

**M.A.J.**

A French limited company (*société anonyme*) with share capital of €142,515,408  
31 Chemin Latéral au Chemin de Fer, 93500 Pantin, France  
775 733 835 R.C.S. BOBIGNY

**MANAGEMENT REPORT OF THE BOARD OF DIRECTORS  
TO THE ORDINARY GENERAL MEETING OF JUNE 21, 2019**

We have invited you to this Ordinary General Meeting for the purpose of submitting for your review and approval the financial statements for the 12-month fiscal year beginning January 1 and ending on December 31, 2018.

We inform you that no change in the presentation method of the financial statements was made during the fiscal year.

**FINANCIAL POSITION OF THE COMPANY**

M.A.J. is the main operating company for the multi-service group ELIS, a leader in the rental, laundry and maintenance of textile, hygiene and well-being items (HWB) in France, Europe and Latin America. The Group itself or its subsidiaries directly serve hundreds of thousands of customers of all sizes in France, belonging to various professional customer segments: Hospitality, Healthcare, Industry, Trade and Services.

The wide diversity of its clients and business sectors helps to mitigate the sensitivity of the Company's activities to the economic environment. After the negative impact of 2015 and 2016 attacks, the tourist sector recovered and a strong late season helped to maintain sustained activity until the end of October. The end of the year was slightly disrupted by the yellow vest protests.

Furthermore, the economic slowdown has had little effect on the activity of clients in the Healthcare segment (particularly nursing homes), which is growing mainly as a result of the aging population. However, the healthcare market has been exposed to severe price pressure, imposed by major clients regrouping and by a turn towards integrated laundry. Changes in medical practices (outpatients and use of disposable clothing) had an impact on business.

The clothing business experienced growth in 2018 thanks to new clients and business developments.

The Sanitary market was dominated by cleaning service companies and facilities management companies, with strong pressure on prices and direct business with clients in decline. The beverage sector is expanding. DASRI (potentially infectious healthcare waste) activity remained stable and marginal.

The Pest Control sector is rising sharply. It is included in Ile de France around the Elis Prévention Nuisibles subsidiary, after a partial contribution of assets from the Pest Control branch of the Company to this subsidiary in 2018 (Bondoufle and Sartrouville centers).

Furthermore, the fiscal year ended 31 December, 2018 was marked by:

- the financing of acquisitions in Brazil by way of a capital increase in the Brazilian subsidiary Atmosfera for a total amount of €33 million;
- the takeover of a company specializing in the sanitary market (the Big Bang company) in the South-East region;
- subscription to capital increases in foreign subsidiaries: Elis Italia, Elis Manomatic, Elis Chile, Elis Colombia (SIL);
- the merger-takeover of the company S.O.C. and the dissolution-merger of the HTE Sanitation and Big Bang companies;

- the restructuring of the pest control business in the Ile de France region around the Elis Prévention Nuisibles subsidiary (formerly HTPE): disposal of investments in the companies BMF and Hygiène Contrôle IDF and partial contribution of goodwill assets in Bondoufle and Sartrouville.

### TRANSACTIONS RELATING TO THE INCOME STATEMENT

The **key figures** for the fiscal year ended 12/31/2018, compared to those for the fiscal year ended 12/31/2017, are as follows:

(in thousands of euros)	<u>12/31/2017</u> (12 months)	%	<u>12/31/2018</u> (12 months)	%
Revenue excl. tax (including other income)	680,477	100.00	705,141	100.00
Depreciation and amortization	111,549	16.39	109,574	15.54
Personnel costs	226,145	33.23	233,638	33.13
<b>Operating income</b>	<b>112,632</b>	<b>16.55</b>	<b>121,392</b>	<b>17.22</b>
Net financial income	(12,748)	(1.87)	(174,817)	(24.79)
<i>O/w indiv. financial income</i>	<i>1,220</i>	<i>0.18</i>	<i>1,946</i>	<i>0.28</i>
Net recurring income before tax	99,884	14.68	(53,426)	(7.58)
Net non-recurring income	(5,392)	(0.80)	12,999	1.84
Employee profit-sharing	4,416	0.65	10,057	1.43
Income tax	23,757	3.49	36,473	5.17
<b>Net income (loss)</b>	<b>66,319</b>	<b>9.74</b>	<b>(86,957)</b>	<b>(12.33)</b>
Cash flow	177,868	26.14	21,617	3.06
Cash flow Added value	210,996 461,370	31.00 67.80	183,843 454,907	26.07 64.51

**Revenue** (including other income) for the fiscal year ended 12/31/2018 amounted to €705,141,000 against €680,477,000 for the year ended 12/31/2017, an increase of 3.62%. This increase can be explained by the improvement in the economic environment in 2018 and by the consolidation of the revenue of the company Big Bang.

The **operating income** resulted in a net income of €121,392,000 against €112,632,000 as at 12/31/2017. Operating expenses as a percentage of revenue are down compared to the figure for the fiscal year ended 12/31/2017 (84.86% compared to 85.63%), despite the increase in purchases and external expenses (+2.6%), provisions (+18%) and personnel expenses (+3.4%).

