MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Overview

We are a leading independent provider of outsourced building services. As at August 31, 2016, we operated in 27 countries, including France, our principal market, serving a diverse range of more than 25,000 customers in the private and public sector. Originally established in 1944 as a provider of cleaning services in France, we began transforming ourselves into a multi-disciplinary provider of outsourced building services in 1999. Our comprehensive multi-service and multi-technical offering covers many of the segments of the market for outsourced building services. We provide our services by relying primarily on in-house expertise and resources. Since the creation of our first businesses outside France in 2000, we have also developed our international operations. With an average headcount of 59,500 full-time equivalent employees in fiscal year 2016/15, we are an important provider of various types of outsourced building services in each of the countries in which we operate.

We have experienced growth in recent years both organically and through the acquisition of companies with services, expertise and geographical scope that are complementary to our own. In particular, in France, we significantly expanded our operations through the acquisitions in 2009 of Véolia Propreté Nettoyage et Multiservices, a cleaning services provider with a significant portfolio of large corporate customers, and Eurogem, a multi-service provider of outsourced building services. Our expansion in France continued in 2013, 2014 and 2015 with the acquisition of various entities specializing in cleaning services, including Niwaki, a 51% stake in Ergelis, a company specializing in building management and energy performance consulting as well as Vitsolnet a company specializing in cleaning services. Our expansion in France has recently continued with acquisition in 2016 of HEI and Net'Express, two companies specializing in industrial cleaning. We have also used the business model we developed in France to grow our presence in markets outside France, both in response to and in anticipation of our clients' needs. In 2013, 2014 and 2015, we acquired companies in Eastern Europe, Turkey and Morocco and expanded our operations into Southeast Asia. In January 2016, we acquired Temco, a company providing cleaning and facility maintenance services to clients in Europe and North America, in order both to expand our European presence and to gain a foothold in the U.S. market. In fiscal year 2016/15, Temco contributed €186.4 million to the total revenue, of which €133.9 million in the US and €52.5 million in Belgium and Luxembourg. Our expansion has recently continued with acquisitions in 2016 in Eastern Europe, Turkey, Indonesia, Cambodia, Vietnam and Thailand. We believe that the breadth of our service offering, together with our geographic footprint, provide us with a solid foundation for our long-term strategy of becoming a leading global provider of outsourced building services.

In fiscal year 2016/15, we had total revenue of €1,649.4 million and EBITDA of €103.1 million.

2. Service Offering

We provide our services to our customers through operationally autonomous businesses, each of which generally specializes in one type of service. Our businesses are organized into three reporting segments under IFRS, namely, Cleaning, Facility Management and International.

Cleaning

Through our TFN Propreté brand, we offer cleaning and associated services, which include periodic cleaning of offices and retail outlets and specialized cleaning services in the health, food-processing, transportation, manufacturing and nuclear industries in France. In fiscal year 2016/15, our Cleaning segment generated €715.8 million of revenue, or 43.4% of consolidated revenue.

Facility Management

Our Facility Management businesses include multi-technical and multi-service management, safety and security, reception services, painting and landscaping services. We also offer bundled facility management services, while reception services are provided through our cooperation with City One. In fiscal year 2016/15, our Facility Management segment generated €414.2 million of revenue, or 25.1% of consolidated revenue. This segment comprises the activities of the following businesses:

Multi-technical and Multi-service: Through our MTO-Eurogem brand, we offer multi-technical services relating to the operation of buildings, such as energy and fluid management, facility maintenance and property management services (including carpentry, plumbing, conditioning, heating and ventilation). We provide bundled facility management services as part of our multi-technical and multi-service business, which consist of providing two or more of our outsourced building services under one contract, together with on-site management through a single customer relations contact. Multi-service management provides for services such as occupant services, cleaning, reception, mail, safety and landscape maintenance. Our multi-technical and multi-service business generated €176.4 million of revenue, or 42.6% of Facility Management segment revenue, in fiscal year 2016/15.

Safety and Security: Through our Lancry and APFS brands, we provide services relating to surveillance, in-company access control and screening, management of central security stations, event-related security services, security on critical sites, patrol and emergency services, security audits and security consultancy. We also provide airport security services. Our safety and security business generated €160.8 million of revenue, or 38.8% of Facility Management segment revenue, in fiscal year 2016/15.

Landscaping: We provide landscaping services in France, such as the creation and maintenance of gardens and sports facilities. Our landscaping business generated €66.5 million of revenue, or 16.0% of Facility Management segment revenue in fiscal year 2016/15.

Painting: We provide painting, parquet and floor covering services. Our painting business generated €10.5 million of revenue, or 2.5% of Facility Management segment revenue, in fiscal year 2016/15.

International

As at August 31, 2016, we operated in 26 countries outside France, in Europe, Southeast Asia, Africa, providing cleaning, multi-technical, security and bundled facility management services. Our International segment generated €531.3 million of revenue, or 32.2% of consolidated revenue, in fiscal year 2016/15.

In our Consolidated Financial Statements, we present in our segment information an additional item labeled “Other,” which includes the activities of our holding companies, such as Group-level management of finance, legal, accounting, procurement, human resources, fiscal and customer relations matters. The “Other” item principally consists of the elimination of intragroup transactions in consolidation, the costs incurred by our holding companies, including payroll costs, rental costs incurred on behalf of the Group’s operating companies, overhead and administrative costs, such as consulting and legal fees, advertising costs and other administrative costs such as mailing, reception and maintenance costs.

