Financial statements for the year ended December 31, 2018

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Financial statements for the year ended December 31, 2018

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 CONSOLIDATED INCOME STATEMENT

(In millions of euros)	Notes	2018	2017 restated[(a)]
Revenue	**3.1/4.1/4.2**	**3,133.3**	**2,193.6**
Cost of linen, equipment and other consumables		(513.7)	(351.8)
Processing costs		(1,171.7)	(844.1)
Distribution costs		(514.8)	(357.1)
Gross margin		**933.0**	**640.5**
Selling, general and administrative expenses		(520.0)	(351.5)
Value corrections for losses on trade and other receivables		(5.5)	(4.7)
Operating income before other income and expenses and amortization of intangible assets recognized in a business combination	**3.2**	**407.5**	**284.2**
Amortization of intangible assets recognized in a business combination	4.5	(112.5)	(79.1)
Goodwill impairment	6.1	-	-
Other operating income and expenses	4.6	(49.8)	(89.0)
Operating income		**245.2**	**116.2**
Net financial income (loss)	8.2	(110.5)	(59.8)
Income (loss) before tax		**134.7**	**56.4**
Income tax expense	9	(51.7)	(13.6)
Share of net income of equity-accounted companies		-	-
Income from continuing operations		**83.0**	**42.8**
Income from discontinued operations, net of tax	2.5	(1.2)	(0.7)
Net income (loss)		**81.8**	**42.1**
Attributable to:			
› owners of the parent		82.2	41.5
› non-controlling interests		(0.4)	0.6
Earnings (loss) per share (EPS) *(in euros)*:			
› basic, attributable to owners of the parent	10.3	€0.38	€0.26
› diluted, attributable to owners of the parent	10.3	€0.38	€0.26
Earnings (loss) per share (EPS) from continuing operations *(in euros)*:			
› basic, attributable to owners of the parent	10.3	€0.38	€0.26
› diluted, attributable to owners of the parent	10.3	€0.38	€0.26

(a) See Note 1.4.

1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	Notes	2018	2017 restated[a]
Net income (loss)		**81.8**	**42.1**
Gains (losses) on change in fair value of hedging instruments	8.8	(2.9)	(4.8)
Cash flow hedge reserve reclassified to income	8.8	2.9	6.2
Total change in cash flow hedge reserve, before taxes		**0.0**	**1.4**
Related tax		(0.1)	(0.5)
Net change in the cost of hedging, before tax	**8.8**	**0.5**	**-**
Related tax		(0.2)	-
Effects of changes in foreign exchange rates – net translation differences		**(100.2)**	**(151.2)**
Other comprehensive income (loss) which may be subsequently reclassified to income		**(99.9)**	**(150.3)**
Actuarial gains (losses) on defined benefit plans, before tax		**4.6**	**16.3**
Related tax		(0.5)	(3.1)
Other comprehensive income (loss) which may not be subsequently reclassified to income		**4.1**	**13.2**
Other comprehensive income		**(95.8)**	**(137.1)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**(14.0)**	**(94.9)**
Attributable to:			
› owners of the parent		(12.6)	(95.4)
› non-controlling interests		(1.4)	0.4

(a) See Note 1.4.

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

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

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

1.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

(In millions of euros)	Notes	12/31/2018	12/31/2017 restated[(a)]
Goodwill	6.1	3,744.9	3,767.4
Intangible assets	6.2	925.2	1,044.5
Property, plant and equipment	6.3	1,906.3	1,812.8
Equity-accounted companies		-	-
Other equity investments		0.2	0.1
Other non-current assets	8.7	67.7	40.2
Deferred tax assets	9	56.4	21.2
Employee benefit assets	5.3	17.5	16.4
TOTAL NON-CURRENT ASSETS		6,718.2	6,702.6
Inventories	4.7	120.2	122.1
Contract assets	4.3	31.7	-
Trade and other receivables	4.4	649.9	676.0
Current tax assets		10.4	18.1
Other assets	4.9	26.0	28.9
Cash and cash equivalents	8.4/8.5	197.0	416.4
Assets held for sale	2.5	41.7	1.0
TOTAL CURRENT ASSETS		1,077.0	1,262.5
TOTAL ASSETS		**7,795.2**	**7,965.1**

(a) See Note 1.4.

Equity and liabilities

(In millions of euros)	Notes	12/31/2018	12/31/2017 restated[(a)]
Share capital	10.1	219.9	219.4
Additional paid-in capital	10.1/10.2	2,943.9	3,025.7
Treasury share reserve		(11.4)	(0.7)
Other reserves		0.7	0.7
Retained earnings (accumulated deficit)		(77.7)	(213.7)
Other components of equity		(208.7)	(111.2)
Equity attributable to owners of the parent		2,866.8	2,920.2
Non-controlling interests	2.7	1.4	2.9
TOTAL EQUITY		2,868.2	2,923.0
Provisions	7.1	92.4	98.5
Employee benefit liabilities	5.3	99.0	100.0
Borrowings and financial debt	8.3/8.5	3,101.6	2,060.9
Deferred tax liabilities	9	370.9	357.1
Other non-current liabilities	8.7	15.3	12.6
TOTAL NON-CURRENT LIABILITIES		3,679.3	2,629.1
Current provisions	7.1	23.2	36.5
Current tax liabilities		23.9	21.8
Trade and other payables	4.8	274.4	268.1
Contract liabilities	4.3	68.3	-
Other liabilities	4.9	381.5	444.5
Bank overdrafts and current borrowings	8.3/8.5	453.1	1,642.2
Liabilities directly associated with assets held for sale	2.5	23.3	0.0
TOTAL CURRENT LIABILITIES		1,247.7	2,413.0
TOTAL EQUITY AND LIABILITIES		**7,795.2**	**7,965.1**

(a) See Note 1.4.

1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions of euros)	Notes	2018	2017 restated[(a)]
CONSOLIDATED NET INCOME (LOSS)		81.8	42.1
Depreciation, amortization and provisions	4.5	663.0	467.1
Portion of grants transferred to income	4.5	(0.3)	(0.3)
Goodwill impairment	6.1	-	-
Share-based payments		13.0	6.9
Net gains and losses on disposal of property, plant and equipment and intangible assets		6.9	4.6
Share of net income of equity-accounted companies		-	-
Net financial (income) loss	2.5/8.2	110.3	59.8
Income tax expense	2.5/9	51.4	13.2
Other		19.5	(0.1)
CASH FLOWS BEFORE FINANCE COSTS AND TAX		945.7	593.4
Income tax paid		(76.7)	(53.3)
Change in inventories	4.7	(12.7)	(2.7)
Change in trade and other receivables and contract assets	4.4	(26.4)	(51.1)
Change in other assets	4.9	2.2	0.1
Change in trade and other payables	4.8	7.0	6.3
Change in contract and other liabilities	4.9	16.2	(69.6)
Other changes		(3.5)	(0.8)
Employee benefits		1.4	(0.6)
NET CASH FROM OPERATING ACTIVITIES		853.3	421.6
Acquisition of intangible assets		(20.0)	(16.8)
Proceeds from sale of intangible assets		0.4	0.1
Acquisition of property, plant and equipment		(634.4)	(465.1)
Proceeds from sale of property, plant and equipment		9.5	1.3
Acquisition of subsidiaries, net of cash acquired	2.4	(62.2)	(1,362.9)
Proceeds from disposal of subsidiaries, net of cash transferred		1.0	1.0
Changes in loans and advances		0.4	0.1
Dividends from equity-accounted companies		0.1	0.1
Investment grants		0.1	0.3
NET CASH USED IN INVESTING ACTIVITIES		(704.9)	(1,841.9)
Capital increase	2.7/10.1	9.0	506.0
Treasury shares		(11.1)	1.1
Dividends and distributions paid			
› to owners of the parent		(81.0)	(51.7)
› to non-controlling interests		(0.1)	(0.0)
Change in borrowings[(b)]	8.3	(4.0)	1,080.2
› Proceeds from new borrowings	8.3	1,684.1	4,126.0
› Repayment of borrowings	8.3	(1,688.2)	(3,045.9)
Net interest paid		(55.2)	(60.5)
Other flows related to financing activities		(26.4)	17.4
NET CASH USED IN FINANCING ACTIVITIES		(168.7)	1,492.4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(20.4)	72.2
Cash and cash equivalents at beginning of period		203.0	165.2
Effect of changes in foreign exchange rates on cash and cash equivalents		(3.6)	(34.3)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8.4	179.1	203.0

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

1.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2018

(In millions of euros)	Notes	Share capital	Additional paid-in capital	Treasury share reserve	Other reserves
Balance as at December 31, 2017 (restated[(a)])		**219.4**	**3,025.7**	**(0.7)**	**0.7**
First-time adoption of IFRS 15 (net of tax effect)	1.2				
First-time adoption of IFRS 9 (net of tax effect)	1.2				
Adjusted balance as at January 1, 2018		**219.4**	**3,025.7**	**(0.7)**	**0.7**
Cash increase in share capital	2.7/10.1	-	-	-	-
Amounts paid to shareholders	10.2	-	(81.0)	-	-
Issue of convertible notes		-	-	-	-
Share-based payments		-	-	-	-
Changes in treasury shares		-	-	(10.8)	-
Acquisition of NCI without a change in control		-	-	-	-
Acquisition of subsidiary – NCI					
Other changes	10.1	0.6	(0.8)	0.1	(0.0)
Net income (loss) for the period		**-**	**-**	**-**	**-**
Gains (losses) recognized directly in equity		-	-	-	-
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**-**	**-**
Balance as at December 31, 2018		**219.9**	**2,943.9**	**(11.4)**	**0.7**

(a) See Note 1.4.

1.6 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		**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 changes		(1,189.9)	2,559.9	-	0.0
Net income (loss) for the period		**-**	**-**	**-**	**-**
Gains (losses) recognized directly in equity		-	-	-	-
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**-**	**-**
Balance as at December 31, 2017 (restated)		**219.4**	**3,025.7**	**(0.7)**	**0.7**

	Retained earnings (accumulated deficit)	Cash flow hedge reserve	Hedge reserve	Translation reserve	Equity component of convertible notes	Owners of the parent	Non-controlling interests	Total equity
	(213.7)	(5.5)	-	(143.6)	37.8	2,920.2	2.9	2,923.0
	22.6					22.6	-	22.6
	10.8					10.8	-	10.8
	(180.3)	(5.5)	-	(143.6)	37.8	2,953.6	2.9	2,956.4
	8.2	-	-	-	-	8.2	0.8	9.0
	(0.1)	-	-	-	-	(81.0)	(0.1)	(81.1)
	-	-	-	-	-	-	-	-
	13.0	-	-	-	-	13.0	-	13.0
	-	-	-	-	-	(10.8)	-	(10.8)
	(13.3)	-	-	1.4	-	(11.9)	(0.8)	(12.7)
							(0.0)	(0.0)
	8.4	(0.0)	-	-	-	8.3	(0.0)	8.3
	82.2	**-**	**-**	**-**	**-**	**82.2**	**(0.4)**	**81.8**
	4.1	(0.1)	0.3	(99.2)	-	(94.8)	(1.0)	(95.8)
	86.3	**(0.1)**	**0.3**	**(99.2)**	**-**	**(12.6)**	**(1.4)**	**(14.0)**
	(77.7)	(5.6)	0.3	(241.3)	37.8	2,866.8	1.4	2,868.2
				(208.7)				

	Retained earnings (accumulated deficit)	Cash flow hedge reserve	Hedge reserve	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)
							(0.1)	(0.1)
	0.2	0.0	-	-	-	1,370.1	-	1,370.1
	41.5	**-**	**-**	**-**	**-**	**41.5**	**0.6**	**42.1**
	13.2	0.9	-	(151.0)	-	(136.9)	(0.2)	(137.1)
	54.7	**0.9**	**-**	**(151.0)**	**-**	**(95.4)**	**0.4**	**(94.9)**
	(213.7)	(5.5)	-	(143.6)	37.8	2,920.2	2.9	2,923.0
				(111.2)				

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 limited liability company with a management board and a supervisory board, listed on the Euronext market in Paris.

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

The IFRS consolidated financial statements of the Elis Group for the 12-month period ended December 31, 2018 were approved by the Management Board on March 6, 2019 and reviewed by the Audit Committee on March 5, 2019 and by the Supervisory Board on March 6, 2019.

INDEX FOR THE NOTES

NOTE 1 ACCOUNTING POLICIES

1.1 Basis of preparation

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

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

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

The 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, 2018 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, 2017 except for the following standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2018.

Main standards, amendments and interpretations with mandatory application from January 1, 2018

The Group has, for the first time, adopted the two new standards, IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", applicable as from January 1, 2018.

The impact of the changes on its consolidated equity as at January 1, 2018 is as follows:

(In millions of euros)	Gross impact on asset or liability	Impact on deferred tax assets (liabilities)	Impact on increase (decrease) of retained earnings
Retained earnings (accumulated deficit), as at December 31, 2017 restated[a]			**(213.7)**
Adjustments due to adoption of IFRS 9:			
› Additional impairment loss on trade receivables	(0.8)	0.2	(0.6)
› Decrease of financial indebtedness renegotiated prior to December 31, 2017	16.7	(5.3)	11.3
Adjustments due to adoption of IFRS 15:			
› New asset for incremental costs of obtaining contracts	30.2	(7.6)	22.6
Retained earnings (accumulated deficit), as at January 1, 2018			**(180.3)**

(a) See Note 1.4.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 relating to revenue recognition replaces IAS 18 "Revenue", which was previously applied by the Group, for annual reporting periods beginning on or after January 1, 2018. Based on the analysis, the Group did not record any material impact on its income statement related to the implementation of IFRS 15, but the application of this new standard resulted in a new asset corresponding to the acquisition cost of long-term contracts.

The Group has opted for the modified retrospective method, which means that the effect of the change in method is recognized in equity as at January 1, 2018, without the comparative period presented being restated. The new asset item linked to the costs of obtaining the contracts has been recognized in "Other non-current assets" and offset against shareholders' equity as at the beginning of 2018 in the amount of €30.2 million.

The balance sheet and income statement as at December 31, 2018, restated for the adoption of IFRS 15, are as follows:

(In millions of euros)	December 31, 2018	Adjustments	Balances before the adoption of IFRS 15
Costs of obtaining the contract	31.9	(31.9)	-
TOTAL NON-CURRENT ASSETS	6,718.2	(31.9)	6,686.2
Contract assets	31.7	(31.7)	-
Trade and other receivables	649.9	31.7	681.6
TOTAL CURRENT ASSETS	1,077.0	-	1,077.0
TOTAL ASSETS	**7,795.2**	**(31.9)**	**7,763.2**
Retained earnings (accumulated deficit)	(77.7)	(24.0)	(101.8)
TOTAL EQUITY	2,868.2	(24.0)	2,844.1
Deferred tax liabilities	370.9	(7.9)	363.0
TOTAL NON-CURRENT LIABILITIES	3,679.3	(7.9)	3,671.4
Trade and other payables	274.4	1.5	275.9
Contract liabilities	68.3	(68.3)	-
Other liabilities	381.5	66.8	448.3
TOTAL CURRENT LIABILITIES	1,247.7	-	1,247.7
TOTAL EQUITY AND LIABILITIES	**7,795.2**	**(31.9)**	**7,763.2**

(In millions of euros)	December 31, 2018	Adjustments	Balances before the adoption of IFRS 15
REVENUE	3,133.3	-	3,133.3
Gross margin	**933.0**	**-**	**933.0**
Selling, general and administrative expenses	(520.0)	(1.8)	(521.8)
Operating income before other income and expenses and amortization of intangible assets recognized in a business combination	**407.5**	**(1.8)**	**405.7**
OPERATING INCOME	245.2	(1.8)	243.4
Income (loss) before tax	**134.7**	**(1.8)**	**132.9**
Income tax expense	(51.7)	0.3	(51.5)
NET INCOME (LOSS)	81.8	(1.6)	80.2
TOTAL COMPREHENSIVE INCOME (LOSS)	**(14.0)**	**(1.6)**	**(15.6)**

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

- updated Accounting Policies Note 4.1, "Revenue" and Note 4.3 "Contract balances";
- broken down revenue recognized under contracts with customers as required by paragraph 114 of IFRS 15, related it to the information provided for segment reporting in Note 4.2 "Disaggregation of revenue" and has supplemented the information required for contract assets and liabilities.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" previously applied by the Group, for annual reporting periods beginning on or after January 1, 2018, and addresses the three main aspects of the recognition of financial instruments:

- Classification and measurement
  - the new provisions concerning the classification of financial assets do not have a material impact on the recognition of trade receivables, loans, debt securities or equity managed on a fair value basis. The changes made to the rules for recognizing changes in the fair value of liabilities designated at fair value through profit or loss have no impact on the Group's consolidated financial statements, whose financial liabilities are measured at amortized cost;
  - IFRS 9 now requires, when a renegotiation of debts does not lead to their extinguishment, that the impact resulting from this change 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 is adjusted to reflect the value of the new cash flows discounted at the EIR of the original debt. The retrospective application of IFRS 9 on the Group's unextinguished debt as at January 1, 2018 resulted 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 €11.3 million. The impact recorded as at January 1, 2018 will be expensed over the remaining term of the corresponding loan (maturing in 2022).
- Impairment of financial assets

  The standard provides for a new impairment model for financial assets, replacing "incurred loss" by "expected credit losses." This requires the Group to exercise its judgment in assessing expected credit losses over the expected life of the financial instruments. To do this, the Group mainly uses an impairment matrix based on historical data. The first application as at January 1, 2018 of the provisions of IFRS 9 relating to impairment (of trade receivables, the main financial asset concerned) resulted in an increase of €0.8 million in adjustments for expected losses at that date compared to the impairment losses recognized in accordance with IAS 39 as at December 31, 2017.

- Hedge accounting

  The Group has hedging instruments to which it has applied the new provisions of IFRS 9. The hedging instruments used by the Group are comprised of:

  - forward foreign exchange contracts to hedge the currency risk on its highly probable purchases of inventories and fixed assets denominated in foreign currencies. In accordance with IAS 39, the Group previously recognized 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. During the periods in which the hedged item affected profit or loss, the Group reclassified the amounts accumulated in equity either to profit or loss or by incorporating them into the carrying amount of the hedged item using the "basis adjustment" method. From adoption of IFRS 9 onwards, the Group may recognize forward items (premiums/discounts) in "Other comprehensive income" and accumulate them under "Hedge reserve" in a separate component of equity until their reclassification in profit or loss or in the initial cost of the non-financial asset acquired. In accordance with the transitional provisions of IFRS 9, the Group has not opted to recognize forward elements of forward contracts retrospectively;
  - interest rate swaps, to convert a portion of the variable-rate debt to a fixed rate. The change in fair value of these derivative instruments follows the same allocation principles between the effective portion (recognized in equity) to the ineffective portion, which is immediately recognized in profit or loss. The application of the new requirements of IFRS 9 to these contracts has no effect on these contracts.

The standard provides for first-time application, mainly retrospectively, with a few exceptions, notably in connection with hedge accounting, applied prospectively. The Group has adopted the exemption that allows for no restatement of comparative information for prior periods. Thus, the difference between the previous carrying amount at December 31, 2017 and the new carrying amount at January 1, 2018 is recorded in "Retained earnings".

The other amendments and interpretations that are mandatory as from January 1, 2018 have no material impact on the Group.

Main standards, amendments and interpretations adopted by the European Union but not mandatory as at January 1, 2018

- IFRS 16 "Leases", applicable from January 1, 2019;
- IFRIC 23 "Uncertainty over Income Tax Treatments", applicable from January 1, 2019;
- amendments to IFRS 9 "Prepayment Features with Negative Compensation".