The average workforce as at 12/31/2018 was 7,375 persons, distributed over 71 centers, compared to 6,768 persons as at 12/31/2017 over 71 centers.

The profit sharing premium for productivity over the fiscal year (excluding general social contribution [C.S.G.] and social debt repayment contribution [C.R.D.S.]) stood at €5,037,000. It was €5,069,000 on 12/31/2017.

### **Financial transactions**

Financial income specifically includes:

- the income from subsidiaries and other equity investments (€1,946,000),
- the interest received on advances granted within the framework of the cash pooling agreement (€3,354,000),

- cancellation of the provision for the subsidiary BMF due to the disposal of this investment in 2018 (€-707,000).

Financial expenses specifically include:

- the interest paid for advances granted by the subsidiaries in the context of the cash pooling agreement and by the company Elis SA (€13,513,000), as well as for the intra-Group loan of the company Elis SA (€2,751,000),
- provisions for depreciation of securities in the subsidiaries Atmosfera (+€134,602,000), Elis Italia (+€4,713,000), Elis Manomatic (+€19,420,000), Le Jacquard Français (+€1,084,000), Elis Prévention Nuisibles (+€3,212,000),
- a provision for financial expenses and risks for the Elis Prévention Nuisibles subsidiary (+€1,578,000).

Ultimately, the **net financial expense** as at 12/31/2018 was a loss of €174,817,000 compared to a loss of €12,748,000 as at 12/31/2017.

### **Extraordinary transactions**

**Extraordinary income** resulted in a net income of €12,998,994,000 against a loss of €5,392,000 as at 12/31/2017. It specifically includes:

- movements (reversals and allocations) in the provision for accelerated amortizations,
- movements (income and NBV) in sales of assets,
- costs related to restructuring and site closures, or environmental risks,
- actuarial spreads on employee benefit obligations,
- costs related to the acquisition of interests.

**Net profit**, after creating a provision for:

- employee profit-sharing	€10,057,000
- income tax	€36,473,000

resulted in a loss of **€86,957,000**. As at 12/31/2017, the net income was €66,319,000.

### **TRANSACTIONS CONCERNING THE BALANCE SHEET**

The transactions concerning the balance sheet during the last fiscal year are the following:

- 1) Intangible assets: They include the merger loss of the company S.O.C. and the contribution of goodwill of the company Big Bang.
- 2) Property, plant and equipment: They also include the contributions of the companies S.O.C. and Big Bang.
- 3) The gross value of investment securities amounted to €1,250,357,000 against €1,145,814,000 as at 12/31/2017. In particular, the transactions in the fiscal year involved:
  - the subscription to capital increases in the subsidiaries Atmosfera (+€33.1m), Elis Italia (+€0.7m), Elis Colombia (+€2.6m), Elis Manomatic (+€75m) and Elis Chile (+€0.5m),
  - the allocation of shares in compensation for the partial contribution of assets to Elis Prévention Nuisibles (+€88,000),
  - the acquisition of the company Big Bang (+€3.1m), followed by its dissolution by merger,
  - the cancellation of S.O.C. securities following its merger by absorption into M.A.J. (-€2m), as well as those of HTE Sanitation (-€1m).
- 4) Other receivables: The advances granted by M.A.J. within the framework of the cash pooling agreement at the end of the fiscal year stood at €234,409,000. Please note the following subsidiaries were granted advances: Pierrette-TBA (€164,222,000), RLST (€8,069,000), Le Jacquard Français (€7,317,000), SPAST (€4,345,000), Elis Manomatic (€21,664,000) and Elis Prévention Nuisibles (€7,117,000).

- 5) The provisions for risks, totaling €15,042,000 at the end of the fiscal year, include, in particular, a provision linked to environmental risks (€10,532,000), a provision for litigation (€1,330,000), a provision for long-service commitments (€1,577,000), and a provision for risk on the Elis Prévention Nuisibles investment (€1,578,000).
- 5) Provision for post-employment benefits: This stood at €17,630,000 against €16,945,000 as at 12/31/2017.
- 6) Payables and other loans:  
The Company uses the current account advance granted by the parent company ELIS, the cap on which currently stands at €1,000,000,000, and the intra-Group loan of €88,448,000 (with capitalized interest) granted in 2015 to finance the development of its activities and external growth.

At the end of the fiscal year, Group debts (cash pool) amounted to €906,190,000, of which €787,260,000 were for the current account advance with ELIS SA.

Ultimately, the debts came to a total of €1,196,206 as at 12/31/2018, of which €1,098,462 was within one year. The debts were €1,188,492,000 as at 12/31/2017.

#### **NOTE REGARDING THE USE OF FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS**

The company has adopted ANC Regulation no. 2015-05 on forward financial instruments and hedging transactions. The hedge accounting principles are mandatory where hedging is identified in the management and documented. The effects of the financial instruments used by the company to hedge and manage its currency, interest rate and raw materials are recognized in the income statement in parallel to those of the hedged item. Impairments or provisions for risks relating to a hedged item take into account the effects of the hedge. If the hedged item disappears, the hedging instrument is treated as a separate open position, the hedge is settled and the losses or gains are recognized in profit or loss.

