## RISK FACTORS

*This annual report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this annual report.*

### Risks Relating to Our Businesses and Industry

***Any deterioration in global and regional economic conditions, political developments, as well as other factors beyond our control, may negatively impact our businesses.***

We are susceptible to economic recessions or downturns, and macroeconomic cyclicality accordingly presents a challenge for us. The growth in demand for our services generally correlates with economic conditions, including growth in the gross domestic product in France (which remains our principal geographic market by revenue) and the other countries in which we operate. For example, amidst a weak economic environment, our customers may seek to downsize their businesses, delay their outsourcing projects, or otherwise reduce their demand for our services, in particular those services that customers perceive as discretionary (including, for example, with respect to hours, types of services, or scope of services). Periods of recession or deflation may also have an adverse impact on prices and payment terms, including in respect of services that customers may perceive as non-discretionary. In addition, at times of economic uncertainty, our public sector customers may face extensive budgetary or political pressures. Outside of France, we have historically been exposed to downturns in the rest of Europe including Russia and Turkey (our European operations, including Servest UK acquired in May 2018, generated €1,019.1 million in revenue, or 72.8% of the aggregate revenue generated by our International and Servest segments, in 2018), the United States (our U.S. operations generated €201.2 million in revenue, or 14.4% of the aggregate revenue generated by our International and Servest segments, in 2018), Southeast Asia (our Southeast Asian operations generated €149.5 million in revenue, or 10.7% of the aggregate revenue generated by our International and Servest segments, in 2018) and North and West Africa (our African operations generated €30.9 million in revenue, or 2.2% of the aggregate revenue generated by our International and Servest segments, in 2018).

Our financial and operating performance has previously been adversely affected by periods of recession and deflation and could be further adversely affected by a worsening of general economic conditions in the markets in which we operate, as well as by international trading market conditions and related factors. For example, following the economic downturn that started in 2008, we faced price pressure in France, particularly in our cleaning business. We have similarly faced price pressure in France in our security business (other than in airport security services) since 2014, as well as increased competition in our multi-technical business since 2016, primarily due to large competitors beginning to compete in the medium-sized customer segment in which we mainly operate. Servest UK has also faced persistent pricing pressures across its business in recent years due to the weak macroeconomic environment in the United Kingdom, particularly in respect of its longer-term contracts with larger customers (which account for a significant portion of the revenue of each of its divisions) who are increasingly motivated to seek cost savings from their external service providers and possess significant bargaining power to negotiate terms favorable to them which could reduce margins. We have recently faced price pressure in certain other markets, including Poland, Belgium and Russia. In addition, our customers have reduced the volume of additional services they may order as supplements to and above their existing contracts, as they typically scale back such supplementary services in a difficult economic environment. We may not be able to sustain our current revenue or profit levels if adverse economic events or circumstances occur or continue to occur in the countries in which we operate. In addition, the economies of France and the other countries in which we operate may not experience growth in the future and increase in demand for our services in these markets may not occur.

We may be adversely affected by the current credit environment in Europe. Since 2008, conditions in most Eurozone countries deteriorated amid rising yields on certain sovereign debt instruments issued by certain Eurozone states, ratings downgrades, including in respect of France, and the market perception that the single European currency is facing an institutional crisis of confidence, leading to recession in many European markets, including France. At several points in recent years, these challenging economic conditions have caused greater volatility and, in some cases, reduced liquidity, widening of credit spreads and a lack of price transparency in credit markets. Economic growth and recovery in the European Union remain fragile and at risk from delays in the transmission of lower sovereign spreads and improved bank liquidity to private sector borrowing. In particular, risks of prolonged stagnation in the Eurozone as a whole could rise if the momentum for reforms is not maintained. Although progress in national adjustment and a strengthened EU-wide policy response to the Eurozone crisis have improved financial conditions for EU sovereigns to a certain extent, the near-term outlook for the Eurozone remains uncertain and a resurgence of the sovereign debt crisis in Europe cannot be ruled out. This uncertain credit environment may negatively impact our access to financing or our ability to fund our business in a similar manner and at a similar cost to the funding raised in the past. In addition, if we are only able to obtain financing on less favorable terms, if at all, our operational flexibility may be restricted, and our ability to act timely in acquiring new businesses in new geographic regions may be impaired. Further economic stagnation or economic instability in the Eurozone or the European Union may also impede our strategy to actively expand our geographic reach in the near and medium-term in the United States, Europe, Africa and Asia, which could have a material adverse effect on our business, results of operations and financial condition.

We are also susceptible to political developments. On June 23, 2016, the United Kingdom held a referendum in which most voters elected to leave the European Union ("Brexit"). On March 29, 2017, the United Kingdom notified the European Council in accordance with Article 50 of the Treaty on European Union of the UK's intention to withdraw from the European Union. The notification initially triggered a two-year negotiation process between the United Kingdom and the European Union, including regarding trade, financial and legal arrangements, and puts the United Kingdom on a course to withdraw from the European Union. However, as a result of the failure to reach a mutually satisfactory withdrawal agreement, on March 22, 2019, the European Council granted the extension of the notice period under Article 50 to April 12, 2019; on April 10, 2019 the European Council granted a further extension of such period to October 31, 2019. Discussions between the United Kingdom and the European Union regarding a withdrawal agreement remain ongoing. Ongoing uncertainty on whether the government and parliament of the United Kingdom and the European Union will agree to a revised withdrawal agreement sustains the possibility that the United Kingdom will leave the European Union without a withdrawal agreement and transition plan in place, which is likely to cause significant market and economic disruption. The nature, timing and economic and political effects of Brexit remain uncertain and will depend upon, among other things, the results of any further votes of the British parliament and any further negotiations between the United Kingdom and the European Union. Brexit has led, and may continue to lead, to significant uncertainty, volatility and disruption in European and broader financial and economic markets, including the United Kingdom market, where Servest UK has, in the past, conducted essentially all of its operations, and could lead to significant changes in the currency markets of the countries in which we operate or other adverse effects on trading agreements or similar cross-board cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise). Servest UK employs non-British citizens. There can be no assurance that we will be able to retain the same or similarly skilled employees that Servest UK currently employs due to the uncertainty surrounding the terms of Brexit. We are exposed to the risk that we may need to hire a substantial number of new staff, so that we can comply with any new labor and immigration laws in the UK as a result of Brexit, which could have a material adverse effect on our credit rating, businesses, results of operations, financial condition and which could also have an impact on our contracts in the public sector.

Accordingly, our ability to maintain our growth domestically and internationally will depend on the ability of the countries in which we operate to recover from the global economic crisis, increases in demand for our services in these markets, favorable general outsourcing trends, further expansion of our business into other foreign markets and political developments.

***We may be unable to pursue our international expansion strategy if we are unable to evaluate suitable acquisition candidates or to complete or integrate past or prospective acquisitions (including the acquisition of Servest UK) successfully or in a timely manner, which could adversely affect our operations and financial condition. As a result, future growth from acquisitions may be more limited than we would expect.***

Our business has grown significantly in recent years through strategic acquisitions of companies in new geographical regions. Since 2003, we have acquired approximately 300 entities and in recent years, we have expanded our cleaning and building services operations into the United States, Africa, Southeast Asia, Eastern and Central Europe and Turkey. Servest UK has also grown significantly through acquisitions in recent years, including the recent acquisitions of Arthur McKay and Catering Academy in October 2016, which significantly expanded Servest UK's presence and service offering in building services and catering. More recently, in February 2018, Servest UK completed the acquisition of 100% of the share capital of the Aktrion Group and, in May 2018, the acquisitions of Thermotech and Unique Catering. However, acquisitions, including recent acquisitions undertaken and anticipated by the Group, in addition to our organic growth, may strain our management and financial resources.

Among the risks associated with acquisitions which could have a material adverse effect on our business, results of operations and financial condition, are the following:

- we may not find suitable acquisition candidates for future acquisitions;
- we may not plan or manage any acquisition effectively;
- the financing of any such acquisition may be unavailable on satisfactory terms or at all;
- we may face competition for acquisitions as the outsourced building services industry undergoes continuing consolidation;
- we may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses, such as costs and issues relating to monitoring, hiring and training of new personnel, or the integration of IT and accounting and internal control systems;
- we may incur costs associated with adapting our services to the requirements of the local market of the acquired business and local business practices, or developing appropriate risk management and internal control structures for operations in a new market, or understanding and complying with a new regulatory scheme;
- we may be subject to new tariffs, taxes and other restrictions and expenses, which could increase the prices of our services and make us less competitive;
- increased investments may be needed in order to understand new markets and follow trends in these markets in order to effectively compete;
- we may have reduced ability to predict our performance in the event we have less experience in the market of the acquired business than in the markets in which we previously operated;
- acquisitions may divert management's attention from the operation of existing businesses;
- acquisitions may lead to a deterioration of our operating cash flows;
- we may not be able to retain key personnel or customer contracts of acquired businesses;
- we may not be able to properly diligence the acquired businesses or vet the management or employees of the acquired business);
- we may encounter unanticipated events, circumstances or legal liabilities related to the acquired businesses; and
- an acquisition may not achieve anticipated synergies or other expected benefits.