3. Discussion of the business

3.1. Acquisitions and divestments

Overview

In recent years, external growth has contributed significantly to the overall growth of our business. We intend to continue to pursue acquisitions in the future in order to diversify our service offering and customer base as well as to expand our geographic footprint further outside of France. We have recently expanded our business into the United States, West Africa and Southeast Asia as we believe that these geographic regions generally provide greater prospects for growth and more attractive margins than our domestic market.

- **TEMCO:** In January 2016, we acquired Temco, a company providing cleaning and facility maintenance services to clients in Europe and North America with FTE employees in order both to expand our European presence and to enable us to gain a foothold in the U.S. market. The acquisition of 98% of the capital was completed in January 2016. It counts an annual revenue of approximately $340 million (excluding $35 million for BIK, staffing services, disposed in January 2016) and over 5,600 FTE employees;

- **LUXOR** in Croatia, a business specializing in cleaning and facility management. The company, which was established in 2002, offers a variety of services, including cleaning, technical maintenance, social catering and full FM. The acquisition of 80% of the capital was completed in March 2016. It counts an annual revenue of approximately €15 million and approximately 900 FTE employees;
- **MT&T** in Romania, a business specializing in facility management. The acquisition of 98% of the capital was completed in January 2016. It counts an annual revenue of approximately €10 million and approximately 300 FTE employees;
- **RAFINDO** in Indonesia, a business specializing in cleaning and security services. The acquisition of 36% of the capital was completed in November 2015. It counts an annual revenue of approximately €4 million and approximately 2200 FTE employees;
- **MOPEX D.O.O**. in Serbia, a business specializing in professional hygiene and building maintenance. The acquisition of 50% of the capital was completed in October 2015. It counts an annual revenue of approximately €4 million and approximately 800 FTE employees;
- **QUICKNET SERVICES** in the Ivory Coast, a business specializing in industrial cleaning and green spaces and gardening services based in Abidjan. The acquisition of 59% of the capital was completed in September 2015. It counts an annual revenue of approximately €2 million and approximately 300 FTE employees;
- **IVOIRE NETTOYAGE SERVICES** in the Ivory Coast, a business specializing in cleaning service in Abidjan. The acquisition of 59% of the capital was completed in September 2015. It counts an annual revenue of approximately €1 million and approximately 200 FTE employees;
- **UNICARE** in Vietnam, a business specializing in cleaning, landscaping and pest control services. The acquisition of 49% of the capital was completed in June 2016. It counts an annual revenue of approximately €2 million and approximately 800 FTE employees;
- **KLEEN 11** in Cambodia, a business specializing in cleaning, landscaping and pest control services. The acquisition of 49% of the capital was completed in May 2016. It counts an annual revenue of approximately €1 million and approximately 200 FTE employees;
- **SCIPIO** in Myanmar, a business specializing in providing facility management and security services. The acquisition of 49% of the capital was completed in May 2016. It counts an annual revenue of approximately €1 million and 600 FTE employees;
- **INDOSERVICES** in Indonesia, a business specializing in cleaning, landscaping and pest control services. The acquisition of 42% of the capital was completed in February 2016. It counts an annual revenue of less than €1 million and approximately 200 FTE employees;
- **PGS** in Thailand, a business specializing in Security services. The acquisition of 24% of the capital was completed in February, 2016. It counts an annual revenue of approximately €1 million and approximately 100 FTE employees;
- **IDETEK** and **EVED Energy** in Turkey**,** a business specializing in facility management. The acquisition was completed in July 2016 (FY revenue of approximately €1.5 million).

In fiscal year 2016/15, consistent with our strategic objective to reinforce our regional presence and expand our portfolio of domestic smaller to medium-sized clients, we acquired:

- **HEI** is specialized in industrial cleaning in Auvergne-Rhones-Alps region. The acquisition of 90% of the capital was completed in March 2016. It counts an annual revenue of approximately €22 million and approximately 500 FTE employees;
- **NET'EXPRESS** is specialized in industrial cleaning in the department of Saone & Loire. The acquisition of 90% of the capital was completed in February 2016. It counts an annual revenue of approximately €12 million and approximately 400 FTE employees;
- **VITSOLNET**, a company specializing in cleaning services in the region of Bourg-en-Bresse. The acquisition of 90% of the capital was completed in September 2015. It counts an annual revenue of approximately €2 million and less than 100 FTE employees;

There was no disposals during the period, even so, the perspective of the company is to obtain the best economic returns from its non-core assets by seeking the best disposal opportunities.

Recently, in fiscal year 2017/16, we acquired:

- **ABLES GROUP** in Philippines, specialized in cleaning services, completed in September 2016 (FY revenue of approximately €5 million);

- **THE GUARDS** in Thailand, specialized in security services, completed in October 2016 (FY revenue of approximately €1 million).

In order to assist in the analysis of our results of operations during the period under review, we provide in this management's discussion and analysis certain data relating to the revenue contribution for acquired businesses following their acquisition.

We calculate the revenue contribution for acquired businesses as follows: the revenue contribution of a business acquired during any given fiscal year is equal to the revenue of such business from the date such business was included in our consolidated revenue to the end of such fiscal year.