As at December 31, 2018, the company does not hold any derivative instruments not designated as hedged (no separate open positions).

#### **DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES**

The Company has reviewed the risks that could potentially have a significant adverse effect on its activity, its financial situation or its profits (or on its ability to meet its objectives), and it is of the view that there are no significant risks other than those mentioned in Chapters 2 and 3 of the 2018 Registration Document of the listed parent company ELIS SA, available on the website: [www.corporate-elis.com/rubrique\\_investisseur](http://www.corporate-elis.com/rubrique_investisseur).

The main risks to which the Group (and thus also M.A.J.) believes it is exposed are the risks associated with the Group's activities and business sectors, the risks associated with purchases and sales, financial risks, legal risks, regulatory risks, tax risks, and insurance risks as well as non-financial risks (social and environmental).

#### **ACTIVITIES OF SUBSIDIARIES AND EQUITY INVESTMENTS**

The company directly or indirectly controls subsidiaries and equity investments in Europe (including France) and in Latin America, whose activity for the majority of them is identical to that of the company (rental and maintenance services). Other subsidiaries ("Manufacturing Entities") have a manufacturing business (Le Jacquard Français and Kennedy Hygiène Product Ltd).

All financial data for these subsidiaries and equity investments is consolidated in the ELIS SA holding and, for specific details, reference is made in the 2018 Registration Document of the company ELIS SA, available on the website: [www.corporate-elis.com/rubrique\\_investisseur](http://www.corporate-elis.com/rubrique_investisseur).

### **A - Comments on the activity of the company MAJ, its subsidiaries and the Group**

The Group, including the company MAJ, provides a broad and integrated range of rental and maintenance services to a diversified base of more than 400,000 customers across, among others, the regions described below (excluding Manufacturing Entities):

With regard to MAJ and its subsidiaries in particular (MAJ scope of consolidation), these geographic areas are consolidated in the breakdown of revenue for the four operating segments: France, (Central and Southern) Europe, Latin America and Manufacturing Entities.

Breakdown of the 2018 consolidated EBITDA and revenue of MAJ and its subsidiaries by geographic area:

In € million	2017			2018		
	REVENUE	%	EBITDA	REVENUE	%	EBITDA
France	1,009.0	53.2	353.7	1,032.8	45.9	362.0
Southern and Central Europe	647.9	34.1	171.8	950.1	42.2	280.9
Latin America	221.2	11.7	53.7	247.7	11.0	66.7
Manufacturing Entities	27.0	0.1	2.0	21.0	0.9	(10.3)
<b>Total MAJ scope of consolidation</b>	<b>1,898.1</b>	<b>100.0</b>		<b>2,251.6</b>	<b>100.0</b>	

#### **1) Business activity in the rental and cleaning of textile and hygiene items and pest control services**

##### **France**

In France, the Group (including the Company) generated a consolidated revenue of €1033.0 million for the fiscal year ended December 31, 2018 (excluding the Manufacturing Entities), or 33.3% of the Group's consolidated revenue (compared to 46% the year before), and representing 45.9% of revenue in the MAJ scope of consolidation.

In France, the Group serves customers in four main sectors: Hospitality, Healthcare, Industry, and Trade and Services.

In 2018, consolidated Group revenue grew by 2.4% in France, of which 2.2% was organic growth. This reflects the quality of the French market, where we continue to gain market share in a now slightly favorable price environment.

##### **Europe (excluding France)**

In Europe, the Group is divided into 4 areas: UK – Ireland, Central Europe, Scandinavia and Eastern Europe, and Southern Europe, and provides services to customers in all segments. Consolidated Group revenue in Europe (excluding France) represents 58.8%.

More specifically, the activities of the Company's subsidiaries in Central Europe and Southern Europe, and represent 42.2% of revenue in the MAJ scope of consolidation.

In 2018, Group revenue from Central Europe was €682 million, representing 22% of consolidated revenue. The Group provides its services in Central Europe to customers in the Industry, Trade and Services and Healthcare sectors in particular. Pro forma organic growth was +2.0% in Central Europe.

Germany has experienced moderate growth, and the situation is improving in Switzerland, although revenue is still down slightly.

In Germany, the Group has made more than 10 acquisitions since 2008, which has enabled it to reach around €370 million in turnover in 2018 distributed across 38 sites. In 2018, the merger of Elis and Berendsen networks gave the Group a new dimension in this historically fragmented country which is the biggest European market. In 2018, the Group continued consolidation of the German market, particularly in the Healthcare sector, with the acquisition of BBW Textileservice, Wascherei Waiz and Curantex.

In Southern Europe, the Group generated €268 million of consolidated revenue during the fiscal year ended December 31, 2018, representing 9% of consolidated revenue. The Group provides its services in Southern Europe to customers in all client sectors.

