2016
Date of Supervisory Board Meeting	04/03/2015	04/03/2015 12/14/2015	03/09/2016 05/03/2016	03/09/2016 05/03/2016	03/09/2016 05/03/2016	03/14/2017
Date of decision of the Management Board	04/07/2015	12/21/2015	06/15/2016	06/15/2016	12/20/2016	03/24/2017
Number of rights originally granted	554,109 (1)	46,430 (1)	1,038,032 (1)	8,987 (1)	57,837 (1)	577,050
– of which, members of the Executive Committee	200,314	0	498,434	0	0	249,300
– of which, corporate officers:	138,640	0	294,720	0	0	146,700
– Xavier Martiré	110,504	–	220,268	–	–	100,000
– Louis Guyot	14,068	–	37,226	–	–	23,350
– Matthieu Lecharny	14,068	–	37,226	–	–	23,350
Number of grantees	152	29	206	7	43	230
– of which, members of the Executive Committee	8	–	9	–	–	9
– of which, corporate officers	3 (a)	–	3 (a)	–	–	3 (a)
Grant date	04/07/2015	12/21/2015	06/15/2016	06/15/2016	12/21/2016	03/24/2017
Vesting date						
France						
– members of the Management Board and the Executive Committee	04/07/2017 (2)	–	06/15/2019 (4)	–	–	03/24/2020 (8)
– other beneficiaries	04/07/2017 (2)	12/21/2017 (2)	06/15/2018 (4)	06/15/2018 (4)	12/21/2018 (4)	03/24/2019 (8)
Rest of the world	04/07/2017 (2)	12/21/2017 (2)	06/15/2018 (4)	06/15/2018 (4)	12/21/2018 (4)	03/24/2019 (8)
End of share lock-up period						
– members of the Management Board and the Executive Committee	04/07/2019 (3)	–	06/15/2019 (6)	–	–	03/24/2020 (9)
– other beneficiaries	04/07/2019 (3)	12/21/2019 (3)	06/15/2018 (6)	06/15/2018 (6)	12/21/2018 (6)	03/24/2019 (9)
Rights vested in 2017	250,392 (7)	19,293 (7)	0 (5)	0 (5)	0 (5)	0 (10)
Number of rights lapsed or forfeited as at 12/31/2017	303,562	27,137	30,443	4,172	3,234	9,975
Number of rights outstanding as at 12/31/2017	0	0	1,008,873	4,815	54,603	567,075
– of which, members of the Executive Committee	0	–	498,434	–	0	249,300
– of which, corporate officers:	0	–	294,720	–	0	146,700
– Xavier Martiré	0	–	220,268	–	–	100,000
– Louis Guyot	0	–	37,226	–	–	23,350
– Matthieu Lecharny	0	–	37,226	–	–	23,350
Number of working beneficiaries as at 12/31/2017	120	23	189	5	40	223
– of which, members of the Executive Committee	8	0	9	0	0	9
– of which, corporate officers:	3 (b)	0	3 (b)	0	0	3 (b)

(a) Xavier Martiré, Louis Guyot and Matthieu Lecharny.
(b) Xavier Martiré, Louis Guyot and Matthieu Lecharny.
(1) This number takes into account the adjustment related to maintaining beneficiaries' rights under the issue of new shares with preferential subscription rights carried out in February 2017, said share issue having had a dilutive effect on the share's value following the removal of the preferential subscription rights. This adjustment was made by transposing the rules on stock options provided for in Article R. 228-91-1 of the French Commercial Code.

(2) Shares vest at the end of a vesting period set at two years from the date of the grant of the said shares. Vesting is contingent on cumulative continued employment conditions and meeting performance conditions related to (i) the Group's consolidated revenue, (ii) EBIT as stated in the financial statements for the 2016 financial year, and (iii) the Group's stock market performance relative to changes in the SBF120, with the understanding that:

- *the change in the Company's share price corresponds to the difference (as a percentage) between (i) the moving average of the share value over the twenty trading days preceding the last trading day of 2016 plus dividends paid between February 11, 2015 and December 31, 2016, and (ii) the IPO price (€13);*
- *the change in the SBF120 corresponds to the difference (as a percentage) between (i) the moving average of the index over the twenty trading days preceding the last trading day of 2016 and (ii) the value of the index as at February 10, 2015 (€3,701.09).*

Only 20% of the shares granted will be delivered to beneficiaries if just one of those performance conditions is met, 50% if two of the conditions are met, and 100% if all three conditions are met. No share will vest if none of the conditions is met.

(3) Shares are subject to a lock-up period of two years from the vesting date. At the end of the lock-up period, the shares will be available and may be freely transferred by the beneficiaries subject to statutory blackout periods and the provisions of the French Code of Conduct for Trading and Market Activities. Throughout their term of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board in accordance with the compensation policy for corporate officers detailed in the Supervisory Board's report on corporate governance in chapter 4 of this 2017 registration document.

(4) 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.

(5) There are two classes of shares awarded, A and B. Vesting of each share class is subject to a condition of continued employment throughout the entire vesting period and to performance conditions, which are determined based on three quantitative criteria linked to (i) consolidated revenue of the Group and (ii) EBIT as they appear in the financial statements for 2017, and (iii) Elis's share-price performance relative to the SBF120 Index for Class A performance shares, and based on two criteria linked to revenue and EBIT for Class B shares.

Determining the final number of shares vested at the end of the vesting period will be evaluated over a two-year performance period for all beneficiaries except for the members of the Executive Committee (including the members of the Management Board), for whom the performance will be evaluated over a two-year period (2016 and 2017) for 67% of the performance shares granted, and over a three-year period (2016, 2017 and 2018) for 33% of the performance shares granted.

It should be noted that:

- *the change in the Company's share price corresponds to the difference (as a percentage) between (i) the moving average of the share value over the twenty trading days preceding the last trading day of 2017 plus dividends paid between January 1, 2016 and December 31, 2017, and (ii) the closing price as at the last trading day of 2015 (€15.25);*
- *the change in the SBF120 corresponds to the difference (as a percentage) between (i) the moving average of the index over the twenty trading days preceding the last trading day of 2017 and (ii) the value of the index as at December 31, 2015 (3,663.88 points).*

The number of shares that will vest will depend on the number of targets achieved, with the understanding that for each performance share class, achievement of the performance criteria is binary such that if the criterion is not achieved, the proportion of rights attached to the target concerned will not be due and the related shares will not vest. On that basis, beneficiaries will acquire 20% of Class A performance shares if one criterion is achieved, 50% of Class A performance shares if two criteria are achieved, and 100% of Class A performance shares if all three criteria are achieved. Class B performance shares will only vest if at least one target is achieved, it being specified that the achievement of just one of the targets will allow vesting of 50% of the shares granted.

(6) 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 term of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board in accordance with the compensation policy for corporate officers detailed in the Supervisory Board's report on corporate governance in chapter 4 of this 2017 registration document.

(7) At its meetings of March 14, 2017 and December 14, 2017, the Supervisory Board reviewed the performance associated with performance share plans and noted that two of the three criteria had been achieved: revenue, which totaled €1,512.8 million in 2016, and TSR (total shareholder return), which outperformed the SBF120 (+39% versus +4%). However, the EBIT criterion was not achieved (€214.5 million) and therefore counted for zero. At its meeting of March 14, 2017, the Supervisory Board deemed that the number of vested shares on April 7, 2017 and December 21, 2017 was equal to 50% of the adjusted grant.

(8) 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.

(9) 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 term of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board in accordance with the compensation policy for corporate officers detailed in the Supervisory Board's report on corporate governance in chapter 4 of this 2017 registration document.

(10) Vesting of shares is subject to continued employment and performance conditions, which are determined based on three quantitative criteria linked to (i) consolidated revenue of the Group and (ii) EBIT, and (iii) Elis's share-price performance relative to the SBF120 index. Determining the final number of shares vested at the end of the vesting period will be evaluated over a two-year performance period for all beneficiaries except for the members of the Executive Committee (including the members of the Management Board), for whom the performance will be evaluated over a two-year period (2017 and 2018) for 66% of the performance shares granted, and over a three-year period (2017, 2018 and 2019) for 34% of the performance shares granted.

It should be noted that:

- *the 20-day moving average of the Elis share on the last trading day of 2018, plus dividends (expressed in euros/share) paid between January 1, 2017 and December 31, 2018, is compared (as a %) with the 2016 closing price: V Elis;*
- *the 20-day moving average of the SBF120 on the last trading day of 2018 is compared (as a %) with the SBF120 of the 2016 close: V SBF120.*

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 is not due and the corresponding shares do not vest. On this basis, 20% of the shares granted to the beneficiaries will vest if only one of these performance conditions is met, 50% if two of the conditions are met, and 100% if all three conditions are met. No share will vest if none of the conditions is met.

5.5 EXECUTIVE COMPENSATION (RELATED PARTY TRANSACTIONS)

As at December 31, 2017, the main executives comprise the ten members of the Executive Committee, along with the Chairman of the Management Board. Total compensation (paid or payable) of the main executives is as follows:

(In thousands of euros)	2017	2016
Number of people	**11**	**9**
Employee benefits	6.0	5.0
Post-employment benefits	–	0.0
Termination benefits	–	–
Expenses related to share-based payments (IFRS 2)	3.6	1.7

As at December 31, 2017, employee benefit liability accrued in respect of termination benefits amounted to €0.4 million (€0.3 million as at December 31, 2016).

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, 2016).

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 GOODWILL

(In millions of euros)	12/31/2017	12/31/2016
Gross value	1,799.3	1,651.1
Accumulated impairment	(66.4)	(67.7)
Carrying amount at beginning of period	**1,732.9**	**1,583.4**
Acquisitions	2,684.5	125.7
Disposals	–	–
Translation adjustments	(82.2)	22.4
Other changes	(0)	0.0
CHANGES IN GROSS CARRYING AMOUNT	2,602.3	148.2
Impairment	–	–
Translation adjustments	0.4	1.2
Other changes	0.0	–
CHANGES IN IMPAIRMENT	0.4	1.2
CARRYING AMOUNT AT END OF PERIOD	**4,335.5**	**1,732.9**
Gross value	4,401.6	1,799.3
Accumulated impairment	(66.1)	(66.4)

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)	12/31/2017	12/31/2016
CGU France	1,402.2	1,393.7
CGU Germany	185.3	39.4
CGU Great Britain	62.6	–
CGU Denmark	679.4	–
CGU Sweden & Finland	652.3	–
CGU Brazil	400.4	119.0
CGU Netherlands	400.9	–
other CGU	552.4	180.8
CARRYING AMOUNT OF GOODWILL	**4,335.5**	**1,732.9**

Recognition of impairment

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

Following the impairment tests carried out as at December 31, 2016 and 2017 the Group recorded no impairment losses.

6.2 OTHER INTANGIBLE ASSETS

BRANDS

Brands acquired in a business combination are recognized at fair value (based on discounted royalties) at the acquisition date. Costs incurred to create a new brand or to develop an existing one are 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: three years;
- software: five years;
- ERP: 15 years;
- acquired customer contracts and relationships: four to 11 years.

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

(In millions of euros)	Brands	Customer relationships	Other	Total
Gross value	**216.3**	**558.0**	**57.0**	**831.2**
Accumulated depreciation and impairment	**(7.1)**	**(414.8)**	**(29.9)**	**(451.8)**
NET CARRYING AMOUNT AT DEC 31, 2015	209.2	143.2	27.1	379.5
Investments	0.1	–	10.8	10.9
Changes in scope of consolidation	0.0	46.7	0.6	47.4
Retirements and disposals	–	–	(0.1)	(0.1)
Amortization	(0.2)	(45.8)	(6.4)	(52.5)
Translation adjustments	(0.2)	2.8	0.1	2.7
Impairment	–	–	–	–
Other	0.1	–	1.6	1.7
Gross value	**216.5**	**610.1**	**71.4**	**898.0**
Accumulated depreciation and impairment	**(7.4)**	**(463.1)**	**(37.8)**	**(508.3)**
NET CARRYING AMOUNT AT DEC 31, 2016	209.1	147.0	33.6	389.7
Investments	0.1	1.2	15.5	16.8
Changes in scope of consolidation	0.0	24.6	17.1	41.7
Retirements and disposals	(0.0)	–	(1.5)	(1.5)
Amortization	(0.3)	(54.2)	(9.6)	(64.0)
Translation adjustments	(0.1)	(3.6)	(0.1)	(3.8)
Impairment	–	–	–	–
Other	0.1	(0.0)	(0.3)	(0.1)
Gross value	**216.7**	**819.4**	**156.5**	**1,192.6**
Accumulated depreciation and impairment	**(7.7)**	**(704.3)**	**(101.8)**	**(813.7)**
NET CARRYING AMOUNT AT DEC 31, 2017	209.0	115.1	54.7	378.8

Other intangible assets consist primarily of software.

The Group's brand values, which are derived from a business combination when measuring their fair value for the purpose of allocating goodwill, are as follows:

(In millions of euros)	12/31/2017	12/31/2016	Amortization
Elis brands in France	184.7	184.7	Not amortized
Elis brands in Europe	21.8	21.8	Not amortized
– *Le Jacquard Français brand*	*0.9*	*0.9*	*Impaired*
– *Kennedy trademark*	*1.3*	*1.3*	*Not amortized*
Brands of manufacturing entities	2.2	2.2	
Other	0.4	0.4	
TOTAL BRANDS	**209.0**	**209.1**	

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 OTHER PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are carried in the statement of financial position 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-cleaning items	Total
Gross value	**258.2**	**95.6**	**532.1**	**650.4**	**1,536.4**
Accumulated depreciation and impairment	**(86.3)**	**(64.3)**	**(258.1)**	**(343.5)**	**(752.2)**
NET CARRYING AMOUNT AS AT 12/31/2015	171.9	31.3	274.0	307.0	784.2
Investments	23.9	12.0	45.4	169.3	250.6
Changes in scope of consolidation	43.1	3.7	33.0	30.6	110.4
Retirements and disposals	(8.4)	(0.2)	(2.3)	(0.1)	(11.0)
Depreciation	(11.6)	(10.2)	(44.9)	(180.5)	(247.2)
Translation adjustments	1.3	0.6	8.3	4.6	14.8
Impairment	–	–	–	–	–
Other movements	(1.0)	0.3	(3.1)	0.3	(3.4)
Gross value	**335.3**	**116.3**	**677.1**	**795.3**	**1,923.9**
Accumulated depreciation and impairment	**(116.2)**	**(78.7)**	**(366.5)**	**(464.1)**	**(1,025.5)**
NET CARRYING AMOUNT AS AT 12/31/2016	219.1	37.5	310.6	331.2	898.4
Investments	58.9	13.1	108.5	286.6	467.1
Changes in scope of consolidation	196.8	3.6	244.7	319.0	764.2
Retirements and disposals	(0.8)	(0.5)	(2.5)	(1.4)	(5.2)
Depreciation	(16.2)	(11.7)	(62.9)	(270.8)	(361.7)
Translation adjustments	(3.8)	(0.8)	(8.6)	(3.8)	(17.1)
Impairment	–	–	(0.2)	–	(0.2)
Other movements	(0.2)	1.5	(1.6)	(0.7)	(1.0)
Gross value	**729.2**	**147.0**	**1,464.4**	**1,683.9**	**4,024.5**
Accumulated depreciation and impairment	**(275.4)**	**(104.3)**	**(876.4)**	**(1,023.9)**	**(2,280.0)**
NET CARRYING AMOUNT AS AT 12/31/2017	453.8	42.7	588.0	660.0	1,744.5

In 2016, "Other movements" included a reclassification to non-current assets held for sale in the amount of €1.1 million relating to a site formerly operated by Lavalia in Mallorca, Spain.

Finance leases

Assets financed by leases with purchase options or long-term leases, which in essence transfer to the lessee virtually all the risks and rewards incident to ownership of the asset, are recognized as non-current assets and depreciated in accordance with the accounting principles applicable to property, plant and equipment.

The cost of leased assets includes the initial direct costs attributable to negotiating and arranging the lease, including professional and legal fees. The financial commitments arising under leases are recognized as financial liabilities.

(In millions of euros)	12/31/2017	12/31/2016
Owned property, plant and equipment	1,718.2	884.6
Leased property, plant and equipment	26.3	13.8
TOTAL PROPERTY, PLANT AND EQUIPMENT	**1,744.5**	**898.4**

6.4 OFF-BALANCE SHEET COMMITMENTS RELATING TO NON-CURRENT ASSETS AND LEASES

Outstanding future minimum operating lease commitments are as follows:

(In millions of euros)	12/31/2017	12/31/2016
Future minimum lease payments under non-cancellable operating leases		
within one year	50.9	28.9
between 1 and 5 years	131.1	85.8
after 5 years	130.2	137.2
TOTAL	**312.2**	**251.9**

6.5 IMPAIRMENT LOSSES ON NON-CURRENT ASSETS

Impairment tests are systematically performed on goodwill and intangible assets with indefinite useful lives, at 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, where appropriate, with valuation multiples of economic indicators (mainly EBITDA).

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

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

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

Impairment of property, plant and equipment may subsequently be reversed (by up to the amount of the initial impairment) if the recoverable amount rises above the carrying amount.