We believe that we have been able to achieve organic growth of the businesses we have acquired, but the methodology we use to calculate the revenue contribution for acquired businesses does not enable us to identify the portion of the acquired business' revenue that constitutes organic growth generated after we acquire it. Accordingly, while we believe this data may be useful to investors, there are limitations inherent to the methodology we use to prepare it.

The external growth contribution of an acquired business with respect to the fiscal year immediately following the fiscal year during which such business was acquired, which we also refer to as the "full-year impact" of such acquisition, is equal to the difference between (i) the revenue generated by such business from the date it was included in our consolidated revenue to the end of that fiscal year, prorated on a 12 month basis, and (ii) the revenue generated by such business in the full fiscal year following acquisition.

3.2. Contracts

Overview

As of August 31, 2016, we estimate that we had approximately 25,000 customers operating in the private and public sectors. We operate in 27 countries. Our customers range in size from small to medium-sized companies to large national and multinational companies. We are focused on further developing our relationships with our larger customers, with the goal of becoming their preferred provider of outsourced building and industrial services.

Contracts for cleaning services are generally performance-based contracts with one-year terms that are renewable thereafter, but tend to have longer terms where the contract involves larger customer sites. Cleaning contracts typically have fixed monthly fees and are generally terminable by either party upon an agreed notice period.

Contracts for bundled facility management services are typically performance-based contracts and typically have terms of three years. These contracts typically have fixed monthly fees and are terminable by either party upon an agreed notice period.

Security services contracts are generally resource-based contracts and typically have terms of three to four years. These contracts usually have fixed monthly fees, and are terminable by either party upon an agreed notice period.

Contracts in our international business typically have terms of three years and provide for fixed monthly fees.

Focus by business:

Cleaning

The Cleaning market in France is mature and competitive with an increasing pricing pressure. In order to preserve our margins, we decided not to renew certain large contracts with low EBITDA margins. To maintain our profitability and capture growth, we focused our strategy toward the external growth. Therefore, and despite the gain of high profile contracts such as Auchan, UGAP bio, Kingfischer, Caisse d'Epargne, Champagnes Moët, Areva La Hague, France Télévision, organic revenue decreased by 1.4%.

Facility Management

The Facility Management segment has won, during the fiscal year 2016/15, new high profile contracts such as Areva La Hague, Stanley Black&Decker and EDF Protertia or SNCF THALYS. Organic revenue increased by 1.1%.

International

The acquisition of Temco broaden our high profile client portfolio with clients such as Coca-Cola, Exxon Mobile, IKEA, Electrabel, New York public library, and recently NYC Department of Education and Tishman Speyer, etc. Important new contracts were signed such as Turkcell and Flextronics. Excluding the negative impact of exchange rate, organic revenue increased by around 13.3%.

4. Management Financial Measures

We use EBITDA to analyze our results of operations. We define EBITDA as operating profit, as reported in our Consolidated Financial Statements, adjusted to exclude the following line items, each of which as reported in our Consolidated Financial Statements: depreciation and amortization, net; and provisions and impairment losses, net. EBITDA corresponds to the line item “*Recurring operating profit before depreciation, amortization, provisions and impairment losses*” in our consolidated income statement included in the Consolidated Financial Statements. For consistency, we refer to this line item as EBITDA throughout this document.

EBITDA is not a specifically prescribed line item under IFRS. EBITDA is not a measure of financial condition, liquidity or profitability and should not be considered as an alternative to the profit for the period determined in accordance with IFRS, cash flows generated by operating activities determined in accordance with IFRS or any other measure prescribed by IFRS. We believe that the inclusion of EBITDA in this document is useful to investors because it provides investors the same information that we use internally for purposes of assessing our operating performance. EBITDA has important limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results of operations. Because not all companies calculate EBITDA identically, this presentation of EBITDA may not be comparable to the similarly titled measure of other companies.

5. Change in accounting policies affecting the comparability of Consolidated Financial Statements

In fiscal year 2016/15, in accordance with ANC (the *Autorité des Normes Comptables*) recommendation n° 2013-03 of November 7, 2013, we chose to record reversal of provisions directly as a reduction of the related charge in the corresponding line item (such as *Purchases consumed*, *Payroll costs*, *Other recurring operating income and expenses*), booked at the realization of the risk or at the occurrence of the charge for an amount equal to the maximum of the amount of the charge. When the charge recorded is inferior to the provision previously booked, and that the provision is no longer required, the surplus is booked as a product under the same line item *(Provisions and impairment losses, net*) that the original provision. In our Consolidated Financial Statements in fiscal year 2015/14, we recorded all reversal of provisions under the same line item that the original recognition *(Provisions and impairment losses, net*). This change impacted our consolidated income statement for the fiscal year 2016/15 as compared to fiscal year 2015/14 as follows (with no cash impact): favorable impact in *Purchased consumed*, *Payroll costs*, *Other recurring operating income and expenses* of €2.5 million, €3.3 million, €10.0 million.

The 10.0 million impact in *Other recurring operating income and expenses* was recorded as a compensation of a one-off charge of write-off related to bad debts that concern several previous years.

As a result, the favorable impact in EBITDA in fiscal year 2016/15 as compared to fiscal year 2015/14 of this change in accounting policies and this one-off charge was €5.8 million.