In addition, following the integration of an acquired business, such acquired business may not be able to maintain its customer base consistent with expectations or generate the expected margins or cash flows. Although we analyze each acquisition target, these assessments are subject to a number of assumptions and estimates concerning markets, profitability, growth, interest rates and company valuations. Our assessments of and assumptions regarding acquisition candidates may not prove to be correct and actual developments may differ significantly from our expectations. Moreover, we may incur write-downs, impairment charges or unforeseen liabilities, or encounter other difficulties in connection with completed acquisitions which could adversely affect our business, results of operations and financial condition. For example, in connection with the acquisitions of VPNM and Eurogem in 2009, we did not accurately assess the cash flow from the acquired businesses, which negatively affected our working capital and resulted in breaches of certain financial covenants under our credit facilities. In

April 2019, our auditors requested additional time to complete their audit procedures with respect to our UK multi-technical divisions (which we acquired in 2018) that specialize in mechanical and electrical installations, requiring us to delay our results announcement beyond the publication date specified by our financial reporting obligations in the indentures governing our high-yield notes.

We may also have to pay cash, incur further debt, or issue further securities to pay for an acquisition, any of which could adversely affect our results of operations in the future. The incurrence of further indebtedness could result in increased obligations and include covenants or other restrictions that restrict our operational ability, which could also adversely affect our business, results of operations or financial condition.

Furthermore, acquisitions expose us to the risk of unforeseen obligations with respect to employees, customers, suppliers and subcontractors of acquired businesses, public authorities or other parties. Such obligations may have a material adverse effect on our business, results of operations or financial condition.

***Our international operations may subject us to additional risks.***

We operated in 31 countries outside France as of December 31, 2018, primarily in the United States, Europe, Southeast Asia and Africa. Because of the increasingly international scope of our activities, we are subject to a number of risks and challenges, many of which are beyond our control. These include the management of our international operations and the complexities associated with complying with the legislative and regulatory requirements, including tax rules and labor and social security legislation, of many different jurisdictions, or the negative effect of movements in foreign exchange rates in respect of our operations in countries that do not use the euro. For example, where local tax rules are complex or their applicability is uncertain, compliance with such rules may lead to unforeseen tax consequences. In addition, structuring decisions and local legal compliance may be more difficult due to conflicting laws and regulations, including those relating to, among other things:

- employment, social security and collective bargaining;
- immigration;
- health and safety;
- environmental protection;
- public procurement;
- competition; and
- enforcement of legal rights.

We are subject to economic risks and uncertainties in the countries in which we operate. Any slowdown in the development of these economies, any deterioration or disruption of the economic environment in the countries in which we operate or any reduction in government or private sector spending may have a material adverse effect on our business, financial condition and results of operations. Furthermore, certain incidents could lead to international tension, causing boycotts or otherwise restrict our ability to perform our services. This may have a material adverse effect on our business, results of operations and financial condition.

We may also be subject to political and social uncertainties in some of the countries in which we are present or plan to extend our operations. The political reforms necessary to achieve political transformations in certain of these countries may not continue. The political systems in these countries may be vulnerable to the public’s dissatisfaction with reforms, social unrest and changes in government policies. Any disruption or volatility in the political or social environment in these countries may have an adverse effect on our business, financial condition and results of operations.

As a result of our international operations, we are subject to risks associated with operating in foreign countries, including:

- greater GDP volatility;
- political, social and economic instability, or corruption;
- informal, unregulated trade;
- inability to collect payments or to seek recourse under, or comply with, ambiguous or vague commercial or other laws;
- difficulty in hiring or retaining staff;
- labor unrest;
- war, civil disturbance or acts of terrorism;
- taking of property by nationalization or expropriation without fair compensation;
- inconsistent regulations and unexpected changes in government policies and regulations;
- devaluations and fluctuations in currency exchange rates;
- imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries;
- increased risks associated with inflation;
- restrictions on currency, income, capital or asset repatriation;
- restrictions imposed by local law on our ability to own or operate subsidiaries, receive dividends from subsidiaries, make investments or acquire new businesses in certain jurisdictions; and
- impositions or increases of investment, trade and other restrictions or requirements by foreign governments.

We delegate considerable autonomy to our subsidiaries and heavily rely on our regional managers to conduct our local operations. Although we have adopted group-wide control procedures, reporting policies and a code of ethics and make regular visits to our individual country operations, we may experience incidents of country or regional managers not complying with our policies, accounting irregularities, unintended accounting misstatements or breaches of local legislation, any of which could, individually or collectively, have a material adverse effect on our business, results of operations and financial condition. Our use of subcontractors in our international operations may also expose us to risks of non-compliance with group-wide reporting policies and our code of ethics.

We also conduct certain of our business operations through associated companies where we hold less than 100% of the equity, and we may enter into joint ventures or acquire holdings in associated companies in the future. In recent years, our principal shareholder, Atalian Holding and Development Strategy, has entered into put and call agreements with respect to shares that we did not initially acquire. Our co-shareholders or joint venture partners may (a) have economic or business interests or goals that are inconsistent with ours, (b) take actions contrary to our policies or objectives, (c) experience financial and other difficulties or (d) be unable or unwilling to fulfill their obligations under the acquisition agreement and any related agreements, which may affect our financial condition or results of operations. For certain material decisions, we may therefore not be able to influence decision making or may need to obtain the consent of other shareholders. We often retain the local management teams of entities acquired in foreign jurisdictions, and such local management may also have interests adverse to our own, or impede decision making or the implementation of our strategies. Such limitations could constrain our ability to pursue our corporate and economic objectives in the future and have a material adverse effect on our business, results of operations and financial condition.

***Fluctuations in foreign currency exchange rates could have a material adverse effect on our business, results of operations or financial condition.***

The international expansion of our operations outside the Eurozone increases our exposure to various currency risks. Accordingly, our results of operations are, and may further be, subject to currency effects, primarily currency translation risk. The results of our operations or those of our subsidiaries operating outside the Eurozone are translated into euro, our functional and reporting currency, at the applicable exchange rate, for inclusion in our Consolidated Financial Statements. In 2018, 44% of our revenue was generated from entities using currencies other than the euro as their functional currency, and this proportion has increased further as a result of the acquisition of Servest UK, since the subsidiaries of Servest UK in the United Kingdom use pound sterling as functional currency. A decline in the value of foreign currencies against the euro can therefore have a negative effect on our revenue and Recurring EBITDA as reported in euro. The United Kingdom became our largest international market in terms of revenue following the completion of the acquisition of Servest UK, and we are therefore meaningfully exposed to fluctuations in the value of the pound sterling against the euro. Since our acquisition of Temco in 2016 and our subsequent acquisitions of Aetna, Suburban and Centaur in 2017, we are particularly exposed to fluctuations in the value of the U.S. dollar against the euro and the United States was one of our largest international market in terms of revenue in 2018. We are also exposed to currency risk as a result of our operations in Turkey, Malaysia, Indonesia and Poland, as the currencies in these countries have recently tended to decrease in value against the euro. We may also be exposed to currency exchange rate risk in connection with any profits from our international operations that are paid as dividends or otherwise to our holding companies in France. We incur currency transaction risk whenever one of our subsidiaries generates revenue or operating costs in a different currency from the currency in which it operates. Even though our local businesses in our International segment are characterized by relatively low levels of foreign exchange transaction risks, since we generally generate revenue and incur costs in the same currency, fluctuations in foreign exchange rates may still have a material adverse effect on our business, results of operations or financial condition.

We experienced a negative foreign exchange impact of €32.1 million of our International segment revenue (which does not include the Servest operations) due to changes in foreign currency exchange rates in 2018 as compared to 2017, mainly attributable to the depreciation of the Turkish Lira and the Russian Ruble against the euro. Fluctuations in foreign currency exchange could have a material adverse effect on our business, results of operations and financial condition.