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, 2019:
  - amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures",
  - annual improvements (2015-2017) to IFRS,
  - amendments to IAS 19 "Plan Amendment, Curtailment or Settlement";
- for annual periods beginning on or after January 1, 2020:
  - amendments to the Conceptual Framework for IFRS,
  - amendments to IFRS 3 "Business Combinations" entitled, "Definition of a Business",
  - amendments to IAS 1 and IAS 8 "Definition of Material".

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 the disclosures in some of the notes to the financial statements. The Elis Group reviews these estimates and judgments on a regular basis, taking into consideration past experience and other factors deemed relevant in light of economic conditions.

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

Critical accounting estimates and assumptions

Allocation of the acquisition price of a business combination

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

Recoverable amount of goodwill and intangible assets with indefinite useful lives

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

Employee benefit liabilities

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

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

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

Provisions

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

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

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 the 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 Restatements of prior years' financial information

The following tables present adjustments to the income statement, the statement of financial position, and the statement of cash flows as at December 31, 2017, compared to the previously published financial statements as at December 31, 2017:

- related to previous business combinations ("IFRS 3");
- related to the classification of the "Clinical Solutions" business under "discontinued operations" (IFRS 5): in accordance with this standard, only the income statement has been restated, as there is no need to restate the statement of financial position. For the statement of cash flows, the Group has chosen to present the contribution of the "Clinical Solutions" business in the notes (see Note 2.5 "Non-current assets (or groups of assets) held for sale").

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	2017 published	IFRS 3	IFRS 5	2017 restated
Revenue	**2,214.9**	**-**	**(21.4)**	**2,193.6**
Cost of linen, equipment and other consumables	(361.4)	(0.1)	9.6	(351.8)
Processing costs	(849.2)	(2.3)	7.5	(844.1)
Distribution costs	(358.5)	-	1.4	(357.1)
Gross margin	**645.8**	**(2.4)**	**(2.9)**	**640.5**
Selling, general and administrative expenses	(352.6)	(1.0)	2.1	(351.5)
Value corrections for losses on trade and other receivables	(4.7)	(0.0)	0.0	(4.7)
Operating income before other income and expenses and amortization of intangible assets recognized in a business combination	**288.5**	**(3.4)**	**(0.8)**	**284.2**
Amortization of intangible assets recognized in a business combination	(54.2)	(24.9)	-	(79.1)
Goodwill impairment	-	-	-	-
Other operating income and expenses	(89.9)	(1.0)	1.8	(89.0)
Operating income	**144.5**	**(29.3)**	**1.0**	**116.2**
Net financial income (loss)	(59.8)	-	0.0	(59.8)
Income (loss) before tax	**84.6**	**(29.3)**	**1.1**	**56.4**
Income tax expense	(17.9)	4.7	(0.4)	(13.6)
Share of net income of equity-accounted companies	-		-	-
Income from continuing operations	**66.8**	**(24.6)**	**0.7**	**42.8**
Income from discontinued operations, net of tax	-	-	(0.7)	(0.7)
Net income (loss)	**66.8**	**(24.6)**	**-**	**42.1**
Attributable to:				
› owners of the parent	66.2	(24.6)	-	41.5
› non-controlling interests	0.6	-		0.6
Earnings (loss) per share (EPS) *(in euros)*:				
› basic, attributable to owners of the parent	€0.41			€0.26
› diluted, attributable to owners of the parent	€0.41			€0.26
Earnings (loss) per share (EPS) from continuing operations *(in euros)*:				
› basic, attributable to owners of the parent	€0.41			€0.26
› diluted, attributable to owners of the parent	€0.41			€0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	2017 published	IFRS 3	IFRS 5	2017 restated
NET INCOME (LOSS)	66.8	(24.6)	-	42.1
Gains (losses) on change in fair value of hedging instruments	(4.8)			(4.8)
Cash flow hedge reserve reclassified to income	6.2			6.2
Total change in cash flow hedge reserve, before taxes	**1.4**	**-**		**1.4**
Related tax	(0.5)			(0.5)
Net change in the cost of hedging, before tax	**-**			**-**
Related tax	-			-
Effects of changes in foreign exchange rates – net translation differences	**(150.2)**	**(1.0)**		**(151.2)**
Other comprehensive income (loss) which may be subsequently reclassified to income	**(149.3)**	**(1.0)**	**-**	**(150.3)**
Actuarial gains (losses) on defined benefit plans, before tax	**16.3**			**16.3**
Related tax	(3.1)			(3.1)
Other comprehensive income (loss) which may not be subsequently reclassified to income	**13.2**	**-**		**13.2**
OTHER COMPREHENSIVE INCOME	**(136.1)**	**(1.0)**	**-**	**(137.1)**
TOTAL COMPREHENSIVE INCOME (LOSS)	(69.3)	(25.6)	-	(94.9)
Attributable to:				
› owners of the parent	(69.7)	(25.6)		(95.4)
› non-controlling interests	0.4	-		0.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

(In millions of euros)	12/31/2017 published	IFRS 3 appropriation as at the acquisition date	IFRS 3 change between the acquisition date and the balance sheet date	IFRS 3 translation differences	12/31/2017 restated
Goodwill	4,335.5	(580.7)	-	12.7	3,767.4
Intangible assets	378.8	705.3	(25.4)	(14.3)	1,044.5
Property, plant and equipment	1,744.5	73.3	(2.6)	(2.4)	1,812.8
Equity-accounted companies	-	-	-	-	-
Other equity investments	0.1	(0.0)	0.0	-	0.1
Other non-current assets	6.8	34.8	-	(1.4)	40.2
Deferred tax assets	46.9	(27.3)	1.5	0.1	21.2
Employee benefit assets	16.4	-	-	-	16.4
TOTAL NON-CURRENT ASSETS	6,529.0	205.4	(26.6)	(5.3)	6,702.6
Inventories	127.2	(4.9)	(0.3)	0.1	122.1
Contract assets	-	-	-	-	-
Trade and other receivables	705.6	(28.7)	(0.1)	(0.8)	676.0
Current tax assets	18.2	(0.1)	(0.0)	0.0	18.1
Other assets	30.9	(2.0)	0.0	0.0	28.9
Cash and cash equivalents	416.4	(0.0)	-	0.0	416.4
Assets held for sale	1.0	-	-	-	1.0
TOTAL CURRENT ASSETS	1,299.3	(35.8)	(0.4)	(0.6)	1,262.5
TOTAL ASSETS	**7,828.4**	**169.6**	**(27.0)**	**(5.9)**	**7,965.1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

(In millions of euros)	12/31/2017 published	IFRS 3 appropriation as at the acquisition date	IFRS 3 change between the acquisition date and the balance sheet date	IFRS 3 translation differences	12/31/2017 restated
Share capital	219.4				219.4
Additional paid-in capital	3,025.7				3,025.7
Treasury share reserve	(0.7)				(0.7)
Other reserves	0.7				0.7
Retained earnings (accumulated deficit)	(189.1)	0.0	(24.6)	-	(213.7)
Other components of equity	(110.2)	-	-	(1.0)	(111.2)
Equity attributable to owners of the parent	**2,945.8**	**0.0**	**(24.6)**	**(1.0)**	**2,920.2**
Non-controlling interests	**9.2**	**(6.3)**	**-**	**-**	**2.9**
TOTAL EQUITY	2,955.0	(6.3)	(24.6)	(1.0)	2,923.0
Provisions	39.7	59.1	-	(0.2)	98.5
Employee benefit liabilities	96.6	3.5	-	-	100.0
Borrowings and financial debt	2,060.9	0.0	-	-	2,060.9
Deferred tax liabilities	244.1	118.2	(3.3)	(1.9)	357.1
Other non-current liabilities	12.6	(0.0)	-	0.0	12.6
TOTAL NON-CURRENT LIABILITIES	2,453.8	180.7	(3.3)	(2.1)	2,629.1
Current provisions	15.2	22.2	0.9	(1.9)	36.5
Current tax liabilities	21.8	(0.2)	0.2	(0.0)	21.8
Trade and other payables	277.5	(9.5)	(0.0)	0.0	268.1
Contract liabilities		-	-	-	-
Other liabilities	462.8	(17.4)	(0.0)	(0.9)	444.5
Bank overdrafts and current borrowings	1,642.2	-	-	-	1,642.2
Liabilities directly associated with assets held for sale	0.0	-	-	-	0.0
TOTAL CURRENT LIABILITIES	2,419.6	(4.8)	1.0	(2.8)	2,413.0
TOTAL EQUITY AND LIABILITIES	**7,828.4**	**169.6**	**(27.0)**	**(5.9)**	**7,965.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions of euros)	**2017 published**	**IFRS 3**	**2017 restated**
CONSOLIDATED NET INCOME (LOSS)	66.8	(24.6)	42.1
Depreciation, amortization and provisions	436.2	30.9	467.1
Portion of grants transferred to income	(0.3)		(0.3)
Goodwill impairment	-		-
Share-based payments	6.9		6.9
Net gains and losses on disposal of property, plant and equipment and intangible assets	4.5	0.1	4.6
Share of net income of equity-accounted companies	-		-
Net financial (income) loss	59.8		59.8
Income tax expense	17.9	(4.7)	13.2
Other	(0.1)		(0.1)
CASH FLOWS BEFORE FINANCE COSTS AND TAX	591.8	1.6	593.4
Income tax paid	(53.3)		(53.3)
Change in inventories	(3.1)	0.3	(2.7)
Change in trade and other receivables and contract assets	(51.2)	0.1	(51.1)
Change in other assets	0.1		0.1
Change in trade and other payables	6.3		6.3
Change in contract and other liabilities	(69.6)		(69.6)
Other changes	(0.8)		(0.8)
Employee benefits	(0.6)		(0.6)
NET CASH FROM OPERATING ACTIVITIES	419.6	2.0	421.6
Acquisition of intangible assets	(16.8)		(16.8)
Proceeds from sale of intangible assets	0.1		0.1
Acquisition of property, plant and equipment	(463.0)	(2.0)	(465.1)
Proceeds from sale of property, plant and equipment	1.3		1.3
Acquisition of subsidiaries, net of cash acquired	(1,362.9)		(1,362.9)
Proceeds from disposal of subsidiaries, net of cash transferred	1.0		1.0
Changes in loans and advances	0.1		0.1
Dividends from equity-accounted companies	0.1		0.1
Investment grants	0.3		0.3
NET CASH USED IN INVESTING ACTIVITIES	(1,839.9)	(2.0)	(1,841.9)
Capital increase	506.0		506.0
Treasury shares	1.1		1.1
Dividends and distributions paid			
› to owners of the parent	(51.7)		(51.7)
› to non-controlling interests	(0.0)		(0.0)
Change in borrowings[(a)]	1,080.2		1,080.2
› Proceeds from new borrowings	4,126.0		4,126.0
› Repayment of borrowings	(3,045.9)		(3,045.9)
Net interest paid	(60.5)		(60.5)
Other flows related to financing activities	17.4		17.4
NET CASH USED IN FINANCING ACTIVITIES	1,492.4	-	1,492.4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	72.2		72.2
Cash and cash equivalents at beginning of period	165.2		165.2
Effect of changes in foreign exchange rates on cash and cash equivalents	(34.3)		(34.3)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	203.0		203.0

(a) Net change in credit lines.

IFRS 3 "Business combinations"

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

The amount of goodwill shown in the consolidated financial statements was allocated in the amount of €580.7 million at the acquisition date, and mainly concerns Lavebras (Brazil) and Berendsen. Therefore:

- the Berendsen goodwill, originally recognized in the amount of €2,342.0 million as at December 31, 2017, has been allocated in the amount of €501.7 million;
- the initial goodwill on the 2017 Brazilian acquisitions (mainly Lavebras) originally recognized in the amount of €328.1 million as at December 31, 2017 has been allocated in the amount of €79.4 million.

The methods used to measure the fair value of the assets were as follows:

- Property, plant and equipment (+€73.3 million, of which €21.8 million for Lavebras and €47.6 million for Berendsen) and software (+€12.0 million for Berendsen): market comparables method where available or intrinsic cost approach (reconstitution/replacement costs adjusted for depreciation and obsolescence);
- Customer relationships (+€640.5 million, of which €33.0 million for Lavebras and €605.5 million for Berendsen): multi-period excess earnings method that takes into account the present value of net cash flows expected to be generated, excluding any cash flows related to support assets;
- Berendsen brands (+€31.3 million): relief from royalty method.

In addition, the Group finalized the fair-value measurement of offsetting assets and provisions, particularly in the area of the environment. The final fair value of assets and liabilities acquired in a business combination in 2017 is disclosed in the "Acquisitions in 2017" section of Note 2.4 "Changes in scope of consolidation".

Finally, the Group allocated the Berendsen goodwill to each of the cash-generating units (Germany, Great Britain, Denmark, Sweden & Finland and the Netherlands in particular), the final breakdown of which is provided in Note 6.1 "Goodwill". The residual goodwill has been allocated based on the recoverable amounts of each of the cash-generating units.

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 4.6 "Other operating 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 acquiree and the net identifiable assets acquired and liabilities assumed.

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

Business combinations prior to June 30, 2009

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

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

2.3 Foreign currency translation

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

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

2.4 Changes in scope of consolidation

2018 acquisitions

In Germany

On January 3, 2018, the Group acquired:

- Sächsische Mietwäsche und Handels, a company located in Germany near Dresden, with annual revenue of approximately €2.3 million in the Hospitality sector. The volumes are being transferred to the Riesa plant and the former manager, Thomas Pfeiff, will become director of Riesa;
- the acquisition of Alsco's hotel customer portfolio in Germany, in the Berlin and Hamburg regions. In 2017, Alsco achieved revenue of nearly €2 million.

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

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

In Belgium

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

In Spain

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

On December 5, 2018, the Group completed the acquisition of 100% of Lavanderias Triton, SL The Lavanderias Triton, SL plant, located in the Madrid region, specializes in flat linen and mainly serves customers in the Hospitality market. Through service partners, the company also covers the cities of Barcelona, Malaga, Elche and Segovia. A family-owned group, Lavanderias Triton, SL reported revenue of around €8 million in 2017. This acquisition, which further expands Elis' existing network in Spain, will generate synergies and expand the Group's customer portfolio.

In France

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

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

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 Belgium	of which Spain
Balance sheet					
Intangible assets	6.3	-	2.3	1.8	2.2
Property, plant and equipment	33.5	0.1	18.6	11.4	3.3
Inventories	0.3	0.1	0.1	0.2	0.0
Trade and other receivables	7.9	0.3	4.2	1.1	2.4
Current tax assets	0.3	-	0.3	-	-
Other assets	0.2	0.0	0.1	0.0	0.0
Cash and cash equivalents	4.3	0.2	0.3	0.4	3.4
Assets held for sale	0.2	-	-	-	0.2
Provisions	(0.0)	-	-	(0.0)	-
Borrowings and financial debt	(7.3)	(0.0)	(2.5)	(3.8)	(1.0)
Deferred tax liabilities	(1.9)	-	(0.7)	(1.2)	(0.0)
Current tax payables	(1.0)	0.0	(0.2)	(0.0)	(0.8)
Trade and other payables	(6.7)	(0.0)	(2.6)	(0.8)	(3.3)
Contract liabilities	(0.4)	(0.3)	-	(0.1)	-
Other liabilities	(4.0)	(0.2)	(2.1)	(1.1)	(0.6)
Bank overdrafts and current borrowings	(6.4)	-	(5.4)	(0.8)	(0.1)
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE[(a)]	**25.2**	**0.2**	**12.3**	**7.0**	**5.7**
Goodwill	40.3	3.4	24.4	3.0	9.5
PURCHASE PRICE	**65.4**	**3.6**	**36.7**	**10.0**	**15.1**
Acquisition-related transaction costs	0.8	0.0	0.5	0.2	0.2

(a) Provisional amount, see below.

CASH FLOWS FROM ACQUISITIONS

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

As at December 31, 2018, due to a recent acquisition completed at year-end, the initial recognition of business combinations was incomplete and the above amounts were, therefore, set out on a provisional basis.

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

Residual goodwill

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

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 information is included in the 2017 registration document, which is available on Elis' investor relations home page: https://www.corporate-elis.com/en/investor-relations.

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 for 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 approximately 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 Pest Control and operating in the Aix-Avignon-Marseille region. HTE Sanitation posted revenue of €0.4 million in 2017 and has nine employees.

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;
- in October 2017, Elis acquired Lavanser, which operates a plant in Bogotá. 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
Balance sheet								
Intangible assets	747.0	678.1	4.8	1.1	1.1	61.9	0.1	-
Property, plant and equipment	837.5	758.7	8.8	2.7	2.4	63.0	1.8	-
Available-for-sale financial assets	0.1	0.1	0.0	-	0.0	-	-	-
Other non-current assets	75.5	54.5	-	-	1.6	19.4	0.0	-
Deferred tax assets	(16.2)	(18.6)	-	-	0.4	2.1	-	-
Employee benefit assets	1.4	1.4	-	-	-	-	-	-
Inventories	59.2	58.8	0.1	0.0	(0.1)	0.4	-	-
Contract assets								
Trade and other receivables	239.3	211.3	3.1	-	1.2	23.3	0.3	-
Current tax assets	4.9	4.9	-	-	(0.0)	-	0.0	-
Other assets	35.3	35.0	0.2	-	0.0	0.1	-	-
Cash and cash equivalents	243.0	237.6	0.8	-	(0.1)	4.6	0.1	-
Assets held for sale								
Provisions	(65.6)	(61.7)	-	(0.0)	(1.6)	(2.2)	-	-
Employee benefit liabilities	(39.6)	(39.3)	(0.3)	-	-	-	-	-
Borrowings and financial debt	(5.6)	(0.1)	(4.7)	-	(0.1)	(0.6)	(0.1)	-
Deferred tax liabilities	(168.9)	(166.9)	(1.8)	-	(0.1)	-	-	-
Other non-current liabilities	(10.3)	(4.7)	(0.5)	-	(0.8)	(3.8)	(0.5)	-
Current provisions	(27.4)	(7.4)	(0.0)	-	-	(20.0)	-	-
Current tax payables	(20.4)	(19.0)	0.3	-	(0.0)	(1.7)	(0.0)	-
Trade and other payables	(95.0)	(86.6)	(1.6)	-	(1.5)	(5.3)	(0.1)	-
Contract liabilities								
Other liabilities	(240.9)	(225.0)	(1.6)	-	(0.9)	(12.8)	(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	**724.0**	**590.5**	**7.5**	**3.8**	**1.5**	**119.5**	**1.2**	**-**
Non-controlling interests	0.1	0.1	-	-	-	-	-	-
Goodwill	2,103.8	1,840.3	8.5	0.0	5.1	248.7	1.0	-
PURCHASE PRICE	**2,827.8**	**2,431.0**	**16.0**	**3.8**	**6.6**	**368.2**	**2.2**	**-**
Acquisition-related transaction costs	29.3	27.3	0.1	0.2	0.2	1.4	0.0	

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)**

Since their acquisition in 2017, the acquired companies have contributed €523.1 million to revenue, €161.8 million to EBITDA, €69.1 million to operating income (before amortization of intangible assets recognized in a business combination), and €15.4 million to net income. These figures have not been restated to reflect the reclassification of the "Clinical Solutions" business to discontinued operations in 2018, as detailed in Notes 1.4 and 2.5. If these acquisitions had taken place at the beginning of 2017, additional revenue would have been €950.8 million, additional EBITDA €278.2 million, additional operating income (before amortization of intangible assets recognized in a business combination) €118.2 million, and net income would have been lower by €2.0 million.