6. Results of Operations for Fiscal Year Ended August 31, 2016 and August 31, 2015

	For the fiscal year ended August 31, 2015	2016
	€ in millions	
Revenue	**1,332.4**	**1,649.4**
Purchases consumed	(290.3)	(334.5)
External charges	(81.9)	(91.6)
Payroll costs	(850.9)	(1,100.8)
Taxes other than on income	(23.0)	(23.6)
Other recurring operating income and expenses	3.4	4.2
EBITDA	**89.6**	**103.1**
Depreciation and amortization, net	(23.8)	(29.8)
Provisions and impairment losses, net	(2.6)	(9.7)
Recurring operating profit	**63.2**	**63.6**
Financial income	0.7	0.3
Finance expenses	(26.8)	(32.7)
Finance costs, net	**(26.2)**	**(32.5)**
Other financial income and expenses	0.2	(0.9)
Net financial expense	**(25.9)**	**(33.4)**
Income tax expense	(13.9)	(12.6)
Share of profit (loss) of associates	0.1	(0.1)
Net profit from recurring operations	**23.5**	**17.6**
Net profit from discontinued operations	(10.6)	—
Profit for the period	**12.9**	**17.6**

Revenue

The following table sets forth the breakdown of our revenue for the periods indicated by reporting segment:

	For the fiscal year ended August 31, 2015	2016
Revenue	**€ in millions**	
Cleaning	700.0	715.8
Facility Management	409.1	414.2
International	238.3	531.3
Other[(1)]	(15.0)	(11.9)
Total Revenue	**1,332.4**	**1,649.4**

(1) Elimination of intragroup transactions.

Revenue increased by €317.0 million, or 23.8%, to €1,649.4 million in fiscal year 2016/15, as compared to €1,332.4 million in fiscal year 2015/14. The increase was mainly attributable to our international growth in fiscal year 2016/15, principally due to the acquisition of Temco. We also experienced the full year impact of our expansion in Poland in fiscal year 2015/14 and a strong organic growth in our operations in Turkey and in security services in France, partly offset by a strong adverse impact of foreign exchange rates, mainly due to the fluctuations of the Turkish Lira.

Revenue by segment

Cleaning. Revenue for the Cleaning segment increased by €15.8 million, or 2.3%, to €715.8 million in fiscal year 2016/15, compared to €700.0 million in fiscal year 2015/14. This increase in Cleaning revenue was primarily attributable to the acquisition of HEI, Net'Express and other smaller entities, which contributed €26.0 million to Cleaning segment revenue in fiscal year 2016/15. This increase was partly offset by the fact that we chose not to renew certain contracts which offered lower margins.

The Cleaning segment represented 43.4% of consolidated revenue in fiscal year 2016/15, as compared to 52.5% in fiscal year 2015/14, as a result of the significant increase in International segment revenue in fiscal year 2016/15.

Facility Management. Revenue of the Facility Management segment increased by €5.1 million, or 1.2%, to €414.2 million in fiscal year 2016/15, as compared to €409.1 million in fiscal year 2015/14. The increase was principally due to the following:

– an increase of €18.2 million, or 12.8%, in revenue generated by our safety business, solely due to organic growth, mainly reflecting the strong growth in our activity of airport security services, which started at the end of fiscal year 2015/14, and an increase in security activities with the gain of new high profile contracts, such as SNCF Thalys;

– an increase of €1.3 million, or 1.9%, in revenue generated by our landscaping business, solely due to organic growth, reflecting our efforts in rationalizing the business;

This increase was partially offset by:

– a decrease of €7.6 million, or 4.2%, in revenue generated by our multi-technical and multi-service business in fiscal year 2016/15 compared to fiscal year 2015/14 due to weak market conditions; and

– a decrease of €6.7 million, or 38.7%, in revenue from our painting business for the period, principally due to the discontinuing of our covering services activity, which accounted for €4.1 million in 2015/14, and weak market conditions with pricing pressure, given that the real estate construction recovering in 2016/15 should benefit our painting business starting 2017/16.

Revenue from the Facility Management segment represented 25.1% of consolidated revenue in fiscal year 2016/15, as compared to 30.7% in fiscal year 2015/14, similarly reflecting our increased emphasis on international operations.

International. Revenue from the International segment increased by €293.0 million, or 123%, to €531.3 million in fiscal year 2016/15, as compared to €238.3 million in fiscal year 2015/14. This growth was mainly due to the acquisition of Temco in January 2016, which contributed to €186.4 million in International segment revenue in fiscal year 2016/15.

This growth was also due to several acquisitions in fiscal year 2016/15, mainly:

- with Luxor in Croatia, Mopex in Serbia, and MT&T in Romania, which together contributed respectively to €19.2 million;
- in South East Asia, with Rafindo, Unicare in Vietnam, and Indoservices in Indonesia which contributed, in the aggregate, to €7.9 million.

We also experienced the strong positive full year impact of our expansion in 2015/14, mainly:

- in Poland, through the acquisition of Aspen and Metro, which together contributed to €39.8 million in fiscal year 2016/15 compared to €12.5 million in fiscal year 2015/14;
- in Turkey, through the acquisition of the Ekol Group, which contributed €32.7 million in fiscal year 2016/15 compared €17.5 million in fiscal year 2015/14. This better contribution includes a major part of organic growth; and
- in the Philippines, through the acquisition of Consolidated Building Maintenance, Inc. (‘‘CBM’’), which contributed €10.7 million in fiscal year 2016/15 compared €3.0 million in fiscal year 2015/14.