***We remain vulnerable to negative economic, social and political developments in France and market perceptions concerning France.***

Despite our continuing expansion internationally, the French market represented 48.0% of the Group's revenue in 2018 and remained our principal geographic market by revenue after the acquisition of Servest UK. Our business is thus particularly sensitive to developments that materially impact the French economy or otherwise affect our operations in France. For example, following the 2008 economic downturn, we have faced price pressure in France, particularly in our cleaning business. We have also faced price pressure in France in our security business (other than in airport security services) since 2014, as well as increased competition in our multi-technical business since 2016, primarily due to large competitors beginning to compete in the medium-sized customer segment in which we mainly operate. Negative developments in France including with respect to the general business climate may decrease our customers' growth rates, adversely affect our ability to acquire new customers or contracts, result in an increase in the cost of acquiring new customers, or negatively impact our prices. In September 2015, Moody's downgraded France's government bond ratings from Aa1 to Aa2 as a result of the continuing weakness in France's medium-term growth outlook. An extended recession, or public perception that economic conditions are deteriorating, could also substantially decrease the demand for our services and adversely affect our business. We could experience decline in our revenue due to economic slowdown or recession, which could have a material adverse effect on our business, results of operations and financial condition.

France has recently experienced certain negative developments with respect to the general business climate, as well as social and political unrest (e.g., the ''Yellow Vests'' movement). If the social instability intensifies, the Group may be exposed to an increased degree of risks arising from interruption of operations due to economic, political or social instability. The Group's security costs may rise as a result of any increased social unrest or violence. It is possible that any continued or resurgent social and political uncertainty or adverse impact on the

French economy as a result thereof could have a material adverse effect on the Group's business, results of operations and financial condition.

***Market perceptions concerning the instability of the euro and the potential reintroduction of individual currencies within the Eurozone could have an adverse effect on our business, financial condition and results of operations.***

Developments in the past decade in the Eurozone have raised uncertainties regarding the stability and overall standing of the European Monetary Union. Financial markets and the supply of credit may continue to be negatively impacted by ongoing or resurgent fears surrounding the sovereign debts or fiscal deficits of several countries in Europe (primarily Greece, Italy, Portugal and Spain), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual member states. Governments and regulators have implemented austerity programs and other remedial measures to respond to the Eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures is difficult to predict.

Additionally, the UK's decision to leave the European Union, which was notified to the European Council on March 29, 2017, and the continuing delays in the negotiations between the UK and the European Union, have renewed concerns regarding the short- and long-term stability of the euro and its ability to serve as a single currency for a number of individual countries. The full or partial dissolution of the euro, the exit of one or more EU member states from the European Union or the full dissolution of the European Union could cause significant volatility and disruption to the global economy, which could lead to volatility in the currency markets and could have a material adverse effect on our business, results of operations and financial condition. See "*—Any deterioration in global and regional economic conditions, political developments, as well as other factors beyond our control, may negatively impact our businesses.*"

***The services that we provide may be exposed to considerable price and margin pressure, and we may be unable to attract new customers and retain existing customers at competitive pricing and margin levels.***

We may be forced to decrease prices for our services due to a number of factors, including challenging macroeconomic conditions or increased competition in connection with contractual arrangements providing for periodic renegotiation of pricing terms. We may be unable to compensate for these price decreases by attracting new business, reducing our operating costs (for example, through reductions in headcount, increases in labor productivity or other gains in cost efficiency) or otherwise, which could lead to a decline in our profits. Services such as our cleaning services and our security services (other than airport security services) have been particularly exposed to price pressure in recent years. For example, in 2018, we renewed several high margin contracts in our cleaning services business at lower rates than those we had previously obtained. Our operations in Eastern and Central Europe are also subject to increasing price pressure as a result of the maturing of the markets for cleaning services. In recent years, we elected not to pursue the renewal of certain low-margin contracts with certain large clients, partially offsetting increases in our revenues in the periods under review. Servest UK has also faced persistent price pressure from customers across its service divisions and also reduced margins on renewals from existing customers. For example, in 2017 Servest UK lost its cleaning services contract with Sainsbury's due to pricing considerations. Continued pressure on the margins achieved in contracts with our larger clients, and the loss of such contracts, may have a material adverse effect on our business and results of operations.

Moreover, since purchases consumed, external charges and personnel costs represented, in the aggregate, 92.6% of our revenue in the twelve months ended December 31, 2018, the profitability of our contracts will generally depend on our ability to control these costs successfully, and a failure to manage or estimate these costs accurately when pricing our services could result in a decline in profits and profitability. For example, during the first months of execution of a new contract, we may incur start-up costs related to technical equipment and employees' uniforms that often result in operating losses. Generally, there is a progressive reduction in operating losses in each successive month of execution of the contract with the contract typically generating operating profit within six months of the beginning of its term. If we fail to control such start-up costs, or do not accurately estimate the amount of such costs when pricing our services, we may experience significant losses in respect of a contract, which could have a material adverse effect on our businesses, results of operations and financial condition.

Furthermore, bundled contracts are more complex to price due to their scope and complexity as compared to single service contracts, and these complexities may increase to the extent that the contract relates to the performance of newly outsourced services in multiple geographical segments. Any such contracts for newly introduced services will also require us to accurately assess the pricing terms and forecast the operating costs, some of which will be unknown to us at the time of entering into the contract and will require extensive time and resources of our management to predict. In addition, our contracts may include performance-related measures for our services, may limit our ability to adjust fully or on a timely basis our prices as our costs increase or according to an inflation index or other appropriate index, all of which increases the risk associated with our contracts and could adversely impact profitability.

In addition, the impact of laws and regulations, in particular labor and employment laws and regulations, may restrict our ability to achieve cost reductions and other efficiency gains. See "—*Our businesses are subject to various laws and regulations, including in relation to labor and employment, and changes in or violations of such laws or regulations may adversely affect our businesses and profitability*." Price and margin pressures may therefore lead to a reduction in average prices and margins for our services, which could also have a material adverse effect on our business, results of operations and financial condition.

***We face intense competition from a variety of competitors and an inability to compete successfully with our competitors could result in a loss in market share, decreased revenue or decreased profitability.***

Our business is highly competitive. Our competitors include large multinational companies, such as ISS, Securitas and Sodexo for the Group, and include Mitie, Interserve and Norland, for Servest UK's business in the United Kingdom. These competitors may have greater resources than us, a broader presence in the market, or a wider geographical scope and therefore a higher capacity to compete for tenders across multiple countries. With respect to less technically complex services with low barriers to entry, such as traditional cleaning services, we also face competition from smaller competitors operating at local levels, many of whom have a strong local market presence and local customer relationships. In addition to competition from other providers of outsourced building services, we also face competition from in-house providers.

In addition, the outsourced cleaning and security services markets remain highly fragmented despite some degree of consolidation. Over time, our competitors, whether global, national, regional or local, could consolidate their businesses, and the diversified service offerings or increased synergies of these consolidated businesses could increase competition in the cleaning and security sectors. These or other changes to the competitive landscape of our industry could result in a loss of market share, decreased revenue or a decline in profitability, and could thus have a material adverse effect on our business, results of operations, financial condition or prospects.

Accordingly, because of this intense competition, we must make constant efforts to remain competitive and convince potential customers of the quality and cost value of our service offerings. We compete with other industry participants on a variety of factors, including the depth and breadth of our services, our technical expertise and price. Our customers are increasingly focused on their costs for maintenance and operation of their facilities. Pricing is also an important factor for securing renewal of contracts, particularly multi-year contracts. We also need to continue to develop new services or enter new geographic markets in order to maintain or increase our competitive position or achieve our strategic goals. If our customers do not perceive the quality and cost value of our services, or there is not sufficient demand for our new services, our business, results of operations and financial condition could be materially adversely affected.

***Our businesses are subject to various laws and regulations, including in relation to labor and employment, and changes in or violations of such laws or regulations may adversely affect our businesses and profitability.***

Due to the nature of our industry and the global reach of our operations, we are subject to a variety of laws and regulations governing areas such as labor, employment, pensions, immigration, health and safety, tax (including social security, salary taxes and transfer pricing policies), corporate governance, customer protection, business practices, competition and environment. We incur, and expect to continue to incur, substantial costs and expenditures, and we commit a significant amount of our management's time and resources to comply with increasingly complex and restrictive regulations. We had an average headcount of 82,771 FTE employees for the Group (excluding our Servest segment) in 2018 and 18,979 full-time and part-time employees for our Servest segment. Total personnel costs (including Servest UK consolidated starting from May 2018) represented 64.9% of our total revenue in 2018. Labor and employment laws and regulations have historically had a significant effect on our operations. Changes in such laws and regulations may increase our operating costs and diminish our operational flexibility. Furthermore, any failure to comply with the laws or regulations of the countries in which we operate may result in fines, penalties or other means of suspension or termination of our right to provide certain services in the relevant jurisdiction.