- Since its acquisition in 2017, Berendsen has contributed €445.0 million to revenue, €143.6 million to EBITDA, €61.3 million to operating income (before amortization of intangible assets recognized in a business combination), and €19.9 million to net income. These figures have not been restated to reflect the reclassification of the "Clinical Solutions" business to discontinued operations in 2018, as detailed in Notes 1.4 and 2.5. If this acquisition had taken place at the beginning of 2017, additional revenue would have been €890.3 million, additional EBITDA €265.6 million, additional operating income (before amortization of intangible assets recognized in a business combination) €108.3 million, and additional net income €7.6 million.
- Since its acquisition in 2017, Lavebras has contributed €60.1 million to revenue, €15.0 million to EBITDA, €7.4 million to operating income (before amortization of customer relationships), and -€3.6 million to net income. If this acquisition had taken place at the beginning of 2017, additional revenue would have been €47.4 million, additional EBITDA €13.1 million, additional operating income (before amortization of intangible assets recognized in a business combination) €10.3 million, and additional net income would have amounted to -€4.8 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.

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

On July 25, 2018, the Group publicly announced the decision authorized by the Supervisory Board to sell the Clinical Solutions business in the United Kingdom. It expects this sale to be completed within one year after June 30, 2018. The Group exercised its judgment and, in view of the distinct products and services of this business, it has been classified under "Discontinued operations" in these financial statements and is no longer presented in "Segment information". The results of this business for the period are as follows:

(In millions of euros)	2018	2017
Revenue	67.3	21.4
Expenses	(68.8)	(22.5)
Income (loss) before tax of discontinued operations	**(1.5)**	**(1.1)**
Income tax expense	0.3	0.4
NET INCOME (LOSS)	**(1.2)**	**(0.7)**

The assets and liabilities of the "Clinical Solutions" business in the United Kingdom classified as held for sale are as follows:

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

Trade receivables at December 31, 2018 amounted to €16.8 million.

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

(In millions of euros)	2018	2017
Cash flows from operating activities	(6.5)	(1.0)
Net cash used in investing activities	0.2	(1.6)
Net cash used in financing activities	0	0
FREE CASH FLOW FOR THE PERIOD	**(6.3)**	**(2.5)**

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, 2018 nor as at December 31, 2017.

Commitments received totaled €149.4 million as at December 31, 2018 (€173.4 million as at December 31, 2017) and correspond to the maximum guarantees granted to Elis in connection with its acquisitions.

2.7 Non-controlling interests

In April 2018, the former Lavebras shareholder subscribed to a €9.0 million capital increase in Atmosfera, the Group's direct subsidiary in Brazil. This investment is subject to a repurchase commitment by the Group, recorded in other current liabilities.

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

Bond issue

On February 8, 2018, the Group announced that it had raised €1.0 billion via a bond issue divided into two tranches with maturities of five and eight years, respectively:

- a five-year tranche, for €650 million, with an annual coupon rate of 1.875%;
- an eight-year tranche, for €350 million, with an annual coupon rate of 2.875%.

These funds enabled the final repayment of the bridge loan set up for the Berendsen acquisition and the extension of the maturity of the Group's debt. The placement of this issue was led by 10 banks: BBVA, BNP Paribas, CA CIB, Commerzbank, HSBC, Natixis, ING, Mediobanca, MUFG and Société Générale.

Acquisition of Kings Laundry in Ireland

On July 26, 2018, the Group announced that it had signed an agreement to acquire 100% of Kings Laundry in Ireland. The finalization of the transaction is still pending as at the closing date of the consolidated financial statements, as it is subject to regulatory conditions. Kings Laundry has two laundries located in Cork and Dublin and posted approximately €30 million in revenue in 2017. This acquisition adds to Elis's existing network in the country.

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

On January 4, 2019, the Group completed the acquisition of 100% of A-Vask A/S in Denmark. A-Vask A/S is a family-owned group with two multi-service plants in Aabenraa (southern Denmark) and Taastrup (Copenhagen region) with customers in the Hospitality and public sectors. A-Vask A/S generated revenue of around €8 million in 2017.

On January 14, 2019, the Group completed the acquisition of 100% of Metropolitana SAS in Columbia. Metropolitana has two plants in Bogota dedicated to operators in the Healthcare, Industry and Hospitality sectors. A family-owned group, Metropolitana reported revenue of around €4 million in 2017. This acquisition will expand Elis' existing network in the Bogota region and will help it to make inroads into the Hospitality and Industry sectors, in which Elis has, until now, had a smaller presence.

On January 14, 2019, Elis also acquired 100% of Curantex GmbH and Curantex GmbH & Co KG ("Curantex") in Germany. The Curantex plant, located in Erkelenz in North Rhine-Westphalia, serves customers in the Healthcare market, including hospitals and retirement homes (flat linen, workwear and residents' clothing). Curantex is a family-owned company that generated revenue of approximately €14 million in 2017. This acquisition, which expands Elis' existing network in the Cologne region, will enable it to streamline its plants in West Germany, a densely-populated area in which Elis already operates five flat linen plants and two garment plants.

On January 29, 2019, Elis announced the acquisition of 100% of Lloguer Textil Maresme, SL (Lloguer Textil) in Spain. Lloguer Textil is a family-owned group with a flat linen plant in Mataro, north of Barcelona, which posted revenue of around €3 million in 2018. In addition, the Group also acquired Base Lavanderias and Marina de Complementos, which operate in the Healthcare sector (flat linen) in Valencia and La Rioja, employing nearly 50 people and generating nearly €1.6 million in revenue.

On February 5, Elis acquired 100% of Rathiboust, a French Pest Control company that mainly serves building management companies in the Greater Paris region. The company has 13 employees and reported revenue of approximately €1.5 million in 2018.

On February 21, 2019, the Group completed the acquisition of 100% of Blanchisserie Sud Aquitaine. The company, which operates in the Hospitality sector in Nouvelle-Aquitaine in southwestern France, has nearly 40 employees and revenue of approximately €3.6 million.

On March 1, Elis acquired 100% of Swedish company Carpeting Entrémattor. A family-run group located in Stockholm, Carpeting Entrémattor is entirely dedicated to the rental and maintenance of mats for clients of all sizes operating in a variety of sectors. In 2018, it posted revenue of around €3.5 million.

NOTE 3 SEGMENT INFORMATION

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

- 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, which encompasses these businesses in Germany and Austria, Belgium and Luxembourg, the Netherlands, Poland, Czech Republic, Hungary and Slovakia, and Switzerland;
- Scandinavia & Eastern Europe, which encompasses these businesses resulting from the acquisition of Berendsen in Denmark, Finland, Norway, Latvia, Estonia, Lithuania and Russia, and Sweden;
- Southern Europe, which encompasses Elis' original businesses in Spain and Andorra, Portugal and Italy;
- Latin America, which includes Elis' businesses in Brazil and those in Chile and Colombia.

The other segments include manufacturing entities that comprise the activities of the "cash-flow generating units" 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

2018

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

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	131.2	388.8	164.2	259.1	221.2	20.0	2,193.6
Inter-segment	1.9	0.6	1.3	0.7	0.1	-	(4.6)	-
SEGMENT REVENUE	**1,010.9**	**131.8**	**390.1**	**164.9**	**259.2**	**221.2**	**15.5**	**2,193.6**

3.2 Earnings

Non-IFRS indicators

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

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

2018

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

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 expenses and amortization of intangible assets recognized in a business combination	**186.4**	**5.2**	**33.3**	**29.5**	**17.8**	**20.6**	**(8.5)**	**284.2**
Miscellaneous financial items	*0.7*	*0.0*	*0.2*	*0.0*	*0.2*	*0.0*	*0.3*	*1.4*
Expenses related to share-based payments	-	*(0.0)*	*(0.0)*	-	-	-	*8.7*	*8.7*
EBIT	187.1	5.3	33.5	29.5	18.0	20.6	0.5	294.4
Depreciation and amortization including portion of grants transferred to income	*166.6*	*28.1*	*70.4*	*26.3*	*49.9*	*33.1*	*1.5*	*375.8*
EBITDA	**353.7**	**33.3**	**103.9**	**55.7**	**67.9**	**53.6**	**2.0**	**670.2**
	35.0%	*25.3%*	*26.6%*	*33.8%*	*26.2%*	*24.2%*		*30.6%*

3.3 Information by region

(In millions of euros)	2018	2017
France (including Le Jacquard Français)	1,042.9	1,019.9
Germany	354.1	189.5
United Kingdom (including Kennedy Hygiene)	361.2	125.3
Sweden	208.6	72.9
Denmark	189.8	64.2
Netherlands	120.2	38.3
Spain and Andorra	188.8	183.6
Brazil	216.2	194.9
Other countries	451.4	304.9
REVENUE	**3,133.3**	**2,193.6**

(In millions of euros)	2018	2017
France (including Le Jacquard Français)	2,143.9	2,146.6
Germany	437.4	387.4
United Kingdom (including Kennedy Hygiene)	379.5	387.9
Sweden	842.0	902.4
Denmark	684.9	710.3
Netherlands	527.1	535.0
Spain and Andorra	283.0	256.5
Brazil	464.1	514.0
Other countries	814.4	784.8
NON-CURRENT ASSETS	**6,576.4**	**6,624.7**

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

NOTE 4 OPERATING DATA

4.1 Revenue

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

Services

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

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

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

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

Sale of goods

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

4.2 Disaggregation of revenue

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

2018

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

2017

(In millions of euros)	France	United Kingdom & Ireland	Central Europe	Scandinavia & Eastern Europe	Southern Europe	Latin America	Other segments	Total
Flat linens	415.8	110.2	208.6	34.1	185.3	179.1	-	1,133.1
Workwear	345.5	9.9	145.1	72.2	40.7	39.7	-	653.2
Hygiene and well-being	278.2	2.5	27.9	44.4	33.6	-	0.3	386.9
Other	(30.5)	8.5	7.2	13.5	(0.4)	2.4	19.8	20.4
Revenue by service	**1,009.0**	**131.2**	**388.8**	**164.2**	**259.1**	**221.2**	**20.0**	**2,193.6**
Hospitality	328.3	40.2	106.3	22.7	152.4	19.0	-	668.9
Industry	172.2	39.0	98.7	109.8	32.7	50.8	-	503.1
Healthcare	187.2	45.4	138.1	18.0	39.0	148.6	-	576.2
Trade and Services	353.0	6.6	45.8	13.7	35.0	2.9	-	457.0
Other	(31.7)	0.0	0.0	0.0	(0.0)	(0.0)	20.0	(11.6)
Revenue by customer sector	**1,009.0**	**131.2**	**388.8**	**164.2**	**259.1**	**221.2**	**20.0**	**2,193.6**
Services (supplied over a given period)	1,006.7	127.5	380.6	153.6	258.8	219.0	1.0	2,147.3
Sales of goods (supplied on a specific date)	2.3	3.6	8.2	10.6	0.3	2.2	19.0	46.2
REVENUE	**1,009.0**	**131.2**	**388.8**	**164.2**	**259.1**	**221.2**	**20.0**	**2,193.6**

4.3 Contract balances

Contract assets

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

Contract liabilities

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

Contract costs

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

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

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

4.4 Trade and other receivables and contract assets

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

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

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

(In millions of euros)	12/31/2018	12/31/2017
Trade receivables and notes receivable (gross)	629.4	641.1
Allowance for bad debts	(56.5)	(50.3)
TRADE RECEIVABLES AND NOTES RECEIVABLE	**572.9**	**590.9**
Other receivables	77.0	85.1
TOTAL TRADE AND OTHER RECEIVABLES	**649.9**	**676.0**
Contract assets	31.7	
TOTAL RECEIVABLES, OTHER DEBTORS AND CONTRACT ASSETS	**681.6**	**676.0**
Collection expected in less than one year	681.6	676.0
Collection expected in more than one year	-	-

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

(In millions of euros)	2018	2017
OPENING BALANCE	**676.0**	**394.0**
Adjustment related to first-time application of IFRS 9	(0.8)	
Change in gross WC	*32.1*	*55.9*
Change in write-downs	*(5.8)*	*(4.8)*
Change in net WC	26.4	51.1
Change in consolidation scope	7.9	239.3
Translation differences	(9.0)	(7.7)
Change in receivable on disposal of assets	(1.0)	0.7
Other movements	(17.8)	(1.5)
AT DECEMBER 31	**681.6**	**676.0**

Net movements in working capital requirements were mainly due to the recognition in 2018 of €11.3 million in receivables related to France's tax credit for competitiveness and employment (*Crédit d'impôt pour la compétitivité des entreprises* – CICE), which were not pre-financed (compared with an increase in CICE receivables of €16.9 million in 2017), as well as to the increase in business activity.

Movements in the impairment of trade receivables are as follows:

(In millions of euros)	**Impairment**
AT DECEMBER 31, 2017 UNDER IAS 39	**(50.3)**
Adjustment related to first-time application of IFRS 9	(0.8)
AT JANUARY 1, 2018, UNDER IFRS 9	**(51.0)**
Movements for the year	(5.8)
Changes in consolidation scope	(0.6)
Translation differences	0.7
Other	0.2
AT DECEMBER 31, 2018	**(56.5)**

Credit risk

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

4.5 Depreciation, amortization, provisions and other costs by type

(In millions of euros)	**2018**	**2017**
Depreciation and amortization (net of the portion of grants transferred to income)		
› *included in Operating income before other income and expense and amortization of intangible assets recognized in a business combination*		
Property, plant and equipment and intangible assets	(144.7)	(103.2)
Textile rental, laundry and maintenance items	(386.0)	(252.6)
Other leased items	(28.8)	(20.3)
Portion of grants transferred to income	0.3	0.3
› *included in other operating income and expenses*	*0.0*	*(0.4)*
› *amortization of intangible assets recognized in a business combination*	*(112.5)*	*(79.1)*
› *included in revenue from discontinued operations*	*(2.0)*	*(0.7)*
TOTAL DEPRECIATION AND AMORTIZATION (NET OF THE PORTION OF GRANTS TRANSFERRED TO INCOME)	**(673.7)**	**(456.0)**
Additions to or reversals of provisions		
› *included in Operating income before other income and expense and amortization of intangible assets recognized in a business combination*	*7.2*	*0.5*
› included in other operating income and expenses	*3.8*	*(11.5)*
TOTAL ADDITIONS TO OR REVERSALS OF PROVISIONS	**11.0**	**(11.0)**
Operating lease expense	**(77.1)**	**(51.2)**

4.6 Other operating income and expense

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

(In millions of euros)	**2018**	**2017**
Costs related to acquisitions and price complements	(31.0)	(30.3)
Restructuring costs	(30.0)	(45.1)
Uncapitalizable costs for change in IT systems	(0.8)	(0.7)
Litigation	(1.1)	(1.2)
Net gains on site disposals	5.0	-
Expenses relating to site disposal	(1.2)	(0.3)
Environmental rehabilitation costs	(1.0)	(6.6)
Compensations received from litigations	15.9	-
Other	(5.7)	(4.8)
OTHER OPERATING INCOME AND EXPENSES	**(49.8)**	**(89.0)**

4.7 Inventories

Inventories are measured at the lower of cost and net realizable value. Impairment losses are recognized whenever the probable realizable value is lower than 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)	12/31/2018	12/31/2017
Raw materials, supplies	33.0	37.6
Work in progress	0.2	0.6
Intermediate and finished goods	19.4	23.1
Goods for resale	67.7	60.8
INVENTORIES	**120.2**	**122.1**
o/w inventories (at cost)	127.0	130.6
o/w impairment	(6.7)	(8.5)

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

(In millions of euros)	2018	2017
AT JANUARY 1	**122.1**	**61.6**
Change in gross inventory	*11.8*	*5.7*
Change in write-downs	*0.9*	*(2.6)*
Change in net inventory	12.7	2.7
Change in consolidation scope	0.3	59.2
Translation differences	(1.9)	(1.5)
Other movements	(12.9)	0.0
AT DECEMBER 31	**120.2**	**122.1**

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

4.8 Trade and other payables

(In millions of euros)	12/31/2018	12/31/2017
Trade payables	252.1	246.3
Trade payables (fixed assets)	17.2	17.4
Other payables	5.1	4.4
TOTAL TRADE AND OTHER PAYABLES	**274.4**	**268.1**

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

(In millions of euros)	2018	2017
AT JANUARY 1	**268.1**	**166.8**
Change in WC	7.0	6.3
Change in consolidation scope	6.7	95.0
Translation differences	(3.0)	(2.5)
Change in trade payables (fixed assets)	(8.2)	3.9
Other movements	3.9	(1.3)
AT DECEMBER 31	**274.4**	**268.1**

4.9 Other current assets and liabilities

(In millions of euros)	Notes	12/31/2018	12/31/2017
Prepaid expenses		23.0	27.1
Current asset derivatives – cash flow hedging	8.8	1.3	0.1
Other current asset derivatives		0.1	-
Other assets		1.7	1.7
TOTAL OTHER ASSETS		**26.0**	**28.9**
Deposits received		9.0	8.9
Payroll-related liabilities		182.1	172.3
Tax liabilities and other debt		161.6	163.9
Deferred consideration payable on acquisitions		11.6	24.6
Liability for repurchase commitments to non-controlling interests		14.5	5.9
Current liability derivatives – cash flow hedging	8.8	-	1.9
Other current liability derivatives[(a)]		0.1	0.8
Investment grants		2.6	2.2
Deferred income		-	64.0
TOTAL OTHER LIABILITIES		**381.5**	**444.5**
Contract liabilities		68.3	-
TOTAL CONTRACT AND OTHER LIABILITIES		**449.8**	**444.5**

(a) As at December 31, 2017, some of the derivatives not qualifying as hedges consisted of forward purchases of US dollars made to hedge the Berendsen Group's purchases. These forward purchases, subscribed before the date on which control was acquired by the Elis Group, could not be qualified as hedges for accounting purposes.

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

(In millions of euros)	2018	2017
AT JANUARY 1	**28.9**	**16.7**
Change in WC	(2.2)	(0.1)
Change in consolidation scope	0.2	35.3
Translation differences	(0.1)	0.7
Change in derivatives	1.3	(22.2)
Other movements	(2.2)	(1.4)
AT DECEMBER 31	**26.0**	**28.9**

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

(In millions of euros)	2018	2017
AT JANUARY 1	**444.5**	**296.4**
Change in WC	16.2	(69.6)
Change in consolidation scope	4.4	240.9
Translation differences	(5.2)	(3.0)
Change in debt related to business combinations	(3.7)	(1.0)
Change in derivatives	(2.6)	(20.9)
Other movements	(3.8)	1.7
AT DECEMBER 31	**449.8**	**444.5**

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.

NOTE 5 EMPLOYEE BENEFITS EXPENSE

5.1 Average number of employees

(In number of people)	2018	2017
Executives	2,308	1,696
Supervisory personnel	3,538	2,287
Office employees	4,105	2,966
Service employees	7,998	4,910
Other employees	29,831	22,476
TOTAL EMPLOYEES PER CATEGORY	**47,779**	**34,335**
France	13,122	12,802
Other countries	34,657	21,533
TOTAL EMPLOYEES	**47,779**	**34,335**

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 by applying a linear progression when vesting is not uniform over subsequent service periods. Future payments corresponding to benefits granted to employees are estimated on the basis of assumptions regarding salary increase rates, retirement age and mortality, after which their present value is calculated using the interest rate on long-term bonds issued by investment grade issuers.