Fair value method

1. Calculating future cash flows

Goodwill impairment tests are performed by determining the value in use of each cash-generating unit, using the following method for calculating recoverable amounts:

- estimation of projected future cash flows based on the five-year business plans set by the management of each cash-generating unit, approved by the Management Board and presented to the Supervisory Board. Future cash flows are estimated based on conservative growth assumptions;
- cash flows are calculated according to the discounted cash flow method (EBITDA +/- changes in working capital requirement – income tax at standard rate – capital expenditure);
- the terminal value is calculated on a perpetual growth basis;
- discounted cash flow is calculated on the basis of the weighted average cost of capital (WACC), which in turn is based on inputs for the financial return and industry-specific risks of the market on which 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);
- gearing ratio (net debt/equity) for comparable companies: ratio calculated on the basis of market capitalizations to net debt, observed on a quarterly basis over the last two years:
  - the average gearing ratio obtained for each comparable company is used to unlever the company's beta,
  - the unlevered beta is representative of industry beta and will be used to calculate the WACC (extreme values are excluded from the average),
  - the gearing used to calculate the WACC is derived from the average debt to equity ratio calculated on the basis of the quarterly ratios of comparable companies.

3. Multiples used

Where value in use is less than the recoverable amount, fair value is determined based on a segment EBITDA multiple or an EBIT multiple, as needed.

The multiples used to determine fair value as at December 31, 2017 are 8.3× budgeted EBITDA for financial year 2018, or 19.2× EBIT.

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

Country	France	Germany	United Kingdom	Sweden	Denmark	Netherlands	Brazil
Risk-free rate	1.3%	0.8%	1.8%	1.2%	1.0%	1.0%	7.9%
Credit spread	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Cost of debt (before tax)	**2.1%**	**1.6%**	**2.7%**	**2.0%**	**1.8%**	**1.9%**	**8.7%**
Tax rate	25.8%	29.8%	17.0%	22.0%	22.0%	25.0%	34.0%
Cost of debt, net of tax	**1.5%**	**1.2%**	**2.2%**	**1.5%**	**1.4%**	**1.4%**	**5.7%**
Risk premiums	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Levered beta	**0.87**	**0.86**	**0.88**	**0.87**	**0.87**	**0.87**	**0.86**
Cost of equity	**6.7%**	**6.2%**	**7.4%**	**6.6%**	**6.5%**	**6.5%**	**13.3%**
Gearing	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%	16.6%
WACC 2017	5.8%	5.4%	6.5%	5.8%	5.6%	5.6%	12.0%
WACC 2016	5.5%	4.9%	5.9%				15.3%
PRE-TAX DISCOUNT RATE 2017 (APPROXIMATION)	7.9%	7.7%	7.8%	7.4%	7.2%	7.5%	18.2%
Pre-tax discount rate 2016 (approximation)	7.7%	7.0%	7.3%				23.1%

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):

		Perpetuity growth rate		
France *(In millions of euros)*		**1.5%**	**2.0%**	**2.5%**
WACC	5.3%	1,503	1,949	2,552
	5.8%	1,111	**1,450**	1,889
	6.3%	801	1,065	1,397

		EBITDA Plan 2018		
Brazil *(In millions of euros)*		**-10.0%**	**–**	**10.0%**
Multiple	7.8×	(55)	(2)	52
	8.3×	(24)	**33**	89
	8.8×	7	67	127

		Perpetuity growth rate		
Germany *(In millions of euros)*		**1.5%**	**2.0%**	**2.5%**
WACC	4.9%	56	131	237
	5.4%	(3)	**53**	127
	5.9%	(48)	(6)	49

		Perpetuity growth rate		
Sweden *(In millions of euros)*		**1.5%**	**2.0%**	**2.5%**
WACC	5.3%	170	293	461
	5.8%	70	**164**	287
	6.3%	(9)	65	158

		Perpetuity growth rate		
United Kingdom *(In millions of euros)*		**1.5%**	**2.0%**	**2.5%**
WACC	6.0%	5	48	102
	6.5%	(31)	**3**	45
	7.0%	(61)	(33)	0

		Perpetuity growth rate		
Denmark *(In millions of euros)*		**1.5%**	**2.0%**	**2.5%**
WACC	5.1%	226	380	593
	5.6%	103	**219**	372
	6.1%	7	97	212

		Perpetuity growth rate		
Netherlands *(In millions of euros)*		**1.5%**	**2.0%**	**2.5%**
WACC	5.1%	87	166	274
	5.6%	24	**84**	161
	6.1%	(25)	21	80

The sensitivity analysis presented above shows that the recoverable amount of the CGUs exceeds the carrying amount. In accordance with IAS 36, impairment tests are performed and resulting impairment losses are recognized on all the other CGUs.

Sensitivity of tests related to brands

The assumptions used for the purposes of impairment testing based on the discounted royalties of the Elis Group are as follows:

	Elis	Le Jacquard Français	Kennedy
Discount rate	6.9%	6.9%	7.5%
Perpetuity growth rate	2%	2%	2%
Royalty rate	2%	4%	2%

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

	Perpetuity growth rate		
Discount rate *(In millions of euros)*	**1.5%**	**2.0%**	**2.5%**
6.4%	311	360	422
6.9%	263	**303**	351
7.4%	224	256	295

NOTE 7 PROVISIONS AND CONTINGENT LIABILITIES

7.1 PROVISIONS

A provision is recognized whenever the Group has a present contractual, legal or constructive obligation as a result of a past event and when an outflow of resources required to settle the obligation can be 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, the related costs have been forecast in detail and it is highly probable that they will be implemented.

Provisions are also recognized for obligations arising from onerous contracts.

Provisions for environmental compliance

Provisions for environmental compliance are assessed based on experts' reports and the Group's experience. These provisions correspond to the expected costs of studies or work to be undertaken by the Group to comply with its environmental obligations. They relate to sites or categories of work which are to be dealt with in the foreseeable future.

Provisions for litigation

Provisions for litigation chiefly includes provisions for employee-related risks.

Other provisions

Other provisions include provisions for tax risks, provisions for restructuring costs, provisions for onerous contracts and provisions for disputes arising in the ordinary course of the Group's operations.

(In millions of euros)	Compliance	Litigation	Other	Total
As at December 31, 2016	**17.1**	**8.2**	**9.0**	**34.2**
Increases/additions for the year	7.8	2.4	6.5	16.6
Changes in consolidation scope	1.9	1.2	8.6	11.7
Decreases/reversals of provisions used	(2.5)	(3.2)	(0.8)	(6.5)
Translation adjustments	(0.4)	(0.6)	(0.5)	(1.5)
Other	0.0	0.1	0.2	0.3
AS AT DECEMBER 31, 2017	23.9	8.1	23.0	54.9
Current portion	**0.1**	**4.0**	**11.1**	**15.2**
Non-current portion	**23.8**	**4.1**	**11.9**	**39.7**
France	*16.2*	*3.2*	*0.6*	*19.9*
Latin America	*2.1*	*4.2*	*4.0*	*10.4*
Other countries	*5.6*	*0.7*	*18.3*	*24.6*

7.2 CONTINGENT LIABILITIES

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

In Brazil

Proceedings related to alleged acts of administrative improbity

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

As at December 31, 2017, 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 vendor warranties. The Atmosfera Group's former owners, who were notified of the proceedings through interim measures on November 26, 2014 with respect to the December 20, 2013 guarantee agreement relating to the acquisition of the Atmosfera Group, have disputed Atmosfera's compensation request.

Proceedings related to degrading working conditions

Proceedings initiated by Brazil's public prosecutor

On December 1, 2017, the judge in charge of the case ratified the judicial settlement between the public prosecutor and Atmosfera, ending the proceedings with the payment by Atmosfera of a fine of R$350,000 (approximately €90,000) and subject to certain commitments made by Atmosfera (acting on its own behalf as well as on behalf of its Brazilian subsidiaries and some of its suppliers), consisting mainly of complying with the regulations in force in various fields such as health and safety, the hiring of foreign employees, etc.).

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

Atmosfera filed an appeal that challenged the decision of the Ministry of Labor which provided for the inclusion of Atmosfera on the blacklist of companies convicted of this type of practice.

The decision on the 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 procedure which was still in progress as at the reporting date of the consolidated financial statements.

Administrative proceedings initiated by the CADE

In February 2016, Prolav was sentenced by the Brazilian Competition Authority (CADE) for antitrust offenses to pay a fine of R$2.5 million (approximately €630 thousand). 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$1.25 million (approximately €315 thousand). After appealing the decision, which was rejected by CADE, Prolav was unable to reach an agreement with CADE's prosecutor on a possible reduction of the fine and staggering of its payment. As of 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 Brazil's public prosecutor against NJ Lavanderia and the Government of the Federal District (GFD) aims to annul the contract between these two parties and force the GFD to implement a safeguard plan for the laundry services that are to be provided to four regional public hospitals located in Brazil's Federal District. No decision on the merits has yet been handed down; it is expected to be forthcoming, without any specific time frame being communicated to the parties.

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

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 or the indemnification asset to be received under the vendor warranty. No provision has been set aside by Lavebras or NJ Lavanderia in relation to these proceedings.

Proceedings before Brazil's Federal Court of Accounts

The administrative proceedings initiated in August 2016 by the Democratas political party against the Health Secretariat of Brazil's federal government alleging that NJ Lavanderia continued to provide services under two public-service contracts (one being the contract involved in the proceedings initiated by the Federal District public prosecutor described above) entered into as emergency agreements, beyond their respective terms, was examined by the Federal Court of Accounts which plans to convert it into a "special procedure", meaning one that increases the investigative capacity of the court. To the Company's knowledge, no provisional timetable for proceedings has been set.

To date, the Company has no information allowing it to estimate the contingent liability incurred by NJ Lavanderia as a result of the proceedings in the event of an unfavorable outcome or the indemnification asset to be received under the vendor warranty. No provision has been set aside by Lavebras or NJ Lavanderia in relation to this procedure.

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, which may involve Lavatec, a former subsidiary merged with and into Lavebras in 2014.

At the date of this registration document, Lavebras had not received any formal notification of these potential violations, with the exception of a separate procedure conducted by the tax authorities against a social organization, the ICN.

In the context of the ICN tax proceedings, the Brazilian tax authorities argue that Lavebras – as well as other companies – must be held jointly and severally liable for the obligations of ICN. The amount of the dispute is approximately R$307 million, i.e., approximately €77 million (including all penalties but excluding the potential effect of inflation). Lavebras has submitted its arguments in defense and is awaiting a first instance administrative decision. Lavebras believes that it has strong arguments to contest the Brazilian tax administration's point of view. The Group therefore considers that Lavebras' risk of 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 this procedure.

In the event that Lavebras is subject of a notification following the investigation by the Brazilian Federal Police, Lavebras could be exposed to various sanctions, including (i) the prohibition of

benefiting from incentives or receiving subsidies, grants, donations or loans from public entities and financial institutions for a period of up to five years, (ii) a fine of up to three times the amounts unfairly received, (iii) a prohibition on entering into contracts with public entities for up to 10 years, and (iv) an obligation to compensate the public administration in full for any damage actually suffered thereby. 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.

In the absence of notification, no provision has been set aside by Atmosfera or Lavebras in relation to this procedure.

In France

Inquiry by DIRECCTE

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

No provision was recognized as at December 31, 2017 since at this stage it is difficult to assess whether this risk will materialize and what might be the consequences, especially financial, for the Group.

Other information

On September 12, 2017, the company M.A.J. was ordered by the Carcassonne Criminal Court to pay a fine of €20,000 as the result of an accident at the Carcassonne laundry site in March 2012 which resulted in the death of an employee of a supplier of the Group's detergent products who was on the site.

Tax audits

The Group is the subject of tax audits in France and Brazil At the reporting date, the Group considers, with its advisors, that there is good reason for not needing to book provisions for these audits.

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 FINANCIAL RISK MANAGEMENT

Credit and counterparty risk

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

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

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

	12/31/2017		
(In millions of euros)	**Gross value**	**Impairment**	**Net value**
Not yet due or less than 4 months overdue	585.6	(5.9)	579.8
Between 5 and 12 months overdue	19.6	(8.2)	11.4
More than 1 year overdue	43.7	(37.8)	5.9
TRADE RECEIVABLES	**648.9**	**(51.9)**	**597.1**

	12/31/2016		
(In millions of euros)	**Gross value**	**Impairment**	**Net value**
Not yet due or less than 4 months overdue	321.0	(2.8)	318.3
Between 5 and 12 months overdue	17.9	(5.3)	12.7
More than 1 year overdue	41.4	(31.0)	10.4
TRADE RECEIVABLES	**380.4**	**(39.0)**	**341.4**

- financial investments: against a backdrop of historically low and significantly negative interest rates, the Group's policy is to invest its cash on short-term money market funds (UCITS) or to leave deposits in bank accounts with banking counterparties that finance the Group, in compliance with diversification and counterparty rules. Thus, as at December 31, 2017, short-term investments totaled €0.9 million and consisted mainly of UCITS money market funds. In the Group's view, therefore, those investments do not expose it to any material counterparty risk.

Liquidity risk

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

The Group manages liquidity risk by paying constant attention to the duration of its financing arrangements, the permanence of its available credit facilities, and the diversification of its resources (bank financing or medium/long-term and short-term capital markets financing, etc.). The Group also manages its available cash prudently and has set up cash management agreements in the main countries in which it operates in order to optimize and facilitate cash flow to M.A.J., the Group's central treasury entity, for the consolidation scope formerly under Elis. Companies within the Berendsen scope manage their liquidity locally; an analysis is underway to integrate centralized liquidity management in all countries.

The Group's adjusted net debt (adjusted for capitalized debt issuance costs to be amortized using the effective interest rate method, and for the loan from the employee profit-sharing fund) as at December 31, 2017 amounted to €3,296.6 million.

Loan agreements relating to this debt include the legal and financial undertakings usually involved in such transactions, and specify accelerated maturities if those undertakings are not complied with. Financial commitments include the Group's obligation to meet a financial covenant: adjusted net debt-to-pro forma EBITDA after synergies. Based on these consolidated financial statements as at December 31, 2017, the Group met this ratio:

- Leverage Ratio = 3.3 (must be less than 4 for 2017 and 3.75 thereafter).

As at December 31, 2017, the repayment dates for consolidated debt and related interest are presented hereafter.

The future contractual cash flows are based on the liabilities shown in the statement of financial position at the 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.

	Carrying value	Cash flow 2018		Cash flow 2019		Cash flow 2020-2021-2022		Cash flow 2023 and beyond		Estimate of future cash flows as of 12/31/2017	
(In millions of euros)	Amortized cost	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Convertible bonds	347.1	–	–	–	–	–	–	400.0	–	400.0	–
High-Yield Bonds 3%	804.1	–	24.0	–	24.0	800.0	55.9	–	–	800.0	103.9
Senior Credit Facilities – Term loan EURIBOR 3M +1.8%	452.4	–	11.7	–	11.1	450.0	28.0	–	–	450.0	50.8
Swaps			3.5		2.5		0.0	–	–	–	6.0
Syndicated loan – Term loan EURIBOR 3M +1.75%)	200.5	–	5.2	–	4.7	200.0	13.4	–	–	200.0	23.3
Bridge loan/revolving	1,015.6	1,015.0	11.4	–	–	–	–	–	–	1,015.0	11.4
Schuldschein	75.1	–	1.5	–	1.4	50.0	3.3	25.0	1.0	75.0	7.1
Capex line EURIBOR3M +1,8%	177.0	–	4.3	–	4.3	177.0	8.8	–	–	177.0	17.4
Commercial paper	396.4	396.4	–	–	–	–	–	–	–	396.4	–
Unamortized loan costs	(36.8)	–	–	–	–	–	–	–	–	–	–
Loan from employee profit-sharing fund	26.8	5.5	1.1	5.2	0.7	13.6	0.8	–	–	24.2	2.6
Financial leases	12.5	3.0	0.3	2.2	0.5	2.4	1.2	4.7	3.6	12.4	5.5
Other	18.9	10.1	0.2	2.6	0.1	4.0	0.2	1.0	0.1	17.7	0.7
Overdrafts	213.4	213.4	0.0	–	–	–	–	–	–	213.4	0.0
TOTAL INTEREST-BEARING LOANS AND BORROWINGS	**3,703.0**	**1,643.3**	**63.3**	**10.0**	**49.2**	**1,697.0**	**111.7**	**430.8**	**4.7**	**3,781.0**	**228.8**

Market risks

The Elis Group is exposed to market risk, particularly concerning the cost of its debt, and to a lesser extent as a result of foreign currency transactions. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimize any potentially adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Interest rate risk

Interest rate risk mainly includes the risk of future fluctuations in flows relating to floating-rate debt, which is partly linked to Euribor. As at December 31, 2017, the Group had €2,074.7 million of floating-rate debt outstanding (before taking into account any hedging instruments).

To manage this risk effectively, the Group has taken out certain derivatives contracts (swaps), under which it has undertaken to swap, at specific times, the difference between the fixed rate agreed to in the swap contract and the floating rate applying to the relevant debt, based on a given notional amount. As at December 31, 2017, the Group was a party to interest rate hedging contracts covering a total par amount outstanding of €450.0 million of debt. These contracts effectively convert some of the Group's floating-rate debt into fixed-rate debt. However, no guarantee can be given regarding the Group's ability to manage its exposure to interest rate fluctuations appropriately in the future or to continue doing so at a reasonable cost.