Any increases in the statutory minimum wage in any country or industry in which we operate may increase our personnel costs and negatively affect our operating margins and operational flexibility. For example, increases from 2015 to 2017 in the statutory minimum wage in France and the minimum wage under the relevant collective bargaining agreements in France had a direct adverse impact on our personnel costs. Further increases of the minimum wage took place in 2018 under the national collective bargaining agreement for cleaning services. Similarly, Servest UK's cost of sales has been impacted by regulatory changes, including scheduled increases in the UK National Living Wage that began in 2016 for workers aged 25 and over and by auto-enrollment pension costs. Although the impact of these increases on cost of sales as a percentage of revenue has been limited to date because, under most of its current contractual arrangements, Servest UK is able to pass through these costs to its customers, there can be no assurance that it will always be possible for Servest UK to pass along these costs. An increase in operating costs or an inability to increase our prices in line with an increase in operating costs that are the result of unfavorable changes in labor and employment law and regulation or in the terms of collective bargaining agreements applicable to our business may have a material adverse effect on our business, results of operations and financial condition.

In December 2012, the French parliament enacted the CICE, as part of an overall French government policy to support employment in France and improve the competitiveness of the French economy. Pursuant to the CICE, French corporations have been entitled to a tax credit equal to 7% of the gross salaries paid to certain employees in 2017 and 6% of the gross salaries paid to these employees as from January 1, 2018. The amount of the CICE is calculated on the basis of gross salaries paid in the course of each calendar year to employees whose wages are up to a maximum of 250% of the French statutory minimum wage. Pursuant to the terms of the CICE scheme, for any given employee, the French statutory minimum wage is calculated on the basis of such employee's regular working hours plus such employee's overtime hours (but without taking into account the overtime rate payable in respect of such overtime). Under our current accounting policies, we are able to record the benefit of the CICE for which we are eligible as a deduction from personnel costs. As such, the benefit of the CICE has a positive impact on our operating income and our Recurring EBITDA.

However, as from January 1, 2019, the CICE has been cancelled and replaced by a 6% reduction of employer social security contributions applicable to the same employee gross salaries as those eligible for the CICE, subject to an adjustment that varies by employee and is based on a ratio of the employee's salary and the minimum statutory salary in accordance with a formula to be set by a decree that has not yet been published. Apart from the impact of the reduction of the rate from 7% to 6% and the impact of the new rules on the basis to which the reduction will apply, this change in law will not eliminate the positive effects on our reported operating income or Recurring EBITDA, but could increase the tax base and could impact the monthly cash volatility.

Finally, some of our large customers have in previous years exerted price pressure on the Group to decrease its prices proportionally to the benefits of the CICE, therefore eliminating the positive impact of the CICE, which had an impact on our revenue and margins. This price pressure could also continue even after the replacement of the CICE with a reduction in employer contributions and thus might have an aggravated impact on our revenue and margins thereafter.

Furthermore, in France, our operations may be the subject of inspection or audit at any time by the French social security authorities ("URSSAF") or the work inspector (*inspection du travail*), as a result of which we may be subject to fines, penalties, and other liabilities and negative consequences. We cannot predict with certainty the ultimate outcome of any inspections or audits by the URSSAF or the work inspector, or the cost of defending against any resulting claims or reassessments, nor can we predict the impact of future developments arising from such inspections and audits, including any civil litigation proceedings and criminal procedures, any of which may have a material adverse effect on our business, financial condition and results of operations.

Changes in any of the abovementioned or similar laws or regulations or the adoption of any new laws or regulations in the same or similar areas could substantially increase our operating costs or restrict our operational flexibility and therefore have a material adverse effect on our business, results of operations and financial condition.

***Our personnel costs may significantly vary in connection with transfers of employees pursuant to national collective bargaining agreements and the Transfer of Undertakings (Protection of Employment) Regulations 2016 ("TUPE"), which may negatively impact our business.***

In France, the collective bargaining agreements applicable to our cleaning and security services businesses provide that in the event we win a cleaning services or security services contract and subject to certain conditions (for example, seniority in the business and type of employment contract), 100% of certain non-supervisory on-site employees working under the former cleaning services contract for this site or 100% of the on-site employees working under the former security services contract for this site having more than four years of service with the former employer or 85% of the on-site employees having less than four years of service with the former employer, as the case may be, will automatically be transferred from the former service provider to us, as the new service provider.

Changes to the terms of these agreements could have an adverse effect on our operating costs, which in turn could adversely affect our business, results of operations and financial condition. As a result of a renegotiation of the collective bargaining agreement for cleaning services in 2017, employees who have more than one year of service and employees who have more than 20 years of service benefit from an annual bonus equal to 7.7% and 11.5%, respectively, of the minimum conventional wages applicable to low salary. This amendment was extended to all companies covered by the relevant collective bargaining agreements by ministerial order dated November 2, 2015 and became effective for us the same month. This change had an adverse impact on our personnel costs of €1.8 million in 2018. As a result of the most recent renegotiation of the collective bargaining agreement for cleaning services in 2017, such annual bonus has been increased, as from November 1, 2018, to 8.96% and 13.38%, respectively, of the minimum conventional wages applicable to low salary.

In the United Kingdom, the TUPE, which applies to both business transfers and service provision changes, is applicable to many instances in which Servest UK wins or loses a contract from or to another service provider or wins a new outsourcing contract. As a result, employees who are transferred to Servest UK by operation of TUPE do so on their existing terms and conditions of employment and TUPE protects employees against changes to those terms and conditions, which are void if the sole or principal reason for the change is the transfer.

We may fail to correctly assess the personnel costs related to these transferred employees when pricing our tenders, such as costs relating to certain entitlements from which such transferred employees benefited while working for the former service provider (for example, base compensation, bonuses, working hours, vacation time, company practices, unilateral undertakings and seniority), and which we are required to continue to provide. The failure to assess such costs correctly could lead to the mispricing of our tenders and could have a material adverse effect on our businesses, financial condition and results of operations.

***We may not have the resources to meet our additional financial and other reporting requirements or implement effective internal controls and other standards, which could materially and adversely affect our business.***

Since January 2013, when we issued our 2020 Notes that were redeemed in 2017, we have been required to provide annual and quarterly reports within specified time frames in accordance with the indentures governing the high-yield notes we have issued. Furthermore, we have experienced, and continue to experience, significant growth in the size, headcount and geographic reach of our business. Any future growth may strain our resources in our finance and accounting departments. Any future growth of our business may also require the expansion of our procedures for monitoring internal accounting functions and continued compliance with our reporting obligations, as well as the consistent application of such accounting and compliance procedures. Any resulting growth of our employee base may also increase our need for internal audit and monitoring processes that are more extensive and broader in scope than those that we have historically required.

Meeting these financial reporting obligations and implementing effective internal controls that comply with applicable accounting standards, as well as maintaining qualified staff and additional resources (both in finance and accounting), may result in the diversion of our senior management's time and attention from our day-to-day operations or cause other disruptions to our operations. For example, the business integration process related to the acquisition of VPNM and Eurogem required significant changes to our finance and accounting systems. As a result of this and other acquisitions, we experienced certain disruptions and inefficiencies in our accounting and management processes, such as in the processing and treatment of trade payables, trade receivables and intragroup transactions and through the use of several different accounting systems and policies across our businesses. Difficulties in our internal accounting function and internal controls resulted in certain errors in our financial statements requiring corrections pertaining to fiscal year 2016/15 and fiscal year 2015/14 (in connection with the reinvoicing of expenses outside the Group). Our acquisitions may also result in delays or other disruptions to our reporting procedures, including delays associated with the integration of finance and accounting systems and with additional audit procedures. For example, in April 2019 our auditors requested additional time to complete their audit procedures with respect to our UK multi-technical divisions (which we acquired in 2018 as part of Servest UK) that specialize in mechanical and electrical installations, requiring us to delay our results announcement beyond the publication date specified by our financial reporting obligations in the indentures governing our high-yield notes. If similar or more severe problems arise in the future, or if we do not adequately manage the growing demands on our internal accounting or finance systems or for additional resources, we may be unable to comply with our financial reporting obligations or implement effective internal controls, which could result in errors and disruptions, in a future default under the indentures or corrections or a restatement of our financial statements. The occurrence of any such event could have a material adverse effect on our business, results of operations and financial condition.