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

(In millions of euros)	2018	2017
Wages and salaries	(1,010.0)	(699.5)
Social security contributions	(269.8)	(203.8)
Tax credit for competitiveness and employment (CICE)	16.2	18.3
Mandatory/optional profit-sharing	(23.7)	(23.7)
Other employee benefits	(2.1)	0.7
Equity-settled share-based payments	(17.0)	(8.7)
TOTAL EMPLOYEE BENEFIT EXPENSES FROM CONTINUING OPERATIONS	**(1,306.4)**	**(916.6)**

5.3 Employee benefit assets/liabilities

Defined contribution plans

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

Defined benefit plans

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

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

The commitments of **the Group's subsidiaries in the United Kingdom** are grouped in a single pension plan specific to them. These commitments are covered by a dedicated external fund set up on February 1, 2016 and covering all commitments at that date, so as not to have to make additional payments except in extraordinary circumstances. The 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 for rights vested before February 1, 1999, and in line with the Consumer Price Index for commitments vested after that date. The terms and conditions governing the management of the plan's assets are defined by UK regulations, as well as the relationship between the Group and the managers (trustees) of the fund. Responsibility for the management of the fund, including decisions on asset allocation and calls for contributions, rests jointly with the Group and the fund managers, the latter comprising representatives of the Group and beneficiaries of the plan in accordance with current regulations.

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

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

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

Employee-related liabilities

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

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

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

(In millions of euros)	Obligation	Fair value of plan assets	Net Liability (Asset)
December 31, 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 and other movements	438.9	399.6	39.3
Reclassification to liabilities directly related to assets held for sale			-
Translation adjustments	6.3	9.9	(3.6)
At December 31, 2017	**559.2**	**475.5**	**83.7**
Current service cost	5.9		5.9
Interest expense	11.8	10.3	1.5
Benefit paid	(21.3)	(17.7)	(3.6)
Employee contributions	3.7	3.7	-
Employer contributions		3.0	(3.0)
Past service cost	(1.0)		(1.0)
Plan amendments	3.5		3.5
Plan curtailments or settlements	(0.7)	(0.1)	(0.6)
Return on plan assets		(21.7)	21.7
Actuarial gains and losses	(26.3)		(26.3)
Changes in scope of consolidation and other movements	(0.2)	(0.3)	0.1
Reclassification to liabilities directly related to assets held for sale			
Translation adjustments	(1.4)	(0.9)	(0.5)
AT DECEMBER 31, 2018	**533.3**	**451.7**	**81.5**

FUNDED STATUS OF EMPLOYEE BENEFIT OBLIGATION

(In millions of euros)	12/31/2018	12/31/2017
Present value of unfunded obligations	80.0	80.8
Present value of partially or fully funded obligations	453.3	478.4
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	533.3	559.2
Fair value of plan assets (2)	451.7	475.5
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**81.5**	**83.7**

INFORMATION BY REGION

(In millions of euros)	12/31/2018	12/31/2017
France	40.8	38.7
United Kingdom	(15.8)	(14.1)
Sweden	34.1	33.8
Switzerland	17.5	20.0
Other countries	5.0	5.4
EMPLOYEE BENEFIT LIABILITIES (ASSETS)	**81.5**	**83.7**

FRANCE – DETAILS

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

	12/31/2018	12/31/2017
Discount rate	1.6%	1.4%
Expected salary increase rate	inflation+0/6%	inflation+0/6%
Expected retirement benefit increase rate	1.5%	1.1%

(In millions of euros)	12/31/2018	12/31/2017
Present value of unfunded obligations	40.8	38.7
Present value of partially or fully funded obligations	-	-
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	40.8	38.7
Fair value of plan assets (2)	-	-
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**40.8**	**38.7**

	Sensitivity France
Discount rate: -0.5% impact	+5.4%
Discount rate: +0.5% impact	-4.7%
Expected salary/retirement benefit increase rate: -0.5 impact	-4.2%
Expected salary/retirement benefit increase rate: +0.5 impact	+4.2%

	France
Expected contribution for next financial year	2.6
Weighted average duration of the obligation	10.2

UNITED KINGDOM AND IRELAND – DETAILS

On October 26, 2018, the High Court of Justice in the United Kingdom ruled that companies must equalize the benefits paid to men and women who have "Guaranteed Minimum Pensions" (GMP). These GMPs were acquired between May 17, 1990 and April 5, 1997 by employees who benefited from a national British pension system, the calculation rules for which could lead to different payments depending on the beneficiary's gender. The Group's UK subsidiaries, in agreement with their Boards, estimated the impact of this measure at 1% of obligations, or €3.5 million of past service costs recorded in the income statement as "Other income and expense".

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

	12/31/2018	12/31/2017
Discount rate	2.90%	2.50%
Expected salary increase rate	2.90%	2.90%
Expected retirement benefit increase rate	3.00%	2.90%

(In millions of euros)	12/31/2018	12/31/2017
Present value of unfunded obligations	-	-
Present value of partially or fully funded obligations	378.1	408.1
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	378.1	408.1
Fair value of plan assets (2)	393.9	422.2
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**(15.8)**	**(14.1)**

	Sensitivity United Kingdom
Discount rate: -0.5% impact	+9.3%
Discount rate: +0.5% impact	-8.2%
Expected salary/retirement benefit increase rate: -0.5 impact	-0.2%
Expected salary/retirement benefit increase rate: +0.5 impact	+0.3%

	United Kingdom
Expected contribution for next financial year	1.3
Weighted average duration of the obligation	18.1

	United Kingdom
Cash and cash equivalents	3.0
Shares	90.6
Bonds	184.1
Properties & mortgages	0.9
Derivatives	115.2
FAIR VALUE OF PLAN ASSETS	**393.9**

SWEDEN – DETAILS

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

	12/31/2018	12/31/2017
Discount rate	2.25%	2.50%
Expected salary increase rate	-	-
Expected retirement benefit increase rate	2.00%	2.00%

(In millions of euros)	12/31/2018	12/31/2017
Present value of unfunded obligations	34.1	33.8
Present value of partially or fully funded obligations	-	-
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	34.1	33.8
Fair value of plan assets (2)	-	-
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**34.1**	**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	-8.5%
Expected salary/retirement benefit increase rate: +0.5 impact	+9.6%

	Sweden
Expected contribution for next financial year	0.9
Weighted average duration of the obligation	18.5

SWITZERLAND – DETAILS

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

	12/31/2018	12/31/2017
Discount rate	0.95%	0.70%
Expected salary increase rate	1.00%	1.00%
Expected retirement benefit increase rate	–	–

(In millions of euros)	12/31/2018	12/31/2017
Present value of unfunded obligations	–	–
Present value of partially or fully funded obligations	75.2	72.8
TOTAL VALUE OF DEFINED BENEFIT PLAN OBLIGATIONS (1)	75.2	72.8
Fair value of plan assets (2)	57.6	52.8
TOTAL VALUE OF DEFINED BENEFIT PLAN LIABILITY (1) - (2) = (3)	**17.5**	**20.0**

	Sensitivity Switzerland
Discount rate: -0.5% impact	+8.5%
Discount rate: +0.5% impact	-7.4%
Expected salary/retirement benefit increase rate: -0.5 impact	-0.7%
Expected salary/retirement benefit increase rate: +0.5 impact	+0.7%

	Switzerland
Expected contribution for next financial year	1.6
Weighted average duration of the obligation	9.1

	Switzerland
Cash and cash equivalents	1.7
Shares	0.2
Bonds	21.9
Properties & mortgages	28.3
Derivatives	5.5
FAIR VALUE OF PLAN ASSETS	**57.6**

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 the grant date, weighted by a reasonable estimate of the extent to which the share allocation criteria would be fulfilled. The cost, recognized through equity, is spread over the vesting period following the Management Board decision and is mentioned in Note 5.2 "Expenses related to employee benefits".

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	Plan no. 7 – 2018	Plan no. 8 – 2018	Plan no. 9 – 2018
Date of shareholders' meeting	10/08/2014	10/08/2014	05/27/2016	05/27/2016	05/27/2016	05/27/2016	05/27/2016	05/27/2016	05/27/2016
Date of Supervisory Board Meeting	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	03/06/2018	03/06/2018	03/06/2018
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	03/29/2018	08/31/2018	12/20/2018
Number of rights originally granted	554,109[(a)]	46,430[(a)]	1,039,316[(a)]	8,987[(a)]	57,837[(a)]	577,050	1,071,374	29,750	28,604
› of which members of the Executive Committee	200,314	–	498,434	–	–	249,300	494,100	–	–
› of which corporate officers	138,640	–	294,720	–	–	146,700	206,490	–	–
– Xavier Martiré	110,504	–	220,268	–	–	100,000	117,995	–	–
– Louis Guyot	14,068	–	37,226	–	–	23,350	49,164	–	–
– Matthieu Lecharny	14,068	–	37,226	–	–	23,350	39,331	–	–
Number of beneficiaries	152	29	206	7	43	230	472	36	25
› of which members of the Executive Committee	8	–	9	–	–	9	11	–	–
› of which corporate officers	3[(a)]	–	3[(a)]	–	–	3[(a)]	3	–	–
Grant date	04/07/2015	12/21/2015	06/15/2016	06/15/2016	12/21/2016	03/24/2017	04/06/2018	08/31/2018	12/20/2018
Vesting date									
France									
› members of the Management Board and the Executive Committee	04/07/2017[(b)]	–	06/15/2019[(d)]	–	–	03/24/2020[(d)]	04/06/2021[(d)]	–	–
› other beneficiaries	04/07/2017[(b)]	12/21/2017[(b)]	06/15/2018[(d)]	06/15/2018[(d)]	12/21/2018[(d)]	03/24/2019[(d)]	04/06/2020[(d)]	08/31/2020	12/20/2020
Rest of the world	04/07/2017[(b)]	12/21/2017[(b)]	06/15/2018[(d)]	06/15/2018[(d)]	12/21/2018[(d)]	03/24/2019[(d)]	04/06/2020[(d)]	08/31/2020	12/20/2020
End of share lock-up period									
› members of the Management Board and the Executive Committee	04/07/2019 [(c)]	–	06/15/2019[(f)]	–	–	03/24/2020[(f)]	04/06/2021[(f)]	–	–
› other beneficiaries	04/07/2019[(c)]	12/21/2019[(c)]	06/15/2018[(f)]	06/15/2018[(f)]	12/21/2018[(f)]	03/24/2019[(f)]	04/06/2020[(f)]	08/31/2020[(f)]	12/20/2020[(f)]
Rights vested in 2018			502,735[(g)]	3,852[(g)]	54,603[(g)]	0[(e)]	0[(e)]	0[(e)]	0[(e)]
Number of rights lapsed or forfeited as at 12/31/2018			38,147	5,135	3,234	25,080	34,657	–	–
Number of rights outstanding as at 12/31/2018			498,434	–	–	551,970	1,036,717	29,750	28,604
› of which members of the Executive Committee			498,434	–	–	249,300	494,100	–	–
› of which corporate officers			294,720	–	–	146,700	206,490	–	–
– Xavier Martiré			220,268	–	–	100,000	117,995	–	–
– Louis Guyot			37,226	–	–	23,350	49,164	–	–
– Matthieu Lecharny			37,226	–	–	23,350	39,331	–	–
Number of working beneficiaries as at 12/31/2018	109	20	173	4	40	208	436	36	25
› of which members of the Executive Committee	8	–	9	–	–	9	11	–	–
› of which corporate officers	3[(b)]	–	3[(b)]	–	–	3[(b)]	3[(b)]	–	–

(a) Xavier Martiré, Louis Guyot and Matthieu Lecharny.
(b) Xavier Martiré, Louis Guyot and Matthieu Lecharny.
(c) This number takes into account the adjustment related to beneficiaries' rights under the capital increase with preferential subscription rights which was carried out in February 2017, said capital increase having had a dilutive effect on the share's value following the removal of the preferential subscription rights. This adjustment was made by transposing the rules on stock options provided for in Article R. 228-91-1 of the French Commercial Code.
(d) The vesting of shares was contingent upon continuous service for the duration of the vesting period and 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 (measured on a 20-day moving average and adjusted for dividends).
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.
(e) Vested 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 2018 registration document.
(f) 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.
(g) Except for members of the Executive Committee, the vesting of these shares is contingent on the achievement of the performance targets set out in the plan and measured over a two-year period, i.e., 2018 performance for the 2017 plan, and 2019 performance for the 2018 plan.
For members of the Executive Committee, performance is measured over a three-year period. For the 2017 plan, performance is measured over 2018 and 2019. For the 2018 plan, performance will be measured for 2020 only. The vesting of shares is also contingent on uninterrupted continued employment with the Group throughout the vesting period. The performance targets attached to the shares are set in reference to three quantifiable criteria linked to consolidated revenue, consolidated EBIT and the performance of the Company's share price relative to the SBF 120 index (measured as a 20-day moving average and adjusted for dividends). For the 2019 plan for Executive Committee members, the performance targets are also subject to criteria relating to the successful integration of Berendsen, namely the synergies created and the EBIT margin in the United Kingdom and Germany. 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 (see chapter 4 for the performance conditions attached to the shares granted in 2018 to members of the Management Board).
(h) 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 2018 registration document.
(i) At its meeting of March 6, 2018, the Supervisory Board reviewed the performance associated with the settlement of performance shares that were granted in 2016 and vested in 2018 (excluding the Executive Committee, whose vesting period is three years), and noted that all performance criteria associated with the plans implemented in 2016 had been met: revenue was €2,215 million in 2017, EBIT was €299 million, and the Elis share outperformed the SBF120. At its meeting of March 6, 2018, the Supervisory Board deemed that the number of vested shares on June 15, 2018 and December 21, 2018 was equal to 100% of the adjusted grant.

5.5 Executive compensation (related party transactions)

As at December 31, 2018, the main executives comprise the ten members of the Executive Committee, along with the Chairman of the Management Board. The total compensation (paid or payable) of the main executives is as follows:

(In millions of euros)	2018	2017
Number of people	**11**	**11**
Employee benefits	(8.9)	(6.0)
Post-employment benefits	-	-
Termination benefits	-	-
Expenses related to share-based payments (IFRS 2)	(6.6)	(3.6)

As at December 31, 2018, employee benefit liability accrued in respect of termination benefits amounted to €0.5 million (€0.4 million as at December 31, 2017).

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, 2017).

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 Goodwill

(In millions of euros)	12/31/2018	12/31/2017
Gross value	3,833.5	1,799.3
Accumulated impairment	(66.1)	(66.4)
Carrying amount at beginning of period	**3,767.4**	**1,732.9**
Acquisitions	40.3	2,103.8
Disposals	-	-
Translation adjustments	(62.9)	(69.5)
Other changes	(0.0)	(0.0)
CHANGES IN GROSS CARRYING AMOUNT	(22.6)	2,034.2
Impairment	-	-
Translation adjustments	0.1	0.4
Other changes	(0.0)	0.0
CHANGES IN IMPAIRMENT	0.1	0.4
CARRYING AMOUNT AT END OF PERIOD	**3,744.9**	**3,767.4**
Gross value	3,810.9	3,833.5
Accumulated impairment	(66.0)	(66.1)

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)	12/31/2018	12/31/2017
CGU France	1,405.6	1,402.2
CGU Germany	173.2	148.8
CGU United Kingdom	84.4	85.1
CGU Denmark	388.2	389.4
CGU Sweden & Finland	560.1	583.5
CGU Netherlands	364.7	364.7
UGT Spain & Andorra	99.7	90.2
CGU Brazil	293.8	328.6
Other CGU	375.2	374.9
CARRYING AMOUNT OF GOODWILL	**3,744.9**	**3,767.4**

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, 2017 and 2018 the Group recorded no impairment losses.

6.2 Other intangible assets

Brands

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

Brands with finite useful lives are amortized over their useful lives. Brands with indefinite useful lives are not amortized but are tested for impairment on an annual basis or whenever there is an indication of impairment.

The following criteria are used to determine whether a brand has a finite or indefinite life:

- overall market positioning of the brand, measured by sales volume, international reach and reputation;
- long-term profitability outlook;
- exposure to fluctuations in the economy;
- major developments in the industry liable to have an impact on the brand's future;
- age of the brand.

Intangible assets (other than brands)

Intangible assets (other than brands) are measured at acquisition cost less accumulated amortization and impairment. Intangible assets have finite useful lives. Amortization is recognized as an expense generally on a straight-line basis over the estimated useful lives of the assets:

- textile patterns: three years;
- software: five years;
- ERP: 15 years;
- acquired customer contracts and relationships: four to 14 years.

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

(In millions of euros)	Trademarks & non-competition clauses	Customer relationships	Other	Total
Gross value	**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	53.7	665.1	28.2	747.0
Retirements and disposals	(0.0)	-	(1.5)	(1.5)
Amortization	(4.9)	(74.4)	(10.1)	(89.5)
Translation adjustments	(1.9)	(15.6)	(0.5)	(18.0)
Impairment	-	-	-	-
Other movements	0.1	(0.0)	(0.3)	(0.1)
Gross value	**268.4**	**1,283.6**	**167.6**	**1,719.6**
Accumulated depreciation and impairment	**(12.2)**	**(560.2)**	**(102.7)**	**(675.1)**
NET CARRYING AMOUNT AT DEC 31, 2017	256.2	723.4	64.9	1,044.5
Investments	0.0	1.1	18.8	20.0
Changes in scope of consolidation	-	6.2	0.0	6.3
Retirements and disposals	-	-	(1.6)	(1.6)
Amortization	(10.3)	(102.2)	(16.0)	(128.5)
Translation adjustments	(1.9)	(13.3)	(0.6)	(15.9)
Impairment	(0.0)	-	-	(0.0)
Other movements	0.8	0.0	(0.2)	0.5
Gross value	**266.2**	**1,274.7**	**164.6**	**1,705.5**
Accumulated depreciation and impairment	**(21.4)**	**(659.5)**	**(99.4)**	**(780.3)**
NET CARRYING AMOUNT AS AT DECEMBER 31, 2018	244.8	615.2	65.2	925.2

Other intangible assets consist primarily of software.

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

(In millions of euros)	12/31/2018	12/31/2017	Amortization
Elis brands in France	184.7	184.7	Not amortized
Elis brands in Europe	21.8	21.8	Not amortized
Berendsen brands	22.8	29.2	Five years
› *Le Jacquard Français brand*	*0.9*	*0.9*	*Impairment*
› *Kennedy trademark*	*1.2*	*1.3*	*Not amortized*
Brands of manufacturing entities	2.1	2.2	
Non-competition clauses and miscellaneous	13.3	18.4	
TRADEMARKS & NON-COMPETITION CLAUSES	**244.8**	**256.2**	

Recognition of impairment

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

6.3 Property, plant and equipment

Items of property, plant and equipment are carried in the balance sheet at historical cost for the Group, less accumulated depreciation and impairment.

In accordance with IAS 16 "Property, Plant and Equipment" only items whose cost can be measured reliably and from which future economic benefits are expected to flow to the Group are recognized as assets.

Assets leased out under agreements that do not transfer substantially all the risks and rewards incident to ownership of the assets to the lessee (operating leases) are recognized as non-current assets. Assets under other leases (finance leases) are recognized as loans for the amount corresponding to the net investment in the lease.

Depreciation is calculated on a straight-line basis over the following useful lives:

- buildings: component method:
  - structure, outside walls, roof: 40 to 50 years,
  - internal walls, partitions, painting and floor coverings: 10 to 12.5 years;
- production equipment: 10 to 30 years;
- vehicles: 4 to 8 years;
- office equipment and furniture: 5 to 10 years;
- IT equipment: 3 to 5 years;
- items related to rental, laundry and maintenance service agreements (textiles, equipment and other leased items) are initially recognized as inventories and are then capitalized and depreciated over a period of 18 months to five years.