At Group level, revenue growth in southern Europe was +3.5% with organic growth of +3.2%. This performance was once again driven by Portugal. In Spain, despite the slowdown in the Hospitality industry during the summer of 2018 in favor of destinations such as North Africa, Greece or Turkey, the country posted organic growth of +2.5%, driven by additional gains in market share.

In Spain, Elis, which posted revenue of just twenty million euros in 2000, became the market leader at the end of 2016 with revenue of approximately €190 million in 2018. Between 2007 and 2015, numerous acquisitions enabled a platform of almost €90 million to be built up. In 2016, the purchase of Indusal enabled Elis to become market leader. In 2018, Elis continued consolidation of the Spanish market with the acquisition of Triton Lavanderias.

## **Latin America**

The Group provides services in Latin America to customers in the Hospitality, Healthcare and Industry segments. In Latin America, the Group posted consolidated revenue of €248 million for the year ended December 31, 2018 (7.9% of consolidated Group revenue for the period and 11.0% of revenue in the MAJ scope of consolidation).

2018 consolidated Group revenue growth in Latin America was +12.0%, with organic growth of +8.4%, an impact from acquisitions made of +18.2% and a foreign exchange impact of -14.7%. Sales momentum remains good in Brazil both in terms of prices and sales development.

The Group began to develop its activities in Brazil in December 2012. Expansion continued with the acquisition of the Atmosfera Group in February 2014. The Group strengthened its presence in Brazil notably with the acquisition in July 2015 of Teclav, a laundry company in Fortaleza (State of Ceará) on the country's northeastern coast, and then the acquisition in December 2015 of Martins & Lococo. In 2017, Elis completed the acquisition of the Lavebras Group and Bardusch Brazil. These acquisitions represent significant stages in the Group's development in Brazil and consolidated its position as undisputed leader of the largest Latin American market. In 2018, the Group posted revenue of almost €220 million, with an EBITDA margin of 28% in 2018, compared with 20% in 2014.

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

Lastly, in 2016 Elis acquired Servicios Industriales de Lavado SIL S.A.S ("SIL") in Colombia, with the aim of quickly becoming number one in the market. SIL, now Elis Colombia, operates two laundries in Bogotá and has one of the sector's finest industrial facilities, mainly serving private players in the Healthcare sector. In addition, the Group continued to consolidate the Colombian market in 2017 with two other acquisitions in Bogotá (Lavanser and Centro de Lavado y Aseo). In early 2019, Elis strengthened its position with the acquisition of Metropolitana.

## **2) Manufacturing activities**

The Group also has a manufacturing business carried out by two of the Company's subsidiaries: Le Jacquard Français and Kennedy Hygiene Product Ltd ("Manufacturing Entities").

Le Jacquard Français, acquired by the Group in 1968, designs and manufactures high-end flat linen and damask linen products. It has a weaving plant in Gérardmer, in the Vosges mountains in Eastern France, and its own sales, marketing and distribution departments. Le Jacquard Français mainly sells its products to consumers through third-party distribution networks, such as department stores, retailers, private online sales and specialist shops. Le Jacquard Français also has five shops, including two in Paris. Le Jacquard Français exports its products to 50 countries and aims to increase its export sales.

Kennedy Hygiene Products Ltd (Great Britain), acquired in 1987, is one of Europe's market leading designers and manufacturers of hygiene appliances, such as cotton and paper towel dispensers, no-touch hand dryers, soap and toilet paper dispensers, feminine hygiene disposal bins, and fragrance dispensers. Kennedy Hygiene Products is based in the United Kingdom and exports its products to some 44 countries.

Kennedy Hygiene Products has its own sales, marketing, distribution and R&D departments, but also works closely with the Elis Group's marketing team to design products to meet the specific requirements of the Group's customers.

The Group's manufacturing business generated consolidated revenue of around €21 million for the fiscal year ended December 31, 2018 and represents less than 1% (after elimination of intra-Group transactions).

### **B – New acquisitions in 2018**

In France in January 2018, the Company acquired Big Bang, located in Saint-André de la Roche near Nice, France, specializing in sanitary equipment rental and maintenance and operating at four sites (Nice, Marseille, Lyon and the Paris region in France). 2017 revenue stood at €1,727,000. This company was dissolved by a merger of assets into M.A.J. on April 30, 2018.

In Belgium in April 2018, Hadès acquired the company Blanchisserie Basse Meuse (A&M) specializing in flat linen rental and maintenance for the Hospitality industry (as well as its logistics subsidiary). In 2017, Blanchisserie Basse Meuse posted revenue of €8.1m. With this transaction, Elis entered the flat linen market in Belgium, a country in which the Group was only present in the workwear and hygiene and wellness sectors. The creation of this platform for flat linen in Belgium will also help redistribute volumes between northern France, Belgium, Luxembourg and north-west Germany to optimize logistics and improve productivity in the region.