This growth of our existing operations was partly offset by a €20.8 million adverse impact of foreign exchange rates, mainly due to the fluctuations of the Turkish Lira, the Malaysian Ringgit and the polish Zloty over the period.

Excluding the effect of the acquisitions and the forex impact, the International segment increased by approximately €31.7 million, mainly due to a strong organic growth in Turkey and in Hungary.

The International segment represented 32.2% of consolidated revenue in fiscal year 2016/15, as compared to 17.9% in fiscal year 2015/14.

Purchases consumed

Purchases consumed increased by €44.2 million, or 15.2%, from €290.3 million in fiscal year 2015/14 to €334.5 million in fiscal year 2016/15, principally reflecting the increase in consolidated revenue during the period. As a percentage of consolidated revenue, purchases consumed represented 20.3% (20.4% when excluding the change in accounting policies as described in section 5) of consolidated revenue in fiscal year 2016/15, as compared to 21.8% of consolidated revenue in fiscal year 2015/14. This decrease was primarily due to the growth in the proportion of our international revenue generated in international markets that experience lower levels of recourse to subcontractors and temporary workers, such as the U.S., following the acquisition of Temco.

External charges

External charges increased by €9.7 million, or 11.9%, from €81.9 million in fiscal year 2015/14 to €91.6 million in fiscal year 2016/15, principally reflecting the increase in consolidated revenue during the period. As a percentage of revenue, external charges decreased, representing 5.6% of consolidated revenue in fiscal year 2016/15, as compared to 6.1% of consolidated revenue in fiscal year 2015/14, principally reflecting the impact of the integration of Temco, which experienced a lower level of equipment rental costs.

Payroll costs

Payroll costs increased by €249.8 million, or 29.4%, from €850.9 million in fiscal year 2015/14 to €1,100.8 million in fiscal year 2016/15. The increase in payroll costs is principally attributable to the growth of the International segment, which was itself principally due to the integration of Temco subsidiaries. The full-time equivalent employee headcount on average over the year increased 63%, from 36,564 in 2015/14 to 59,455 in 2016/15, mainly due to external growth and International segment. Payroll costs increased from 63.9% of consolidated revenue in fiscal year 2015/14 to 66.7% of consolidated revenue in fiscal year 2016/15 (66.9% when excluding the change in accounting policies as described in section 5), due to a higher level of payroll costs of the Temco subsidiaries, which experienced a higher contribution of cleaning businesses, as well as limited recourse to subcontractors and temporary workers. As a result of our expansion strategy, the full-time equivalent employee headcount in the International segment on average over the year increased 223%, from 9,853 to 31,849.

The CICE also had a positive impact of €1.0 million in fiscal year 2016/15 compared to fiscal year 2015/14, amounting to €30.3 million in fiscal year 2016/15, as compared to €29.3 million in fiscal year 2015/14.

Taxes other than on income

Taxes other than on income increased by €0.6 million, or 2.5%, from €23.0 million in fiscal year 2015/14 to €23.6 million in fiscal year 2016/15. Taxes other than on income mainly include taxes on salaries. As a percentage of payroll costs, Taxes other than on income decreased at 2.1% in fiscal year 2016/15 compared to 2.7% fiscal year 2015/14. This was mainly due to the lower ratio of taxes other than income as a percentage of payroll costs of Temco subsidiaries compared to our other subsidiaries in France.

Other recurring operating income and expenses

Other recurring operating income and expenses decreased by €0.8 million, from a net income of €3.4 million in fiscal year 2015/14 to a net income of €4.2 million in fiscal year 2016/15.

EBITDA

The following table sets forth the breakdown of our EBITDA for the periods indicated by reporting segment:

	For the fiscal year ended August 31,	
	2015	**2016**
	€ in millions	

Cleaning	73.0	77.4
Facility Management	26.4	29.4
International	12.3	21.7
Other	(22.1)	(25.4)
EBITDA	**89.6**	**103.1**

EBITDA increased by €13.5 million, or 15.1%, to €103.1 million in fiscal year 2016/15, as compared to €89.6 million in fiscal year 2015/14. Our EBITDA margin decreased to 6.3% in fiscal year 2016/15 (5.8% when excluding the change in accounting policies as described in section 5), as compared to 6.7% million in fiscal year 2015/14.

Cleaning. EBITDA for the Cleaning segment increased slightly by €4.4 million, or 6.0%, to €77.4 million in fiscal year 2016/15, as compared to €73.0 million in fiscal year 2015/14. The EBITDA margin for the Cleaning segment increased at 10.8% in fiscal year 2016/15, as compared to 10.4% in fiscal year 2015/14. When excluding the change in accounting policies and one-off charge of write-off of bad debts as described in section 5, the EBITDA margin remained stable at 10.4% in fiscal year 2016/15, mainly due to price pressure, offset by the fact that we elected not to renew certain contracts which offered low margins in fiscal year 2016/15.

Facility Management. EBITDA for the Facility Management segment increased by €3.0 million, or 11.4%, to €29.4 million in fiscal year 2016/15, as compared to €26.4 million in fiscal year 2015/14. The Facility Management segment EBITDA margin represented 7.1% in fiscal year 2016/15, as compared to 6.4% in fiscal year 2015/14. When excluding the change in accounting policies and one-off charge of write-off of bad debts as described in section 5, the EBITDA margin remained stable to 6.4% in fiscal year 2016/15. This stability in EBITDA margin in this segment principally reflected our improvement measures in landscaping business and higher EBITDA margin of our Airport security services activities, offset by the adverse impact of the discontinuing of our covering activity, which penalized our revenue as well as producing negative effects on the absorption capacity of fixed costs, and the higher price pressure on our security business.