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

(In millions of euros)	Land and buildings	Vehicles	Plant & equipment	Rental, laundry and maintenance items	Total
Gross value	**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 AT DEC 31, 2016	219.1	37.5	310.6	331.2	898.4
Investments	58.9	13.1	108.5	288.6	469.1
Changes in scope of consolidation	252.4	3.8	252.7	328.6	837.5
Retirements and disposals	(0.9)	(0.5)	(2.5)	(1.4)	(5.3)
Depreciation	(16.6)	(11.7)	(65.1)	(272.9)	(366.3)
Translation adjustments	(4.4)	(0.8)	(10.0)	(4.2)	(19.4)
Impairment	-	-	(0.2)	-	(0.2)
Other movements	(0.2)	1.5	(1.6)	(0.7)	(1.0)
Gross value	**794.1**	**143.7**	**1,473.6**	**1,701.0**	**4,112.5**
Accumulated depreciation and impairment	**(285.9)**	**(100.8)**	**(881.3)**	**(1,031.9)**	**(2,299.8)**
NET CARRYING AMOUNT AT DEC 31, 2017	508.3	42.9	592.4	669.2	1,812.8
Investments	47.2	17.2	133.0	447.3	644.8
Changes in scope of consolidation	11.2	1.7	12.5	8.1	33.5
Retirements and disposals	(3.3)	(0.4)	(6.7)	(4.9)	(15.3)
Depreciation	(24.5)	(12.3)	(93.9)	(414.8)	(545.6)
Translation adjustments	(4.8)	0.1	(10.1)	(6.2)	(21.0)
Impairment	-	-	-	-	-
Other movements	(1.2)	0.6	(2.7)	0.4	(3.0)
Gross value	**773.1**	**158.1**	**1,495.2**	**1,834.6**	**4,261.1**
Accumulated depreciation and impairment	**(240.3)**	**(108.4)**	**(870.6)**	**(1,135.5)**	**(2,354.8)**
NET CARRYING AMOUNT AS AT DECEMBER 31, 2018	532.8	49.7	624.6	699.2	1,906.3

In 2018, "Other movements" included a reclassification to non-current assets held for sale in the amount of €4.8 million relating to the disposal of the "Clinical Solutions" business.

Finance leases

Assets financed by finance leases 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 costs directly 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)	12/31/2018	12/31/2017
Owned property, plant and equipment	1,879.4	1,793.3
Leased property, plant and equipment under a finance lease	26.9	19.5
TOTAL PROPERTY, PLANT AND EQUIPMENT	**1,906.3**	**1,812.8**

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)	12/31/2018	12/31/2017
Future minimum lease payments under non-cancellable operating leases		
within one year	63.4	50.9
between 1 and 5 years	140.4	131.1
after 5 years	135.2	130.2
TOTAL	**339.0**	**312.2**

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 by a valuation using multiple economic indicators (mainly EBITDA).

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

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

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

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);
- average 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.

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

Country	France	Germany	Brazil	Denmark	Spain	United Kingdom	Netherlands	Sweden
Risk-free rate	1.0%	0.6%	8.2%	0.8%	1.9%	1.7%	0.8%	0.9%
Credit spread	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Cost of debt (before tax)	**1.8%**	**1.4%**	**9.0%**	**1.6%**	**2.7%**	**2.5%**	**1.6%**	**1.8%**
Tax rate	25.8%	30.0%	34.0%	22.0%	25.0%	17.0%	25.0%	22.0%
Cost of debt, net of tax	**1.4%**	**1.0%**	**6.0%**	**1.3%**	**2.0%**	**2.1%**	**1.2%**	**1.4%**
Risk premiums	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Levered beta	**0.97**	**0.96**	**0.96**	**0.97**	**0.97**	**0.98**	**0.97**	**0.97**
Cost of equity	**7.0%**	**6.6%**	**14.2%**	**6.8%**	**7.9%**	**7.8%**	**6.8%**	**7.0%**
Gearing	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
WACC 2018	6.2%	5.8%	13.0%	6.0%	7.1%	7.0%	6.0%	6.2%
WACC 2017	5.9%	5.4%	12.0%	5.6%	7.1%	6.5%	5.6%	5.8%
PRE-TAX DISCOUNT RATE 2018 (APPROXIMATION)	8.4%	8.3%	19.7%	7.7%	9.4%	8.4%	8.0%	7.9%
Pre-tax discount rate 2017 (approximation)	7.9%	7.7%	18.2%	7.2%	9.5%	7.8%	7.5%	7.4%

3. Multiples used

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

The EBITDA multiple used to determine fair value as at December 31, 2018 is 6.5 × budgeted EBITDA for financial year 2019.

Fundamental assumptions for impairment tests

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

Sensitivity of tests related to goodwill

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

France		**Perpetuity growth rate**		
(In millions of euros)		**1.5%**	**2.0%**	**2.5%**
WACC	5.7%	1,380	1,774	2,290
	6.2%	1,023	**1,328**	1,715
	6.7%	735	977	1,277

Germany		**EBITDA Plan 2019**		
(In millions of euros)		**-10.0%**	**-**	**10.0%**
Multiple	6.0x	101	160	220
	6.5x	145	**210**	275
	7.0x	190	260	329

Brazil		**EBITDA Plan 2019**		
(In millions of euros)		**-10.0%**	**-**	**10.0%**
Multiple	6.0x	(78)	(32)	13
	6.5x	(44)	**5**	54
	7.0x	(10)	43	96

Denmark		**Perpetuity growth rate**		
(In millions of euros)		**1.5%**	**2.0%**	**2.5%**
WACC	5.5%	223	333	479
	6.0%	133	**217**	326
	6.5%	60	127	212

Spain		**EBITDA Plan 2019**		
(In millions of euros)		**-10.0%**	**-**	**10.0%**
Multiple	6.0x	(21)	10	41
	6.5x	2	**36**	69
	7.0x	25	61	98

United Kingdom		**Perpetuity growth rate**		
(In millions of euros)		**1.5%**	**2.0%**	**2.5%**
WACC	6.5%	226	284	357
	7.0%	175	**222**	280
	7.5%	133	172	219

Netherlands		**Perpetuity growth rate**		
(In millions of euros)		**1.5%**	**2.0%**	**2.5%**
WACC	5.5%	139	223	335
	6.0%	70	**135**	218
	6.5%	14	66	130

Sweden		**Perpetuity growth rate**		
(In millions of euros)		**1.5%**	**2.0%**	**2.5%**
WACC	5.7%	111	227	380
	6.2%	14	**105**	220
	6.7%	(65)	8	98

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 the resulting impairment losses are recognized on all the other CGUs.

Sensitivity of tests for unamortized brands

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

	Elis	**Le Jacquard Français**	**Kennedy**
Discount rate	7.2%	7.2%	8.0%
Perpetuity growth rate	2.0%	2.0%	2.0%
Royalty rate	2.0%	4.0%	2.0%

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

(In millions of euros)	**Perpetuity growth rate**		
Discount rate	**1.5%**	**2.0%**	**2.5%**
6.7%	305	350	405
7.2%	262	**298**	342
7.7%	225	255	290

NOTE 7 PROVISIONS AND CONTINGENT LIABILITIES

7.1 Provisions

A provision is recognized whenever the Group has a present contractual, legal or constructive obligation as a result of a past event and when future outflows of resources required to settle the obligation can be estimated reliably.

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

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

Provisions are also recognized for obligations arising from onerous contracts.

Provisions for environmental compliance

Provisions for environmental compliance are assessed based on experts' reports and the Group's experience. These provisions correspond to the expected costs of studies or work to be undertaken by the Group to comply with its environmental obligations, particularly in relation to the ongoing degradation recorded. They relate to sites or categories of work which are to be completed 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
At December 31, 2017	**69.5**	**21.8**	**43.6**	**135.0**
Increases/additions for the year	1.6	1.4	1.0	3.9
Changes in consolidation scope	0.0	-	-	0.0
Decreases/reversals of provisions used	(3.1)	(3.6)	(8.3)	(15.0)
Translation differences	(1.0)	(0.7)	(2.3)	(4.0)
Other	2.4	0.1	(6.9)	(4.4)
AT DECEMBER 31, 2018	69.4	19.0	27.2	115.6
Current portion	**(0.0)**	**3.8**	**19.4**	**23.2**
Non-current portion	**69.4**	**15.2**	**7.8**	**92.4**
France	*14.9*	*2.3*	*0.4*	*17.7*
United Kingdom & Ireland	*13.8*	*11.2*	*0.0*	*25.0*
Scandinavia & Eastern Europe	*28.0*	-	*2.1*	*30.1*
Latin America	*5.5*	*5.1*	*16.2*	*26.7*
Other sectors	*7.3*	*0.4*	*8.4*	*16.2*

7.2 Contingent liabilities

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

In Brazil

Proceedings related to alleged acts of administrative improbity

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

At December 31, 2018, Atmosfera and Prolav were still awaiting additional information and therefore were unable to estimate the contingent liability incurred and the indemnification asset to be received under the respective liability guarantees. The Atmosfera Group's former owners, who received provisional notification of the proceedings on November 26, 2014 with respect to the December 20, 2013 guarantee agreement relating to the acquisition of the Atmosfera Group, have disputed Atmosfera's compensation request.

Proceedings related to degrading working conditions

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

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

The decision on the merits rendered by the Labor Court at first instance in May 2017 was favorable to Atmosfera and overturned all sanctions imposed by the Ministry of Labor against Atmosfera, including its inclusion on the blacklist. This first-instance decision was appealed by the administration, resulting in a new proceeding. This proceeding was still underway as at December 31, 2018, and there is no specific time frame known for this case. If the Ministry of Labor's decision is upheld on the aforementioned appeal, Atmosfera will be put on the "blacklist" for a period of two years.

Administrative proceedings initiated by the CADE

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

Proceedings against NJ Lavanderia

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

Other proceedings are also ongoing against NJ Lavanderia as part of a public civil action initiated in 2014 by Federal District's public prosecutor for alleged breach of the public tender process under Brazil's law on public procurement at the time the public-service contract described above was entered into. In these proceedings, the final written submissions of the first instance have been submitted and a decision on the merits is expected in 2019.

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

Proceedings before Brazil's Federal Court of Accounts

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

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

Should the decisions in connection with the above proceedings go against NJ Lavanderia, the possible penalties could include the reimbursement of profits derived from the contracts in question, as well as fines and a prohibition on participating in public tenders and concluding public contracts.

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

Proceedings against Lavebras

The Group has been 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 Lavanderia Técnica Ltda ("Lavatec"), a former subsidiary merged with and into Lavebras in 2014.

As at December 31, 2018, 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 services organization, *Instituto Cidadania e Natureza* (ICN).

In the tax proceeding against ICN, the Brazilian tax authorities argue that Lavebras – as well as other companies – must be held jointly and severally liable for ICN's obligations in view of (i) the illegal nature of the payments made by ICN under contracts it entered into and under which Lavebras and ICN had a business relationship, and (ii) the lack of cooperation shown by ICN during the audit by the Brazilian tax administration. At the end of December 2018, the amount of the dispute is approximately R$323 million, or around €72 million (including all penalties but excluding the potential effect of future inflation). Lavebras has submitted the arguments in its defense and is awaiting a first instance administrative decision. Lavebras believes that it has a strong case 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 notified of and, following the investigation by the Brazilian Federal Police, is held liable for the offenses, Lavebras could be subject 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 by the latter. In addition, Lavebras could also be subject to an administrative fine of between 0.1% and 20% of the gross revenue excluding tax in the financial year preceding the filing of the administrative proceedings. As a consequence of Lavatec's merger into Lavebras in 2014, the Brazilian authorities could argue that the amount of the administrative fine should be calculated on the basis of Lavebras' gross revenue instead of Lavatec's, which Lavebras will contest on the basis that Lavebras' total liability (including the amount of the fine and any compensation due for the damage that may have been caused) should be limited to the amount of the Lavatec assets transferred to Lavebras in connection with the merger.

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

Proceedings concerning Atmosfera for alleged breaches of its contractual obligations

Following the sanctions imposed on Atmosfera by one of its Rio de Janeiro-based customers, *Instituto Nacional de Traumatologia e Ortopedia* (*National Trauma and Orthopedic Institute* – INTO), on the basis of alleged breaches by Atmosfera of its contractual obligations, the Group has initiated various proceedings before the Ministry of Health to challenge these sanctions.

For the record, these sanctions include a fine of R$1.6 million (approximately €400,000) and a temporary (one-year) prohibition for Atmosfera (excluding its subsidiaries) to participate in tenders and to enter into contracts with the administration at the federal, state and municipal levels.

Following the appeals, Atmosfera was ordered in November 2018 to pay a fine of R$0.6 million, which was settled in February 2019 (approximately €0.1 million); the temporary ban on participating in public tenders and concluding public contracts was rescinded. As at December 31, 2018, the risk was fully provisioned..

In France

Inquiry by DIRECCTE

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

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

Tax audits

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

NOTE 8 FINANCING AND FINANCIAL INSTRUMENTS

8.1 Financial risk management

Credit and counterparty risk

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

- trade receivables: their amount and age are monitored in detail as an integral part of the monthly reporting system.
  - in France, the Group insures its customer risk with a well-known insurance company. Trade receivables are managed in a decentralized manner by operational centers and by the Key Accounts Department,
  - in other countries where the Group operates, the Group may use an insurance company to insure its customer risk. This is particularly the case in the United Kingdom.

As at December 31, 2018, the exposure to credit risk on trade receivables by operating segment was as follows:

(In millions of euros)	12/31/2018	12/31/2017
France	222.5	217.1
United Kingdom & Ireland	68.8	74.2
Central Europe	98.4	93.0
Scandinavia & Eastern Europe	79.1	76.9
Southern Europe	75.4	71.8
Latin America	57.3	53.7
Other operating segments	3.1	4.2
TRADE RECEIVABLES AND CONTRACT ASSETS	**604.6**	**590.9**

Because of the large number of Group customers, there is no material concentration of credit risk (meaning no one counterparty or group of counterparties accounts for a material proportion of trade receivables). The maximum exposure to credit risk is limited to the carrying amount of trade receivables on the consolidated balance sheet.

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

	12/31/2018			
(In millions of euros)	Gross value	Impairment	Expected credit loss rate	Net value
Not yet due or less than 1 month overdue	469.1	(1.3)	(0.3%)	467.8
Between 1 and 4 months overdue	116.0	(1.8)	(1.6%)	114.1
Between 5 and 12 months overdue	24.3	(9.0)	(37.1%)	15.3
More than 1 year overdue	51.7	(44.3)	(85.7%)	7.4
TRADE RECEIVABLES AND CONTRACT ASSETS	**661.1**	**(56.5)**		**604.6**

	12/31/2017			
(In millions of euros)	Gross value	Impairment	Expected credit loss rate	Net value
Not yet due or less than 4 month overdue	579.4	(5.9)	(1.0%)	573.6
Between 5 and 12 months overdue	18.0	(6.6)	(36.7%)	11.4
More than 1 year overdue	43.7	(37.8)	(86.6%)	5.9
TRADE RECEIVABLES AND CONTRACT ASSETS	**641.1**	**(50.3)**		**590.9**

- cash assets: against a backdrop of historically low and significantly negative interest rates, the Group's policy is to invest its cash in 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. As such, as at December 31, 2018, short-term investments totaled €1.3 million;
- derivatives: as part of its interest rate and currency risk management policy, the Group enters into hedging contracts with leading financial institutions and the Group's financing banks.

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

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

Liquidity risk

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

In order to benefit from economies of scale and facilitate access to financing on the capital markets (bonds and commercial paper), the Group centralizes the vast majority of its financing transactions through Elis. Since 2018, this entity has also been responsible for hedging foreign exchange risks for all Group entities under a centralized currency risk management agreement.

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.). As at December 31, 2018, the weighted average maturity of gross borrowings stood at 3.6 years with a long-term debt ratio (ratio of borrowings and gross financial debt exceeding one year to total gross financial debt) of 87%. The Group's financial policy consists, in particular, in spreading the maturities of its long-term debt over time in order to limit the annual amount to be refinanced. Liquidity risk is also limited, thanks to the regularity of the cash flow generated by the Group and the setting up of confirmed bank credit lines.

The Group also manages its available cash balances prudently and has set up one or more cash management agreements in all the main countries in which it operates and where local regulations allow it to do so. These agreements are designed to optimize and facilitate the daily physical transfer of cash to Elis via MAJ, the Group's central treasury entity, for the consolidation scope formerly under Elis. In 2018, the Group began to roll out a centralized physical and multi-currency liquidity management system, which will be finalized in the first half of 2019, moving the management of liquidity from all former Berendsen countries to Elis.

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, 2018 amounted to €3,378.4 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: the ratio of adjusted net debt to pro forma EBITDA after synergies. Based on these consolidated financial statements as at December 31, 2018, the Group met this ratio:

- *Leverage Ratio* = 3.3x (must be less than 3.75).

The repayment dates for consolidated debt and related interest as at December 31, 2018 are presented below.

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

	Carrying value	Cash flow 2019		Cash flow 2020		Cash flow 2021-2022-2023		Cash flow 2023 and beyond		Estimate of future cash flows as of 12/31/2018	
(In millions of euros)	Amortized cost	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Euro Medium Term Notes	1,019.5	-	22.3	-	22.3	650.0	56.1	350.0	21.4	1,000.0	121.9
Convertible bonds	355.8	-	-	-	-	355.8	-	-	-	355.8	-
High-Yield Bonds 3%	804.1	-	24.0	-	24.0	800.0	31.9	-	-	800.0	79.9
Senior Credit Facilities – Term loan EURIBOR 3M +1.95%	453.3	-	9.8	-	8.9	450.0	9.7	-	-	450.0	28.4
Swaps			6.0		6.0		2.7		(0.6)		14.1
Syndicated credit facility – Term loan EURIBOR 3M +1.90%	200.5	-	3.9	-	3.9	200.0	8.0	-	-	200.0	15.7
Bridge loan/revolving/bilateral short-term loan	-	-	-	-	-	-	-	-	-	-	-
Schuldschein	75.1	-	1.2	11.5	1.2	38.5	2.3	25.0	0.4	75.0	5.1
Capex line	200.6	-	4.0	-	4.0	200.0	4.4	-	-	200.0	12.3
Commercial paper	413.1	413.1	-	-	-	-	-	-	-	413.1	-
Unamortized debt issuance costs	(44.0)	-	-	-	-	-	-	-	-	-	-
Loan from employee profit-sharing fund	23.2	4.7	0.9	5.4	0.8	10.8	0.7	-	-	20.9	2.4
Finance lease liabilities	22.9	3.4	1.0	1.9	1.0	4.2	2.7	13.2	11.4	22.7	16.1
Other	18.6	4.4	0.5	8.9	0.1	3.8	0.1	1.5	0.3	18.5	1.0
Bank overdrafts	12.1	12.1	0.0	-	-	-	-	-	-	12.1	0.0
TOTAL BORROWINGS AND FINANCIAL DEBT	**3,554.7**	**437.6**	**73.4**	**27.7**	**72.1**	**2,713.1**	**118.5**	**389.7**	**32.9**	**3,568.1**	**296.8**

Market risks

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

Interest rate risk

Interest rate risk mainly includes the risk of future fluctuations in flows relating to variable-rate debt, which is partly linked to the EURIBOR. The Group's policy is to maintain a majority share of total fixed-rate debt over the medium to long term. As at December 31, 2018, the Group had €878 million of variable-rate debt outstanding (before taking into account any hedging instruments).

To manage this risk effectively, and in accordance with its policy, the Group has taken out a number of 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 variable rate applying to the relevant debt, based on a given notional amount. As at December 31, 2018, the Group was a party to interest rate hedging contracts covering a total par amount outstanding of €950.9 million.