***Ongoing investigations by the Hungarian National Tax and Customs Administration against one of our Hungarian subsidiaries and two former employees of our subsidiary may expose us to monetary penalties and reputational damage, as well as other negative consequences.***

Escort Kft, one of our former Hungarian subsidiaries that provided security services, is currently subject to proceedings by the Hungarian National Tax and Customs Administration (the "NAV") regarding allegations against Escort Kft of tax evasion, and specifically alleged illegally reimbursed VAT deductions and non-payment of social contributions in connection with the use by Escort Kft of subcontractors. The NAV is claiming up to €10.9 million in alleged illegally reimbursed VAT deductions, unpaid social contributions and penalties. Separate criminal investigations have been launched by the criminal department of the NAV against two former employees of Escort Kft, including the former managing director, as well as Escort Kft itself, in connection with the same alleged offenses, and Escort Kft could be subject to significant fines if found guilty in the criminal case. If Escort Kft is found guilty in the criminal case, the Hungarian authorities could impose fines of up to three times the amount of the tax assessment.

We believe that a portion of the NAV claim, equal to €4.0 million, relates to a period covered by the statute of limitations and we have other defenses to the claim. We have therefore appealed the charges to the NAV and are awaiting a decision on this appeal. If this appeal is not successful, any monetary judgments alleged by the NAV may then become enforceable. However, we would have the opportunity for additional appeals and the appeal process could last through 2019. It is expected that the criminal investigations will last until late 2019, after which any criminal trials could take an additional one to three years.

We have discontinued our activity in the security sector in Hungary as a result of these events. Escort Kft generated revenue of €8.9 million and €10.3 million in 2016 and 2017, respectively, and did not generate material EBITDA in either year. As of December 31, 2017, Escort Kft had total assets of €5.2 million.

As result of these facts, we have conducted a compliance review of our Hungarian subsidiary active in the facility management sector, AGS Zrt., including with respect to issues of anti-bribery and anticorruption procedures. This review revealed certain weaknesses within our compliance framework, particularly in relation to our use of subcontractors and service providers. We have taken steps to address these issues, including terminating relationships with certain subcontractors and service providers identified as high risk.

Both the tax proceedings and the related criminal investigation are at preliminary stages, and it is not possible at this time to predict the timing or ultimate outcome of the proceedings. Through our Hungarian subsidiary, we may be the subject of monetary judgments in connection with the tax proceedings or criminal liability in connection with the criminal proceeding. In addition, there is no assurance that additional failures in the compliance framework will not exist or otherwise be discovered in the future, despite the measures we have implemented and intend to continue to implement in order to address the issues identified in our compliance review. There is also no assurance that a similar investigation will not be opened for the operations of Escort Kft for the period from 2016 to 2017. All of these events could materially harm our reputation and have a material adverse effect on our financial condition, results of operations and our business.

***An investigation involving our relationship with one of our subcontractors has led us to identify certain deficiencies in our internal controls and may have a material adverse impact on us and expose us and our principal shareholder to liability.***

In January 2017, the police and customs authorities, acting under a search warrant issued by French judicial authorities, searched our offices in France; premises at a building owned by a company wholly owned by our indirect principal shareholder in Brussels, that contains a business center leased by us as well as his private residence; two other properties owned by him; and the residences of two of our employees. We understand that the principal target of the investigation is a general contractor regularly retained by us as a subcontractor, and that the investigation involves possible criminal matters of a serious nature, including drug related matters. The police and customs authorities obtained, with our full cooperation, copies of invoices issued by the general contractor to us. We have not, and none of our employees or officers have, been charged with any offence in connection with these matters and we have limited information regarding the investigation at this stage.

Following these searches, we conducted an internal investigation into the facts and circumstances surrounding these invoices and our relationship with the general contractor. In the course of this internal investigation, we identified invoices issued to, and paid by, Maintenance Technique Optimisée ("MTO"), one of our French subsidiaries, in an aggregate amount of approximately €1.7 million. These invoices related to renovation and construction work performed by the general contractor at the Brussels building and the supply of materials related to such work. While our investigation enabled us to establish that the general contractor performed substantial work at the building and the amount invoiced was in most cases supported by the services rendered, for certain categories of work covered by these invoices, we were not able to conclude that the full amount invoiced was properly supported by the services rendered.

At the outset of our investigation, we informed our auditors and the company owning the Brussels building agreed to make prompt reimbursement of the full amount improperly invoiced to us, and did so in full in March 2017. We understand that our auditors have in turn informed the French judicial authorities of the payment of the identified invoices by MTO in accordance with their professional obligations.

In connection with the preparation of our Group unaudited interim condensed consolidated financial information, our consolidated statements of financial position as at August 31, 2015 and 2016 were restated to increase shareholders' equity by €1.7 million in fiscal year 2016/15 and €1.2 million in fiscal year 2015/14, respectively, in each case corresponding to the amount that would have been included in consolidated net income for the relevant period had the expense incurred during that period been reimbursed during the same period.

This matter revealed certain deficiencies within our internal control framework relating to our due diligence screening of subcontractors and the monitoring of subcontractor work and payments. We have taken steps to address these concerns in our operations, including retaining the services of a consulting firm to perform a review and assessment of our internal control framework and intend to focus on improving our procedures and controls with respect to the screening and monitoring of subcontractors retained by us, particularly in the area of building works which we have identified as presenting particular risks. There is no assurance, however, that additional failures in our internal controls will not exist or otherwise be discovered in the future. If our efforts to improve our internal controls are not successful, or if other deficiencies in our internal controls occur, our ability to accurately and timely report our financial position could be impaired, which could adversely affect our reputation, results of operations and financial condition.

In January 2019, we were informed that on January 17, 2019, the Company's indirect principal shareholder has been placed under formal investigation (*mise en examen*) by the relevant French judicial authorities for misuse of corporate assets (*abus de biens sociaux*) in connection with the payment by the Company of certain invoices related to renovation and construction work at the Brussels building owned by such shareholder and the supply of materials related to such work. In addition, we understand that two non-managerial employees of the Group performing technical and administrative services have also been placed under formal investigation (*mise en examen*) in connection with this matter. Neither the Company nor any of its current officers is the subject of criminal proceedings in connection with this matter.

Following its announcement dated January 21, 2019, the Company has conducted an internal and external audit of its MTO subsidiary over the period from 2013 to 2017, which led to the write-off of intra-group capitalized expenses related mainly to the years 2013 and 2014 for an amount of €3.5 million. In addition, the labor contracts of the two non-managerial employees under formal investigation have been terminated. Finally, expenses for renovation works at the Company's indirect principal shareholder's Brussels building (business center) have been contested and therefore written-off for an amount of €1.2 million.

***We provide services to companies in certain highly regulated industries, and non-compliance with applicable regulations could expose us to fines, penalties and other liabilities as well as other negative consequences.***

We provide services to companies in highly regulated industries, including the nuclear, defense, transport and aeronautical industries. We also perform specialized cleaning services in areas such as healthcare and food-processing facilities. We and our customers in such industries are subject to highly detailed and restrictive laws and regulations regarding the provision of these services and the operation and safety of facilities in the jurisdictions in which we operate. For instance, the French Labor Code defines preventive safety measures for all employees exposed to ionizing radiations and requires specific training for certain employees of companies operating nuclear power stations. In addition, under the French Environmental Code, the producer or, as applicable, the holder of waste from nuclear operations or decommissioning operations is required to process and dispose of such waste in accordance with applicable requirements.

Complying with the legislative and regulatory frameworks for such highly regulated industries, which are becoming stricter, increasingly requires us to devote more of our technical and financial resources to our compliance efforts. The magnitude of the impact of such changes is difficult to predict. Violations of such requirements could expose us to fines, penalties, claims for personal injury or property damage and other costs or liabilities, as well as negative publicity. In addition, more stringent legal and regulatory requirements could adversely impact the long-term growth of the industries to which we provide our services and the demand for our services from customers operating in these industries, which could have an adverse effect on our business, results of operations and financial condition.

***Any event damaging our reputations, or public opinion regarding outsourcing generally, could have an adverse effect on our businesses, results of operations, financial condition or prospects.***

Our reputations are important to our ability to market our service offerings and secure new customers. Our historical success has largely rested on our reputation as a reliable provider of a broad range of services, particularly services requiring a certain level of technical expertise, such as multi- technical services, and this reputation has strengthened our business and helped to facilitate our expansion, and we accordingly seek to closely monitor the quality of our services. The same is generally true of Servest UK's success in the United Kingdom in respect of the services that it provides. Nevertheless, we may not be able to protect our business against damage to our reputation vis-à-vis our customers, potential customers and, more generally, in the geographic regions and sectors in which we operate. For example, we could be held responsible for an accident or malfunction at a customer's facilities due to poor performance of our services, or the erroneous perception that the accident or malfunction occurred as a result of our performance of services. In addition, labor disputes on our customer sites may, if widely publicized or particularly disruptive to the client's operations, harm our reputation in addition to exposing us to contractual penalties. Any such event or perception could damage our reputation or brand, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Furthermore, growth in demand for our services is influenced by general public opinion regarding outsourcing, and positive and negative experiences with outsourcing. Negative perceptions regarding outsourcing generally may dampen growth in the outsourcing building services market, reduce our ability to achieve satisfactory growth rates or cause us to lose contracts, which could have a material adverse effect on our business, results of operations and financial condition.