International. EBITDA for the International segment increased by €9.4 million, or 76.4%, to €21.7 million in fiscal year 2016/15, as compared to €12.3 million in fiscal year 2015/14, principally reflecting our expansion strategy. Temco contributed €7.0 EBITDA and 32.1% of the segment EBITDA. The EBITDA margin of the International segment, however, decreased to 4.1% in fiscal year 2016/15 from 5.2% in fiscal year 2015/14. This decrease was mainly due to the dilutive effect of the acquisition of Temco subsidiaries, which had a lower EBITDA margin compared to the consolidated Group in fiscal year 2016/15.

Depreciation and amortization, net

Depreciation and amortization increased by €6.0 million, or 25.1%, from 23.8 million in fiscal year 2015/14 to €29.8 million in fiscal year 2016/15, due to the increase of the total amount of intangible and tangible assets following several acquisitions made over the period, principally in the International segment and to a lesser extent in France.

Provisions and impairment losses, net

Provision and impairment losses increased by €7.1 million, from €2.6 million in fiscal year 2015/14 to €9.7 million in fiscal year 2016/15, mainly as a result of the change in accounting policies as described in section 5.

Recurring operating profit

Recurring operating profit increased by €0.4 million, or 0.7%, from €63.2 million in fiscal year 2015/14 to €63.6 million in fiscal year 2016/15, for the reasons explained above.

Net financial expense

Net financial expense increased by €7.4 million, or 28.6%, from €25.9 million in fiscal year 2015/14 to €33.4 million in fiscal year 2016/15. This increase was principally due to the payment of approximately eight months of interest on the additional Notes of €150 million issued in January 2016, which increased to €23.4 million in 2016/15 from €18.1 million in 2015/14), as well as, €0.6 million of interest paid on new bilateral credit facilities.

Income tax expense

Income tax expense decreased by €1.3 million, or 9.2%, from €13.9 million in fiscal year 2015/14 to €12.6 million in fiscal year 2016/15. Fiscal year 2016/15 income tax expense comprised CVAE of €14.5 million (compared to €14.0 million in fiscal year 2015/14), current income tax expense of €3.0 million (compared to €1.9 million in fiscal year 2015/14) and deferred tax income of €5.2 million related to tax losses carried forward from our cleaning business, principally related to CARRARD Services (compared to deferred tax income of €2.3 million in fiscal year 2015/14) and tax on dividend distribution of €0.2 million (as compared to €0.3 million in fiscal year 2015/14).

Share of profit (loss) of associates

Share of profit of associates amounted to a loss of €0.1 million in fiscal year 2016/15, compared to a gain of €0.1 million in fiscal year 2015/14. The share of profit of associates is mainly attributable to our joint venture companies with City One.

Discontinued operations

We recorded losses from discontinued operations of €10.6 million in fiscal year 2015/14 and none in fiscal year 2016/15. Discontinued operations during the fiscal year 2015/14 principally included our logistics and transportation services operating under the Logismark brand, TFN Affrètement et Logistique, our freight business, and MTO Eclairage Public, our public lighting business.

Profit for the period

Profit for the period increased by €4.7 million from €12.9 million in fiscal year 2015/14 to 17.6 million in fiscal year 2016/15, for the reasons stated above.

7. Liquidity and Capital Resources

Capital Resources

Our cash requirements consist mainly of the following:

- operating activities, including our net working capital requirements;
- servicing our indebtedness and the indebtedness of our subsidiaries;
- funding acquisitions;
- funding capital expenditures; and
- paying taxes.

Our sources of liquidity have historically consisted mainly of the following:

- cash generated from our operating activities;
- issuances of debt securities; and
- borrowings under our existing credit facilities

As at August 31, 2016, we had net debt of €375.8 million compared to €266.1 million as at August 31, 2015. We define net debt as the sum of long-term financial liabilities and short-term loans and other financial debt, excluding the fair value of financial instruments, less cash and cash equivalents.

Several of the Group’s subsidiaries sell their trade receivables on a monthly basis under factoring contracts. Some of these contracts involve the transfer of substantially all the risks and rewards of ownership of the receivables concerned to the factoring companies. Factored receivables for which the Group has not transferred substantially all the risks and rewards of ownership remain recorded on the balance sheet under "Trade receivables," with the recognition of a corresponding financial liability. We had net debt (including the liability relating to off-balance sheet factoring) of €395.2 million as of August 31, 2016, as compared to €327.2 million as of August 31, 2015.

As of August 31, 2016, we had cash and cash equivalents net of short-term bank loans and overdrafts of €106.1 million compared to €54.3 million as of August 31, 2015.