Net exposure to interest rate risk as at December 31, 2018, before and after hedging, was as follows:

(In millions of euros)	12/31/2018	Fixed	Variable hedged	Variable unhedged	Maturities
Euro Medium Term Notes	1,019.5	1,019.5			2023 and 2026
Convertible bonds	355.8	355.8			2023
High-Yield Bonds 3%	804.1	804.1			2022
Senior Credit Facilities – Term loan EURIBOR 3M +1.95%	453.3		453.3		2022
Syndicated credit facility – Term loan EURIBOR 3M +1.90%	200.5	-		200.5	2022
Bridge loan/revolving/bilateral short-term loan	-			-	various
Schuldschein	75.1	34.6		40.6	2020 to 2024
Capex line	200.6			200.6	2022 and 2023
Commercial paper	413.1	413.1			less than 12 months
Unamortized debt issuance costs	(44.0)	(13.4)	(18.3)	(12.2)	
Loan from employee profit-sharing fund	23.2	23.2			
Finance lease liabilities	22.9	22.5		0.4	
Other	18.6	17.3	0.9	0.4	
Bank overdrafts	12.1			12.1	
TOTAL BORROWINGS AND FINANCIAL DEBT	**3,554.7**	**2,676.7**	**435.8**	**442.2**	

In accordance with IFRS 7, an analysis of the sensitivity to changes in interest is presented below. It reflects the impact of interest rate movements on interest expense, net income and equity.

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

- changes in the interest rate curve have no impact on fixed-rate financial instruments when they are measured at amortized cost;
- changes in the interest rate curve impact variable-rate financial instruments if they are not designated as hedged items. Interest rate movements have an impact on gross finance costs, and are therefore included when calculating the sensitivity of net income and equity to interest rate risk;
- changes in the interest rate curve impact the fair values of derivative financial instruments eligible for cash flow hedge accounting. The change in the fair value of the instrument affects the hedge reserve in shareholders' equity. This effect is therefore included when calculating the sensitivity of equity to interest rate risk;
- changes in the interest rate curve impact derivative financial instruments (interest rate swaps, caps, etc.) that are not eligible for hedge accounting insofar as this affects their fair value, the change in which is then recognized in the income statement. This impact is therefore included when calculating the sensitivity of net income and equity to interest rate risk.

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:

Type	+100 bp Hedge reserves	+100 bp Net financial income (loss)	-100 bp Hedge reserves	-100 bp Net financial income (loss)
Financial instruments designated as hedging instruments	23.1		(24.6)	
Non-derivative variable-rate financial instruments		(10.4)		4.1
Total derivatives not eligible for hedge accounting		13.0		(13.5)
TOTAL IMPACT (PRE-TAX)	**23.1**	**2.6**	**(24.6)**	**(9.4)**
Sensitivity of equity to interest rate changes	***+100 bp***	***0.5%***	***-100 bp***	***-0.6%***
Sensitivity of consolidated net income to interest rate changes	***+100 bp***	***-2.1%***	***-100 bp***	***7.5%***

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

Currency risk

Transactional currency risk

The Group is exposed to transactional currency risk mainly related to its purchases of goods from third party suppliers (linen), some of which are denominated in US dollars and, to a lesser extent, in pounds sterling. In 2018, purchases of goods denominated in foreign currencies amounted to US$95 million (including Elis and Berendsen consolidation scopes) compared with US$49.2 million in 2017 (Elis scope, excluding Berendsen), and £5.9 million (for operating entities with functional currencies other than the pound sterling) compared with £4.6 million in 2017. 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, 2018, the Group had made forward purchases with a 2019 maturity amounting to US$83 million (compared with US$50 million one year ago).

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

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

Financial currency risk

The financing needs of foreign subsidiaries outside the euro area covered by intra-group loans and the centralization of cash surpluses expose some Group entities to financial currency risk (risk related to changes in the value of borrowings or financial receivables denominated in currencies other than the borrowing or lending entity's functional currency). This currency risk is mainly hedged through currency swaps as part of a hedging policy implemented by the Finance Department. As at December 31, 2018, currency swaps against the euro mainly concern the Swedish krona, the Norwegian krone and the Polish zloty.

The Group's exposure to currency risk

The Group operates a significant share of its activities in countries within the euro area. For the financial year ended December 31, 2018, countries outside the euro area accounted for 39.4% of the Group's consolidated revenue, including 11.5% for the United Kingdom, 6.9% for Brazil, 6.9% for Sweden, 6.1% for Denmark and 3.2% for Switzerland.

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

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

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

(In millions of euros)	**Change in equity resulting from a 10% fall in exchange rate**	**Change in net income resulting from a 10% fall in exchange rate**
GBP (United Kingdom)	(59.8)	0.3
BRL (Brazil)	(43.7)	1.5
SEK (Sweden)	(68.8)	(2.0)
DKK (Denmark)	(60.0)	(1.1)
CHF (Switzerland)	(12.1)	(0.5)

Equity risk

As at December 31, 2018, the Group's exposure to equity risk mainly concerns the 592,529 Elis shares held either in treasury stock, as part of the liquidity agreement implemented on April 13, 2015, or through the Berendsen Employee Benefit Trust.

These shares were valued at €8.6 million based on the December 31, 2018 closing price (€14.55). Accordingly, the Group did not consider it necessary to introduce an equity risk management policy.

Commodities risk

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

8.2 Net financial income (loss)

(In millions of euros)	2018	2017
Interest expense on borrowings and loans from employee profit-sharing fund measured at amortized cost	(106.3)	(78.6)
GROSS FINANCE COSTS	(106.3)	(78.6)
Gains (losses) on traded interest rate derivatives	(4.4)	(2.9)
Interest income using the effective interest rate method	0.4	3.9
NET FINANCE COSTS	(110.4)	(77.7)
Foreign exchange gains	3.0	26.5
Foreign exchange losses	(1.6)	(8.3)
Gains (losses) on foreign exchange derivatives measured at fair value through profit or loss	0.2	0.1
Interest expense on provisions and retirement benefits	(1.5)	(0.8)
Other	(0.2)	0.3
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	(0.1)	17.8
NET FINANCIAL INCOME (LOSS)	**(110.5)**	**(59.8)**

The foreign exchange result was 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 once 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, 2018, 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 – Term Loan

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

As at December 31, 2018, the term loan was drawn down in the amount of €450 million; the CAPEX line was drawn down in the amount of €200 million and the revolving credit facility was undrawn.

Convertible bonds ("OCÉANE")

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 "OCÉANE") 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 OCEANE 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).

Syndicated Credit Facility – Term Loan

On November 7, 2017, Elis entered into a second syndicated credit facilities agreement with two tranches: a €200 million term loan (fully drawn on December 31, 2018) and a €400 million revolving credit line, undrawn as at December 31, 2018.

The term loan matures in November 2022. In 2018, the maturity of the revolving credit line was extended to November 2023 from November 2022 and may be extended until November 2024.

Schuldschein

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

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

EMTN Notes

On January 30, 2018, Elis set up a €3 billion EMTN (euro medium-term note) program approved by the AMF. Under this EMTN program, on February 15, 2018, the Group carried out a dual-tranche bond issue comprising a €650 million tranche with a maturity of five years and a coupon of 1.875%, and a €350 million tranche with a maturity of eight years and a coupon of 2.875%. These funds, totaling €1 billion, were used to refinance the bridge loan set up for the acquisition of Berendsen.

Commercial paper

The Group has a commercial paper program, approved by Banque de France, for a maximum of €500 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, 2018, outstandings under this program totaled €413.1 million, versus €396.4 million at December 31, 2017.

Through these two syndicated credit facilities agreements and a bilateral revolving loan agreement, the Group has, as at December 31, 2018, undrawn confirmed credit facilities totaling €930 million, thus ensuring the necessary liquidity for the Group with regard to its commercial paper program in the event that the commercial paper market closes.

Change in debt

(In millions of euros)	12/31/2017	Changes in financing cash flows	Changes arising from obtaining or losing control of subsidiaries or other entities	Effect of changes in foreign exchange rates	Changes in bank overdrafts	New finance lease	Other changes	12/31/2018
EURO MEDIUM TERM NOTES	-	1,000.0	-	-	-	-	-	1,000.0
CONVERTIBLE BONDS	347.1	-	-	-	-	-	8.6	355.8
HIGH-YIELD BONDS	800.0	-	-	-	-	-	-	800.0
Senior Credit Facilities – Term Loan	450.0	-	-	-	-	-	-	450.0
Syndicated Credit Facility – Term Loan	200.0	-	-	-	-	-	-	200.0
Bridge loan/revolving/ bilateral short-term loan	1,015.0	(1,015.0)	-	-	-	-	-	-
Schuldschein	75.0	-	-	-	-	-	-	75.0
Capex line	177.0	23.0	-	-	-	-	-	200.0
Commercial paper	396.4	16.7	-	-	-	-	-	413.1
Finance lease liabilities	12.5	(3.0)	2.8	(0.0)		10.5		22.9
Other loans	17.7	(8.8)	9.8	(0.8)	(0.0)	-	0.7	18.6
Overdrafts	213.4	-	1.1	0.1	(192.0)	-	(10.5)	12.1
Loan from employee profit-sharing fund	26.8	(3.5)	-	-		-		23.2
LOANS	2,583.8	(990.6)	13.8	(0.7)	(192.0)	10.5	(9.8)	1,414.8
ACCRUED INTEREST	8.9		-	-	(0.0)	-	19.2	28.1
UNAMORTIZED DEBT ISSUANCE COSTS	(36.8)	(13.4)	-	-	-	-	6.2	(44.0)
BORROWINGS AND FINANCIAL DEBT	**3,703.1**	**(4.0)**	**13.8**	**(0.7)**	**(192.0)**	**10.5**	**24.2**	**3,554.7**
Reconciliation to cash flow statement								
› Proceeds from new borrowings		1,684.1						
› Repayment of borrowings		(1,688.2)						
Change in borrowings		**(4.0)**						

Loans and borrowings by currency

	12/31/2018	12/31/2017
EUR	3,544.9	3,524.9
GBP	1.7	167.7
BRL	5.7	7.0
CHF	1.2	1.5
CLP	1.2	1.8
BORROWINGS AND FINANCIAL DEBT	**3,554.7**	**3,703.1**

As at December 31, 2018, gross debt was down €148.4 million compared to December 31, 2017, mainly due to the combined effect of cash generation and a decrease in bank overdrafts, linked to the gradual centralization of the Berendsen entities' cash requirements and surpluses.

Maturity of financial liabilities

(In millions of euros)	12/31/2018	2019	2020	2021-2023	2024 and beyond
Euro Medium Term Notes	1,019.5	19.5	-	650.0	350.0
Convertible bonds	355.8	-	-	355.8	-
High-Yield Bonds 3%	804.1	4.1	-	800.0	-
Senior Credit Facilities – Term loan EURIBOR 3M +1.95%	453.3	3.3	-	450.0	-
Syndicated credit facility – Term loan EURIBOR 3M +1.90%	200.5	0.5	-	200.0	-
Bridge loan/revolving/bilateral short-term loan	-	-	-	-	-
Schuldschein	75.1	0.1	11.5	38.5	25.0
Capex line	200.6	0.5	-	200.0	-
Commercial paper	413.1	413.1	-	-	-
Unamortized debt issuance costs	(44.0)	(13.5)	(12.4)	(17.4)	(0.7)
Loan from employee profit-sharing fund	23.2	5.6	4.9	12.8	-
Finance lease liabilities	22.9	3.4	2.1	5.2	12.1
Other	18.6	4.4	8.6	4.0	1.6
Bank overdrafts	12.1	12.1	-	-	-
TOTAL BORROWINGS AND FINANCIAL DEBT	**3,554.7**	**453.1**	**14.7**	**2,698.8**	**388.1**

As at December 31, 2018, short-term borrowings (maturing in less than one year) mainly comprise commercial paper and bank overdrafts. During 2018, through the issuance of a dual-tranche EMTN bond for a total amount of €1 billion, the Group focused on maintaining and extending the maturity of its financial debt structure. Thus, as at December 31, 2018, the average maturity of Elis SA (parent company) debt was 3.6 years.

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 balance sheet as part of borrowings under current liabilities.

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

(In millions of euros)	12/31/2018	12/31/2017
Demand deposits	195.7	415.5
Term deposits and marketable securities	1.3	0.9
CASH AND CASH EQUIVALENTS (ASSETS)	197.0	416.4
Bank overdrafts	(12.1)	(213.4)
Cash classified as assets held for sale	4.6	-
Bank overdrafts classified as liabilities directly related to assets held for sale	(10.5)	-
CASH AND CASH EQUIVALENTS, NET	**179.1**	**203.0**

In Latin America, where exchange control restrictions may exist, cash and cash equivalents totaled €6.1 million as at December 31, 2018, compared with €7.0 million at December 31, 2017.

In addition, cash allocated to the Elis liquidity agreement implemented on April 10, 2015 was not material as at December 31, 2018 (€2.5 million at December 31, 2017).

8.5 Net debt

(In millions of euros)	12/31/2018	12/31/2017
EURO MEDIUM TERM NOTES	1,000.0	-
CONVERTIBLE BONDS	355.8	347.1
HIGH-YIELD BONDS 3%	800.0	800.0
Senior Credit Facilities – Term Loan	450.0	450.0
Syndicated Credit Facility – Term Loan	200.0	200.0
Bridge loan/revolving/bilateral short-term loan	-	1,015.0
Schuldschein	75.0	75.0
Commercial paper	413.1	396.4
Finance lease liabilities	22.9	12.5
Capex line	200.0	177.0
Other loans and overdrafts	30.6	231.1
Loan from employee profit-sharing fund	23.2	26.8
LOANS	1,414.8	2,583.8
ACCRUED INTEREST	28.1	8.9
UNAMORTIZED DEBT ISSUANCE COSTS	(44.0)	(36.8)
BORROWINGS AND FINANCIAL DEBT	**3,554.7**	**3,703.1**
Of which maturing in less than one year	453.1	1,642.2
Of which maturing in more than one year	3,101.6	2,060.9
CASH AND CASH EQUIVALENTS (ASSETS)	**197.0**	**416.4**
NET DEBT	**3,357.7**	**3,286.6**
Reconciliation to adjusted net debt		
Net debt	**3,357.7**	**3,286.6**
Unamortized debt issuance costs	44.0	36.8
Loan from employee profit-sharing fund	(23.2)	(26.8)
Adjusted net debt	**3,378.4**	**3,296.6**

8.6 Financial assets and liabilities

Initial recognition of financial assets and liabilities

Financial instruments are initially recognized in the balance sheet at the fair value of consideration paid (for assets) or received (for liabilities). Fair value is determined on the basis of the price agreed upon for the transaction or on the basis of market prices for comparable transactions. In the absence of a market price, fair value is calculated on the basis of the discounted cash flows from the transaction, or by using a model. Discounting is unnecessary if its impact is immaterial. Similarly, short-term receivables and liabilities arising in the normal operating cycle are not discounted.

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

	12/31/2018		Breakdown by category of financial instrument			
(In millions of euros)	Carrying amount	Fair value	Fair value through profit or loss	Fair value – hedging instruments	Financial assets at amortized cost	Debt at amortized cost
Other equity investments	0.2	0.2	0.2			
Other non-current assets	67.7	67.7	34.1		33.6	
Contract assets	31.7	31.7			31.7	
Trade and other receivables	649.9	649.9			649.9	
Other current assets	26.0	26.0	0.1	1.3	24.6	
Cash and cash equivalents	197.0	197.0			197.0	
FINANCIAL ASSETS	**972.4**	**972.4**	**34.3**	**1.3**	**936.9**	**-**
Borrowings and financial debt	3,101.6	3,098.5				3,101.6
Other non-current liabilities	15.3	15.3	0.0	13.9		1.4
Trade and other payables	274.4	274.4				274.4
Contract liabilities	68.3	68.3				68.3
Other current liabilities	381.5	381.5	26.1	0.1		355.2
Bank overdrafts and portions of loans due in less than one year	453.1	466.6				453.1
FINANCIAL LIABILITIES	**4,294.3**	**4,304.6**	**26.2**	**14.1**	**-**	**4,254.0**

	12/31/2017		Breakdown by category of financial instrument			
(In millions of euros)	Carrying amount	Fair value	Fair value through profit or loss	Fair value – hedging instruments	Financial assets at amortized cost	Debt at amortized cost
Other equity investments	0.1	0.1	0.1			
Other non-current assets	40.2	40.2	38.1		2.1	
Trade and other receivables	676.0	676.0			676.0	
Other current assets	28.9	28.9	-	0.1	28.8	
Cash and cash equivalents	416.4	416.4			416.4	
FINANCIAL ASSETS	**1,161.7**	**1,161.7**	**38.3**	**0.1**	**1,123.3**	**-**
Borrowings and financial debt	2,060.9	2,096.1				2,060.9
Other non-current liabilities	12.6	12.6	2.3	6.6		3.6
Trade and other payables	268.1	268.1				268.1
Other current liabilities	444.5	444.5	31.5	2.0		411.1
Bank overdrafts and portions of loans due in less than one year	1,642.2	1,653.5				1,642.2
FINANCIAL LIABILITIES	**4,428.2**	**4,474.7**	**33.8**	**8.6**	**-**	**4,385.8**

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

	12/31/2018	Fair value hierarchy		
(In millions of euros)	Fair value	Level 1	Level 2	Level 3
Other equity investments	0.2			0.2
Current derivatives – assets (currency forwards)	1.4		1.4	
Offsetting assets	34.1			34.1
ASSETS MEASURED AT FAIR VALUE	35.6	-	1.4	34.2
Non-current derivatives – liabilities (interest rate swaps)	13.9		13.9	
Current derivatives – liabilities (currency forwards)	0.1		0.1	
Debt related to acquisitions	26.1			26.1
LIABILITIES MEASURED AT FAIR VALUE	40.2	-	14.1	26.1
Euro Medium Term Notes	978.2	978.2		
High-Yield Bonds 3%	808.3	808.3		
Convertible bonds – debt component	359.2		359.2	
LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED IN THE NOTES	2,145.8	1,786.5	359.2	-

	12/31/2017	Fair value hierarchy		
(In millions of euros)	Fair value	Level 1	Level 2	Level 3
Other equity investments	0.1			0.1
Current derivatives – assets (currency forwards)	0.1		0.1	
Offsetting assets	38.1			38.1
ASSETS MEASURED AT FAIR VALUE	38.4	-	0.1	38.3
Non-current derivatives – liabilities (interest rate swaps)	6.6		6.6	
Current derivatives – liabilities (currency forwards)	2.7		2.7	
Debt related to acquisitions	33.1			33.1
LIABILITIES MEASURED AT FAIR VALUE	42.4	-	9.3	33.1
High-Yield Bonds 3%	815.0	815.0		
Convertible bonds – debt component	345.9		345.9	
LIABILITIES FOR WHICH FAIR VALUE IS DISCLOSED IN THE NOTES	1,161.0	815.0	345.9	-

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.

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

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

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

(In millions of euros)	Notes	12/31/2018	12/31/2017
Non-current derivatives – assets	8.8	-	0.0
Long-term loans and receivables		1.7	2.1
Offsetting assets and other non-current assets		34.1	38.1
Marginal costs of obtaining contracts		31.9	-
OTHER NON-CURRENT ASSETS		**67.7**	**40.2**
Non-current derivatives – liabilities	8.8	13.9	6.6
Deferred consideration payable on acquisitions		0.0	0.5
Liability for repurchase commitments to non-controlling interests		-	1.8
Other non-current liabilities		1.4	3.6
OTHER NON-CURRENT LIABILITIES		**15.3**	**12.6**

8.8 Derivative financial instruments and hedges

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

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

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

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

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

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

Derivatives used in cash flow hedges

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

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

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

Derivatives that do not qualify for hedge accounting

Changes in fair value during the financial year are recognized immediately in the income statement.