Net exposure to interest rate risk as at December 31, 2017, before and after hedging, was as follows:

(In millions of euros)	12/31/2017	Fixed	Floating hedged	Floating unhedged	Maturities
Convertible bonds	347.1	347.1			2023
High-Yield Bonds 3%	804.1	804.1			2022
Senior Credit Facilities – Term loan EURIBOR 3M +1.8%	452.4		452.4		2022
Syndicated loan – Term loan EURIBOR 3M +1.75%	200.5			200.5	2022
Bridge loan/revolving	1,015.6			1,015.6	less than 12 months
Schuldschein	75.1	34.6		40.6	2020 to 2024
Capex line EURIBOR3M +1,8%	177.0			177.0	2022
Commercial paper	396.4	396.4			less than 12 months
Unamortized loan costs	(36.8)	(9.8)	(7.3)	(19.7)	
Loan from employee profit-sharing fund	26.8	26.8			
Financial leases	12.5	12.2		0.3	
Other	18.9	16.9	0.9	1.0	
Overdrafts	213.4			213.4	
TOTAL INTEREST-BEARING LOANS AND BORROWINGS	**3,703.0**	**1,628.3**	**446.1**	**1,628.6**	

In accordance with IFRS 7, a sensitivity analysis of the change in interest is presented hereafter. It reflects the impact of interest rate movements on interest expense, net income and equity.

The interest rate sensitivity analysis is based on the following assumptions:

- changes in the interest rate curve have no impact on fixed-rate financial instruments when they are measured at amortized cost;
- changes in the interest rate curve impact floating-rate financial instruments if they are not designated as hedged items. Interest rate movements have an impact on gross finance costs, and are therefore included when calculating the sensitivity of net income and equity to interest rate risk;
- changes in the interest rate curve impact the fair values of derivative financial instruments eligible for cash flow hedge accounting. Changes in the fair value of such derivatives have an impact on the hedging reserve in equity, and are therefore included when calculating the sensitivity of equity to interest rate risk;
- changes in the interest rate curve impact derivative financial instruments (interest rate swaps, caps, etc.) that are not eligible for hedge accounting insofar as the changes affect their fair value. These movements in fair value are recognized in the income statement. This impact is therefore included when calculating the sensitivity of net income and equity to interest rate risk.

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

	+100 bp		-100 bp	
Type	**Hedging reserves**	**Net financial expense**	**Hedging reserves**	**Net financial expense**
Financial instruments designated as hedging instruments				
Non-derivative variable-rate financial instruments		(18.8)		4.0
Total derivatives not eligible for hedge accounting		17.0		(17.9)
TOTAL IMPACT (PRE-TAX)	**–**	**(1.7)**	**–**	**(14.0)**
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***	***1.7%***	***-100 bp***	***13.7%***

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

Currency risk

The majority of the Group's operations are located in eurozone countries. For the financial year ended December 31, 2017, countries outside the euro area accounted for 29.5% of the Group's consolidated revenue (Brazil: 8.8%, UK: 6.6%, Switzerland: 4.8%, Sweden: 3.3% and Denmark: 2.9% of consolidated revenue).

When the Group prepares its consolidated financial statements, it must translate the financial statements of its non-eurozone subsidiaries into euros at the applicable exchange rates. As a result, the Group is exposed to fluctuations in exchange rates, which have a direct accounting impact on the Group's consolidated financial statements. This creates a risk relating to the conversion into euros of non-eurozone subsidiaries' statements of financial position and income statements.

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

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 for a 10% fall in exchange rate**	**Change in net income for a 10% fall in exchange rate**
GBP (United Kingdom)	(56.7)	(0.7)
BRL (Brazil)	(47.7)	(0.2)
CHF (Switzerland)	(12.0)	(0.4)
DKK (Denmark)	(72.4)	(0.9)
SEK (Sweden)	(67.3)	(0.8)

The Group is also exposed to operational exchange rate risk through its purchases of goods, which are partly denominated in US dollars and to a lesser extent in pounds sterling. In 2017, purchases of goods denominated in foreign currencies totaled US$49.2 million and £4.6 million for the Elis consolidation scope (excluding Berendsen). 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, 2017, the Group had made forward purchases with a 2018 maturity amounting to US$50 million (US$41.5 million one year ago).

Equity risk

As at December 31, 2017, the Group's exposure to equity risk mainly concerns 61,798 Elis shares held in treasury stock, either as part of the liquidity agreement implemented on April 13, 2015 or to enable Elis to deliver shares to Berensen option holders in accordance with the commitments of the Scheme of Arrangement.

These shares were valued at €1.4 million based on the December 31, 2017 closing price (€23.01). Accordingly, the Group did not consider it necessary to introduce an equity risk management policy.

Commodities risk

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

8.2 NET FINANCIAL EXPENSE

(In millions of euros)	2017	2016
Interest expense on borrowings and employee profit-sharing fund	(78.6)	(55.6)
GROSS FINANCE COSTS	(78.6)	(55.6)
Gains (losses) on traded derivatives	(2.9)	0.8
Other financial income	3.9	0.1
NET FINANCE COSTS	(77.7)	(54.6)
Foreign exchange gains	26.5	0.6
Foreign exchange losses	(8.3)	(0.3)
Interest expense on provisions and retirement benefits	(0.8)	(1.0)
Other	0.4	(0.4)
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	17.8	(1.0)
NET FINANCIAL EXPENSE	**(59.8)**	**(55.7)**

The foreign exchange result is mainly related to the early repayment at the end of 2017 of the USPP loans previously taken out by Berendsen Plc.

8.3 GROSS DEBT

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

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

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

As at December 31, 2017, consolidated debt mainly comprised the following:

High-Yield Bonds

On April 28, 2015, Elis issued bonds with a principal amount of €800 million, paying interest at an annual rate of 3% and maturing in 2022 (the "High-Yield Bonds"). Interest is payable every six months. The High-Yield Bonds are listed for trading on the Global Exchange Market of the Irish Stock Exchange.

Senior Credit Facilities Agreement – Term Loan

On January 17, 2017, Elis entered into a new Senior Syndicated Credit Facility 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.

At December 31, 2017, the term loan was drawn down in the amount of €450 million; the CAPEX line was drawn down in the amount of €177 million and the revolving credit facility was undrawn.

2017 Bridge Loan Agreement

On June 12, 2017, Elis signed a Bridge Loan Agreement with a bank syndicate for a total principal amount of €1,920 million.

The purpose of the 2017 Bridge Loan was to finance:

(i) the cash portion paid to Berendsen shareholders in relation to the acquisition of September 12, 2017;

(ii) repayment of the Berendsen debt (including a syndicated credit facility and debt securities issued in relation to private placements (USPP)).

This bridge loan was drawn down in the amount of €1,890 million. As at December 31, 2017, the remaining amount drawn amounted to €1,015.0 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 *Océanes* bond qualifies 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 on 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).

The net proceeds from the issue were used to refinance the Berendsen acquisition through the partial repayment of the bridge loan and for the Company's general purposes.

Syndicated Credit Facility – Term Loan

On November 7, 2017, Elis entered into a new syndicated credit facility consisting of a €200 million term loan (drawn on November 13, 2017) and a €400 million undrawn revolving credit line at December 31, 2017.

This refinancing is due to mature in November 2022 and may be extended until 2023/2024 for the revolving credit facility tranche.

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 makes it possible to continue the repayment of the 2017 Bridge Loan set up for the Berendsen acquisition and to diversify the Group's financing sources.

The funds were raised at fixed and floating rates, representing respectively 46% and 54% of the total amount, maturing in three to seven years.

Commercial paper

The Group has an unrated commercial paper program, approved by Banque de France, in a maximum amount of €400 million. In addition to other financing, this program provides the Elis Group with access to short-term, non-intermediated resources at favorable market conditions. As at December 31, 2017 outstandings under this program totaled €396.4 million, versus €303.8 million at December 31, 2016.

As at December 31, 2017, the Group had an undrawn revolving credit line of €400 million.

Changes in debt and breakdown by currency

(In millions of euros)	12/31/2016	Changes from financing cash flows	Changes arising from obtaining or losing control of subsidiaries or other	Effect of changes in foreign exchange rates	Changes in bank overdraft	New finance lease	Other changes	12/31/2017
CONVERTIBLE BONDS	–	400.0	–	–	(0.0)	–	(52.9)	347.1
HIGH-YIELD BONDS	800.0	–	–	–	–	–	–	800.0
Senior Credit Facilities - Term loan	450.0	–	–	–	–	–	–	450.0
Syndicated loan - Term loan	–	200.0	–	–	–	–	–	200.0
Bridge loan/revolving	130.0	885.0	–	–	–	–	–	1,015.0
Schuldschein	–	75.0	–	–	–	–	–	75.0
Capex line	–	177.0	–	–	–	–	–	177.0
Commercial paper	303.8	92.6	–	–	–	–	–	396.4
Finance lease liabilities	14.6	(4.7)	2.5	(0.1)	0.0	0.2	(0.0)	12.5
Other loans and overdrafts	62.7	(714.8)	802.6	22.7	57.7	–	0.2	231.1
Loan from employee profit-sharing fund	28.4	(1.6)	–	–	(0.0)	–	(0.0)	26.8
LOANS	989.4	708.6	805.1	22.6	57.7	0.2	0.1	2,583.8
ACCRUED INTEREST	6.7		7.5	0.3	(0.0)	–	(5.5)	8.9
UNAMORTIZED LOAN COSTS	(22.8)	(28.4)	22.2	0.8	(0.0)	–	(8.5)	(36.8)
BORROWINGS	**1,773.2**	**1,080.2**	**834.9**	**23.7**	**57.6**	**0.2**	**(66.7)**	**3,703.0**
Reconciliation to cash flow statement								
– Proceeds from new borrowings		4,126.0						
– Repayment of borrowings		(3,045.9)						
Change in borrowings		**1,080.2**						
Loans and borrowings by currency								
EUR	1,768.0							3,524.9
GBP	–							167.7
BRL	0.3							7.0
CHF	2.6							1.5
CLP	2.4							1.8
Borrowings	**1,773.2**							**3,703.0**

Maturity of financial liabilities

(In millions of euros)	12/31/2017	2018	2019	2020-2022	2023 and beyond
Convertible bonds	347.1	–	–	–	347.1
High-Yield Bonds 3%	804.1	4.1	–	800.0	–
Senior Credit Facilities – Term loan EURIBOR 3M +1.8%	452.4	2.4	–	450.0	–
Syndicated loan – Term loan EURIBOR 3M +1.75%	200.5	0.5	–	200.0	–
Bridge loan/revolving	1,015.6	1,015.6	–	–	–
Schuldschein	75.1	0.1	–	50.0	25.0
Capex line EURIBOR3M +1,8%	177.0	–	–	177.0	–
Commercial paper	396.4	396.4	–	–	–
Unamortized loan costs	(36.8)	(11.3)	(7.4)	(17.4)	(0.6)
Loan from employee profit-sharing fund	26.8	6.6	5.8	14.4	–
Financial leases	12.5	3.1	2.2	2.4	4.7
Other	18.9	11.3	2.6	4.3	0.7
Overdrafts	213.4	213.4	–	–	–
TOTAL INTEREST-BEARING LOANS AND BORROWINGS	**3,703.0**	**1,642.2**	**3.2**	**1,680.7**	**377.0**

8.4 CASH AND CASH EQUIVALENTS

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

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

(In millions of euros)	12/31/2017	12/31/2016
Demand deposits	415.5	158.4
Term deposits and marketable securities	0.9	10.6
CASH AND CASH EQUIVALENTS	416.4	169.0
Cash classified as assets held for sale	–	–
Bank overdrafts	(213.4)	(3.8)
CASH AND CASH EQUIVALENTS, NET	**203.0**	**165.2**

In Latin America, where exchange control restrictions may exist, cash and cash equivalents totaled €7.0 million as at December 31, 2017, compared with €19.5 million at December 31, 2016.

In addition, cash allocated to the Elis liquidity agreement implemented on April 10, 2015 amounted to €2.5 million as at December 31, 2017 (€1.5 million at December 31, 2016).

8.5 NET DEBT

(In millions of euros)	12/31/2017	12/31/2016
CONVERTIBLE BONDS	347.1	–
HIGH-YIELD BONDS	800.0	800.0
Senior Credit Facilities – Term loan	450.0	450.0
Syndicated loan – Term loan	200.0	–
Bridge loan/revolving	1,015.0	130.0
Schuldschein	75.0	–
Commercial paper	396.4	303.8
Finance lease liabilities	12.5	14.6
Capex line	177.0	–
Other loans and overdrafts	231.1	62.7
Loan from employee profit-sharing fund	26.8	28.4
LOANS	2,583.8	989.4
ACCRUED INTEREST	8.9	6.7
UNAMORTIZED LOAN COSTS	(36.8)	(22.8)
BORROWINGS	**3,703.0**	**1,773.2**
Of which maturing in less than one year	1,642.2	495.4
Of which maturing in more than one year	2,060.9	1,277.8
CASH AND CASH EQUIVALENTS (ASSETS)	**416.4**	**169.0**
NET DEBT	**3,286.6**	**1,604.3**
Reconciliation to adjusted net debt		
Net debt	**3,286.6**	**1,604.3**
Unamortized loan costs	36.8	22.8
Loan from employee profit-sharing fund	(26.8)	(28.4)
Adjusted net debt	**3,296.6**	**1,598.7**

8.6 FINANCIAL ASSETS AND LIABILITIES

INITIAL RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments are initially recognized in the statement of financial position at the fair value of consideration paid (for assets) or received (for liabilities). Fair value is determined on the basis of the price agreed upon for the transaction or market prices for comparable transactions. In the absence of a market price, fair value is calculated on the basis of the discounted cash flows from the transaction, or by using a model. Discounting is unnecessary if its impact is 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 for assets and deducted from liabilities.

FAIR VALUE AND CARRYING AMOUNT OF FINANCIAL ASSETS AND LIABILITIES

The key measurement methods used are as follows:

- items recognized at fair value through profit or loss are measured based on market prices for listed instruments (level 1 of fair value – quoted prices in active markets);
- non-current derivative instruments are measured using a valuation technique based on interbank market rates (e.g., Euribor) (level 2 of fair value – derived from observable market data);
- loans and borrowings are recognized at amortized cost, calculated using the Effective Interest Rate (EIR) method. The fair values shown for fixed-rate debt include the effects of interest rate movements, while those for total debt include changes in Group credit risk;
- given their very short maturities, the fair value of trade payables and receivables is deemed to be the same as their carrying amount.

	12/31/2017		Breakdown by category of financial instrument				
(In millions of euros)	Carrying amount	Fair value	Fair value through income	Fair value through equity	Loans and receivables	Debt at amortized cost	Derivative financial instruments
Available-for-sale financial assets (non-current)	0.1	0.1		0.1			
Other non-current assets	6.8	6.8			6.8		0.0
Trade and other receivables	705.6	705.6			705.6		
Other current assets	30.9	30.9			30.8		0.1
Cash and cash equivalents	416.4	416.4	416.4				
FINANCIAL ASSETS	**1,159.9**	**1,159.9**	**416.4**	**0.1**	**743.2**	**–**	**0.1**
Loans and borrowings	2,060.9	2,096.1				2,060.9	
Other non-current liabilities	12.6	12.6			6.0		6.6
Trade and other payables	277.5	277.5			277.5		
Other liabilities	462.8	462.8			460.1		2.7
Bank overdrafts and portions of loans due in less than one year	1,642.2	1,653.5				1,642.2	
FINANCIAL LIABILITIES	**4,456.0**	**4,502.5**	**–**	**–**	**743.7**	**3,703.0**	**9.3**

(In millions of euros)	12/31/2016 Carrying amount	Fair value	Breakdown by category of financial instrument: Fair value through income	Fair value through equity	Loans and receivables	Debt at amortized cost	Derivative financial instruments
Available-for-sale financial assets (non-current)	0.1	0.1		0.1			
Other non-current assets	6.8	6.8			6.8		–
Trade and other receivables	394.0	394.0			394.0		
Other current assets	16.7	16.7			13.9		2.8
Cash and cash equivalents	169.0	169.0	169.0				
FINANCIAL ASSETS	**586.6**	**586.6**	**169.0**	**0.1**	**414.8**	**–**	**2.8**
Loans and borrowings	1,277.8	1,298.8				1,277.8	
Other non-current liabilities	22.3	22.3			3.0		19.3
Trade and other payables	166.8	166.8			166.8		
Other liabilities	296.4	296.4			296.4		–
Bank overdrafts and portions of loans due in less than one year	495.4	242.9				495.4	
FINANCIAL LIABILITIES	**2,258.7**	**2,027.2**	**–**	**–**	**466.2**	**1,773.2**	**19.3**

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

(In millions of euros)	12/31/2017 Fair value	Fair value hierarchy: Level 1	Level 2	Level 3
Current asset derivatives (currency forward)	0.1		0.1	
ASSETS MEASURED AT FAIR VALUE	0.1	–	0.1	–
Non-current derivatives – liabilities (interest rate swap)	6.6		6.6	
Current derivatives – liabilities (currency forward)	2.7		2.7	
LIABILITIES MEASURED AT FAIR VALUE	9.3	–	9.3	–
High-Yield Bonds 3%	815.0	815.0		
Convertible bonds – debt component	345.9		345.9	
LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED	**1,161.0**	**815.0**	**345.9**	**–**

(In millions of euros)	12/31/2016 Fair value	Fair value hierarchy: Level 1	Level 2	Level 3
Current asset derivatives (currency forward)	2.8		2.8	
ASSETS MEASURED AT FAIR VALUE	2.8	–	2.8	–
Non-current derivatives – liabilities (interest rate swap)	19.3		19.3	
LIABILITIES MEASURED AT FAIR VALUE	19.3	–	19.3	–
High-Yield Bonds 3%	808.0	808.0		
LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED	**808.0**	**808.0**	**–**	**–**

8.7 OTHER NON-CURRENT ASSETS AND LIABILITIES

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

Put options over non-controlling interests are recognized as liabilities. Subsequent changes in the value of the put option strike price are recorded in the income statement under "Other income and expense", in accordance with IAS 39.AG8.