Cash flows

The following table summarizes our consolidated cash flow statements for fiscal year 2015/14 and fiscal year 2016/15:

	For the fiscal year ended August 31,	
	2015	**2016**
	€ in millions	
Net cash generated by operating activities	75.9	36.1
Excluding off-balance sheet factoring of receivables	*93.6*	*79.8*
Net cash used in investing activities	(49.8)	(87.7)
Net cash used in financing activities	(34.5)	103.3
Exchange gains (losses) on cash and cash equivalents	(2.8)	(0.1)
Net increase (decrease) in cash and cash equivalents	**(11.2)**	**51.7**

Net cash generated by operating activities

The following table sets out the net cash flows generated by operating activities in fiscal year 2015/14 and fiscal year 2016/15:

	For the fiscal year ended August 31,	
	2015	**2016**
	€ in millions	
Profit from continuing operations	13.5	17.6
Adjustment for and elimination of non-cash items	38.5	21.6
Elimination of net finance costs	26.2	32.5
Elimination of income tax expense	13.9	12.6
Cash generated from operations before financial expenses and income tax	**92.1**	**84.3**
Decrease/(increase) in inventories	(0.5)	1.4
Decrease/(increase) in receivables	(16.8)	31.2
Increase/(decrease) in off-balance sheet factoring of receivables	(17.8)	(43.6)
Increase/(decrease) in payables	30.8	(19.9)
Change in working capital	**(4.3)**	**(30.9)**
Change in working capital excluding off-balance sheet factoring of receivables[1]	*13.5*	*12.7*
Income tax paid	(12.1)	(17.3)
Cash from discontinued operations generated (used) by operating activities	0.3	[—]
Net cash generated by operating activities	**75.9**	**36.1**
Net cash generated by operating activities excluding off-balance sheet factoring of receivables	*93.6*	*79.8*

(1) Trade receivables sold under factoring contracts involving the full transfer of the risks and rewards of ownership to the factoring companies resulted in a derecognized liability of €61.1 million in fiscal year 2015/14 and €18.0 million in fiscal year 2016/15.

We experienced variations in our working capital during the period under review, from a working capital requirement of €4.3 million in fiscal year 2015/14 to a working capital requirement of €30.9 million in fiscal year 2016/15, in each case after giving effect to the factoring of receivables not recorded in our balance sheet.

Our net working capital requirement of €30.9 million in fiscal year 2016/15 was attributable to €19.9 million decrease in payables and €12.4 million increase in receivables. The €19.9 million decrease in payables was primarily attributable to the decrease in our "days payable outstanding" ("DPO"). The €12.4 million increase in receivables was attributable to the combined effect of a decrease of €43.6 million in the factoring of receivables not recorded in our balance sheet and a decrease of €31.2 million in receivables in our balance sheet. The €43.6 million decrease in the factoring of receivables not recorded in our balance sheet reflect lesser recourse to factoring in fiscal year 2016/15 compared to fiscal year 2015/14, due to the higher level of our available cash following the issue of the New Notes in January 2016. The €30.9 million decrease in receivables was mostly due to the decrease in our "days sales outstanding" ("DSO"). Excluding the factoring of receivables not recorded in our balance sheet, however, we generated a working capital surplus of €12.7 million in fiscal year 2016/15.

Several factors contributed to our change in working capital in fiscal year 2016/15, excluding the factoring of receivables not recorded in our balance sheet. In France, our working capital requirement decreased in fiscal year 2016/15, principally due to a decrease in receivables in our cleaning segment and our multi-technical and multi-service business, mostly related to the decrease in our "days sales outstanding" ("DSO"), mainly due to continuing efforts to optimize our working capital. This decreased in our working capital in France was partly offset by an increase in the working capital requirement of our security services business. At an international level, our working capital requirement increased in fiscal year 2016/15, as we experienced an increase in receivables resulting from our international expansion strategy.

Our "days payable outstanding" ("DPO") were 106 days as at August 31, 2015 and 86 days as at August 31, 2016, while our "days sales outstanding" ("DSO") were 73 days as at August 31, 2015 and 64 days as at August 31, 2016.

In fiscal year 2016/15, our net cash generated by operating activities amounted to €36.1 million and €79.8 million including the factoring of receivables not recorded on our balance sheet. Our cash flows from operations before financial expenses and income tax amounted to €53.4 million in fiscal year 2016/15.

Net cash provided by investing activities

The following table sets out the principal components of our net cash flow provided by investing activities in fiscal year 2015/14 and fiscal year 2016/15:

	For the fiscal year ended August 31,	
	2015	**2016**
	€ in millions	
Purchase of fixed assets[(1)]	(18.1)	(26.1)
Proceeds from sales of fixed assets	0.7	4.1
Purchase of consolidated companies less cash held by	(32.1)	(71.9)
Other cash flows from investing activities	0.7	6.1
Cash from discontinued operations used in investing activities	(1.1)	[—]
Net cash used in investing activities	**(49.8)**	**(87.7)**

(1) Including change in net payables due on fixed assets.

Net cash used in investing activities amounted to €87.7 million in fiscal year 2016/15, and mainly related to the acquisition of Temco, HEI, Net Express and Luxor. Net of cash held by such entities acquired or sold, our acquisitions accounted for €71.9 million of our net cash used in investing activities. Our increase in net cash used in investing activities by 76.1% from €49.8 million in fiscal year 2015/14 to €87.7 million in fiscal year 2016/15 is also attributable to an increase in our purchases of fixed assets due to our international expansion, partly offset by disposals mostly related to buildings acquired through our recent external growth internationally. The increase in Other cash flows from investing activities from €0.7 in fiscal year 2015/14 to €6.1 million in fiscal year 2016/15 were mainly related to the disposal of entities, including BIK, previously part of the Temco Group for €3.3 million and also to the reduction of guarantee deposits resulting from a less recourse to factoring.