Cash flow hedges

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

	Maturity			
At December 31, 2018	**1-6 months**	**6-12 months**	**More than one year**	**Total**
CURRENCY RISK				
Forward currency purchases (highly probable forecast purchases)				
Nominal *(in millions of euros)*	26.2	22.1		48.3
average EUR/USD forward rate	1.17	1.18		-
Forward currency purchases (highly probable forecast purchases)				
Nominal *(in millions of euros)*	12.7	11.5	-	24.2
average GBP/USD forward rate	1.31	1.33		-
INTEREST RATE RISK				
Interest rate swaps maturing in 2022 – term loan				
Nominal *(in millions of euros)*			450.0	450.0
Fixed rate			0.46%	-
Other interest rate swaps				
Nominal *(in millions of euros)*			500.0	500.0
Fixed rate			0.50%	-
Interest rate swaps – Chile				
Nominal *(in millions of euros)*			0.9	0.9
Fixed rate			6.72%	-

	Maturity			
At December 31, 2017	**1-6 months**	**6-12 months**	**More than one year**	**Total**
CURRENCY RISK				
Forward currency purchases (highly probable forecast purchases)				
Nominal *(in millions of euros)*	21.7	20.0		41.7
average EUR/USD forward rate	1.15	1.16		-
Forward currency purchases (highly probable forecast purchases)				
Nominal *(in millions of euros)*	10.9	4.4		15.3
average GBP/USD forward rate	1.29	1.36		-
Forward currency purchases (highly probable forecast purchases)				
Nominal *(in millions of euros)*	4.1	1.7		5.8
average SEK/USD forward rate	0.12	0.13		-
INTEREST RATE RISK				
Interest rate swaps maturing in 2022 – term loan				
Nominal *(in millions of euros)*			450.0	450.0
Fixed rate			0.46%	-
Interest rate swaps – Chile				
Nominal *(in millions of euros)*			0.9	0.9
Fixed rate			6.72%	-

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

The amounts relating to the hedged items are as follows:

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

At December 31, 2017	Change in the value of the hedged item used to recognize the ineffective portion of the hedge	Cash flow hedge reserve before tax	Cash flow hedge reserve (hedge accounting no longer applied)
Currency risk			
Highly-probable forecast purchases	5.0	(2.3)	-
Interest rate risk			
Variable-rate instruments	(0.1)	0.1	(6.2)

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

	As at 12/31/2018				2018				
		Carrying amount							
(In millions of euros)	Nominal	Assets	Liabilities	Line item in the statement of financial position which includes the hedging instrument	Change in the fair value of the hedging instrument recognized in equity	Hedging costs recognized in equity	Amount reclassified from the hedging reserve to the income statement	Amount reclassified from hedging cost to inventory cost	Income statement item
Currency risk									
Forward currency purchases	72.5	1.3	-	"Other current assets and liabilities", see Note 4.9	2.9	0.5	-	-	"Net financial income (loss)", see Note 8.2
Interest rate risk									
Interest rate swaps	950.9	-	13.9	"Other non-current assets and liabilities", see Note 8.7	(5.8)	-	(2.9)	-	"Net financial income (loss)", see Note 8.2

	As at 12/31/2017				2017				
		Carrying amount							
(In millions of euros)	Nominal	Assets	Liabilities	Line item in the statement of financial position which includes the hedging instrument	Change in the fair value of the hedging instrument recognized in equity	Hedging costs recognized in equity	Amount reclassified from the hedging reserve to the income statement	Amount reclassified from hedging cost to inventory cost	Income statement item
Currency risk									
Forward currency purchases	62.8	0.1	1.9	"Other current assets and liabilities", see Note 4.9	(5.0)	-	-	-	"Net financial income (loss)", see Note 8.2
Interest rate risk									
Interest rate swaps	450.9	0.0	6.6	"Other non-current assets and liabilities", see Note 8.7	0.1	-	(6.2)	-	"Net financial income (loss)", see Note 8.2

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

(In millions of euros)	Hedge reserve	Cash flow hedge reserve
Cash flow hedges		
BALANCE AS AT DECEMBER 31, 2016		(6.4)
Change in fair value resulting from forward currency purchases – forecast purchases		(5.0)
Change in fair value resulting from interest rate risk hedging		0.1
Amounts reclassified to the income statement		6.2
Tax effect		(0.5)
BALANCE AS AT DECEMBER 31, 2017		(5.5)
Change in fair value resulting from forward currency purchases – forecast purchases	0.5	2.9
Change in fair value resulting from interest rate risk hedging		(5.8)
Amounts reclassified to the income statement		2.9
Tax effect	(0.2)	(0.1)
BALANCE AS AT DECEMBER 31, 2018	**0.3**	**(5.6)**

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

(In millions of euros)	12/31/2018	12/31/2017
Commitments given		
Assignment and pledge of receivables as collateral		
Pledges, mortgages and sureties	9.1	3.7
Pledges, endorsements and guarantees given	90.0	63.4
Other commitments given		
Commitments received		
Pledges, mortgages and sureties		
Pledges, endorsements and guarantees received	23.2	19.2
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 recognized outside of profit or loss is recognized outside of profit or loss.

Deferred tax

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

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

- when the deferred tax liability is the result of the initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination and which, at the time of occurrence, neither affects the accounting profit nor the taxable profit or loss; and
- for taxable temporary differences related to investments in subsidiaries or associates, when the date on which the temporary difference will be reversed can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, tax loss carryforwards and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, tax loss carryforwards and unused tax credits can be offset:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction 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 sufficient taxable profit will be available to allow the temporary differences can be offset.

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

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

Deferred tax on items recognized outside of profit or loss is recognized outside of profit or loss.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and the deferred taxes relate to the same taxable entity and the same tax authority.

(In millions of euros)	2018	2017
Consolidated net income (loss)	83.0	42.8
Equity-accounted companies	-	-
Current taxes	85.4	43.4
Deferred taxes	(33.7)	(29.9)
Income (loss) before tax	134.7	56.4
Theoretical tax rate	34.43%	34.43%
THEORETICAL TAX EXPENSE	46.4	19.4
ACTUAL TAX EXPENSE	51.7	13.6
Effect of tax not based on net income[a]	11.3	11.2
DIFFERENCE	6.0	17.1
Breakdown of difference		
Tax rate differences and transactions taxed at reduced rates	18.2	17.5
Permanent differences (including non-deductible IFRS 2 interest and expenses)	(22.2)	(12.1)
Unrecognized tax loss carryforwards/Utilization of previously unrecognized tax losses	(0.8)	(1.8)
Goodwill impairment	-	0.4
Other (deductible CVAE, nontaxable CICE, etc.)	10.8	13.1

(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 that reduces the future rate for all companies to 25.83% (including the additional corporate tax contribution), from 2022 onwards.

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

(In millions of euros)	12/31/2017 net	Impact of IFRS 9 & 15	Changes in consolidation scope	Income	Recognized directly in other comprehensive income	Recognized directly in equity[a] & other	12/31/2018 net
Intangible assets	(218.6)		(1.1)	22.3	-	3.0	(194.5)
Property, plant and equipment	(143.0)		(0.7)	(2.0)	-	1.4	(144.3)
Other assets	(4.3)	(7.4)	0.0	(4.0)	-	0.9	(14.8)
Derivative instruments – assets	(0.0)		-	0.1	(0.4)	-	(0.3)
Provisions	21.4		0.1	2.1	-	(1.9)	21.5
Employee benefit liabilities	12.1		-	1.3	(0.5)	(0.0)	12.9
Borrowings and financial debt	(26.9)	(5.3)	-	2.8	0.1	-	(29.3)
Derivative instruments – liabilities	3.1		-	1.3	0.1	(0.0)	4.5
Other current liabilities	6.6		-	(1.2)	-	(11.8)	(6.3)
Other	(19.7)		(0.2)	0.9	0.3	12.5	(6.2)
Recognized tax losses	33.4		-	10.1	-	(1.4)	42.2
NET DEFERRED TAX ASSETS (LIABILITIES)	**(335.8)**	**(12.7)**	**(1.9)**	**33.7**	**(0.3)**	**2.6**	**(314.5)**
Deferred tax assets	**21.2**						**56.4**
Deferred tax liabilities	**(357.1)**						**(370.9)**

(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 offset against future taxable profit.

As at December 31, 2018, the Group had tax losses of €42.9 million (base) for which no deferred tax assets had been recognized (€49.4 million at December 31, 2017). 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 shares as at December 31, 2018	**219,927,545**
Number of authorized shares	219,927,545
Number of shares issued and fully paid up	219,927,545
Number of shares issued and not fully paid up	-
Par value of shares	1.00
Treasury shares(a)	592,529
Shares reserved for issue under options and sales agreements	-

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

The following transactions were carried out involving Elis' share capital during the year:

- on June 15, 2018, a capital increase resulting from the capitalization of €503,000 taken from the additional paid-in capital generated by issuing 502,735 new shares with a par value of €1 each as part of the vesting of performance shares to the Group's corporate officers and employees;
- on December 20, 2018, a capital increase resulting from the capitalization of €55,000 taken from the additional paid-in capital generated by issuing 54,603 new shares with a par value of €1 each as part of the vesting of performance shares to the Group's corporate officers and employees.

In 2017:

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

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 issued for 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 fund the vesting of performance shares, the share capital was subsequently increased on April 7, 2017 by 250,392 shares with a par value of €10, and on December 21, 2017 by 19,293 shares with a par value of €1. These shares were issued as part of 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.

Since 2015, the Group has also implemented a liquidity agreement consistent with the Code of Conduct issued by the French association for professionals working in the securities industry and financial markets (*Association française des marchés financiers* – AMAFI) on March 8, 2011 and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 21, 2011. Resources initially allocated to the implementation of the liquidity agreement and credited to the liquidity account amounted to €3.0 million. As at December 31, 2018, treasury stock accounted for 198,252 shares valued at €3.5 million based on the historic share price, deducted from equity (57,000 shares, or €1.3 million at December 31, 2017).

10.2 Dividends and distributions paid and proposed

The general shareholders' 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.

The general shareholders' meeting of May 18, 2018 approved the payment of a dividend of €0.37 per share. The amount distributed to shareholders was therefore €81.2 million.

A dividend of €0.37 per share or approximately €81.4 million will be proposed to the next annual general shareholders' meeting.

10.3 Earnings per share

Basic earnings per share

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

(In millions of euros)	2018	2017 restated
Net income or loss attributable to owners of the parent		
› Continuing operations	83.4	42.2
› Discontinued operations	(1.2)	(0.7)
NET INCOME OR LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**82.2**	**41.5**
Weighted average number of shares	219,379,941	160,919,385
Effect if conversion of convertible notes	12,558,869	3,096,707
Effect of contingently issuable shares	1,050,404	1,507,968
Weighted average number of shares used for diluted EPS	232,989,214	165,524,061

Changes in the number of ordinary shares, as described in Note 10.1 " Share capital and reserves", took place during the 2017 financial year. As a result, the calculation of earnings per share (basic and diluted) for the relevant period is based on the new number of shares.

Diluted earnings per share

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

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

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 2018 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 2018	% interest 2017
Elis, SA	Saint-Cloud	Parent company	100	100
FRANCE				
MAJ, SA	Pantin	Textile & hygiene services	100	100
Les Lavandières, SAS	Avrillé	Textile & hygiene services	100	100
Régionale de Location et Services Textiles, SAS	Marcq-en-Barœul	Textile & hygiene services	100	100
Pierrette – T.B.A., SA	Malzeville	Textile & hygiene services	100	100
Le Jacquard Français, SARL	Gerardmer	Manufacturing entity	100	100
Elis Services, SA	Saint-Cloud	Other activity	100	100
Thimeau, SAS	Meaux	Textile & hygiene services	100	100
Grenelle Service, SAS	Gennevilliers	Textile & hygiene services	-	Merger
Maison de Blanc Berrogain, SAS	Anglet	Textile & hygiene services	100	100
Société des Oreillers et Couvertures, SARL	Saint-Cloud	Other activity	Merger	100
Pro Services Environnement, SAS	Rochetoirin	Textile & hygiene services	100	100
AD3, SAS	Dardilly	Textile & hygiene services	100	100
SCI Les Gailletrous	La Chaussée-Saint-Victor	Other activity	100	100
SCI Château de Janville	Saint-Cloud	Other activity	100	100
Lovetra, SAS	St-Ouen-l'Aumône	Textile & hygiene services	-	Merger
GIE Eurocall Partners	Villeurbanne	Other activity	100	100
Blanchisserie Moderne, SA	Montlouis-sur-Loire	Textile & hygiene services	96	96
SCI Maine Beauséjour	Limoges	Other activity	100	100
SCI La Forge	Bondoufle	Other activity	100	100
Société de Participations Commerciales et Industrielles, SARL	Saint-Cloud	Other activity	100	100
SCI 2 Sapins	Grenoble	Other activity	100	100
SHF Holding, SA	Saint-Cloud	Other activity	100	100
SHF, SAS	Saint-Cloud	Textile & hygiene services	100	100
BMF, SAS	Bondoufle	Textile & hygiene services	Merger	100
LSP, SAS	Saint-Cloud	Textile & hygiene services	100	100
Elis Prévention Nuisibles, SAS	Bobigny	Textile & hygiene services	100	100
Blanchisserie Professionnelle d'Aquitaine, SARL	Mios	Textile & hygiene services	100	100
Aquitaine Services Developpement, SAS	Mios	Other activity	-	Merger
Big Bang, SAS	St-André-de-la-Roche	Textile & hygiene services	Merger	-
Hygiène Contrôle Ile de France, SAS	Serris	Textile & hygiene services	Merger	100
HTE Sanitation, SAS	Vitrolles	Textile & hygiene services	Merger	100
Blanchisserie Blésoise, SAS	La Chaussée-Saint-Victor	Textile & hygiene services	100	100
GERMANY				
Elis Holding GmbH	Rehburg-Loccum	Other activity	100	100
Elis Textil-Service GmbH	Mörlenbach	Textile & hygiene services	100	100
Schäfer Wäsche-Vollservice GmbH	Ibbenbüren	Textile & hygiene services	100	100
Rolf und Horst Schäfer GmbH & Co. KG	Ibbenbüren	Other activity	100	100
Wolfsperger Textilservice GmbH & Co. KG	Freiburg im Breisgau	Textile & hygiene services	100	100
Wolfsperger Verwaltungs GmbH	Freiburg im Breisgau	Other activity	100	100
Cleantex Potsdam Textilpfelge GmbH	Potsdam	Textile & hygiene services	100	100
Kress Textilpflege GmbH	München	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
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

Entity name	Registered office	Principal activity	% interest 2018	% interest 2017
AKK-Service GmbH	Hamburg	Textile & hygiene services	10	10
Askulta Nord Textilpflege GmbH&Co. KG	Glückstadt	Dormant	100	100
Berendsen Beteiligungs GmbH	Glückstadt	Other activity	100	100
Berendsen GmbH	Hamburg	Textile & hygiene services	100	100
Berendsen GmbH Füssen	Hamburg	Dormant	100	100
Berendsen GmbH Glückstadt	Hamburg	Other activity	100	100
Berendsen GmbH Messkirch	Hamburg	Dormant	100	100
Berendsen GmbH Nordost	Fürstenwalde	Textile & hygiene services	100	100
Berendsen GmbH Schleswig	Schleswig	Textile & hygiene services	100	100
Berendsen GmbH West	Hagen	Textile & hygiene services	100	100
Berendsen Group Services GmbH	Hamburg	Other activity	100	100
Berendsen Textilservice GmbH	Hamburg	Textile & hygiene services	100	100
Decontam GmbH	Bad Windsheim	Textile & hygiene services	100	100
Glückstadter Textilservice GmbH & Co oHG	Glückstadt	Dormant	100	100
Jentex GmbH	Jena	Textile & hygiene services	49	49
PTS Pinneberger Textil-Service GmbH	Glückstadt	Dormant	100	100
Saniwo Textil-Gesellschaft mbH	Hamburg	Other activity	100	100
TSL Textilservice-und Logistik GmbH	Fürstenwalde	Dormant	100	100
SMH – Sächsische Mietwäsche und Handels GmbH	Dürrröhrsdorf-Dittersbach	Dormant	100	-
BW-Textilservice GmbH	Sulz am Neckar	Textile & hygiene services	100	-
Wäscherei Waiz GmbH	Eckental	Textile & hygiene services	100	-
AUSTRIA				
Berendsen GmbH	Hard	Textile & hygiene services	100	100
ANDORRA				
Auxiliar Hotelera Arly	Andorra	Textile & hygiene services	100	100
Arly les Valls	Andorra	Dormant	In liquidation	In liquidation
BELGIUM				
Hades	Anderlecht	Textile & hygiene services	100	100
Blanchisserie Basse Meuse	Herstal	Textile & hygiene services	100	-
Ardenne & Meuse Logistic	Herstal	Other activity	100	-
BRAZIL				
Atmosfera Gestao e Higienização de Têxteis SA	Jundiai	Textile & hygiene services	98	100
L'Acqua Lavanderias Ltda	Ponta Grossa	Textile & hygiene services	98	100
Teclav Tecnologia e Lavagem Industrial Ltda	Eusébio	Textile & hygiene services	98	100
Lavanderia Verde Ltda	Caieiras	Other activity	-	Dissolved
Martins e Lococo Lavanderia Ltda	Caieiras	Textile & hygiene services	98	100
Reis & Nóbrega Lavanderia Ltda	Fortaleza	Textile & hygiene services	-	Merger
MPW Lavanderia, Comércio e Serviços Ltda	Piracicaba	Textile & hygiene services	98	100
Megalav Lavanderia Hospitalar Ltda	Serra	Textile & hygiene services	98	100
Uniforme Lavanderia E Locaçao Ltda	Camaçari	Textile & hygiene services	98	100
Prontlav Lavanderia Ltda	Fortaleza	Textile & hygiene services	98	100
Toalhão locação e Higienização de Enxoval Ltda	Fortaleza	Textile & hygiene services	98	100
NJ Lavanderia Industrial e Hospitalar Ltda ME	Brasilia	Textile & hygiene services	98	100
Prolav Servicos Tecnicos Ltda	Rio Bonito	Textile & hygiene services	98	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	98	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	98	100
Lavebras Gestao de Texteis SA	Videira	Textile & hygiene services	98	100
RDX Gestão e Higienização Textil Ltda	Paulista	Textile & hygiene services	-	Merger
Biolav Lavanderia Ltda EPP	Teresina	Textile & hygiene services	-	Merger
Atmosfera Gestao e Higienização de Uniformes Ltda	São José dos Pinhais	Textile & hygiene services	98	100
Totalqualy Higienização Textil Ltda	São Bernardo do Campo	Textile & hygiene services	98	100