(In millions of euros)	Notes	12/31/2017	12/31/2016
Non-current asset derivatives	8.8	0.0	–
Loans and receivables		6.8	6.8
OTHER NON-CURRENT ASSETS		**6.8**	**6.8**
Non-current liability derivatives	8.8	6.6	19.3
Deferred consideration payable on acquisitions		0.5	0.3
Liability for put options over a non-controlling interest		1.8	1.8
Other non-current liabilities		3.7	0.9
OTHER NON-CURRENT LIABILITIES		**12.6**	**22.3**

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

At the inception of the transaction, the Group documents the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and hedging policy. At the inception of the hedge and on an ongoing basis, the Group also documents the effectiveness of derivatives in offsetting changes in fair value or cash flows of hedged items.

The fair value of a derivative hedging instrument is classified as a non-current asset or liability when the residual term of the hedged item is greater than 12 months, and as a current asset or liability when the residual term of the hedged item is less than 12 months. Derivative instruments held for trading are classified as current assets or liabilities.

DERIVATIVES USED IN CASH FLOW HEDGES

The effective portion of changes in the fair value of qualifying derivatives that are designated as cash flow hedges is recognized directly in equity. The gain or loss related to the ineffective portion is immediately recognized in net income. The cumulative gain or loss reported in equity is reclassified to the income statement when the hedged item affects profit or loss.

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.

Interest rate derivatives

Interest rate derivatives are classified as other non-current assets and liabilities (see Note 8.7 "Other non-current assets and liabilities").

The Group uses interest rate swaps to convert part of its floating-rate debt into fixed-rate debt.

Interest rate derivatives are measured on the basis of market data at the reporting date (interest rate curve from which the zero coupon curve is deducted). Their fair value – level 2 – is calculated using the discounted cash flow model.

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

(In millions of euros)	Principal	Fair values as at 12/31/2017	Changes in fair value during the reporting period	Impact on net financial expense [(a)]	Impact on equity
Interest rate swaps maturing in 2022 0.46%	450.0	(6.5)	12.2	(2.9)	6.2
Other interest rate swaps	0.9	(0.1)	0.6	–	–
TOTAL NON-CURRENT DERIVATIVES – LIABILITIES		(6.6)			
TOTAL INTEREST-RATE DERIVATIVES ELIGIBLE FOR HEDGE ACCOUNTING		**(6.6)**	**12.8**	**(2.9)**	**6.2**

(a) Ineffective portion/impact of dequalifying derivative instruments eligible for hedge accounting and change in fair value.

In connection with the refinancing of the Syndicated Credit Facility in January 2017, the Group amended its interest rate swap contracts to hedge the new Syndicated Credit Facility Agreement until its maturity on January 20, 2022, reducing the fixed rate paid out by 68.3 basis points and in exchange for a cash payment of €10 million, including 1.1 million in accrued interest.

(In millions of euros)	Nominal	Fair values as at 12/31/2016	Changes in fair value during the reporting period	Impact on net financial expense [(a)]	Impact on equity
Interest rate swaps maturing in 2020 1.143%	450.0	(18.7)	0.5	0.9	(0.4)
Other interest rate swap	28.3	(0.7)	(0.0)	(0.0)	0.0
Total non-current derivatives – liabilities		(19.4)			
TOTAL INTEREST-RATE DERIVATIVES ELIGIBLE FOR HEDGE ACCOUNTING		**(19.4)**	**0.5**	**0.8**	**(0.3)**

(a) Ineffective portion/impact of restructuring derivative instruments eligible for hedge accounting and change in fair value of other derivatives.

In view of the negative forward rates up until the maturity of the swaps, these instruments were disqualified for hedge accounting from July 1, 2016.

Currency derivatives

Forward currency purchases are classified as other current assets and liabilities (see Note 4.7 "Other current assets and liabilities").

(In millions of euros)	Nominal *(In millions of foreign currencies)*	Fair values as at 12/31/2017	Changes in fair value during the reporting period	Impact on net financial expense	Impact on equity
Currency forward USD/EUR		–	(2.5)	(0.1)	(2.4)
Currency forward GBP/EUR		–	(0.2)	–	(0.2)
Currency forward USD/SEK	2.8	0.1	0.1	–	0.1
TOTAL CURRENT DERIVATIVES – ASSET		0.1	(2.7)	(0.1)	(2.6)
Currency forward USD/EUR	50.0	(2.0)	(2.0)	0.4	(2.3)
Currency forward USD/SEK	4.2	(0.2)	(0.2)	(0.0)	–
Currency forward USD/GBP	18.4	(0.5)	(0.5)	(0.1)	0.0
TOTAL CURRENT DERIVATIVES – LIABILITIES		(2.7)	(2.7)	0.2	(2.3)
TOTAL CURRENCY DERIVATIVES		**(2.6)**	**(5.4)**	**0.1**	**(4.8)**

(In millions of euros)	Nominal *(In millions of foreign currencies)*	Fair values as at 12/31/2016	Changes in fair value during the reporting period	Impact on net financial expense	Impact on equity
Currency forward USD/EUR	41.5	2.5	0.5	0.2	0.3
Currency forward GBP/EUR	4.0	0.2	0.2	0.0	0.2
TOTAL CURRENT DERIVATIVES – ASSET		2.8	0.7	0.2	0.6
Currency forward USD/EUR					
TOTAL CURRENT DERIVATIVES – LIABILITIES		0.0			
TOTAL CURRENCY DERIVATIVES		**2.8**	**0.7**	**0.2**	**0.6**

8.9 OFF-BALANCE SHEET COMMITMENTS RELATING TO GROUP FINANCING AND OTHER COMMITMENTS

(In millions of euros)	12/31/2017	12/31/2016
Commitments given		
Assignment and pledge of receivables as collateral		
Pledges, mortgages and sureties	3.7	47.9
Pledges, endorsements and guarantees given	63.4	7.9
Other commitments given		
Commitments received		
Pledges, mortgages and sureties		
Pledges, endorsements and guarantees received	19.2	12.5
Other commitments received		

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 directly recognized outside of profit or loss is recognized outside i 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 utilized:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, it affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at 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 utilized. Unrecognized deferred tax assets are measured at each reporting period-end and are recognized insofar as it is probable that a future taxable profit will be available against which they can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year in which the asset is realized or the liability settled, based on the tax rates (and tax rules) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax on items directly recognized outside 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)	2017	2016
Consolidated net income (loss)	66.8	93.0
Equity-accounted companies	–	–
Current taxes	43.5	48.4
Deferred taxes	(25.6)	(10.4)
Pre-tax income (loss)	84.6	130.9
Theoretical tax rate	34.43%	34.43%
THEORETICAL TAX EXPENSE	29.1	45.1
ACTUAL TAX EXPENSE	17.9	38.0
Effect of tax not based on net income [(a)]	11.2	10.3
DIFFERENCE	22.5	17.4
Breakdown of difference		
Tax rate differences and transactions taxed at reduced rates	20.1	18.3
Permanent differences (including nondeductible interests)	(9.3)	(8.1)
Unrecognized tax loss carryforwards/Utilization of previously unrecognized tax losses	(1.8)	(2.3)
Goodwill impairment	0.4	–
Other (deductible CVAE, nontaxable CICE...)	13.1	9.5

(a) CVAE in France, IRAP in Italy.

The line item "Tax rate differences and transactions taxed at reduced rates" includes in 2017 an amount of €10.8 million related to a change in tax rates approved in France in 2017 and reducing the future rate for all companies to 25.83% (including the additional corporate tax contribution), from 2022 onwards. The change in tax rates approved in France in 2016 and bringing the future rate down to 28.92% had an impact of €15.0 million in 2016.

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

(In millions of euros)	12/31/2016 net	Changes in consolidation scope	Income	Recognized directly in other comprehensive income	Recognized directly in equity [a] & other	12/31/2017 net
Intangible assets	(101.5)	(2.9)	28.8	–	0.5	(75.0)
Property, plant and equipment	(110.5)	(23.5)	2.9	–	0.3	(130.9)
Other assets	3.2	(8.8)	1.5	–	0.3	(3.8)
Derivative instruments – assets	(1.0)	0.0	0.0	0.9	0.0	(0.0)
Provisions	7.1	0.5	(0.6)	–	(0.5)	6.6
Retirement benefit liabilities	12.8	4.0	(1.3)	(3.1)	(0.4)	12.1
Interest-bearing loans and borrowings	(7.4)	6.6	(10.7)	–	(15.4)	(26.9)
Derivative instruments – liabilities	6.6	0.1	(2.3)	(1.3)	0.0	3.1
Other current liabilities	9.7	1.7	(4.8)	–	(0.0)	6.6
Other	0.5	(19.9)	(1.2)	–	0.5	(20.0)
Unused tax losses and credits/ Recognized tax losses	16.2	2.5	13.2	–	(0.9)	31.0
NET DEFERRED TAX ASSETS (LIABILITIES)	**(164.1)**	**(39.6)**	**25.6**	**(3.5)**	**(15.7)**	**(197.2)**
Deferred tax assets	**23.9**					**46.9**
Deferred tax liabilities	**(188.0)**					**(244.1)**

(a) Including (16,5) million euros on initial recognition of convertible bonds.

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

As at December 31, 2017, the Group had tax losses of €49.4 million (base) for which no deferred tax assets had been recognized (€42.6 million at December 31, 2016). The majority of these tax losses, which are almost all related to foreign subsidiaries, have no expiration date.

NOTE 10 STOCKHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1 SHARE CAPITAL AND RESERVES

Changes in share capital

Number of shares as at December 31, 2016	**114,006,167**
Number of shares as at December 31, 2017	**219,370,207**
Number of authorized shares	219,370,207
Number of shares issued and fully paid up	219,370,207
Number of shares issued and not fully paid up	-
Par value of shares	1.00
Treasury shares	61,798
Shares reserved for issue under options and sales agreements	-

Elis carried out a capital increase with shareholders' preferential subscription rights in the amount of €325.2 million (gross amount before deduction of issuance costs of €7.7 million net of tax effect) through the issue of 25,910,490 new shares with settlement and delivery occurring on February 13, 2017.

In September 2017, Elis also carried out:

- the exchange of one Berendsen share for 0.403 Elis shares, thus creating 69,052,152 new Elis shares for an amount of €1,369.9 million (gross amount before deduction of issuance costs of €11.4 million net of tax effect); and
- a reserved capital increase of 10,131,713 shares to CPPIB, a leading global institutional investor that manages Canada's Pension Plan funds. The total amount of the CPPIB financing was €200 million.

In order to be used for the final allocation of performance shares, the share capital was subsequently increased on April 7, 2017 and on December 21, 2017 by 250,392 shares with a par value of €10, and by 19,293 shares with a par value of €1, respectively. These shares were issued as part of the capital increases through the capitalization of sums deducted from the "Additional paid-in capital" account.

On June 21, 2017, the Group also decreased the Company's capital by reducing the par value of the shares making up that capital from €10 to €1 each and allocating the amount of the reduction of €1,261.5 million to the "Additional paid-in capital" account.

No movement in share capital occurred in 2016.

Since 2015, the Group has also implemented a liquidity agreement consistent with the Code of Conduct issued by the French financial markets professional association (*Association française des marchés financiers* – AMAFI) on March 8, 2011 and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 21, 2011. Resources allocated to the implementation of the liquidity agreement and credited to the liquidity account amounted to €3.0 million. As at December 31, 2017, treasury stock accounted for 57,500 shares valued at €1.3 million based on the historic share price, deducted from equity (119,000 shares, or €1.8 million at December 31, 2016).

10.2 DIVIDENDS AND DISTRIBUTIONS PAID AND PROPOSED

The general meeting of May 27, 2016 approved the payment of a dividend of €0.35 per share. The amount distributed to shareholders therefore was €39.9 million.

The general meeting of May 19, 2017 approved the payment of a dividend of €0.37 per share. The amount distributed to shareholders therefore was €51.8 million.

A dividend of €0.37 per share or approximately €81.2 million will be proposed to the next annual general meeting.

10.3 EARNINGS PER SHARE

As disclosed in Note 10.1 "Share capital and reserves". As a result, the calculation of earnings per share (basic and diluted) for the relevant period is based on the new number of shares. Earnings per share for the prior periods have been adjusted retrospectively.

BASIC EARNINGS PER SHARE

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

(In millions of euros)	2017	2016
NET INCOME OR LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**66.2**	**93.0**
Weighted average number of shares	160,919,385	113,877,072
Effect if conversion of convertible notes	3,096,707	0
Effect of contingently issuable shares	1,507,968	258,464
Weighted average number of shares used for diluted EPS	165,524,061	114,135,536

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

NOTE 11 RELATED PARTY DISCLOSURES

Except for compensation paid to executives as shown in Note 5.5, no other transactions were carried out with related parties in 2016 or 2017.

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	Principal Activity	% interest 2017	% interest 2016
Elis	Saint-Cloud	Parent Company	100	100
FRANCE				
M.A.J.	Pantin	Textile & hygiene services	100	100
Les Lavandières	Avrillé	Textile & hygiene services	100	100
Régionale de Location et Services Textiles	Marcq-en-Barœul	Textile & hygiene services	100	100
Pierrette – T.B.A.	Malzeville	Textile & hygiene services	100	100
Le Jacquard Français	Gerardmer	Manufacturing entity	100	100
Elis Services	Saint-Cloud	Other activity	100	100
Thimeau	Meaux	Textile & hygiene services	100	100
Grenelle Service	Gennevilliers	Textile & hygiene services	Merger	100
Maison de Blanc Berrogain	Anglet	Textile & hygiene services	100	100
Société des Oreillers et Couvertures	Saint-Cloud	Other activity	100	100
Pro Services Environnement	Rochetoirin	Textile & hygiene services	100	100
AD3	Dardilly	Textile & hygiene services	100	100
S.C.I. du Château de Janville	Saint-Cloud	Other activity	100	100
Lovetra	Saint-Ouen-l'Aumône	Textile & hygiene services	Merger	100
G.I.E. Eurocall Partners	Villeurbanne	Other activity	100	100
Blanchisserie Moderne	Montlouis-sur-Loire	Textile & hygiene services	96	96
S.C.I. Maine Beauséjour	Limoges	Other activity	100	100
S.C.I. La Forge	Bondoufle	Other activity	100	100
Société de Participations Commerciales et Industrielles	Saint-Cloud	Other activity	100	100
S.C.I. des 2 Sapins	Grenoble	Other activity	100	100
SHF Holding	Saint-Cloud	Other activity	100	100
SHF	Saint-Cloud	Textile & hygiene services	100	100
BMF	Bondoufle	Textile & hygiene services	100	100
LSP	Saint-Cloud	Textile & hygiene services	100	100
Hygiène Technique et Protection de l'Environnement	Bobigny	Textile & hygiene services	100	100
Blanchisserie Professionnelle d'Aquitaine	Mios	Textile & hygiene services	100	96
Aquitaine Services Developpement	Mios	Other activity	Merger	100
France Tapis Hygiène Service	Marcq-en-Barœul	Textile & hygiene services	–	Merger
Hygiène Contrôle Île-de-France	Serris	Textile & hygiene services	100	100
HTE Sanitation	Vitrolles	Textile & hygiene services	100	–
Blanchisserie Blésoise	La Chaussée-Saint-Victor	Textile & hygiene services	100	–
S.C.I. Les Gailletrous	La Chaussée-Saint-Victor	Other activity	100	–