In Germany, the numerous acquisitions made in 2018 enabled Elis to strengthen its positions in the healthcare sector in particular:

- In January 2018, SMH – Sächsische Mietwäsche und Handels GmbH, a family company with a laundry business in the Dresden region;
- In January 2018, hospitality customers of the company AlSCO Berufskleidungs-Service GmbH, in Cologne;
- In March 2018, BW Textilservice, a family company with a laundry business in the Stuttgart region which posted turnover of approximately €24 million in 2017.
- In April 2018, textile rental, laundry and maintenance items and industrial laundry services (flat linen) goodwill assets of the Wäscherei Pfeiff company in Dresden-Rossendorf;
- In May 2018, Wäscherei Waiz in the Nuremberg, Germany, region. This family company posted revenue of approximately €10 million in 2017.

In January 2019, acquisition of Curantex in the Cologne region of Germany which allows Elis to strengthen its network in the highly dynamic North Rhine-Westphalia region.

In Spain in December 2018, Elis Manomatic acquired the company Triton Lavanderias S.L., located in the Madrid region of Spain which specializes in flat linen in the Hospitality market. The company also

serves the cities of Barcelona, Malaga, Elche and Segovia through partner providers. Lavanderias Triton posted revenue of approximately €8 million in 2017.

In Colombia in January 2019, Elis Colombia acquired Metropolitana which has two plants in Bogota dedicated to operators in the Healthcare, Industry and Hospitality sectors. This company posted revenue of approximately €4 million in 2017. This acquisition helps strengthen Elis' existing network in the Bogota region and develop the Hospitality and Industry sectors.

## **BRANCH OFFICES**

The company operates its business in France in 71 centers (production units and service centers) as at 12/31/2018.

## **RESEARCH AND DEVELOPMENT/ENVIRONMENTAL PERFORMANCE INDICATORS**

Within the framework of implementing the ISO 9001 certification, the Company is committed to protecting the environment while operating its laundry business. In particular, production sites are subject to French ICPE laws.

The Company is always searching for ways to optimize its consumption of water, energy and laundry products.

Being careful to limit its environmental footprint by reducing its greenhouse gas emissions and making better use of natural resources, the Company has strengthened its approach by obtaining ISO 50001 certification from Afnor Certification in December 2015 (31 plants in 2018) for its energy management system.

## **OUTLOOK**

The future prospects are based on the Group's strategy, built around four elements:

- the consolidation of the Group's positions by organic and external growth;
- the regular opening of new markets in new and existing geographical areas;
- the continued improvement of the Group's operational excellence;
- the introduction of new products and services for a limited marginal cost.

## **SIGNIFICANT EVENTS SINCE THE END OF THE FISCAL YEAR**

A significant event has occurred since the end of the fiscal year on December 31, 2018:

- the acquisition of the company Blanchisserie Sud Aquitaine (France) which specializes in the Hospitality market.

## **TAX INFORMATION**

1) Since March 1, 2008 the Company has been consolidated into a tax group established by the parent company ELIS. A tax consolidation agreement was signed on October 30, 2009 with effect from July 1, 2009.

### 2) Non-deductible fees and expenses

During the fiscal year ended 31 December, 2018, the Company:

\* did not recognize any sumptuary expenses that were not deductible from taxable income within the meaning of Article 39-4 of the French Tax Code (*Code Général des Impôts*).

\* did not exclude any general expenses from tax deductible expenses in the income taxable pursuant to Articles 39-5 and 223 quinquies of the French Tax Code.



**LEGAL INFORMATION**

1) Employees do not hold shares in the company M.A.J. No company stock options have been granted to corporate officers or company employees.

The last Extraordinary General Meeting, which was consulted to approve a planned capital increase reserved for employees in accordance with Articles L. 3332-18 et seq. of the French Labor Code, was held on 29 June, 2018.

2) **Information about payment terms for suppliers**

In accordance with Articles L. 441-6-1 and D. 441-4-I° of the French Commercial Code, the breakdown of the balance of trade payables and customer debts for the fiscal year ended on December 31, 2018 was the following:

*Outstanding invoices received and issued at the end of the fiscal year that are due for payment (table in Section I of Article D. 441-4)*

	Article D. 441-4 I.-1°: Outstanding invoices <u>received</u> at the end of the reporting period that are due for payment						Article D. 441-4 I.-2°: Outstanding invoices <u>issued</u> at the end of the reporting period that are due for payment					
<i>(in thousands of euros incl. tax)</i>	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
<b>(A) Instalments of late payment</b>												
Number of invoices concerned	61,728					3,029	43,988					130,115
Total amount of invoices concerned incl. tax	20,129	4,956	3,179	287	211	8,634	114,645	11,868	9,823	4,552	25,734	51,977
Percentage of the total amount of purchases during the fiscal year incl. tax	5.03 %	1.36 %	0.88 %	0.08 %	0.06 %	2.37 %						
Percentage of revenue in the fiscal year excl. tax							17.23 %	1.78 %	1.48 %	0.68 %	3.87 %	7.81 %
<b>(B) Invoices excluded from (A) relating to disputed or unrecognized debts and receivables</b>												
Number of invoices excluded												
Total amount of invoices excluded (specify: excl. or incl. tax)												
<b>(C) Reference payment terms used (contractual or legal terms – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)</b>												
Payment terms used to calculate payment delays	Contractual or legal terms						Contractual terms: 15th of the following month					

3) **Environmental and social information (CSR)**

In accordance with Article L. 225-102-1-IV of the French Commercial Code, the Company is not required, as a company controlled by the company ELIS SA, to publish a statement on non-financial performance in application of Article L. 225-102-1-I.