***We may face risks with respect to any divestments we undertake.***

We may also face risks in relation to any divestments we may undertake. In fiscal year 2015/14, we disposed of our transportation and logistics business operating under the Logismark brand, our freight business, TFN Affrètement et Logistique, and our public lighting business, MTO Eclairage Public. Among the risks associated with such divestments, which could have a material adverse effect on our business, results of operations and financial conditions, are the following:

- divestments could result in losses and/or lower margins;
- divestments could result in write-down of goodwill and other intangible assets;
- divestments could result in the loss of qualified personnel; and
- we may encounter unanticipated events or delays and retain or incur legal liabilities related to the divested business with respect to employees, customers, suppliers, subcontractors, public authorities or other parties.

Any of these risks could have a material adverse effect on our results of operations and future growth prospects.

***We could be harmed if a significant number of customers and, in particular, our largest customers, terminate their services contracts prior to the expiration of their stated terms or decide not to renew their service contracts, or if we can only renew existing contracts on less favorable terms.***

Our contracts are generally automatically renewed at the expiration of the stated term unless explicitly terminated by the customer, except for our contracts with our larger customers which often have an initial fixed term renewable for one or more successive shorter terms at the customer's option. Under the terms of certain of our contracts (typically our larger contracts), our customers may terminate a contract at any time at their discretion following the expiration of an agreed notice period. Moreover, customer contracts to which Servest UK is party typically provide the relevant counterparty with the right to terminate for convenience on three months' notice. For example, among Servest UK's top 40 customers by revenue in fiscal year 2017/16 (in aggregate representing 47.7% of its revenue for that year), four customers (representing approximately £17.5 million of revenue in fiscal year 2017/16) had contracts ending in fiscal year 2018/17; eight customers (representing approximately £48.0 million of revenue in fiscal year 2017/16) presently have contracts ending in fiscal year 2019/18; eleven customers (representing approximately £101.2 million of revenue in fiscal year 2017/16) presently have contracts ending in fiscal year 2020/19; and six customers (representing approximately £14.9 million of revenue in fiscal year 2017/16) presently have contracts ending in fiscal year 2021/20. Our customers may decide not to renew their service contracts with us.

In 2018, the average annual contract size for the Group's ten largest customers of its cleaning business was approximately €43 million, compared to an average contract size for all our customers in this activity of € 0.08 million. Revenue attributable to our largest customer (SNCF) and our ten largest customers in the cleaning business was, respectively, 4% and 16% of revenue generated by our cleaning business in 2018. Servest UK's customer concentration has, in general, been even more significant, with Tesco, Servest UK's largest customer, representing 9% of total revenue of our Servest segment in fiscal year 2018, and the ten largest customers within each of its service divisions amounting to 26% of total revenues of our Servest segment in fiscal year 2018. As a result, Servest UK's revenues and cash flows from period to period, particularly at the divisional level, may be impacted by a relatively small number of key new contract wins, failures to renew existing contracts or changes in the breadth of services required under existing key contracts in any given period. Although we believe that our business is not dependent on any one contract, the termination of a significant number of contracts prior to the expiration of their stated terms, and in particular contracts with our larger customers, or our failure to renew service contracts on favorable terms, or customer dissatisfaction with our services, may have a material adverse effect on our business, results of operations and financial condition, including by harming our reputation and making it more difficult for us to obtain similar contracts with other customers.

***Our public sector contracts may be affected by political and administrative decisions or budgetary constraints.***

The public sector is an important customer segment for us, particularly in our landscaping business in France, and increased as a result of Servest UK's significant public sector contracts (and its strategic focus on winning more public sector work). Our businesses may accordingly be adversely affected by political and administrative decisions concerning levels of public spending, such as decreases in public spending that may occur in connection with the current focus in France, the United Kingdom and other European countries on reducing national and local government budget deficits. For example, in fiscal year 2015, certain local authorities in France deferred the renewal of landscaping contracts for budgetary reasons, which led to a decrease in revenue generated by our landscaping business. In addition, Temco lost its New York schools cleaning services contract in November 2016, which generated approximately $6 million in monthly revenue in fiscal year 2016, due to a decision by the City of New York to bring its cleaning activity in-house. Any future loss of large public sector contracts would have a material adverse effect on our business, results of operations and financial condition.

In certain cases, due to the applicable regulations, such as European Union tender rules, certain terms of public sector contracts, such as pricing terms, contract period, use of subcontractors and ability to transfer receivables under the contracts, are less flexible for us and Servest UK than comparable private sector contracts.

Contracts in the public sector are also subject to review and monitoring by local authorities to ensure compliance with laws and regulations prohibiting anti-competitive practices and we may be found in violation of any such laws or regulations, which would result in fines, penalties and other sanctions, including exclusion from participation in tenders for public contracts. Any such event would have a material adverse impact on our reputation, business, results of operations and financial condition.

***We may not be able to win new contracts, including competitively awarded contracts, and the contracts we win may not yield expected results.***

We must constantly win new contracts to sustain growth and such new contracts may be subject to competitive bidding. The decision by an existing or potential customer to outsource building services is dependent upon, among other things, its perception regarding the price and quality of such outsourced services. Certain customers may have an initial bias against outsourcing their support functions.

We may be unable to continue to win competitively awarded and other new contracts. In addition, we may spend significant time and incur costs in order to prepare a bid or proposal, or participate in a bidding process, at the end of which we may not be retained. Even if we are awarded a contract, it may not yield the expected results, in particular if we are unable to successfully calculate prices, control costs and manage day-to-day operations. For example, the timetable or cost structure may differ from prior estimates as both depend on a wide range of parameters, some of which are difficult to forecast, such as increased personnel costs resulting from unfavorable changes in labor and employment laws or regulations, which can lead to execution difficulties and cost overruns that we may not be able to pass on to our customers. Our inability to accurately predict the actual cost of providing our services could result in a decrease in our margins or even losses under these contracts, which would have a material adverse effect on our business, results of operations and financial condition.

***Our international presence requires us to maintain effective project and site management, and if we fail to do so our business could be harmed.***

Our international expansion strategy involves the retention of local management teams to serve as a link between the local market and the Group. Local managers therefore retain considerable autonomy with respect to the management of our operations in their markets. While regional managerial structures were created in fiscal year 2015 in order to support our international operations, our business model also emphasizes local decision-making and responsibility at a country level. In order to ensure that the projects we take on are executed effectively and profitably, we need to have a high degree of project and site management expertise, particularly in evaluating the costs of providing our services to the relevant customer and in maximizing efficiency in providing the contracted services throughout the term of the contract. If our local management team does not have the required project and site management expertise, we may be unable to efficiently and profitably render our services, and we could experience increased contract execution costs or operating losses, difficulty in obtaining timely payment for our services, or harm to our reputation, any of which could have a material adverse effect on our business, results of operations and financial condition.

***We may not be able to hire and retain enough sufficiently qualified technicians to support our operations. In addition, we may encounter problems in recruiting and retaining qualified employees across our business in periods of rapid economic growth.***

In some of the market segments in which we operate, such as multi-technical services, our success depends upon our ability to attract and retain qualified technicians and any difficulties in retaining them could disrupt our operations. Our growth also requires that we continually hire and train new qualified technicians. A higher turnover rate among qualified technicians will increase our recruiting and training costs and limit the number of experienced personnel available to staff projects adequately. If this were to occur, we may not be able to execute projects effectively and operate those businesses profitably. In addition, in periods of rapid economic growth, we may encounter problems in recruiting and retaining qualified employees across all our businesses or generally experience increasing staff costs in order to recruit and retain such employees, which we may not be able to effectively pass on to our customers, which could have a material adverse effect on our businesses, results of operations and financial condition.

***A deterioration of the relationships with our employees or trade unions or a failure to extend, renew or renegotiate on favorable terms our Group-specific collective bargaining agreements could have an adverse impact on our businesses.***

In 2018, we had an average headcount of 82,711 FTE employees in 31 countries, including France but excluding our Servest segment, and as at December 31, 2018, our Servest segment employed 18,979 full-time and part-time employees. As we are continuously restructuring our workforce to achieve productivity gains, maintaining good relationships with our employees, unions and other employee representatives is crucial to our ability to successfully implement such restructurings. As a result, any deterioration of the relationships with our employees, unions and other employee representatives could have an adverse effect on our businesses, results of operations and financial condition.