Entity name	Registered office	Principal activity	% interest 2018	% interest 2017
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				
Elis Colombia SAS	Bogota D.C.	Textile & hygiene services	100	100
Centro de Lavado y Aseo CLA SAS	Bogota D.C.	Textile & hygiene services	100	100
Lavanser SAS	Bogota D.C.	Textile & hygiene services	100	100
DENMARK				
Berendsen A/S	Søborg	Other activity	100	100
Berendsen Textil Service A/S	Søborg	Textile & hygiene services	100	100
Jysk Linnedservice A/S	Kjellerup	Textile & hygiene services	70	70
Washa Aps	Kastrup	Textile & hygiene services	-	15
Xtra Måtteservice A/S	Holsted	Textile & hygiene services	Merger	100
SPAIN				
Elis Manomatic, SA	Parets del Vallès (Barcelona)	Textile & hygiene services	100	100
Lavanderia Hotelera Del Mediterraneo	La Nucia (Alicante)	Textile & hygiene services	Merger	100
Lavalia Balears Servicios y Renting Textil	La Nucia (Alicante)	Textile & hygiene services	Merger	100
Lavalia Sur Servicios y Renting Textil	La Nucia (Alicante)	Dormant	-	Dissolved
Lavalia cee	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
Indusal Rías Baixas, SA	Porriño (Pontevedra)	Textile & hygiene services	-	Merger
Lavandería Industrial Navarra, SA	Tudela (Navarra)	Textile & hygiene services	-	Merger
Lavandería Industrial Olimpia, SL	Mutilva Baja (Navarra)	Textile & hygiene services	-	Merger
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
Ibérica de Renting y Lavanderías Industriales, SA	Venta de Baños (Palencia)	Textile & hygiene services	-	Merger
Indusal, SA	Arrigorriaga (Vizcaya)	Textile & hygiene services	100	100
Indusal Renting Cataluña, SA	Arrigorriaga (Vizcaya)	Textile & hygiene services	-	Merger
Lavaplan Industrias del Lavado y Planchado, SL	Quart de Poblet (Valencia)	Textile & hygiene services	-	Merger
Lavandería Miele, SL	Sueca (Valencia)	Textile & hygiene services	-	Merger
Lavandería Indusal Cantabria, SA	Cabezón de la Sal (Cantabria)	Textile & hygiene services	-	Merger
Indusal Rías Altas, SA	Sergude Boqueixon (A Coruña)	Textile & hygiene services	-	Merger
Indusal La Rioja, SL	Quel (La Rioja)	Textile & hygiene services	-	Merger
Indusal Castilla La Mancha, SA	Alcázar de San Juan (Ciudad Real)	Other activity	-	Merger
Indusal Renting Catalunya Siglo XXI, SL	Vilafranca del Penedés (Barcelona)	Other activity	-	Merger
Lavandería Industrial La Condesa, SL	Venta de Baños (Palencia)	Textile & hygiene services	100	100
Indusal Galicia Siglo XXI, SL	Porriño (Pontevedra)	Other activity	-	Merger
Tudela Patrimonial Siglo XXI, SL	Tudela (Navarra)	Other activity	-	Merger
Rías Altas Patrimonial Siglo XXI, SL	Sergude Boqueixon (A Coruña)	Other activity	-	Merger
Serlasa Patrimonial Siglo XXI, SL	Abanto y Ciervana (Vizcaya)	Other activity	-	Merger
Naserinco Patrimonial S. XXI, SL	Tudela (Navarra)	Other activity	-	Merger
Lavanderías Industriales Salamanca, SL	Villares de la Reina (Salamanca)	Textile & hygiene services	-	Merger
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
Serclothes, SL	Pamplona (Navarra)	Textile & hygiene services	-	Merger
Gulluri, SA	Arrigorriaga (Vizcaya)	Textile & hygiene services	-	Merger
Lain Pak, SA	Arrigorriaga (Vizcaya)	Other activity	-	Merger
Indusal Textil, SL	Pamplona (Navarra)	Dormant	-	Merger
Indusal Sur, SA	Escacena del Campo (Huelva)	Textile & hygiene services	100	60

Entity name	Registered office	Principal activity	% interest 2018	% interest 2017
Serlasa, SA	Abanto y Ciervana (Vizcaya)	Textile & hygiene services	-	Merger
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
Gestytex Ibérica, SL	Arrigorriaga (Vizcaya)	Other activity	Dissolved	50
Lavanderías El Cantábrico, SL	Santurtzi (Vizcaya)	Textile & hygiene services	Merger	100
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, SA – Ilunion Navarra, SLU – 2016	Marcilla (Navarra)	Textile & hygiene services	68	68
UTE Goiz Gureak	Zumarraga (Guipuzcua)	Textile & hygiene services	75	75
Lavanderias Triton, SL	Madrid	Textile & hygiene services	100	-
ESTONIA				
AS Svarmil	Kiviõli	Other activity	100	100
Berendsen Textil Service AB	Tartumaa	Textile & hygiene services	100	100
FINLAND				
Berendsen Textile Service Oy	Tuusula	Textile & hygiene services	100	100
HUNGARY				
Első Magyar Tisztatéri Mosoda Kft	Miskolc	Textile & hygiene services	100	100
IRELAND				
Berendsen Finance Ireland (DKK) Ltd	Dublin	Other activity	100	100
Berendsen Finance Ireland (Euro) Ltd	Dublin	Other activity	100	100
Berendsen Finance Ireland (PLN) Ltd	Dublin	Other activity	100	100
Berendsen Ireland Holdings Ltd	Dublin	Dormant	100	100
Berendsen Ireland Ltd	Dublin	Textile & hygiene services	100	100
Nanoclean Ltd	Dublin	Textile & hygiene services	100	100
Steri-tex Ltd	Dublin	Dormant	100	100
ITALY				
Elis Italia SpA	San Giuliano Milanese	Textile & hygiene services	100	100
LATVIA				
AS Berendsen Tekstila Serviss	Riga	Textile & hygiene services	100	100
LITHUANIA				
Berendsen Textile Service, UAB	Vilnius	Textile & hygiene services	100	100
LUXEMBOURG				
Elis Luxembourg, SA	Bascharage	Textile & hygiene services	100	100
NORWAY				
Berendsen Tekstil Service A/S	Oslo	Textile & hygiene services	100	100
NETHERLANDS				
Elis Nederland BV	Arnhem	Textile & hygiene services	100	100
Groene Team BV	Arnhem	Dormant	100	100
Elis Netherlands Holding BV	Arnhem	Other activity	100	100
POLAND				
Berendsen Textile Service Spolka zoo	Żukowo	Textile & hygiene services	100	100
PORTUGAL				
Garment Finishing and Distribution European Services, SA	Samora Correira	Other activity	100	100
Sociedade Portuguesa de Aluguer e Serviço de Texteis, SA	Samora Correira	Textile & hygiene services	100	100
SPAST II, Lda	Samora Correira	Textile & hygiene services	100	100
CZECH REPUBLIC				
Elis Textil Servis sro	Slavkov ù Brna	Textile & hygiene services	100	100
Berendsen Textil Servis sro	Velké Pavlovice	Textile & hygiene services	100	100
UNITED KINGDOM				
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	100
Berendsen Cleanroom Services Ltd	Basingstoke	Textile & hygiene services	100	100
Berendsen Finance (DKK) Ltd	Basingstoke	Other activity	100	100

Entity name	Registered office	Principal activity	% interest 2018	% interest 2017
Berendsen Finance (Euro) Ltd	Basingstoke	Other activity	100	100
Berendsen Finance (Euro2) Ltd	Basingstoke	Other activity	100	100
Berendsen Finance Ltd	Basingstoke	Other activity	100	100
Berendsen Healthcare Ltd	Basingstoke	Textile & hygiene services	100	100
Berendsen Hospitality Ltd	Basingstoke	Textile & hygiene services	100	100
Berendsen Ltd	Basingstoke	Other activity	100	100
Berendsen Nominees Ltd	Basingstoke	Other activity	100	100
Berendsen Northern Ireland Ltd	Belfast	Textile & hygiene services	100	100
Berendsen Supply Chain (Northern ireland) Ltd	Belfast	Textile & hygiene services	100	100
Berendsen UK Ltd	Basingstoke	Other activity	100	100
Berendsen Workwear Ltd	Basingstoke	Textile & hygiene services	100	100
Camborne-Redruth Laundry Company Ltd	London	Dormant	-	Dissolved
Cavendish Laundry Ltd	Basingstoke	Dormant	100	100
Davis (BIM) Ltd	Basingstoke	Dormant	100	100
Davis (FH) Ltd	Basingstoke	Dormant	100	100
Fabricare Ltd	Basingstoke	Dormant	100	100
Fakenham Laundry Services Ltd	London	Dormant	-	Dissolved
IHSS Ltd	Basingstoke	Textile & hygiene services	100	100
Lakeland Pennine Group Ltd	Basingstoke	Dormant	100	100
Lakeland Pennine Ltd	Basingstoke	Dormant	100	100
Laundrycraft Ltd	Basingstoke	Dormant	100	100
M Furnishing Group Ltd	Basingstoke	Dormant	100	100
Midland Laundry Group Ltd	Basingstoke	Dormant	100	100
Midland Laundry Group Holdings Ltd	Basingstoke	Dormant	100	100
National Sunlight Laundries Ltd	Basingstoke	Dormant	100	100
Rocialle Ltd	Basingstoke	Dormant	100	100
Salop Textile Solutions Ltd	London	Dormant	-	Dissolved
Spring Grove Services Ltd	Basingstoke	Dormant	100	100
Spring Grove Services Group Ltd	Basingstoke	Dormant	100	100
St. Helens Laundry Ltd	Basingstoke	Dormant	100	100
Sunlight (72078) Ltd	London	Dormant	-	Dissolved
Sunlight (Lyndale) Ltd	Basingstoke	Dormant	100	100
Sunlight (Newbury) Ltd	London	Dormant	-	Dissolved
Sunlight Clinical Solutions Ltd	Basingstoke	Other activity	100	100
Sunlight Services Ltd	Basingstoke	Dormant	100	100
Sunlight Textile Services Ltd	Basingstoke	Dormant	100	100
Sunlight Workwear Services Ltd	Basingstoke	Dormant	100	100
The Sunlight Group Ltd	Basingstoke	Dormant	100	100
The Sunlight Service Group Ltd	Basingstoke	Dormant	100	100
JERSEY				
Berendsen Employee Benefit Trust	Jersey	Other activity	100	100
SLOVAKIA				
Berendsen Textil Servis sro	Trenčin	Textile & hygiene services	100	100
RUSSIA				
OOO Berendsen	Moscow	Textile & hygiene services	100	100
SWEDEN				
Elis Design & Supply Chain Centre AB	Gothenburg	Other activity	100	100
Berendsen Textil Service AB	Malmö	Textile & hygiene services	100	100
S Berendsen AB	Malmö	Other activity	100	100
SWITZERLAND				
Blanchâtel SA	La Chaux-de-Fonds	Textile & hygiene services	-	Merger
Blanchisserie des Epinettes SA	Plan-les-Ouates	Textile & hygiene services	-	Merger
Blanchival SA	Sion	Textile & hygiene services	-	Merger
Großwäscherei Domeisen AG	Endingen	Textile & hygiene services	-	Merger
Elis (Switzerland) SA	Nyon	Textile & hygiene services	100	100
Hygienis SA	Carouge	Textile & hygiene services	100	100
InoTex Bern AG	Bern	Textile & hygiene services	100	100
Laventex SA	Givisiez	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

Entity name	Registered office	Principal activity	% interest 2018	% interest 2017
SiRo Holding AG	Muri Bei Bern	Other activity	100	100
SNDI (Suisse) SA	Brügg	Textile & hygiene services	100	100
Wäscherei Kunz AG	Hochdorf	Textile & hygiene services	100	100
Wäscherei Mariano AG	Rüdtligen-Alchenflüh	Textile & hygiene services	100	100
Wäscherei Papritz AG	Rüdtligen-Alchenflüh	Textile & hygiene services	-	Merger
Wäscheria Textil Service AG	Ilanz	Textile & hygiene services	-	Merger
Wäscheria Textil Service Bad Ragaz AG	Bad Ragaz	Textile & hygiene services	-	Merger
Wäscheria Textil Service AG (formerly WashTex Holding AG)	Ilanz	Textile & hygiene services	100	100

NOTE 12 EVENTS AFTER THE REPORTING PERIOD

As at the date the consolidated financial statements were prepared, no events have occurred since December 31, 2018 that are likely to have a material impact on the financial position of the Elis Group at the closing date.

NOTE 13 STATUTORY AUDITORS' FEES

	Mazars				PricewaterhouseCoopers Audit			
	Amount (excl tax)		%		Amount (excl tax)		%	
(In millions of euros)	2018	2017	2018	2017	2018	2017	2018	2017
Independent audit	0.6	0.5	87%	45%	0.3	0.3	74%	38%
Services other than an independent audit	0.1	0.6	13%	55%	0.1	0.6	26%	62%
Required by law(a)	-	*0.5*	*0%*	*42%*	-	*0.4*	*0%*	*50%*
Other(b)	*0.1*	*0.1*	*13%*	*13%*	*0.1*	*0.1*	*26%*	*13%*
TOTAL	**0.7**	**1.1**	**100%**	**100%**	**0.4**	**0.9**	**100%**	**100%**

(a) Work conducted by Mazars and PricewaterhouseCoopers Audit in relation to the capital increases during financial year 2017.
(b) In 2018, the work conducted by Mazars and PricewaterhouseCoopers Audit involved issuing comfort letters and reports as part of financing transactions during the financial year and PricewaterhouseCoopers Audit issued the consolidated non-financial performance statement.

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

NOTE 14 STANDARDS ISSUED BUT NOT YET EFFECTIVE

14.1 IFRS 16 "leases"

IFRS 16 "Leases" will be effective as from January 1, 2019, and will replace the current standard IAS 17 and related interpretations (specifically IFRIC 4 "Determining whether an Arrangement Contains a Lease"). The standard introduces a new definition of "lease", retains the distinction between operating leases and finance leases for lessors, but introduces a single lease accounting model for lessees, leading to the recognition of a right of use in return for a rental liability.

The Group has completed the inventory of its leases as at January 1, 2019 and has performed an initial impact assessment.

The following types of leases have been identified:

- real estate leases;
- vehicle leases;
- other leased capital equipment.

To implement this new standard, the Group has chosen to use new software that is currently being rolled out in all of the Group's subsidiaries.

The Group plans to use the so-called modified retrospective method. As such, the cumulative effect of adopting IFRS 16 will be recognized as an opening adjustment in shareholders' equity as at January 1, 2019, without retrospective restatement of comparative information. In addition, the Group will use the simplification measures provided for in the standard for low-value leased assets and leases of less than one year.

Based on contracts identified at the end of 2018, the expected impact would be:

- total assets: increase of 4.5-5%;
- total liabilities: increase of 7-7.5%;
- EBITDA and cash flow: improvement of €60 million to €63 million;
- EBIT and operating income(*): marginal improvement;
- Net financial expense: additional estimated expenses of €10 million.

14.2 IFRIC 23 "uncertainty over income tax treatments"

In June 2017, the International Accounting Standards Board (IASB) published IFRIC 23 "Uncertainty over income tax treatments" (which will be mandatory as from January 1, 2019), in order to clarify the recognition and measurement of uncertainties regarding income taxes. For now, the Group does not believe that this will have any impact on the assessment of taxes. However, approximately €1.4 million of uncertain tax liabilities classified as provisions will be reclassified in the balance sheet as current tax liabilities.

(*) Before other income and expenses and amortization of intangible assets recognized in a business combination.

2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

OPINION

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Elis for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

BASIS FOR OPINION

Audit framework

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

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

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2018 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw your attention to Note 1.2 "*Accounting standards applied*" to the consolidated financial statements, which describes the impact of the entry into force on January 1, 2018 of IFRS 15 – "*Revenue from Contracts with Customers*" and IFRS 9 – "*Financial Instruments*".

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

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

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

MEASUREMENT OF GOODWILL

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

Description of risk

As of December 31, 2018, goodwill totaled a net amount of €3,745 million, representing 48% of total assets. Goodwill corresponds to the difference at the acquisition date between the acquisition price paid and the fair value of the assets acquired and liabilities assumed. Goodwill is allocated by geographic area to the cash-generating units (CGUs) of the activities into which the various entities acquired have been incorporated.

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

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

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

How our audit addressed this risk

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

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

- that all of the components of the carrying amount of the CGUs tested were taken into account and are consistent with the EBITDA projections integrated in the business plans and the sector multiples used to determine the recoverable amount;
- the reasonableness of the EBITDA projections for the CGUs in light of the CGUs' economic and financial environments and, by assessing the reasons for the differences between projected and actual historical performances, the reliability of the process by which the estimates were calculated;
- the consistency of these EBITDA projections with management's most recent estimates as approved by the Supervisory Board;
- the reasonableness of the discount rates and the long-term growth rates used to calculate discounted future cash flows, based on our valuation experts' reports;
- the consistency of the 2019 EBITDA multiples used with market analyses and consensus;
- the sensitivity analyses of the impairment tests conducted by management to a change in the perpetual growth rate, discount rates or the 2019 EBITDA rate budgeted for the CGUs whose value in use is based on multiples.

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

ALLOCATION OF THE BERENDSEN AND LAVEBRAS (BRAZIL) PURCHASE PRICES

Notes 1.4 "Restatement of prior-year financial information", 2.2 "Business combinations", 2.4 "Changes in the scope of consolidation" to the consolidated financial statements.

Description of risk

In 2017 the Elis group carried out significant external growth transactions with the acquisition of Berendsen in September 2017 for €2,431 million and the acquisition of three entities in Brazil for an aggregate amount of €368 million (mainly Lavebras in May 2017).

Upon the acquisition of a new equity interest or business representing a business combination, management must recognize at their fair value the acquired assets as well as the liabilities and any contingent liabilities assumed separately from goodwill. In accordance with IFRS 3 (revised), the amounts recognized may remain provisional for a maximum of one year from the acquisition date.

After a provisional allocation at December 31, 2017, management remeasured the fair value of Berendsen's and the Brazilian entities' assets and liabilities, which led the Group to recognize goodwill of €1,840 million for Berendsen and €249 million for the Brazilian entities (mainly Lavebras) at the respective acquisition dates, which was allocated to each of the CGUs likely to benefit from the synergies arising from the business combination. The Berendsen and Lavebras purchase price allocations mainly served to identify customer relationships amounting to €638 million (€605 million for Berendsen and €33 million for Lavebras).

We considered the accounting treatment relating to the purchase price allocation as part of the business combination with Berendsen and Lavebras as an area requiring a significant degree of judgment from management based on potentially complex measurement models. Given the scale of the Berendsen and Lavebras acquisitions, we deemed this to be a key audit matter.

How our audit addressed this risk

We examined the methodology used by the company and its compliance with the recommendations of IFRS 3 (revised).

In particular, we assessed, with the support of our asset valuation experts, the appropriateness of the final purchase price allocation and the measurement of the assets, particularly intangible assets, identified for the acquisition of Berendsen and Lavebras. Based on this information, our work consisted primarily in:

- critically reviewing the implementation of the methodology followed and the main assumptions used by management to identify the assets acquired and the liabilities assumed and to measure their fair value;
- examining the reports compiled by independent firms at the request of management to identify any assets that are over-valued or liabilities that are under-valued or not taken into account in the identification of assets acquired and liabilities assumed;
- verifying the fair value calculations; and
- performing sensitivity analyses.

Certain tasks were carried out by members of our networks, applying the instructions that we prepared for them.

Lastly, we verified the appropriateness of the disclosures provided in Notes 1.4, 2.2 and 2.4 to the consolidated financial statements.

LITIGATION AND CONTINGENT LIABILITIES

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

Description of risk

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

These include, in Brazil:

- proceedings in relation to allegations of bribery and degrading working conditions;
- proceedings initiated by the Brazilian competition authority (CADE);
- various proceedings in relation to NJ Lavanderia, Lavebras and Atmosfera.

In France, contingent liabilities include in particular an ongoing anti-trust investigation.

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

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

How our audit addressed this risk

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

- the confirmations provided by the company's lawyers and legal advisers involved in these matters;
- the analyses of the proceedings/investigations prepared by the Group's Finance and Legal Departments.

We also verified that the accounting treatment described in Note 7.2 to the consolidated financial statements was appropriate.

SPECIFIC VERIFICATIONS

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Appointment of the Statutory Auditors

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

At December 31, 2018, Mazars and PricewaterhouseCoopers Audit were in the eighth and the twelfth consecutive year of their engagement, respectively, and the fourth year since the Company's securities were admitted to trading on a regulated market.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

These consolidated financial statements have been approved by the Management Board.

RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objective and audit approach

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

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

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

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

Report to the Audit Committee

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

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

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

Neuilly-sur-Seine and Courbevoie, March 6, 2019

The Statutory Auditors

PRICEWATERHOUSECOOPERS AUDIT	MAZARS
Bruno TESNIÈRE	Isabelle MASSA

We empower your day

www.elis.com

French corporation (Société Anonyme) governed by a Management Board and a Supervisery Board with a share capital of €219,927,545
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