**PROPOSED RESOLUTIONS****A – Approval of the financial statements – discharge**

We kindly ask you to approve the financial statements for the fiscal year ended December 31, 2018 as they are presented to you, and to discharge the members of the Board of Directors from managing them.

**B – Allocation of income**

After noting that the fiscal year ended December 31, 2018 showed a net loss of €86,957,263.13, we ask you to allocate this amount in full to “Other reserves”.

In accordance with the law, it is noted that the dividends distributed for the last three fiscal years were:

Fiscal year	Total amount of distributed dividends	Amount of distributed income eligible for tax relief	Amount of distributed income not eligible for tax relief
12/31/2017	-	-	-
12/31/2016	-	-	-
12/31/2015	€22,357,104.63	€7.53*	€22,357,097.10

*\*it is specified that for individual shareholders benefiting from consumer loans, the dividend was only based on the income distributed in the fiscal year.*

*The dividends paid until 12/31/2017 are subject to the parent company/subsidiaries’ tax scheme when they are paid to shareholders who are legal entities of the company, and are eligible for tax relief of 40% for individuals subject to income tax in accordance with the provisions of Article 158.3.2° of the French Tax Code (C.G.I.).*

**C – Regulated agreements**

You will be required to approve agreements falling within the scope of Article L. 225-38 of the French Commercial Code, subject to the special report by your Statutory Auditors.

**D – Term of office of Statutory Auditors**

Noting that the term of office of the Statutory Auditors will expire at the end of the General Shareholders’ Meeting called to approve the financial statements for the fiscal year ending December 31, 2018, we propose that you:

- renew the term of office of the company Mazars as incumbent Statutory Auditor for a term of six years,
- record the end of the term of office of the company on CBA as alternate Statutory Auditor, as the appointment of an alternate auditor is no longer mandatory.

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**CORPORATE GOVERNANCE REPORT**

In accordance with Article L. 225-37 of the French Commercial Code, we hereby present the corporate governance report on the information listed in Article L. 225-37-4 of the French Commercial Code:

1) The choice between the two management models set out in Article L. 225-51-1 of the French Commercial Code.

Pursuant to Article 11 of the Articles of Association, the Board of Directors decided on September 2, 2002 that the management of the company would be assumed, under its responsibility, by the Chairman of the Board of Directors, who would bear the title Chairman and Chief Executive Officer.

Accordingly, Mr. Xavier Martiré, Chairman of the Board of Directors, assumes the management of the Company.

2) A list of all the offices and functions performed in any company by each corporate officer during the fiscal year.

We are providing you in the Appendix with a list of all the offices and positions held in any company by each director over the past fiscal year.

3) Information on the agreements concluded during fiscal year 2018 in accordance with Article L. 225-37-4 last paragraph of the French Commercial Code, with the exception of agreements relating to current transactions concluded under normal conditions

The agreements concluded during fiscal year 2018 in accordance with Article L. 225-37-4 last paragraph of the French Commercial Code are indicated in the Appendix to this report.

4) A summary of the effective authorizations granted by the General Shareholders' Meeting regarding share capital increases, pursuant to Articles L. 225-129-1 and L. 225-129-2, and including the use made of these authorizations during the fiscal year.

No authorizations have been granted to date by the General Shareholders' Meeting of the Company.

5) The details of compensation referred to in Article L. 225-37-3 of the French Commercial Code concerning Mr. Xavier Martiré, Director of the Company and furthermore a member of the Executive Board of the listed company Elis SA, which the Company controls within the meaning of Article L. 233-16 of the French Commercial Code, are detailed in section 4.1.2 of the report of the supervisory board on the corporate governance of Elis SA and are appended to this report.

x x x

We kindly ask you to vote in favor of the resolutions proposed to you.

We think that you will enjoy joining us in thanking the employees of the company and its subsidiaries for their dedicated collaboration.

The Board of Directors

INCL. :

- Table of financial results for the last five fiscal years
- List of offices and duties of corporate officers
- Remuneration items referred to in Article L. 225-37-3 of the French Commercial Code concerning Xavier Martiré
- List of agreements falling within the scope of Article L. 225-37-4 last paragraph of the French Commercial Code

M.A.J.