The majority of our employees are covered by national collective bargaining agreements and company-level agreements specific to the Group. Most of the Group-specific agreements, including our agreements that address hardship in working conditions (*pénibilité du travail*) and gender and age equality, were implemented in 2015 for a fixed term, renegotiated in 2018, and will be renegotiated every three years. These agreements typically complement applicable statutory provisions in respect of, among other things, the general working conditions of our employees such as working time, holidays, termination, retirement, welfare and incentives. National collective bargaining agreements and group-specific agreements also contain provisions that could affect our ability to restructure our operations and facilities, to terminate employees or to outsource certain services.

We may not be able to extend existing group-specific agreements, renew them on their current terms, or, upon the expiration of such agreements, negotiate such agreements in a favorable and timely manner or without work stoppages, strikes or similar industrial actions. We may also become subject to additional group-specific agreements or amendments to the existing national collective bargaining agreements. For example, negotiations are scheduled in 2018 under the national collective bargaining agreement for cleaning services to discuss the classification of job positions and requirements related to healthcare benefits and part-time negotiation. As a result of these discussions, we may be required to reclassify certain of our employees, which may in turn result in the payment of higher wages to them or provide enhanced healthcare benefits to certain of our employees. Additional group-specific agreements or amendments may increase our operating costs and have a material adverse effect on our business, results of operations and financial condition.

Beginning in 2018, the Group has organized elections in France for representatives of the new economic and social committees that replace the current employees' representatives pursuant to the September 22, 2017 ordinance which reforms employees' representation in French companies. As such reform reduces the total number of employees' representatives, the organization of such elections has resulted in more competitive election campaigns among trade unions.

In addition, we are required to consult and seek the advice of our employee works councils with respect to a broad range of matters, which could prevent or delay the completion of certain corporate transactions.

Consultations with works councils, strikes, similar industrial actions or other disturbances by our workforce, particularly where there are union delegates, could disrupt our operations, result in a loss of reputation, increased wages and benefits or otherwise have a material adverse effect on our business, results of operations and financial condition.

***We have recorded a significant amount of goodwill and we may never realize the full value thereof.***

We have recorded a significant amount of goodwill in relation to our acquisitions. This amount of goodwill on our balance sheet may further increase as a result of further acquisitions in the future. Total goodwill, which represents the excess of cost over the fair value of the net assets of businesses or shares acquired, was €1,066.0 million as of December 31, 2018 (€608.4 million as of December 31, 2017), or 42.4% of our total assets, a significant increase mainly due to our acquisition of Servest UK in May 2018.

Goodwill is recorded on the date of acquisition and is tested for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations (including changes that restrict our activities or affect the services we provide) and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to our income statement. We did not record any charges for goodwill impairment during 2018. Any further significant impairment of goodwill in the future may result in a material reduction in our income and equity and could have a material adverse effect on our business, results of operations and financial condition.

***The departure of key members of our management team or other key personnel, or our inability to attract and retain qualified management or other key personnel, could have an adverse effect on our business.***

Our success is dependent, to a large degree, upon the continued service and skills of our existing executive management team, particularly Mr. Franck Julien, the Chairman of AHDS and Group CEO of La Financière Atalian, Mr. Jean-Jacques Gauthier, Group Chief Financial Officer and Mr. Rob Legge, Group Chief Operating Officer. If one or more of our executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily and our business may be disrupted, which may materially and adversely affect our results of operations and financial condition. Competition for management and key personnel is intense, and the pool of qualified candidates is limited, so we may not be able to attract and retain experienced executive or key personnel in the future, which could hinder our ability to run and develop our business successfully. In addition, if any of our executives or other key personnel joins a competitor or forms a competing company, we may lose customers, know-how and other key personnel, which may have a material adverse effect on our business, results of operation and financial condition.

***We may not be able successfully to defend against claims made against us by customers or other third parties, or may fail to recover adequately on our claims against customers or third parties.***

We may enter into agreements with third-party partners, equipment suppliers and subcontractors in connection with the provision of services under our customer contracts. Reliance on such third parties reduces our ability to directly control both our workforce and the quality of services provided.

Accordingly, we are exposed to risks relating to managing third parties and the risk that these third parties may fail to meet agreed quality benchmarks under the contract or to generally comply with applicable legislative or regulatory requirements.

As such, claims involving such third parties may be brought against us, and by us. Claims brought against us could include accrued expenses for allegedly defective or incomplete work, breaches of warranty or late completion of the project and claims for cancelled projects. The claims and accrued expenses can involve actual damages, as well as contractually agreed upon liquidated sums. These claims, as well as claims we may make against customers or other third parties, if not resolved through negotiation, could result in lengthy and expensive litigation or arbitration proceedings. Expenses associated with claims, or our failure to recover sufficient damages or liquidated sums in connection with claims brought against third parties, could have a material adverse effect on our businesses, financial condition and results of operations.

Furthermore, third-party partners, equipment suppliers and subcontractors may have inadequate insurance coverage or inadequate financial resources to honor claims or judgments resulting from damages or losses inflicted on the customer by such third parties. Any failure of such third parties to meet their obligations could harm our reputations, as well as result in customer losses and financial liabilities, which could have a material adverse effect on our business, results of operations and financial condition.

***We may be subject to claims or penalties relating to the working conditions of our employees.***

Our operations are subject to environmental as well as occupational health and safety laws and regulations. New technology, the implementation of new work processes, services, tools and machinery may have unforeseen negative effects on the working conditions of our employees. Some of the services we undertake in our businesses put our employees and others in close proximity with large pieces of mechanized equipment, moving vehicles and hazardous chemicals. Unsafe worksites also have the potential to increase employee turnover, increase the cost of a service to our customers or the operation of a facility and raise our operating costs. Violations of, or liabilities under, applicable environmental or occupational health and safety laws and regulations could result in fines, penalties, legal claims as well as increased operating costs and reputational damage, which could have a material adverse effect on our business, results of operations and financial condition.

***We may incur liabilities for the actions of our employees.***

As with other providers of outsourced building services, our employees provide our services within buildings and at locations owned or operated by our customers. As a result, we may be subject to claims in connection with damage to property, business interruptions, the spread of infections at healthcare facilities, food contamination, violations of environmental and/or occupational health and safety regulations, unauthorized use of the customer’s property or willful misconduct or other tortious acts by our employees or people who have gained unauthorized access to premises through us. Such claims may be substantial and may result in adverse publicity for us. Moreover, such claims may not be covered by our insurance policies. Accordingly, these claims could have a material adverse effect on our businesses, results of operations and financial condition.

In addition, the tender process involves risks associated with fraud, bribery, corruption and fraudulent activity in the procurement process. Although we maintain internal monitoring systems, and we have never been convicted, fined or sanctioned in connection with fraud, bribery or corruption, we may be unable to detect or prevent every instance of fraud, bribery and corruption involving our employees or agents in the future. The involvement or association of our employees or agents with fraud, bribery or corruption, or other violations or allegations or rumors relating thereto, could have a material adverse effect on our businesses, results of operations and financial condition.

***We may incur liabilities related to food service.***

Servest UK’s catering services provide customers with food products for human consumption, which exposes Servest UK to safety risks such as product contamination, spoilage or product tampering. Such safety risks may require destruction of inventory and could result in negative publicity, temporary interruption of operations and substantial costs of compliance or remediation. Servest UK may be impacted by publicity regarding any assertion that Servest UK’s catering services cause illness or injury. Servest UK could also be subject to claims or lawsuits relating to an alleged or actual illness stemming from product contamination or any other incidents that compromise the safety and quality of food products provided by Servest UK’s catering division.

A significant lawsuit or other event leading to the loss of consumer confidence in the safety and quality of Servest UK’s services could damage Servest UK’s brand, reputation and image and negatively impact Servest UK’s sales, profitability and prospects for growth. Servest UK cannot guarantee that its efforts to monitor food and product safety risks will be successful or that such risks will not materialize. In addition, even if Servest UK’s products or services are not affected by contamination or other incidents that compromise their safety and quality, negative publicity about Servest UK’s catering business could result in reduced consumer demand for its products and services.

Any claims, lawsuits or negative publicity related to the healthiness, safety and quality of Servest UK's products and services may damage its reputation, increase its costs of operations and negatively impact demand for its catering services. Servest UK's sales may be affected, which may have a material adverse effect on its business, results of operations, financial condition and prospects.