Entity name	Registered office	Principal Activity	% interest 2017	% interest 2016
AUSTRIA				
Berendsen GmbH	Hard	Textile & hygiene services	100	–
ANDORRA				
Auxiliar Hotelera Arly	Andorra	Textile & hygiene services	100	100
Arly les Valls	Andorra	Dormant	In liquidation	In liquidation
BELGIUM				
Hades	Anderlecht	Textile & hygiene services	100	100
BRAZIL				
Atmosfera Gestao e Higienização de Têxteis SA	Jundiai	Textile & hygiene services	100	100
L'Acqua Lavanderias Ltda	Ponta Grossa	Textile & hygiene services	100	100
AJS Industria e Comercio de Confeccoes Ltda	Eusébio	Other activity	–	Dissolved
Teclav Tecnologia e Lavagem Industrial Ltda	Eusébio	Textile & hygiene services	100	100
Lavanderia Verde Ltda	Caieiras	Other activity	Dissolved	100
Martins e Lococo Lavanderia Ltda	Caieiras	Textile & hygiene services	100	100
Reis & Nóbrega Lavanderia Ltda	Fortaleza	Textile & hygiene services	Merger	100
MPW Lavanderia, Comércio e Serviços Ltda	Piracicaba	Textile & hygiene services	100	100
Lavanderia Espírito Santo Norte Ltda	Serra	Textile & hygiene services	–	Merger
Megalav Lavanderia Hospitalar Ltda	Serra	Textile & hygiene services	100	100
Uniforme Lavanderia e Locação Eireli EPP	Camaçari	Textile & hygiene services	100	100
Prontlav Lavanderia Ltda	Fortaleza	Textile & hygiene services	100	100
Toalhão locação e Higienização de Enxoval Ltda	Fortaleza	Textile & hygiene services	100	100
NJ Lavanderia Industrial e Hospitalar Ltda ME	Brasilia	Textile & hygiene services	100	–
Prolav Servicos Tecnicos Ltda	Rio Bonito	Textile & hygiene services	100	–
Lavari I Vestiti Lavanderia Ltda – EPP	Paço do Lumiar	Textile & hygiene services	Merger	–
Pontuali Servico de Lavanderia Ltda – EPP	Maceio	Textile & hygiene services	Merger	–
Global Service Lavanderia Ltda ME	Goiana	Textile & hygiene services	100	–
Lavanderia Lav-Service Ltda – EPP	São Paulo	Textile & hygiene services	Merger	–
Oficial Lavanderia Hospitalar Ltda – EPP	Cedral	Textile & hygiene services	Merger	–
Oficial Lavanderia e Toalheiros Ltda ME	Cedral	Textile & hygiene services	Merger	–
Maximum Clean Lavanderia Profissional Ltda	Bady Bassit	Textile & hygiene services	Merger	–
Maxihotel Lavanderia Profissional Limitada EPP	Bady Bassit	Textile & hygiene services	Merger	–
LVB Holding LTDA	Videira	Other activity	100	–
Lavebras Gestao de Texteis SA	Videira	Textile & hygiene services	100	–
RDX Gestão e Higienização Textil Ltda	Paulista	Textile & hygiene services	100	–
Biolav Lavanderia Ltda EPP	Teresina	Textile & hygiene services	100	–
Atmosfera Gestao e Higienização de Uniformes Ltda	São José dos Pinhais	Textile & hygiene services	100	–
Totalqualy Higienização Textil	São Bernardo do Campo	Textile & hygiene services	100	–
CHILE				
Elis Chile SA	Santiago	Other activity	100	100
Albia SA	Recoleta	Textile & hygiene services	100	100
Servicios Hospitalarios SA	Recoleta	Textile & hygiene services	100	100
COLOMBIA				
Servicios Industriales de Lavado SIL SAS	Bogota D.C.	Textile & hygiene services	100	100
Centro de Lavado y Aseo CLA SAS	Bogota D.C.	Textile & hygiene services	100	–
Lavanser SAS	Bogota D.C.	Textile & hygiene services	100	–

Entity name	Registered office	Principal Activity	% interest 2017	% interest 2016
CZECH REPUBLIC				
Elis Textil Servis s.r.o.	Slavkov ù Brna	Textile & hygiene services	100	100
Berendsen Textil Servis s.r.o.	Velké Pavlovice	Textile & hygiene services	100	–
DENMARK				
Berendsen A/S	Copenhague	Other activity	100	–
Berendsen Textil Service A/S	Søborg	Textile & hygiene services	100	–
Jysk Linnedservice A/S	Kjellerup	Textile & hygiene services	70	–
Washa Aps	Kastrup	Textile & hygiene services	25	–
Xtra Måtteservice A/S	Holsted	Textile & hygiene services	100	–
ESTONIA				
AS Svarmil	Kiviõli	Other activity	100	–
Berendsen Textile Service AS	Tartumaa	Textile & hygiene services	100	–
FINLAND				
Berendsen Textile Service Oy	Tuusula	Other activity	100	–
GERMANY				
Elis Holding GmbH	Rehburg-Loccum	Other activity	100	100
Elis Textil-Service GmbH	Mörlenbach	Textile & hygiene services	100	100
RWV Textilservice Beteiligungs GmbH	Rehburg-Loccum	Other activity	–	Merger
Schäfer Wäsche-Vollservice GmbH	Ibbenbüren	Textile & hygiene services	100	100
Rolf und Horst Schäfer GmbH & Co. KG	Ibbenbüren	Other activity	100	100
Wolfsperger Textilservice GmbH & Co. KG	Freiburg im Breisgau	Textile & hygiene services	100	100
Wolfsperger Verwaltungs GmbH	Freiburg im Breisgau	Other activity	100	100
Cleantex Potsdam Textilpfelge GmbH	Potsdam	Textile & hygiene services	100	100
Kress Textilpflege GmbH	München	Textile & hygiene services	100	100
Zischka Textilpflege GmbH	Simmern	Textile & hygiene services	100	100
Wismarer Wäscherei GmbH	Wismar	Textile & hygiene services	100	100
KlinTex GmbH	Rehburg-Loccum	Other activity	100	100
Textilpflege Stralsund GmbH	Stralsund	Textile & hygiene services	100	100
Textilpflege Stralsund Verwaltungs GmbH	Stralsund	Other activity	–	Merger
Puschendorf Textilservice GmbH Mannheim	Mannheim	Textile & hygiene services	100	100
Servicegesellschaft der Zentralwäscherei Rein-Neckar mbH	Mannheim	Other activity	100	100
Puschendorf Textilservice GmbH	Schönebeck/Elbe	Textile & hygiene services	100	100
AKK-Service GmbH	Hamburg	Textile & hygiene services	10	–
Askulta Nord Textilpflege GmbH&Co. KG	Glückstadt	Dormant	100	–
Berendsen Beteiligungs GmbH	Glückstadt	Other activity	100	–
Berendsen GmbH	Glückstadt	Textile & hygiene services	100	–
Berendsen GmbH Füssen	Glückstadt	Dormant	100	–
Berendsen GmbH Glückstadt	Glückstadt	Other activity	100	–
Berendsen GmbH Messkirch	Glückstadt	Dormant	100	–
Berendsen GmbH Nordost	Fürstenwalde	Textile & hygiene services	100	–
Berendsen GmbH Schleswig	Schleswig	Textile & hygiene services	100	–
Berendsen GmbH West	Hagen	Textile & hygiene services	100	–
Berendsen Group Services GmbH	Glückstadt	Other activity	100	–
Berendsen Textilservice GmbH	Hamburg	Textile & hygiene services	100	–

Entity name	Registered office	Principal Activity	% interest 2017	% interest 2016
Decontam GmbH	Bad Windsheim	Textile & hygiene services	100	–
Glückstadter Textilservice GmbH & Co oHG	Glückstadt	Dormant	100	–
Jentex GmbH	Jena	Textile & hygiene services	49	–
PTS Pinneberger Textil-Service GmbH	Glückstadt	Dormant	100	–
Saniwo Textil-Gesellschaft mbH	Hamburg	Textile & hygiene services	100	–
TSL Textilservice-und Logistik GmbH	Fürstenwalde	Dormant	100	–
HUNGARY				
Első Magyar Tisztatéri Mosoda Kft	Miskolc	Textile & hygiene services	100	–
IRELAND				
Berendsen Finance Ireland (DKK) Limited	Dublin	Other activity	100	–
Berendsen Finance Ireland (Euro) Limited	Dublin	Other activity	100	–
Berendsen Finance Ireland (PLN) Limited	Dublin	Other activity	100	–
Berendsen Ireland Holdings Limited	Dublin	Dormant	100	–
Berendsen Ireland Limited	Dublin	Textile & hygiene services	100	–
Nanoclean Limited	Dublin	Textile & hygiene services	100	–
Steri-tex Limited	Dublin	Dormant	100	–
ITALY				
Elis Italia SpA	San Giuliano Milanese	Textile & hygiene services	100	100
LATVIA				
AS "Berendsen Tekstila Serviss"	Riga	Textile & hygiene services	100	–
LITHUANIA				
Berendsen Textile Service, UAB	Vilnius	Textile & hygiene services	100	–
LUXEMBOURG				
Elis Luxembourg	Bascharage	Textile & hygiene services	100	100
NETHERLANDS				
Berendsen Textiel Service BV	Arnhem	Textile & hygiene services	100	–
Groene Team BV	Arnhem	Dormant	100	–
S Berendsen (Netherlands) BV	Arnhem	Other activity	100	–
NORWAY				
Berendsen Tekstil Service A/S	Oslo	Textile & hygiene services	100	–
POLAND				
Berendsen Textile Service Spolka zoo	Żukowo	Textile & hygiene services	100	–
PORTUGAL				
Garment Finishing and Distribution European Services	Samora Correira	Other activity	100	100
Sociedade Portuguesa de Aluguer e Serviço de Texteis	Samora Correira	Textile & hygiene services	100	100
SPAST II	Samora Correira	Textile & hygiene services	100	100
RUSSIA				
OOO Berendsen	Moscow	Textile & hygiene services	100	–
SLOVAKIA				
Berendsen Textil Servis s.r.o.	Trenčin	Textile & hygiene services	100	–

Entity name	Registered office	Principal Activity	% interest 2017	% interest 2016
SPAIN				
Elis Manomatic	Parets del Vallès (Barcelona)	Textile & hygiene services	100	100
Azelab Productos	Parets del Vallès (Barcelona)	Textile & hygiene services	–	Merger
Explotadora de Lavanderias	Consell (Mallorca)	Textile & hygiene services	–	Merger
Lavanderia Hotelera Del Mediterraneo	La Nucia (Alicante)	Textile & hygiene services	100	100
Lavalia Balears Servicios y Renting Textil	La Nucia (Alicante)	Textile & hygiene services	100	100
Lavalia Sur Servicios y Renting Textil	La Nucia (Alicante)	Dormant	Dissolved	In liquidation
Lavalia c. e. e.	La Nucia (Alicante)	Dormant	100	100
UTE Elis Indusal	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
Lavanderías del Ebro, SA	Huesca (Huesca)	Textile & hygiene services	Merger	100
Indusal Rías Baixas, SA	Porriño (Pontevedra)	Textile & hygiene services	Merger	100
Lavandería Industrial Navarra, SA	Tudela (Navarra)	Textile & hygiene services	Merger	100
Lavandería Industrial Olimpia, SL	Mutilva Baja (Navarra)	Textile & hygiene services	Merger	100
Servicios de Lavandería Industrial de Castilla la Mancha, SA	Yeles (Toledo)	Textile & hygiene services	100	100
Indusal Alandalus, SL	Córdoba (Córdoba)	Textile & hygiene services	Merger	100
Ibérica de Renting y Lavanderías Industriales, SA	Venta de Baños (Palencia)	Textile & hygiene services	Merger	100
Indusal, SA	Arrigorriaga (Vizcaya)	Textile & hygiene services	100	100
Indusal Renting Cataluña, SA	Arrigorriaga (Vizcaya)	Textile & hygiene services	Merger	100
Lavaplan Industrias del Lavado y Planchado, SL	Quart de Poblet (Valencia)	Textile & hygiene services	Merger	100
Lavandería Miele, SL	Sueca (Valencia)	Textile & hygiene services	Merger	100
Lavandería Indusal Cantabria, SA	Cabezón de la Sal (Cantabria)	Textile & hygiene services	Merger	100
Indusal Rías Altas, SA	Sergude Boqueixon (A Coruña)	Textile & hygiene services	Merger	100
Indusal La Rioja, SL	Quel (La Rioja)	Textile & hygiene services	Merger	100
Indusal Castilla La Mancha, SA	Alcázar de San Juan (Ciudad Real)	Other activity	Merger	100
Indusal Renting Catalunya Siglo XXI, SL	Vilafranca del Penedés (Barcelona)	Other activity	Merger	100
Lavandería Industrial La Condesa, SL	Venta de Baños (Palencia)	Textile & hygiene services	100	100
Indusal Galicia Siglo XXI, SL	Porriño (Pontevedra)	Other activity	Merger	100
Tudela Patrimonial Siglo XXI, SL	Tudela (Navarra)	Other activity	Merger	100
Rías Altas Patrimonial Siglo XXI, SL	Sergude Boqueixon (A Coruña)	Other activity	Merger	100
Serlasa Patrimonial Siglo XXI, SL	Abanto y Ciervana (Vizcaya)	Other activity	Merger	51
Naserinco Patrimonial S. XXI, SL	Tudela (Navarra)	Other activity	Merger	100

Entity name	Registered office	Principal Activity	% interest 2017	% interest 2016
Lavanderías Industriales Salamanca, SL	Villares de la Reina (Salamanca)	Textile & hygiene services	Merger	100
Goiz Ikuztegia, SL	Zumárraga (Guipúzcoa)	Textile & hygiene services	100	100
Energías Margua SA	Pamplona (Navarra)	Other activity	100	100
Malsin, SA	Pamplona (Navarra)	Other activity	Merger	100
Serclothes, SL	Pamplona (Navarra)	Textile & hygiene services	Merger	100
Gulluri, SA	Arrigorriaga (Vizcaya)	Textile & hygiene services	Merger	100
Lain Pak, SA	Arrigorriaga (Vizcaya)	Other activity	Merger	100
Indusal Textil, SL	Pamplona (Navarra)	Dormant	Merger	100
Indusal Sur, SA	Escacena del Campo (Huelva)	Textile & hygiene services	60	60
Serlasa, SA	Abanto y Ciervana (Vizcaya)	Textile & hygiene services	Merger	51
Cogeneración Martiartu, SL	Arrigorriaga (Vizcaya)	Other activity	100	100
Lesa Inmuebles Siglo XXI, SL	Pamplona (Navarra)	Other activity	100	100
Insernaco Patrimonial S. XXI, SL	Abanto y Ciervana (Vizcaya)	Other activity	Merger	51
Gestytex Ibérica, SL	Arrigorriaga (Vizcaya)	Other activity	50	50
Lavanderías El Cantábrico, SL	Santurtzi (Vizcaya)	Textile & hygiene services	100	87
Casbu, SL	Igualada (Barcelona)	Textile & hygiene services	50	50
Compañía Navarra Servicios Integrales, SL	Pamplona (Navarra)	Other activity	100	100
UTE Cantabria Lainpak	Cabezón de la Sal (Cantabria)	Dormant	100	100
UTE Indusal Navarra Tasubinsa	Marcilla (Navarra)	Textile & hygiene services	68	68
UTE Goiz Gureak	Zumarraga (Guipuzcua)	Textile & hygiene services	75	75
SWEDEN				
Berendsen Sourcing AB	Göteborg	Other activity	100	–
Berendsen Textil Service AB	Malmö	Textile & hygiene services	100	–
S Berendsen AB	Malmö	Other activity	100	–
SWITZERLAND				
Blanchâtel SA	La Chaux-de-Fonds	Textile & hygiene services	Merger	100
Blanchisserie des Épinettes SA	Plan-les-Ouates	Textile & hygiene services	Merger	100
Blanchisserie des Épinettes, Acacias SA	Nyon	Other activity	–	Merger
Blanchival SA	Sion	Textile & hygiene services	Merger	100
Großwäscherei Domeisen AG	Endingen	Textile & hygiene services	Merger	100
Hedena SA	Nyon	Other activity	–	Merger
Hygienis SA	Carouge	Textile & hygiene services	100	100
InoTex Bern AG	Bern	Textile & hygiene services	100	100
Laventex SA	Givisiez	Textile & hygiene services	Merger	100
Lavopital SA	Plan-les-Ouates	Dormant	–	Merger
Elis (Suisse) SA	Nyon	Textile & hygiene services	100	100
Lavotel Textilleasing GmbH	Rüdtligen-Alchenflüh	Textile & hygiene services	–	Merger
On my Way	Lausanne	Textile & hygiene services	50	50
Picsou Management AG	Muri bei Bern	Other activity	100	100
Prohotel Wäscherei AG	Kloten	Textile & hygiene services	Merger	100
SiRo Holding AG	Muri bei Bern	Other activity	100	100

Entity name	Registered office	Principal Activity	% interest 2017	% interest 2016
SNDI (Suisse) SA	Brügg	Textile & hygiene services	100	100
Wäscherei Kunz AG	Hochdorf	Textile & hygiene services	100	100
Wäscherei Mariano AG	Schlieren	Textile & hygiene services	100	100
Wäscherei Papritz AG	Rüdtligen-Alchenflüh	Textile & hygiene services	Merger	100
Wäscheria Textil Service AG	Ilanz	Textile & hygiene services	Merger	100
Wäscheria Textil Service Bad Ragaz AG	Bad Ragaz	Textile & hygiene services	Merger	100
Wäscheria Textil Service AG (formerly WashTex Holding AG)	Ilanz	Textile & hygiene services	100	100
UNITED KINGDOM & JERSEY				
Kennedy Hygiene Products Ltd	Uckfield	Manufacturing entity	100	100
Kennedy Exports Ltd	Uckfield	Other activity	100	100
BDF Healthcare Ltd	Ayrshire, Scotland	Dormant	Dissolved	–
BDF Holdings Ltd	Ayrshire, Scotland	Dormant	100	–
Berendsen Cleanroom Services Ltd	London	Textile & hygiene services	100	–
Berendsen Finance (DKK) Ltd	London	Other activity	100	–
Berendsen Finance (Euro) Ltd	London	Other activity	100	–
Berendsen Finance (Euro2) Ltd	London	Other activity	100	–
Berendsen Finance Ltd	London	Other activity	100	–
Berendsen Healthcare Ltd	London	Textile & hygiene services	100	–
Berendsen Hospitality Ltd	London	Textile & hygiene services	100	–
Berendsen Nominees Ltd	London	Other activity	100	–
Berendsen Northern Ireland Ltd	Belfast	Textile & hygiene services	100	–
Berendsen Plc	London	Other activity	100	–
Berendsen Supply Chain (Northern ireland) Ltd	Belfast	Textile & hygiene services	100	–
Berendsen UK Ltd	London	Other activity	100	–
Berendsen Workwear Ltd	London	Textile & hygiene services	100	–
Camborne-Redruth Laundry Company Ltd	London	Dormant	Dissolved	–
Cavendish Laundry Ltd	London	Dormant	100	–
Davis (BIM) Ltd	London	Dormant	100	–
Davis (FH) Ltd	London	Dormant	100	–
Fabricare Ltd	London	Dormant	100	–
Fakenham Laundry Services Ltd	London	Dormant	Dissolved	–
IHSS Ltd	London	Textile & hygiene services	100	–
Lakeland Pennine Group Ltd	London	Dormant	100	–
Lakeland Pennine Ltd	London	Dormant	100	–
Laundrycraft Ltd	London	Dormant	100	–
M Furnishing Group Ltd	London	Dormant	100	–
Midland Laundry Group Ltd	London	Dormant	100	–
Midland Laundry Group Holdings Ltd	London	Dormant	100	–
National Sunlight Landries Ltd	London	Dormant	100	–
Rocialle Ltd	London	Dormant	100	–
Salop Textile Solutions Ltd	London	Dormant	Dissolved	–
Spring Grove Services Ltd	London	Dormant	100	–
Spring Grove Services Group Ltd	London	Dormant	100	–
St. Helens Laundry Ltd	London	Dormant	100	–