**RESULTS OVER THE LAST FIVE FISCAL YEARS**(and other significant items)  
In euros

TYPE OF INDICATION	1/1/2014 12/31/2014 (1) (12 months)	1/1/2015 12/31/2015 (2) (12 months)	1/1/2016 12/31/2016 (12 months)	1/1/2017 12/31/2017 (3) (12 months)	1/1/2018 12/31/2018 (4) (12 months)
<b>I. Capital at the end of the fiscal year</b>					
* share capital	133,568,032*	142,515,408*	142,515,408	142,515,408	142,515,408
* number of existing ordinary shares	8,348,002	8,907,213	8,907,213	8,907,213	8,907,213
* number of existing preferred dividend shares (without voting rights)					
* maximum number of future shares to create:					
. In bond conversions					
. In exercising subscription rights					
<b>II. Transactions and results for the fiscal year</b>					
* revenue excl. tax	576,324,436**	590,410,626***	593,880,954	680,476,584****	705,141,203
* profit before tax, employee profit-sharing, and depreciation and amortization allowances and provisions	232,114,710	179,219,936	230,601,831	267,318,740	231,743,523
* income tax expense	29,333,080	17,163,670	43,182,204	23,757,103	36,473,345
* employee profit-sharing	7,615,142	4,252,113	12,382,550	4,416,110	10,057,181
* profit after tax, employee profit-sharing and depreciation and amortization allowances and provisions	88,495,547	31,800,179	100,199,035	66,319,352	-86,957,263
* distributed income	59,019,893	22,357,105	0	0	0
<b>III. Earnings per share</b>					
* profit after tax, employee profit-sharing but before depreciation and amortization allowances and provisions	23.38	17.72	19.65	26.85	20.79
* profit after tax, employee profit-sharing and depreciation and amortization allowances and provisions	10.60	3.57	11.25	7.45	-9.76
* net dividend per share	7.07	2.51	0.00	0.00	0.00
<b>IV. Employees</b>					
* average number of employees during the fiscal year	6,191	6,240	6,172	6,768	7,375
* payroll expenses for the fiscal year	143,234,328	149,976,953	149,744,731	178,018,434	182,486,705
* employee benefits paid during the fiscal year (social security, etc.)	42,251,025	42,332,123	42,358,536	48,127,433	51,151,059

\* capital increase of €133 million in 2014 and of €8,947,376 in 2015

\*\* revenue includes that of the customers Blanchisserie Mazamétaine et Castraise (from 04/01/2014) and Blanchisserie Poulard (from 09/30/2014)

\*\*\* revenue includes that of the customers Hytop (from 04/01/2015) and Le Grand Blanc via BPA (from 12/01/2015)

\*\*\*\* revenue includes that of the customers Lovetra (from 04/03/2017) and Grenelle Service (from 07/01/2017)

(1) the 2014 financial statements include the contributions/merger of the company Blanchisserie Poulard

(2) the 2015 financial statements include the contributions/merger of the companies Poulard 1836 and Districlean Service

(3) the 2017 financial statements include the mergers/absorptions of the companies Lovetra and Grenelle Service, and the contribution/merger of the company ASD

(4) the 2018 financial statements include the contribution/merger of the companies Big Bang and HTE Sanitation as well as the merger/absorption of the company SOC

Appendix to the 2018 Corporate Governance Report

**INFORMATION ABOUT THE DIRECTORS**

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**Xavier Martiré**

Chairman and Chief Executive Officer

- Chairman of the Management Board of ELIS S.A.
- Chairman and Chief Executive Officer of ELIS SERVICES S.A.
- Director of PIERRETTE-T.B.A. S.A.
- Chairman of the Board of BERENDSEN Ltd (company under English law)
- Chairman of ELIS LUXEMBOURG S.A. (company under Luxembourg law)
- Director of ELIS MANOMATIC S.A. (company under Spanish law)
- Director of LAVANDERIAS TRITON SL (company under Spanish law)
- Director of ELIS ITALIA SpA (company under Italian law)
- Director of S.P.A.S.T. S.A. (company under Portuguese law)
- Director of GAFIDES S.A. (company under Portuguese law)
- Director of WÄSCHEREI MARIANO AG (company under Swiss law)
- Chairman of the Supervisory Board of ATMOSFERA GESTÃO E HIGIENIZAÇÃO DE TÊXTEIS S.A. (company under Brazilian law)
- Director of ALBIA S.A. (company under Chilean law)
- Director of SERVICIOS HOSPITALARIOS S.A. (company under Chilean law)

**Didier Lachaud**

Director

- Chairman and Chief Executive Officer of SHF HOLDING S.A.
- Chairman of LES LAVANDIERES S.A.S.
- Chairman of MAISON DE BLANC BERROGAIN S.A.S.
- Chairman of ELIS PREVENTION NUISIBLES S.A.S.
- Manager of S.C.I. DU CHATEAU DE JANVILLE
- Director of M.A.J. S.A.
- Permanent representative of the company LES LAVANDIERES on the Board of Directors of BLANCHISSERIE MODERNE S.A.