Net cash used in investing activities amounted to €49.8 million in fiscal year 2015/14, and mainly related to a significant increase in our purchases of consolidated companies, which included entities in Croatia, Turkey, Europe and Southeast Asia. This figure was partly offset by the sales of our logistics and transportation business operating under the Logismark brand and our public lighting business. Net of cash held by such entities acquired or sold, our acquisitions accounted for €32.1 million of our net cash used in investing activities.

Net cash used in financing activities

The following table sets out the principal components of our net cash flow used in financing activities in fiscal year 2015/14 and fiscal year 2016/15:

	2015	**2016**
	€ in millions	
Proceeds from new borrowings	10.7	182.9
Repayments of borrowings	(13.3)	(46.6)
Finance costs, net[(1)]	(24.5)	(28.5)
Other	(7.9)	0.0
Dividends	(4.5)	(4.8)
Operations in share capital	(3.0)	—
Equity warrant buy-back	—	—
Other	(0.4)	0.3
Cash from discontinued operations generated by financing activities	0.4	[—]
Net cash used in financing activities	**(34.5)**	**103.3**

(1) Amount net of capitalized interests and other non-cash interest expenses.

Net cash used in financing activities amounted to €103.3 million in fiscal year 2016/15. Our financing activities consisted of:

- €182.9 million in proceeds from new borrowings, mainly comprising of €150.0 million from the issuing of the New Notes and €28.0 million drawn under the Bilateral Facilities in January 2016;
- €46.6 million in repayments of borrowings, principally comprising €28.2 million under the factor and €10.4 million under finance leases;
- €28.5 million of net interest paid on ongoing borrowings: €22.2 million of interest paid on High Yield obligations, and €3.1 million of commission fees paid on the Factoring Facility.
- €4.8 million of dividends paid to our shareholder; and

Net cash used in financing activities amounted to €34.5 million in fiscal year 2015/14. Our financing activities consisted of:

- €10.7 million in proceeds from new borrowings, mainly comprising of €6.8 million from the utilization of the Factoring Facility.

- €13.3 million in repayments of borrowings, principally comprising €9.4 million under finance leases.
- €24.5 million of net interest paid on ongoing borrowings: €18.1 million of interest paid on our Original Notes and €3.8 million of commission fees paid on the Factoring Facility.
- €4.5 million of dividends paid to our shareholder; and
- €3.0 million of cash in connection with the redemption of stock options.

Off-Balance Sheet Arrangements

As of August 31, 2016, our off-balance sheet arrangements primarily related to (i) collateral securing the Revolving Credit Facility consisting of the pledge of 89.9% of the share capital of Atalian Cleaning S.A.S. (formerly TFN Val S.A.S.) and 100% of the shares of Atalian Propreté; (ii) the Issuer's guarantee under the Revolving Facility Agreement; and (iii) the guarantees of the issue of the Notes by the Guarantors.

The off-balance sheet arrangements also include contractual commitments received under the Factoring Facility.

See Note 14 to the 2016/15 Consolidated Financial Statements.

Contractual commitments

The following table sets forth the aggregate maturities of our financial debt as of August 31, 2016:

		Payment due by period		
€ in millions	**As of August 31, 2016**	**Due within 1 year**	**Due in 1 to 5 years**	**Due beyond 5 years**
Debt financing	400.3	2.8	397.4	—
Loans and other borrowings from credit institutions	33.3	1.6	31.4	0.3
Liabilities from finance leases	22.0	10.7	11.0	0.3
Other loans and financial debts	1.0	1.0	—	—
Profit sharing liabilities	2.5	—	2.5	—
Borrowings under factoring facilities	22.9	22.9	—	—
Total	481.9	39.0	442.3	0.6

As of August 31, 2016, the Group's total obligations in respect of pension liabilities amounted to €15.5 million. Pension liabilities and other post-employment benefits as of August 31, 2016 are described in Note 6 to the Group's 2016/15 Consolidated Financial Statements.

8. Dividends

	August 31, 2013	**August 31, 2014**	**August 31, 2015**	**August 31, 2016**	**Cumulated**
Net Income	8,1	15,0	12,9	17,6	53.6
Dividend payout	3.0	3.0	4.5	4.8	15.3
Payout ratio	37.0%	20.0%	34.9%	27.3%	28.5%
				Maximum dividend payout ratio for the cumulated period	50%

9. Outlook

International

- External growth: We expect €300 million to €400 million of additional revenue in the course of the next 12 months across Europe, Asia and USA
    - Asia (Singapore): €30 million revenue in the Cleaning business - LOI signed to be finalized in Q2;
    - Eastern Europe: "AB facility" generating €90 million revenue in the FM business - LOI signed (under antitrust decision);
    - USA: several targets being considered - two LOI ongoing processes (€60M and €30M revenue generation respectively);
- Organic growth generation: for example, Lafarge contract signed covering 20 countries, with Atalian being more and more often recognised as a worldwide player thanks to its larger footprint.
- Holding: €15 million for IT capex over 3-4 years to develop an ERP system / further sales force reinforcement.

France and Group

- Holding: we remain vigilant to contain the holding costs.
- We are developing a new Methods department as well as one for Innovation.
- We reinforce the salesforce to drive organic growth.
- Acquisitions: we remain opportunistic to seize acquisitions with quick return on investment, in line with our strategy and track record.
- We decided to change our fiscal year end from August to December. This is why, the new fiscal year will represent 16 months. The reason for this is to simplify the global consolidation process.