Entity name	Registered office	Principal Activity	% interest 2017	% interest 2016
Sunlight (72078) Ltd	London	Dormant	Dissolved	–
Sunlight (Lyndale) Ltd	London	Dormant	100	–
Sunlight (Newbury) Ltd	London	Dormant	Dissolved	–
Sunlight Clinical Solutions Ltd	London	Dormant	100	–
Sunlight Services Ltd	London	Dormant	100	–
Sunlight Textile Services Ltd	London	Dormant	100	–
Sunlight Workwear Services Ltd	London	Dormant	100	–
The Sunlight Group Ltd	London	Dormant	100	–
The Sunlight Service Group Ltd	London	Dormant	100	–
Berendsen Employee Benefit Trust	Jersey	Other activity	100	–

NOTE 12 EVENTS AFTER THE REPORTING PERIOD

Elis continued to diversify its sources of financing, setting up an €3 billion EMTN program approved by the AMF on January 30, 2018. On February 15, 2018, under this EMTN program, Elis issued a €1 billion, double-tranche bond, including a 5-year tranche for €650 million, bearing a coupon rate of 1.875% and an 8-year tranche for €350 million, bearing a coupon rate of 2.875%.

On February 19, 2018, the balance of the 2017 Bridge Loan Agreement, signed on June 12, 2017 in connection with the Berendsen acquisition, was fully repaid using the proceeds of the bond issue and the Group's cash assets.

NOTE 13 STATUTORY AUDITORS' FEES

	Mazars				PricewaterhouseCoopers Audit			
	Amount (excl.tax)		%		Amount (excl.tax)		%	
(In millions of euros)	2017	2016	2017	2016	2017	2016	2017	2016
Independent audit	0.5	0.5	45%	80%	0.3	0.2	38%	82%
Other services different from independent audit	0.6	0.1	55%	20%	0.6	0.1	62%	18%
Required by law [(a)]	*0.5*	–	*42%*	*0%*	*0.4*	–	*50%*	*0%*
Other [(b)]	*0.1*	*0.1*	*13%*	*20%*	*0.1*	*0.1*	*13%*	*18%*
TOTAL	**1.1**	**0.6**	**100%**	**100%**	**0.8**	**0.3**	**100%**	**100%**

(a) Work conducted by Mazars and PricewaterhouseCoopers Audit in relation to the capital increases during the financial year.
(b) For 2017, work conducted by Mazars and PricewaterhouseCoopers Audit for the issuance of comfort letters in relation to financing transactions during the financial year and for PricewaterhouseCoopers Audit for the issuance of the CSR report.

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 to other legal entities of the audit networks by Elis SA or by its fully consolidated subsidiaries.

NOTE 14 STANDARDS ISSUED BUT NOT YET EFFECTIVE

14.1 ESTIMATED IMPACT OF THE ADOPTION OF IFRS 9 AND IFRS 15

The Group will have to apply IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" for its financial year beginning on January 1, 2018. Based on the estimates set out below, the Group believes that the impact of these changes on its consolidated equity as at January 1, 2018 will be as follows:

(In millions of euros)	Gross Impact on Asset or Liability	Impact on Deffered tax assets (liabilities)	Impact on Increase (Decrease) of retained earnings
RETAINED EARNINGS (ACCUMULATED DEFICIT), AS OF DECEMBER 31, 2017			**(189.1)**
Estimated adjustments due to adoption of IFRS9:			
– Additional impairment loss on trade receivables	(0.7)	0.2	(0.5)
– Decrease of financial indebtedness renegociated prior December 31, 2017	16.7	(5.3)	11.4
Estimated adjustments due to adoption of IFRS15:			
– New asset for incremental costs of obtaining contracts	29.8	(6.1)	23.8
RETAINED EARNINGS (ACCUMULATED DEFICIT), AS OF JANUARY 1, 2018			**(154.4)**

Further explanations on these various elements are provided in the following paragraphs.

14.2 IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 "Financial Instruments" issued by the IASB in July 2014 became effective on January 1, 2018. However, the Group has performed a preliminary estimate of the potential impact of the adoption of IFRS 9 on the basis of its position as at December 31, 2017.

The new standard provides for a new classification of financial assets, in three principal categories: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss, thereby simplifying categories previously defined under IAS 39.

Based on its preliminary estimate, the Group does not believe that the new classification will a have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

The standard provides for a new impairment model for financial assets, replacing "incurred loss" by "expected credit losses". This will require Group's judgment for appraisal of potential credit losses over the expected life of the financial instruments. The Group's preliminary estimate shows that the application of impairment requirements under IFRS 9 as at December 31, 2017 would have resulted in an increase of €0.7 million in the loss allowance for trade receivables at that date, compared with the impairment losses recognized under IAS 39.

The new classification rules for financial liabilities under IFRS 9 are the same overall as those of IAS 39. The new requirements in the method for accounting change in value of liabilities designated as at fair value through profit or loss will not affect the Group as none of its liabilities have been designated to enter in this category.

The Group has hedging instruments to which it plans to apply the new provisions of IFRS 9, which offers opportunities to apply hedge accounting to a broader range of risk component. However, the Group currently does not undertake hedges of such risk components.

The hedging instruments used by the Group are:

- forward foreign exchange contracts, to hedge the variability of the currencies used for its inventory or fixed assets purchases. In accordance with IAS 39, the Group recognizes the effective portion of changes in the fair value of these instruments in equity, while the ineffective portion is recognized immediately in profit or loss. In the periods in which the hedged item affects profit or loss, the Group reclassifies the amounts accumulated in equity either to profit or loss or by incorporating them into the entry value of the hedged item in the balance sheet using the "Basis adjustment" method. 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 up

to their reclassification in income or loss or in the initial cost of the non-financial asset acquired. According to the Group's preliminary assessment, the existing types of foreign exchange forward contracts held by the Group will meet the requirements of IFRS 9 and the new standard would have had no material impact if applied to these consolidated financial statements;

- interest rate swaps, to exchange a portion of its debt subject to floating interest rate for a fixed rate. The change in fair value of these hedging instruments is based on the same principles of the split between the effective portion (recorded equity) and the ineffective portion (immediately recorded in profit or loss). Application of IFRS 9 is not expected to have a material impact on the accounting treatment of those instruments.

Finally, IFRS 9 now requires that when debt is renegotiated, the impact of this amendment must be recognized immediately in profit or loss, with the subsequent interest expense continuing to reflect the original Effective Interest Rate (EIR). As a result, the carrying amount of the debt on the balance sheet will be adjusted to reflect the value of the new discounted cash flows at the EIR of the original debt. The retrospective application of IFRS 9 to the Group's undated liabilities at January 1, 2018 would result in a decrease in the Group's financial liabilities of €16.7 million, offset by a decrease in deferred tax liabilities of €5.3 million and an increase in retained earnings of €11.4 million.

14.2 IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

IFRS 15 relating to the recognition of revenues from contracts with customers published by IASB in May 2014 is effective from January 1, 2018 and replaces IAS 18 "Revenue" currently applied by the Group.

The five-step model introduced by IFRS 15 requires the identification of the various performance obligations set out in each contract with customers.

Almost all of the Group's revenue is derived from the sale of services under multi-year contracts. An analysis of contracts representing this core business has been undertaken, the results of which show that, in general, the various services promised to customers constitute a single service obligation.

In addition, IFRS 15 requires the recognition as an asset of the incremental costs of acquiring long-term commercial contracts and allocating their cost over the life of the contracts. In the Group's case, this new asset will correspond in particular to sales commissions paid, in proportion to the amount or number of contracts signed.

Based on the analysis, the Group does not expect any material impacts on its income statement related to the implementation of IFRS 15, but estimates that the application of this new standard will result in a new asset corresponding to the acquisition cost of long-term contracts, amounting to approximately €30 million at the transition date.

14.3 IFRS 16 "LEASES"

IFRS 16 "Leases" was released by IASB in January 2016 and will be effective from January 1, 2019. The standard introduces a new definition of lease contracts, retains the distinction between operating leases and finance leases for lessors, but introduces a single lease accounting model for lessees.

The Group has chosen not to apply IFRS 16 early.

It has not yet quantified the impact of the adoption of IFRS 16 and has not yet determined its position on the transition method.

14.4 TRANSITION METHODS

For transition to IFRS 9, the Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amount of financial assets and liabilities resulting from the application of IFRS 9 will therefore be recognized in "Retained earnings" in accordance with section 7.2.15 of the standard.

The Group intends to implement IFRS 15 retrospectively by recognizing the cumulative effect of this standard on January 1, 2018 as an adjustment to the opening balance of its retained earnings, in accordance with sections C3, C7 and C8 of the standard.

2. ELIS PARENT COMPANY FINANCIAL STATEMENTS

2.1 STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

Assets

(In thousands of euros)	Gross amount	Accum. depr./ amort. & impairm. losses	Net 12/31/2017	Net 12/31/2016
Subscribed capital uncalled				
Intangible assets				
Start-up costs				
Development costs				
Concessions, patents and other rights				
Business goodwill				
Other intangible assets				
Advances and prepayments on intangible assets				
Property, plant and equipment				
Land				
Buildings				
Fittings, machinery and equipment				
Other property, plant and equipment				
Assets in progress				
Advances and prepayments				
Financial assets				
Equity-accounted companies				
Other equity investments	3,592,809	1,258	3,591,551	1,119,966
Loans and advances to equity investees	779,262		779,262	88,448
Other investments	111		111	111
Loans				
Other financial assets	1,369,135		1,369,135	1,368,562
TOTAL NON-CURRENT ASSETS	5,741,317	1,258	5,740,059	2,577,087
Inventories and work in progress				
Raw materials and supplies				
Goods in progress				
Services in progress				
Finished and semi-finished goods				
Goods held for resale				
Advances and prepayments on orders	6		6	7
Receivables				
Trade receivables				627
Other receivables	857,751		857,751	337,275
Subscribed capital called but not paid				
Other				
Marketable securities				
(Of which treasury shares):				
Cash and cash equivalents	66,211		66,211	105
Other accruals				
Prepaid expenses	1,038		1,038	1,106
TOTAL CURRENT ASSETS	925,006		925,006	339,120
Deferred debt issuance costs				
Bond discounts				
Unrealized foreign currency translation losses				
GRAND TOTAL	**6,666,323**	**1,258**	**6,665,064**	**2,916,208**

Equity and liabilities

(In thousands of euros)	Financial year 2017	Financial year 2016
Issued capital (o/w paid-up: 1,140,062)	219,370	1,140,062
Additional paid-in capital	3,025,663	280,874
Remeasurement adjustments (o/w for equity-accounted companies)		
Legal reserve	724	724
Regulatory or contractual reserves		
Regulated reserves (including translation reserve)		
Other reserves (o/w purchases of original works of art)		
Retained earnings (accumulated losses)	(91,518)	(107,246)
Net income (profit or loss) for the period	**(58,909)**	**15,713**
Investment grants		
Regulated provisions	1,647	
TOTAL EQUITY	3,096,977	1,330,127
Proceeds from issuance of profit-sharing loans		
Conditional advances		
TOTAL QUASI-EQUITY		
Provisions for risks	0	0
Provisions for expenses	54	35
PROVISIONS	55	36
Financial liabilities		
Convertible bonds	400,000	
Other bonds	804,067	804,067
Bank loans	1,743,549	473,676
Sundry loans & other borrowings (o/w profit-sharing)	573,914	303,800
Advances and deposits on orders in progress		
Operating liabilities		
Trade payables	12,414	3,079
Tax and employee-related liabilities	2,025	1,424
Sundry liabilities		
Amounts due to suppliers of non-current assets		
Other liabilities	32,063	
Other accruals		
Deferred income		
TOTAL LIABILITIES	3,568,032	1,586,046
Unrealized foreign currency translation gains		
GRAND TOTAL	**6,665,064**	**2,916,208**

2.2 INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

	Financial year 2017			Financial year
(In thousands of euros)	France	Exports	Total	2016
Sale of goods held for resale				
Sales of goods				
Sales of services	566		566	1,044
Net revenue	**566**		**566**	**1,044**
Increase in finished goods and work in process inventories				
Capitalized production costs				
Operating grants				
Reversals of prov. & accum. depr./amort. & impairm.				
Other income				
Recurring operating income			**566**	**1,044**
Purchases of goods for resale (including customs duties)				
Change in inventories – goods held for resale				
Purchases of raw materials and supplies			4	4
Change in inventories (raw materials and supplies)				
Other purchases and external expenses			39,108	8,234
Taxes and duties			606	145
Salaries and wages			2,546	1,688
Payroll taxes			716	597
Depreciation, amortization, impairment and provisions:				
Non-current assets: depreciation and amortization expense				
Non-current assets: impairment losses				
Current assets: impairment losses				
Increase in provisions			7	6
Other expenses			511	515
Operating expenses			**43,498**	**11,189**
OPERATING INCOME (LOSS)			(42,932)	(10,145)
Joint operations				
Profit transferred in or loss transferred out				
Loss transferred in or profit transferred out				
Financial income			**22,707**	**29,210**
Financial income from equity investments				22,357
Income from other securities and long-term loans and receivables				
Other interest income			17,768	6,853
Reinvoiced expenses and reversals of provisions				
Foreign currency translation gains			4,939	
Net gain on disposals of marketable securities				

(In thousands of euros)	Financial year 2017 France	Exports	Total	Financial year 2016
Financial expenses			**53,649**	**37,384**
Amortization and provisions on financial assets			37	4
Interest expense			48,779	37,380
Foreign currency translation losses			4,833	
Net (loss) on disposals of marketable securities				
NET FINANCIAL INCOME (LOSS)			(30,942)	(8,174)
NET RECURRING INCOME (LOSS) BEFORE TAX			(73,874)	(18,319)
Non-recurring income			**741**	**477**
Non-recurring income from operations				
Non-recurring income from capital transactions			741	477
Reinvoiced expenses and reversals of provisions				
Non-recurring expenses			**13,766**	**200**
Non-recurring expenses on operations			12,106	30
Non-recurring expenses on capital transactions			1	165
Non-recurring depreciation, amortization and provisions			1,659	5
NET NON-RECURRING INCOME (LOSS)			(13,025)	277
Employee profit-sharing				
Income tax expense			(27,990)	(33,754)
Total income			**24,014**	**30,731**
Total expenses			**82,293**	**15,018**
PROFIT OR LOSS			**(58,909)**	**15,713**

2.3 APPENDIX

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NOTE 1 COMPANY'S BUSINESS AND SIGNIFICANT EVENTS OF THE YEAR

1.1 COMPANY'S BUSINESS

Business activity of holding companies.

1.2 SIGNIFICANT EVENTS OF THE YEAR

The financial statements below cover the 12-month period from January 1, 2017 to December 31, 2017 and show a net loss of -€58,909,000.

On September 12, 2017, Elis announced that it had completed the acquisition of Berendsen, a European company specializing in services solutions for textile, hygiene and protection products, operating mainly in the United Kingdom, Scandinavia, Eastern and Central Europe. The purchase price paid in cash in the amount of £5.40 and via delivery of 0.403 new Elis shares for each Berendsen share amounted to €2.4 billion. The financing of the cash-settled portion was carried out by setting up a bridge loan agreement with a syndicate of banks. The bridge loan was successively repaid during the year following the issuance of *Océanes* bonds and the capital increase to which CPPIB subscribed, as described in Notes 5.1 and 5.5 hereunder.

NOTE 2 EVENTS AFTER THE REPORTING PERIOD

In order to finalize the repayment to refinance the 2017 Bridge Loan, Elis implemented its €3 billion Euro Medium Term Note program, for which the base prospectus was approved by the AMF under No. 18-031 on January 30, 2018. On February 8, the Group raised €1.0 billion through a double-tranche bond issue (5 and 8 years):

- the 5-year tranche, for €650 million, bears an annual coupon rate of 1.875%;
- the 8-year tranche, for €350 million, bears an annual coupon rate of 2.875%.