**Barthélémy Morin**

Director

- Chairman and Chief Executive Officer of PIERRETTE – T.B.A. S.A.
- Chairman of THIMEAU S.A.S.
- Chairman of REGIONALE DE LOCATION ET SERVICES TEXTILES S.A.S.
- Chairman of SHF S.A.S.
- Chairman of LSP S.A.S.
- Manager of S.C.I. DE LA FORGE
- Manager of S.C.I. MAINE BEAUSEJOUR
- Manager of S.C.I. LES GAILLETROUS
- Director of SHF HOLDING S.A.
- Member of the Board of KENNEDY HYGIENE PRODUCTS Ltd (company under English law)
- Member of the Board of KENNEDY EXPORTS Ltd (company under English law)
- Member of the Board of BERENDSEN A/S (company under Danish law)
- Director of WÄSCHEREI MARIANO AG (company under Swiss law)
- Director of SERVICIOS HOSPITALARIOS S.A. (company under Chilean law)

**Marie Laure Gouaze**

Director

- Director of PIERRETTE – T.B.A. S.A.

**Anne Bailly-Dupas**

Director

- Chairman and CEO of BLANCHISSERIE MODERNE S.A.
- Manager of S.C.I. DES DEUX SAPINS
- Director of HADES S.A. (company under Belgium law)

**PRINCIPAL STATUTORY AUDITOR**

Company **MAZARS**  
61 rue Henri Regnault, Tour Exaltis,  
92400 Courbevoie, France  
Proposal to renew in 2019

**ALTERNATE STATUTORY AUDITORS**

Company **CBA**  
61 rue Henri Regnault, Tour Exaltis,  
92400 Courbevoie, France  
Proposal not to renew in 2019

February 2019

### Notes – Compensation of Top Executives at ELIS SA

<b>Compensation due and paid to the members of the Management Board</b>		
	<i>Fiscal year ended 12/31/2018</i>	
	Amounts due (1)	Amounts paid (2)
<b>Xavier Martiré</b>		
Fixed compensation	800,000	800,000
Annual variable compensation	1,096,830	829,846
Multi-year variable compensation	-	-
Special compensation	-	550,000
Directors' fees	-	-
Benefits in kind	7,296	7,296
<b>TOTAL</b>	<b>1,904,126</b>	<b>2,187,142</b>

(1) Fixed compensation due to Xavier Martiré during the fiscal year under consideration.

(2) Total compensation paid during the fiscal year, i.e. after application of the achievement condition to the basis of variable compensation.

(a) The variable component of the 2018 compensation for Xavier Martiré is based on ambitious targets and pre-defined performance criteria. 70% the variable component (from 0 to 140% in the event of outperformance) is based on financial indicators, and 30% (this percentage is the maximum) of the variable compensation is based on non-financial criteria defined by the Supervisory Board on March 6, 2019 based on the proposal of the Appointments and Compensation Committee. The rate of satisfaction corresponding to the 2019 targets approved by the Supervisory Board on March 6, 2019 stood at 93.87% for Xavier Martiré, Chairman of the Management Board.

(b) The benefits in kind correspond to a company car made available to Xavier Martiré

## Notes – Compensation of Top Executives at ELIS SA

Bonus shares granted to each corporate officer for the fiscal year 2018						
	No. of plan and date of grant	Number of shares granted in the 2018 fiscal year	Value of options based on the method used for consolidated financial statements (a) – in euros	Vesting date (b)	Availability date (c)	Performance conditions
<b>Xavier Martiré,</b> Chairman of the Management Board	Plan 7 April 6, 2018	117,995	1,803,850	April 6, 2021	April 6, 2021	(d)

- a) The value of the performance-related bonus shares is equal to that used to prepare the consolidated financial statements for the year ended December 31, 2018, calculated in accordance with the requirements of IFRS 2 by an independent appraiser. The valuation model applied is based on the underlying price of the portion not subject to market conditions and on the Monte Carlo method for the portion that is subject to market conditions. It takes account of data and assumptions prevailing at the grant date.
- b) The performance-related bonus shares vest at the end of a period of three years starting from the grant date (*vesting period*) under the combined conditions of continued employment and of performance targets.
- c) At the end of the vesting period, members of the Management Board are subject to an obligation to retain a certain number of shares for the duration of their term of office.
- d) The final acquisition of shares at the end of the vesting period is subject to fulfilling, by the end of this period, performance conditions and conditions of continued employment with reference to economic criteria (see the Elis Group Registration Document 2018, section 4.1.2 and notes to the consolidated financial statements contained in Chapter 6 of the Registration Document 2018).



**AGREEMENTS FALLING WITHIN THE SCOPE OF  
ARTICLE L. 225-37-4 OF THE FRENCH COMMERCIAL CODE**

NB: excluding current transactions concluded under normal conditions

- 1. Agreements between the shareholder holding more than 10% shares and a subsidiary in which the company has a 50% stake (directly or through an intermediary) during the 2018 fiscal year**

**None**

- 2. Agreements between a member of the Board of Directors and a subsidiary in which the company has a 50% stake (directly or through an intermediary) during the 2018 fiscal year**

None