This successfully completed transaction will extend the maturity of the Group's debt.

NOTE 3 ACCOUNTING POLICIES

Generally accepted accounting principles have been applied, including the principle of conservatism, in accordance with the following basic assumptions: going concern, consistency principle, time period assumption and matching principle, in accordance with the general rules governing the preparation and presentation of annual financial statements defined by the French General Chart of Accounts (PCG [1]).

The basic method used to measure the items recognized in the financial statements is the historical cost method.

Changes in measurement method

The first-time application of ANC Regulation 2015-05 relating to forward financial instruments and hedging transactions had no impact on the Company.

Changes in presentation method

None.

(1) ANC Regulation 2014-03 relating to the PCG, modified by ANC Regulation 2016-07.

The main accounting policies applied are as follows:

3.1 NON-CURRENT ASSETS

Financial assets

Equity investments and other securities

Their gross amount has been the acquisition cost, including any ancillary costs, since the first application of Opinion 2007-C issued on June 15, 2007 by the Urgent Issues Committee of the French National Accounting Board (CNC). Prior to that Opinion, transfer taxes, fees and commissions, and cost of deeds were recognized in expenses for the financial year. An accelerated amortization over five years is then applied to these costs.

When the value in use is less than the gross amount, an impairment loss is recorded for the difference. The value in use is estimated based on the share of the net assets held by the Company at the end of the last known financial year, with the significant items of property, plant and equipment and intangible assets being remeasured.

Other financial assets

Merger losses on financial assets

"Merger losses on financial assets" of €1,365,291,000 corresponds to the merger loss generated during the transfer of Novalis' assets and liabilities to Elis on July 9, 2015. This merger loss has been fully allocated to equity investments. The merger loss is tested for impairment on an annual basis. As it is not possible to determine the current value of the merger loss taken individually, it is grouped together with equity investments for the purposes of the impairment test. An impairment loss is recognized whenever the cumulated present value of the merger loss and equity securities is less than their carrying amount as at the reporting date.

Liquidity agreement

The transactions related to the Company's liquidity agreement signed with an investment services provider (see the section on significant events of the year) are recognized in accordance with the CNC Urgent Issues Committee Opinion 98-D and with Bulletin 137 issued in March 2005 by the French Institute of Statutory Auditors (CNCC):

- treasury shares are recognized in "Other financial assets – treasury shares". An impairment loss is recorded if the average share price in the last month of the financial year is less than the purchase price. The first-in-first-out (FIFO) method is used to determine gains and losses on disposals;
- cash paid to the intermediary and not yet used is recognized in the financial statements under "Other financial assets – other long-term receivables".

3.2 RECEIVABLES AND LIABILITIES

Receivables are recognized at face value.

An impairment loss is recorded when the recoverable amount is less than the carrying amount.

3.3 MARKETABLE SECURITIES

Marketable securities are carried in the statement of financial position at their purchase price. If their expected trading value at the end of the financial year is less than their purchase price, an impairment loss is recorded for the difference.

3.4 TRANSACTIONS IN FOREIGN CURRENCIES

Income and expenses denominated in foreign currencies are recorded at their transaction-date equivalent amount.

Where applicable liabilities, receivables, cash and cash equivalents denominated in foreign currencies are converted and recognized in the statement of financial position based on the latest known quoted price on the reporting date.

Resulting differences are posted to the statement of financial position under "Foreign currency translation gains" and "Foreign currency translation losses".

The amount of unrealized foreign currency translation losses not offset by foreign exchange risk hedge is recorded under "Provisions for risks".

3.5 REGULATED PROVISIONS

Regulated provisions are detailed in the provisions statement; they are reported under "Equity" on the statement of financial position. They are tax items corresponding to the provision for accelerated depreciation and amortization calculated according to the French tax regulations, in particular the accelerated amortization of transaction costs related to purchases of securities.

The additions to or reversals of accumulated accelerated depreciation and amortization are recognized in net non-recurring income.

3.6 EMPLOYEE BENEFIT LIABILITIES

Provisions for employee retirement benefits are calculated and recognized in accordance with Method 2 of Recommendation 2013-02 issued on November 7, 2013 by the French Accounting Standards Authority (ANC). Changes in retirement benefit obligations resulting from changes in actuarial assumptions or retirement plans occurring during the year are recorded directly in net non-recurring income: the provisions recognized at the reporting date are thus equal to the actuarial obligation determined in accordance with IAS 19 (revised).

Additional provisions are recorded for long-service award obligations, calculated in accordance with the Company's internal procedures on the basis of statistical and discounting assumptions. Changes in these provisions during the financial year are collectively recorded directly in income.

NOTE 4 NOTES TO THE STATEMENT OF FINANCIAL POSITION – ASSETS

4.1 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Company does not hold any property, plant and equipment or intangible assets.

4.2 FINANCIAL ASSETS

MOVEMENTS FOR THE YEAR

(In thousands of euros)	Gross amount at 12/31/2016	Acquisitions and reclassifications/ contributions	Disposals and reclassifications	Gross amount at 12/31/2017	Impairment loss	Net amount at 12/31/2017
Equity-accounted companies						
Other equity investments	1,209,635	3,162,436		4,372,071	1,258	4,370,813
Other investments	111	0		111		111
Loans and other financial assets	1,368,562	6,515	5,943	1,369,134		1,369,134
TOTAL	**2,578,308**	**3,168,951**	**5,943**	**5,741,316**	**1,258**	**5,740,058**

As at December 31, 2017, treasury shares amounted to 61,798 shares, i.e., €1,452,000.

4.3 IMPAIRMENT ON NON-CURRENT ASSETS

(In thousands of euros)	12/31/2016	Additions/ contributions	Reversals	12/31/2017
Impairment loss – intangible assets				
Impairment loss – PP&E				
Impairment loss – equity-accounted companies				
Impairment loss – equity investments	1,221	37		1,258
Impairment loss – financial assets				
TOTAL	**1,221**	**37**		**1,258**

4.4 LIST OF SUBSIDIARIES AND OTHER EQUITY INVESTMENTS

(In thousands of euros unless otherwise stated)	Share capital	Equity, excluding share capital and retained earnings	Percent of ownership *(as a %)*	Carrying amount of shares held – Gross	Carrying amount of shares held – Net	Loans and advances granted by the Company	Deposits and endorsements given by the Company	2017 Revenue	Net income (loss) for the financial year ended 12/31/2017	Dividends received by the Company during the financial year ended 12/31/2017
A. Detailed information about equity investments whose carrying amount exceeds 1% of the Company's share capital										
1. Subsidiaries – ownership of more than 50%										
M.A.J. – Pantin (93) – 775,733,835	142,515	470,068	100.0	1,091,055	1,091,055	903,696	138,448	649,212	66,319	0
Société de Participations Commerciales et Industrielles – Saint-Ouen-l'Aumône (95) – 409,900,149	28,684	2,491	100.0	28,682	28,682	0	0	218	(182)	0
Berendsen Plc British public limited company registered with the UK Companies House under number 01480047 1 Knightsbridge, (London, England, SW1X 7LX)	£51,791k	£521,721k	99.3	2,446,911	2,446,911	690,095	0	0	(£34,992k)	0
2. Equity investment – ownership of between 10% and 50%										
B. General information about other investments										
1. Subsidiaries (not included in section A above)										
a. French subsidiaries (total)										
b. Foreign subsidiaries (total)										
2. Investments (not included in section A above)										
a. in French companies (total)										
b. in foreign companies (total)				1,456	198					
TOTAL EQUITY INVESTMENTS TO STATEMENT OF FINANCIAL POSITION				**3,568,104**	**3,566,846**					

4.5 TRANSACTIONS WITH RELATED PARTIES

The major 2017 transactions with related parties not concluded on arm's length terms are as follows:

Name of related party	Description of transaction	Amount (receivable or income)	Amount (liability or expense)
M.A.J.	Loan agreement		
	Principal amount	87,753	
	Interest	2,758	
M.A.J.	Current account agreement		
	Advance granted to M.A.J.	815,943	
	Interest paid by M.A.J.	13,017	
Elis Services	Service agreement		
	Services provided by Elis Services to Elis		4,864
	Services provided by Elis to Elis Services	566	
Berendsen Plc	Loan agreement		
	Principal amount	690,095	
	Interest	1,985	

4.6 SUMMARY OF MATURITIES OF RECEIVABLES

(In thousands of euros)	Gross amount	Due within one year	Due in more than one year
TOTAL NON-CURRENT ASSETS	2,148,397	5,258	2,143,139
Loans and advances to equity investees	779,262	1,414	777,848
Loans			
Other financial assets	1,369,135	3,844	1,365,291
TOTAL CURRENT ASSETS	857,751	857,751	0
Trade			
Impaired trade			
Employees			
Social security			
Government: taxes and misc. duties	41,808	41,808	
Group and associates	815,943	815,943	
Sundry receivables			
Prepaid expenses	1,038	1,038	
TOTAL	**3,007,186**	**864,047**	**2,143,139**
Loans granted during the year			
Repayments received during the year			
Loans and advances granted to associates (individuals)			

4.7 TRADE RECEIVABLES

(In thousands of euros)	Gross amount	Impairment loss	Net 12/31/2017	Net 12/31/2016
Trade receivables			0	627
Other receivables	857,751		857,751	337,275
Subscribed capital called but not paid				
TOTAL	**857,751**	**0**	**857,751**	**337,902**

4.8 IMPAIRMENT LOSS ON RECEIVABLES

None.

4.9 RECEIVABLES REPRESENTED BY COMMERCIAL PAPER

None.

4.10 ACCRUED INCOME

The amounts of accrued income included in the following statement of financial position items were as follows:

(In thousands of euros)	12/31/2017	12/31/2016
Interest accrued on loans and receivables due from equity investees	1,418	695
Accrued trade receivables		203
Prepaid taxes and duties		
TOTAL	**1,418**	**898**

4.11 OTHER ACCRUALS

Prepaid expenses

Prepaid expenses totaled €1,038 thousand.

(In thousands of euros)	12/31/2017	12/31/2016
Operating expenses	216	679
Financial expenses	822	427
Non-recurring expenses	0	0
TOTAL	**1,038**	**1,106**

NOTE 5 NOTES TO THE STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

5.1 EQUITY

Share capital was divided into 219,370,207 fully paid-up common shares with a par value of €1.00 each.

The following transactions were carried out on the Company's share capital during the year:

- on February 13, 2017, a capital increase, with shareholders' preferential subscription rights maintained, amounting to €325,177,000 by issuing 25,910,490 new shares with a par value of €10 each, issued at a subscription price of €12.55 per share, representing an issue premium of €2.55 per share;
- on April 07, 2017, a capital increase by the incorporation of the sum of €2,504,000 from the reserves by issuing 250,392 new shares with a par value of €10 each as part of the final allocation of performance shares to the Group's corporate officers and employees in accordance with the terms of the "2014 GM";
- on June 21, 2017, a capital reduction of €1,261,503,000 by reducing the par value of the Company's shares from €10 to €1 each;
- on September 13, 2017, a capital increase of €1,369,937,000 in consideration of the contribution of 171,345,292 Berendsen shares through the delivery to Berendsen shareholders of 0.403 new Elis shares for each Berendsen share contributed – i.e., a total of 69,052,152 new shares with a par value of €1.00 each – and the completion of the contribution by recording the sum of €1,300,885,000 in the "Additional paid-in capital" account;
- on September 13, 2017, a capital increase, with shareholders' preferential subscription rights maintained, amounting to €200,000,000 by issuing 10,131,713 new shares with a par value of €1 each, issued at a subscription price of €19.74 per share, representing an issue premium of €18.74 per share;
- on December 21, 2017, a capital increase by the incorporation of €19,000 from the reserves by issuing 19,293 new shares with a par value of €1 each as part of the additional allocation of performance shares to the Group's corporate officers and employees in accordance with the terms of the "2014 GM".

Changes in equity during the financial year:

(In thousands of euros)

12/31/2016	**1,330,126**
Dividends	(51,847)
Net income (loss) for the financial year	(58,909)
Capital increase	340,812
Capital reduction	(1,261,503)
Increase in issue premium	1,495,766
Increase in additional paid-in capital	1,300,885
Change in investment grants	
Change in regulated provisions (accelerated depr./amort., etc.)	1,647
12/31/2017	**3,096,977**

The general meeting of May 19, 2017 approved the distribution of reserve funds in the amount of €0.37 per share, or €51,847,000.

5.2 DESCRIPTION OF BONUS SHARE AWARD PLANS

Outstanding share award plans as at the 2017 financial year-end have the following characteristics:

Free performance share grants	Plan no. 1 – 2015	Plan no. 2 – 2015	Plan no. 3 – 2016	Plan no. 4 – 2016	Plan no. 5 – 2016	Plan no. 6 – 2017
Date of shareholders' meeting	10/08/2014	10/08/2014	05/27/2016	05/27/2016	05/27/2016	05/27/2016
Date of Supervisory Board Meeting	04/03/2015	04/03/2015 12/14/2015	03/09/2016 05/03/2016	03/09/2016 05/03/2016	03/09/2016 05/03/2016	03/14/2017
Date of decision of the Management Board	04/07/2015	12/21/2015	06/15/2016	06/15/2016	12/20/2016	03/24/2017
Number of rights originally granted	554,109 (1)	46,430 (1)	1,038,032 (1)	8,987 (1)	57,837 (1)	577,050
– of which, members of the Executive Committee	200,314	0	498,434	0	0	249,300
– of which, corporate officers:	138,640	0	294,720	0	0	146,700
– Xavier Martiré	110,504	–	220,268	–	–	100,000
– Louis Guyot	14,068	–	37,226	–	–	23,350
– Matthieu Lecharny	14,068	–	37,226	–	–	23,350
Number of grantees	152	29	206	7	43	230
– of which, members of the Executive Committee	8	–	9	–	–	9
– of which, corporate officers	3 (a)	–	3 (a)	–	–	3 (a)
Grant date	04/07/2015	12/21/2015	06/15/2016	06/15/2016	12/21/2016	03/24/2017
Vesting date						
France						
– members of the Management Board and the Executive Committee	04/07/2017 (2)	–	06/15/2019 (4)	–	–	03/24/2020 (8)
– other beneficiaries	04/07/2017 (2)	12/21/2017 (2)	06/15/2018 (4)	06/15/2018 (4)	12/21/2018 (4)	03/24/2019 (8)
Rest of the world	04/07/2017 (2)	12/21/2017 (2)	06/15/2018 (4)	06/15/2018 (4)	12/21/2018 (4)	03/24/2019 (8)
End of share lock-up period						
– members of the Management Board and the Executive Committee	04/07/2019 (3)	–	06/15/2019 (6)	–	–	03/24/2020 (9)
– other beneficiaries	04/07/2019 (3)	12/21/2019 (3)	06/15/2018 (6)	06/15/2018 (6)	12/21/2018 (6)	03/24/2019 (9)
Rights vested in 2017	250,392 (7)	19,293 (7)	0 (5)	0 (5)	0 (5)	0 (10)
Number of rights lapsed or forfeited as at 12/31/2017	303,562	27,137	30,443	4,172	3,234	9,975
Number of rights outstanding as at 12/31/2017	0	0	1,008,873	4,815	54,603	567,075
– of which, members of the Executive Committee	0	–	498,434	–	0	249,300
– of which, corporate officers:	0	–	294,720	–	0	146,700
– Xavier Martiré	0	–	220,268	–	–	100,000
– Louis Guyot	0	–	37,226	–	–	23,350
– Matthieu Lecharny	0	–	37,226	–	–	23,350
Number of working beneficiaries as at 12/31/2017	120	23	189	5	40	223
– of which, members of the Executive Committee	8	0	9	0	0	9
– of which, corporate officers:	3 (b)	0	3 (b)	0	0	3 (b)

(a) Xavier Martiré, Louis Guyot and Matthieu Lecharny.

(b) Xavier Martiré, Louis Guyot and Matthieu Lecharny.

(1) This number takes into account the adjustment related to maintaining beneficiaries' rights under the issue of new shares with preferential subscription rights carried out in February 2017, said share issue having had a dilutive effect on the share's value following the removal of the preferential subscription rights. This adjustment was made by transposing the rules on stock options provided for in Article R. 228-91-1 of the French Commercial Code.

(2) Shares vest at the end of a vesting period set at two years from the date of the grant of the said shares. Vesting is contingent on cumulative continued employment conditions and meeting performance conditions related to (i) the Group's consolidated revenue, (ii) EBIT as stated in the financial statements for the 2016 financial year, and (iii) the Group's stock market performance relative to changes in the SBF120, with the understanding that:

- *the change in the Company's share price corresponds to the difference (as a percentage) between (i) the moving average of the share value over the twenty trading days preceding the last trading day of 2016 plus dividends paid between February 11, 2015 and December 31, 2016, and (ii) the IPO price (€13);*
- *the change in the SBF120 corresponds to the difference (as a percentage) between (i) the moving average of the index over the twenty trading days preceding the last trading day of 2016 and (ii) the value of the index as at February 10, 2015 (€3,701.09).*

Only 20% of the shares granted will be delivered to beneficiaries if just one of those performance conditions is met, 50% if two of the conditions are met, and 100% if all three conditions are met. No share will vest if none of the conditions is met.

(3) Shares are subject to a lock-up period of two years from the vesting date. At the end of the lock-up period, the shares will be available and may be freely transferred by the beneficiaries subject to statutory blackout periods and the provisions of the French Code of Conduct for Trading and Market Activities. Throughout their term of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board in accordance with the compensation policy for corporate officers detailed in the Supervisory Board's report on corporate governance in chapter 4 of this 2017 registration document.

(4) 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.

(5) There are two classes of shares awarded, A and B. Vesting of each share class is subject to a condition of continued employment throughout the entire vesting period and to performance conditions, which are determined based on three quantitative criteria linked to (i) consolidated revenue of the Group and (ii) EBIT as they appear in the financial statements for 2017, and (iii) Elis's share-price performance relative to the SBF120 Index for Class A performance shares, and based on two criteria linked to revenue and EBIT for Class B shares.

Determining the final number of shares vested at the end of the vesting period will be evaluated over a two-year performance period for all beneficiaries except for the members of the Executive Committee (including the members of the Management Board), for whom the performance will be evaluated over a two-year period (2016 and 2017) for 67% of the performance shares granted, and over a three-year period (2016, 2017 and 2018) for 33% of the performance shares granted. It should be noted that:

- *the change in the Company's share price corresponds to the difference (as a percentage) between (i) the moving average of the share value over the twenty trading days preceding the last trading day of 2017 plus dividends paid between January 1, 2016 and December 31, 2017, and (ii) the closing price as at the last trading day of 2015 (€15.25);*
- *the change in the SBF120 corresponds to the difference (as a percentage) between (i) the moving average of the index over the twenty trading days preceding the last trading day of 2017 and (ii) the value of the index as at December 31, 2015 (3,663.88 points).*

The number of shares that will vest will depend on the number of targets achieved, with the understanding that for each performance share class, achievement of the performance criteria is binary such that if the criterion is not achieved, the proportion of rights attached to the target concerned will not be due and the related shares will not vest. On that basis, beneficiaries will acquire 20% of Class A performance shares if one criterion is achieved, 50% of Class A performance shares if two criteria are achieved, and 100% of Class A performance shares if all three criteria are achieved. Class B performance shares will only vest if at least one target is achieved, it being specified that the achievement of just one of the targets will allow vesting of 50% of the shares granted.

(6) 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 term of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board in accordance with the compensation policy for corporate officers detailed in the Supervisory Board's report on corporate governance in chapter 4 of this 2017 registration document.

(7) At its meetings of March 14, 2017 and December 14, 2017, the Supervisory Board reviewed the performance associated with performance share plans and noted that two of the three criteria had been achieved: revenue, which totaled €1,512.8 million in 2016, and TSR (total shareholder return), which outperformed the SBF120 (+39% versus +4%). However, the EBIT criterion was not achieved (€214.5 million) and therefore counted for zero. At its meeting of March 14, 2017, the Supervisory Board deemed that the number of vested shares on April 7, 2017 and December 21, 2017 was equal to 50% of the adjusted grant.

(8) 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.

(9) 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 term of office, each member of the Management Board is required to hold a number of shares in registered form set by the Supervisory Board in accordance with the compensation policy for corporate officers detailed in the Supervisory Board's report on corporate governance in chapter 4 of this 2017 registration document.

(10) Vesting of shares is subject to continued employment and performance conditions, which are determined based on three quantitative criteria linked to (i) consolidated revenue of the Group and (ii) EBIT, and (iii) Elis's share-price performance relative to the SBF120 index. Determining the final number of shares vested at the end of the vesting period will be evaluated over a two-year performance period for all beneficiaries except for the members of the Executive Committee (including the members of the Management Board), for whom the performance will be evaluated over a two-year period (2017 and 2018) for 66% of the performance shares granted, and over a three-year period (2017, 2018 and 2019) for 34% of the performance shares granted.

It should be noted that:

- *the 20-day moving average of the Elis share on the last trading day of 2018, plus dividends (expressed in euros/share) paid between January 1, 2017 and December 31, 2018, is compared (as a %) with the 2016 closing price: V Elis;*
- *the 20-day moving average of the SBF120 on the last trading day of 2018 is compared (as a %) with the SBF120 of the 2016 close: V SBF120.*

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 is not due and the corresponding shares do not vest. On this basis, 20% of the shares granted to the beneficiaries will vest if only one of these performance conditions is met, 50% if two of the conditions are met, and 100% if all three conditions are met. No share will vest if none of the conditions is met.

5.3 PARENT COMPANY

Name and headquarters of the company that prepared the consolidated financial statements for the largest group	Elis SA, 92210 Saint-Cloud, France, SIRET 499668440 00039
Name and headquarters of the company that prepared the consolidated financial statements for the smallest group	Elis SA, 92210 Saint-Cloud, France, SIRET 499668440 00039
Place where copies of these consolidated financial statements may be obtained	5, boulevard Louis-Loucheur, 92210 Saint-Cloud, France

5.4 PROVISIONS

Breakdown by type:

PROVISIONS FOR RISKS

(In thousands of euros)	12/31/2016	Additions	Reversals	12/31/2017
Provision for legal proceedings				
Provision for warranty claims				
Provisions for losses on futures markets				
Provisions for fines and penalties				
Provision for unrealized foreign currency translation losses				
Provisions for post-employment benefits	35	19		54
TOTAL	**35**	**19**		**54**

5.5 SUMMARY OF MATURITIES OF LIABILITIES

(In thousands of euros)	Gross amount at 12/31/2017	Less than 1 year	1 to 5 years	More than 5 years
Convertible bonds	400,000			400,000
Other bonds	804,067	4,067	800,000	
Bank loans:				
– initially within one year	720	720		
– initially more than one year	1,742,829	1,017,829	700,000	25,000
Sundry loans and other borrowings	573,915	396,915	177,000	
Trade payables	12,414	12,414		
Employees	1,255	1,255		
Social security and similar	526	526		
Government and other public authorities:				
Income tax expense				
Value added tax				
Guaranteed bonds				
Other taxes	243	243		
Amounts due to suppliers of non-current assets				
Group and associates	30,455	30,455		
Other liabilities	1,608	1,608		
Securities borrowed or received as collateral				
Deferred income				
TOTAL	**3,568,032**	**1,466,032**	**1,677,000**	**425,000**
Loans taken during the year	4,080,300			
Loans repaid over the financial year	2,142,700			

As at December 31, 2017, liabilities mainly included:

High-Yield Bonds

On April 28, 2015, Elis issued bonds with a principal amount of €800 million, paying interest at an annual rate of 3% and maturing in 2022 (the "High-Yield Bonds"). Interest is payable every six months. The High-Yield Bonds are listed for trading on the Global Exchange Market of the Irish Stock Exchange.

Senior Credit Facilities Agreement – Term Loan

On January 17, 2017, Elis entered into a new Senior Syndicated Credit Facility 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.

At December 31, 2017, the term loan was drawn down in the amount of €450 million; the CAPEX line was drawn down in the amount of €177 million and the revolving credit facility was undrawn.

2017 Bridge Loan Agreement

On June 12, 2017, Elis signed a Bridge Loan Agreement with a bank syndicate for a total principal amount of €1,920 million.

The purpose of the 2017 Bridge Loan was to finance:

(i) the cash portion paid to Berendsen shareholders in relation to the acquisition of September 12, 2017;

(ii) repayment of the Berendsen debt (including a syndicated credit facility and debt securities issued in relation to private placements (USPP)).

This bridge loan was drawn down in the amount of €1,890 million. As at December 31, 2017, the remaining amount drawn totaled €1,015.0 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. These bonds are non-interest bearing (zero coupon).

The *Océanes* bond qualifies 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 on 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).

The net proceeds from the issue were used to refinance the Berendsen acquisition through the partial repayment of the 2017 Bridge Loan and for the Company's general purposes.

Syndicated Credit Facility – Term Loan

On November 7, 2017, Elis entered into a new syndicated credit facility consisting of a €200 million term loan (drawn on November 13, 2017) and a €400 million undrawn revolving credit line at December 31, 2017.

This refinancing is due to mature in November 2022 and may be extended until 2023/2024 for the revolving credit facility tranche.

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 makes it possible to continue the repayment of the 2017 Bridge Loan set up for the Berendsen acquisition and to diversify the Group's financing sources.

The funds were raised at fixed and floating rates, representing respectively 46% and 54% of the total amount, maturing in three to seven years.

Commercial paper

The Company has an unrated commercial paper program, approved by Banque de France, in a maximum amount of €400 million. In addition to other financing, this program provides the Elis Group with access to short-term, non-intermediated resources at favorable market conditions. As at December 31, 2017 outstandings under this program totaled €396.4 million, versus €303.8 million at December 31, 2016.

As at December 31, 2017, the Group had an undrawn revolving credit line of €400 million.

5.6 TRADE PAYABLES

(In thousands of euros)	12/31/2017	12/31/2016
Group suppliers	1,011	206
Suppliers	4,403	686
Suppliers of non-current assets		
Invoices not received – Group		
Invoices not received	1,055	1,785
Invoices not received – Group	5,162	5
Goods received awaiting invoices	20	
Invoices – bank fees	763	397
CARRYING AMOUNT	**12,414**	**3,079**

5.7 ACCRUED EXPENSES

The amounts of accrued expenses included in the following statement of financial position items were as follows:

(In thousands of euros)	12/31/2017	12/31/2016
Operating liabilities		
Trade payables	7,000	2,187
Tax and employee-related liabilities	1,898	1,256
Financial liabilities		
Interest accrued on sundry loans and other borrowings	8,130	5,742
TOTAL	**17,028**	**9,185**

5.8 OTHER ACCRUALS

Deferred income

None.

NOTE 6 NOTES TO THE INCOME STATEMENT

6.1 BREAKDOWN OF REVENUE

2017 revenue by business segment and region breaks down as follows:

	Financial year 2017			Financial year 2016
(In thousands of euros)	France	EEC + Rest of the world	Total	Total
Sale of goods held for resale				
Sales of finished goods				
Sales of services	566		566	1,044
REVENUE	**566**		**566**	**1,044**
PERCENTAGE	**100%**	**0%**	**100%**	

6.2 REINVOICED EXPENSES

(In thousands of euros)	12/31/2017	12/31/2016
Employee expenses	0	0
Other expenses	0	0
TOTAL	**0**	**0**

6.3 AVERAGE NUMBER OF EMPLOYEES

The average number of employees during 2017 breaks down as follows:

	Fiscal year 2017	
	Number of employees	Number of secondees
Managers	3	
Other staff		
TOTAL	**3**	**0**

6.4 COMPENSATION OF MANAGEMENT BODIES

Members of the Supervisory Board: total amount of 2016 directors' fees paid in 2017: €431,000.

Management Board: €2,199,000.

6.5 NET FINANCIAL EXPENSE

Net financial expense for the year amounted to -€30,942,000, broken down as follows:

(In thousands of euros)	Financial year 2017	Financial year 2016
FINANCIAL INCOME	22,707	29,210
Financial income from equity investments		22,357
Income from other securities and non-current assets loans		
Other interest income	17,768	6,853
Reinvoiced expenses and reversals of provisions		
Foreign currency translation gains	4,939	
Net gain on disposals of marketable securities		
FINANCIAL EXPENSES	53,649	37,384
Amortization and provisions on financial assets	37	4
Interest expense	48,779	37,380
Foreign currency translation losses	4,833	
Net (loss) on disposals of marketable securities		
NET FINANCIAL INCOME (LOSS)	**(30,942)**	**(8,174)**

6.6 NET NON-RECURRING INCOME (LOSS)

The financial year's net non-recurring income (loss) of -€13,025,000 breaks down as follows:

(In thousands of euros)	Financial year 2017	Financial year 2016
NON-RECURRING INCOME	741	477
Non-recurring income from operations		
Non-recurring income from capital transactions	741	477
Reinvoiced expenses and reversals of provisions		
NON-RECURRING EXPENSES	13,766	200
Non-recurring expenses on operations	12,106	30
Non-recurring expenses on capital transactions	1	165
Non-recurring depreciation, amortization and provisions	1,659	5
NET NON-RECURRING INCOME (LOSS)	**(13,025)**	**277**

- Non-recurring income and expenses on capital transactions correspond to realized and unrealized gains and losses on treasury shares under the liquidity contract, as measured using the first-in-first-out (FIFO) method.
- Non-recurring expenses on operations comprised transaction costs related to the acquisition and consolidation of Berendsen.
- Non-recurring depreciation, amortization and provisions corresponds to the five-year amortization of acquisition costs for Berendsen shares.

6.7 INCOME TAX

On March 1, 2008, the Company elected to determine French income taxes on a consolidated basis in accordance with Article 223 A et seq. of the French Tax Code, together with its subsidiaries and sub-subsidiaries included in the following list as at December 31, 2017:

- M.A.J.;
- Les Lavandières;
- Régionale de location et services textiles;
- Pierrette – T.B.A.;
- Le Jacquard Français;
- Elis Services;
- Thimeau;
- Maison de Blanc Berrogain;
- Blanchisserie Moderne;
- Société de Participations Commerciales et Industrielles;
- Société des Oreillers et Couvertures des Grands Réseaux de Chemins de Fer "S.O.C.;"
- Pro Services Environnement; and
- L.S.P.

A new agreement was signed on October 30, 2009 effective July 1, 2009.

As the parent company of the consolidated group, Elis consolidates the taxable income of all the members of the group and pays the corresponding tax to the French Treasury. It receives from its subsidiaries the amount of tax that they would have borne in the absence of tax consolidation. As at December 31, 2017, Elis recorded in its financial statements a tax benefit amount of €27,990,000 corresponding to the difference between the amounts received from the subsidiaries and those actually paid.

Elis applies the tax payable method and therefore does not recognize the amounts that it would have to pay to subsidiaries with tax losses in future years where they have taxable income. Tax loss carryforwards for certain members of the tax consolidation group and Elis's related deferred tax liabilities are detailed below:

(In thousands of euros)	Unused loss carryforwards (basis)	Tax rate	Deferred tax liabilities
Société de Participations Commerciales et Industrielles	1,570	33.33	523
S.O.C.	514	33.33	171
Le Jacquard Français	5,681	33.33	1,894
L.S.P.	6	33.33	2
TOTAL	**7,771**		**2,590**

DEFERRED TAX

Base *(In thousands of euros)*	At the beginning of the financial year	Change in net income (loss) for the financial year	At the end of the financial year
Accelerated amounts for tax relief			
Regulated provisions			
Differences between accounting and tax bases of certain income and expense items			
Provision for retirement benefits	24	11	35
Equity investment			
Corporate social solidarity contribution			
Provision for impairment losses on trade receivables			
Other provisions for risks			
TAX LOSS CARRYFORWARDS			
TOTAL	**24**	**11**	**35**

Income tax expense *(In thousands of euros)*	At the beginning of the financial year	Change in net income (loss) for the financial year	At the end of the financial year
Accelerated amounts for tax relief			
Regulated provisions			
Differences between accounting and tax bases of certain income and expense items			
Provision for retirement benefits	8	4	12
Equity investment			
Corporate social solidarity contribution			
Provision for impairment losses on trade receivables			
Other provisions for risks			
TAX LOSS CARRYFORWARDS			
TOTAL	**8**	**4**	**12**

NOTE 7 MISCELLANEOUS INFORMATION

7.1 FINANCIAL COMMITMENTS

COMMITMENTS GIVEN

(In thousands of euros)	Total	Less than 1 year	1 to 5 years	More than 5 years
Related to cash and cash equivalents				
Related to financing				
Endorsements, sureties and guarantees on behalf of subsidiaries				
Related to rentals				
Related to services rendered				
Other [(a)]	11,522			
	11,522	**0**	**0**	**0**

(a) Commitment to acquire the remaining Berendsen shares held by the Employee Benefit Trust.

COMMITMENTS RECEIVED

(In thousands of euros)	Total	Less than 1 year	1 to 5 years	More than 5 years
Related to operations/property/international expansion				
Related to financing [(a)]	1,623,459		1,485,011	138,448
Guaranteed receivables				
	1,623,459		**1,485,011**	**138,448**

(a) Commitments received include a joint and several guarantee granted by M.A.J. within the limit provided for by applicable local regulations and a joint and several guarantee granted by the subsidiaries Atmosfera, and SPAST for the commitments given for the Senior Term and Revolving Facilities Agreement, the High Yield Bonds and the Bridge Loan Agreement within the limit provided for by applicable local regulations.

FINANCIAL INSTRUMENTS

Elis has signed interest rate swap agreements to exchange the interest rates on its floating rate debt for a fixed rate over the term of the loan.

As at December 31, 2017, all of Elis' long-term debt had fixed interest rates after interest risk management. The swaps maturing on October 4, 2017 and subscribed with BNP Paribas had a negative mark-to-market value of -€7,343,000 as at December 31, 2017.

7.2 EMPLOYEE BENEFIT LIABILITIES

Personal training account

Employees earned individual rights to training (DIF) under the professional training rules in effect until December 31, 2014 totaling 284 hours. On January 1, 2015 these rights were transferred to Personal training accounts and can be used until January 1, 2021.



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French corporation (Société Anonyme) governed by a Management Board and a Supervisery Board
with a share capital of €219,370,207
Registred office: 5, boulevard Louis Loucheur – 92210 Saint-Cloud – France
Trade and Companies Register (R.C.S.) no. 499 668 440 Nanterre