***We may incur liabilities that are not covered by insurance.***

We carry insurance of various types, including property damage insurance, general liability coverage and directors' liability insurance. Given our international operations, the diversity of locations and settings in which our employees provide services and the range of activities our employees engage in, we may not always be able to accurately foresee all activities and situations in order to ensure that they are fully covered by the terms of our insurance policies and as a result, we may not be covered by insurance in specific instances. While we seek to maintain appropriate levels of insurance, not all claims are insurable and we may experience major incidents of a nature that are not covered by insurance. Furthermore, the occurrence of several events resulting in substantial claims for damages within a calendar year may have a material adverse effect on our insurance premiums. In addition, our insurance costs may increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. We may not be able to maintain our current insurance coverage or do so at a reasonable cost, which could have a material adverse effect on our businesses, results of operation and financial condition.

***We may incur substantial liabilities for any failure to meet applicable cleanliness, safety or security standards, and experience adverse publicity relating to any actual or alleged failure to meet such standards, which could result in damage to our reputations.***

Our businesses are associated with public health and safety, particularly our cleaning services in relation to food preparation and healthcare facilities and Servest UK's wide-ranging catering services. We may be subject to substantial liabilities if we fail to meet applicable cleanliness or safety standards and that failure causes harm to individuals or entities, including, for example, through contamination of food products produced at the facilities that we clean or the outbreak of illness within the hospitals that we service. In addition, we could be held responsible for any breaches of security by our employees at sensitive customer sites, such as airports and nuclear power stations. Furthermore, our reputations could be harmed by any actual or alleged failure to meet appropriate cleanliness or safety standards. Any publicity relating to incidents of this kind could have a material adverse effect on our reputations and, therefore, our businesses, results of operations and financial condition.

***The interests of our ultimate principal shareholder may be inconsistent with the interests of the noteholders.***

Currently, we are indirectly owned by our ultimate controlling shareholder, Mr. Franck Julien. As a result, Mr. Franck Julien is able to control matters requiring shareholder approval, including the election and removal of our directors, our corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. The interests of Mr. Franck Julien could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. For example, Mr. Franck Julien could cause us to pursue acquisitions, divestitures, financings, dividend distributions or other transactions that, in his judgment, could enhance his equity investments, even though such transactions might involve risks to holders of the Notes. Furthermore, Mr. Franck Julien may sell all or any part of his shareholding at any time or look to reduce his holding by means of a sale to a strategic or financial investor, an equity offering or otherwise. Such divestitures may not trigger a change of control under the indentures governing our high-yield notes.

***We rely on computer systems to conduct our business. Our computer systems may fail to perform their functions adequately or be interrupted, which could potentially harm our business.***

We rely on numerous computer systems that allow us to track and bill our services, communicate with customers, manage our employees and gather information upon which management makes decisions regarding our business. The administration of our businesses is increasingly dependent on the use of these systems. As a result, system failures or disruptions resulting from computer viruses, hackers or other causes could have a material adverse effect on our businesses, results of operations and financial condition.

***We may face tax risks.***

We have structured our commercial and financial activities in light of diverse regulatory requirements and our commercial and financial objectives. These structures therefore create value from the synergies and the commercial power vested in a multinational group. Given that tax laws and regulations in the various jurisdictions in which we operate may not provide clear-cut or definitive doctrines, the tax regime applied to our operations and intra-group transactions or reorganizations is sometimes based on our interpretations of French or foreign tax laws and regulations. We cannot guarantee that such interpretations will not be questioned by the relevant tax authorities, which may adversely affect our financial condition or results of operations. More generally, any failure to comply with the tax laws or regulations of the countries in which we operate may result in reassessments, late payment interest, fines and penalties.

Furthermore, we may record deferred tax assets on our balance sheet, reflecting future tax savings resulting from discrepancies between the tax and accounting valuation of the assets and liabilities or in respect of tax loss carry-forwards from our entities. The actual realization of these assets in future years depends on tax laws and regulations (including the evolution of the CICE mechanism), the outcome of potential tax audits, and on the expected future results of the relevant entities. In particular, under currently applicable rules in France, tax losses carried forward can only offset €1 million of taxable income plus 50% of the current-year taxable income that exceeds that amount. As of December 31, 2018, our net deferred tax assets totaled €62.0 million, mainly related to tax loss carry-forwards of the Atalian Cleaning tax group. Any reduction in the ability to use these assets due to changes in laws and regulations, potential tax reassessments, or lower than expected results could have a material adverse impact on our results of business operations and financial condition.

***We are subject to risks from legal and arbitration proceedings, which could adversely affect our financial results and condition.***

From time to time we are involved in labor, tax and commercial legal and arbitration proceedings, the outcomes of which are difficult to predict. We could become involved in legal and arbitration disputes in the future which may involve substantial claims for damages or other payments. In addition, partly due to the constant restructuring of our workforce, we are involved in a large number of proceedings with employees, typically in respect of severance payments in connection with dismissals and claims of recharacterization of a fixed-term employment contract (*contrat à durée indéterminée*) into an indefinite-term employment contract (*contrat à durée indéterminée*) or of a part-time employment contract into a full-time employment contract, as well as proceedings related to the application of relevant national collective bargaining agreements concerning the automatic transfer of employees. Although individually these proceedings do not typically involve substantial amounts, in the aggregate such proceedings or any increase in the number of such proceedings may have a significant adverse impact. As of December 31, 2018, we have recorded a provision of €10.0 million for employee litigation.

In the event of a negative outcome of any material legal or arbitration proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant. Even if there is a positive outcome in such proceedings, we may still have to bear part or all of our advisory and other costs to the extent they are not reimbursable by other litigants, insurance or otherwise, which could have a material adverse effect on our business, results of operations and financial condition.

***We were assessed, and held liable for, a withdrawal liability in connection with Temco's withdrawal from participation in a multiemployer pension plan and may in the future be subject to withdrawal liability in respect of other multiemployer pension plans***

In November 2016, Temco, a U.S. company that the Group acquired in January 2016, lost a major contract with the New York Department of Education (the "DOE") due to a decision by the City of New York to bring its school cleaning activity in-house. As a result of the loss of this longstanding contract with the DOE, Temco withdrew from the Building Services 32BJ School Workers Pension Fund, a multiemployer pension plan.

When an employer withdraws from a multiemployer defined benefit pension plan which has unfunded vested benefits, the employer is generally liable to the pension plan for a share of the unfunded vested benefits in an amount determined in accordance with the Multiemployer Pension Plan Amendment Act of 1980 (the "MPPAA").

On April 2, 2018, Temco was assessed a withdrawal liability of $21,941,761.00, or $39,368,891.20 if paid in 80 quarterly payments of $492,111.14, in accordance with the MPPAA. Temco will begin making quarterly payments of $492,111.14 commencing no later than June 1, 2018. We believe that we are not responsible for such withdrawal liability and we expect to commence negotiations with the relevant parties, including the DOE, in an attempt to resolve the matter, but there can be no assurances that we will be successful in any such negotiation or any subsequent legal proceeding we may pursue. Payment of this withdrawal liability may have an adverse impact on our liquidity, business, results of operations and financial condition.

Multiemployer defined benefit pension plans are common for outsourced building services work in New York State, and as a result, Temco may have potential obligations for unfunded pension plan liabilities in respect of a number of similar multiemployer pension plans. Although the underlying contracts related to these plans are generally longstanding and not presently expected to be cancelled, there can be no assurance that they will not be cancelled before their contract term expires. If any of such contracts are cancelled or not renewed upon the expiration of their contract terms, Temco could be exposed to additional significant unfunded pension liabilities, which could have an adverse impact on our liquidity, business, results of operations and financial condition.

**Risks Related to Our Indebtedness**

***Our substantial level of indebtedness could materially and adversely affect our ability to fulfill our obligations under our debt agreements, our ability to react to market changes and our ability to incur additional debt to fund future needs. In addition, increases in interest rates could adversely affect our ability to service our debt obligations.***

As of December 31, 2018, we and our consolidated subsidiaries had €1,504.0 million of gross debt (including off-balance sheet factoring and the application of IFRS 16). In addition, we are party to a €98.0 million revolving credit facility agreement, of which €68.0 million remained undrawn as of December 31, 2018.

Our substantial indebtedness could have important consequences. In particular, it could:

- make it more difficult for us to satisfy our obligations, including our obligations under our high-yield notes;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for working capital, capital expenditures, acquisitions, research and development and other purposes;
- increase our vulnerability to adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- restrict us from pursuing strategic acquisitions or exploiting certain business opportunities;
- place us at a competitive disadvantage compared to our competitors that have relatively less debt; and
- limit our ability to borrow additional funds, or to dispose of assets to raise funds, if needed, for working capital, capital expenditures, acquisitions, and other purposes.

In addition, our debt under our revolving credit facility bears interest at a variable rate which is equal to the sum of (i) the EURIBOR rate for interest periods of one, three or six months (or any other period agreed between Atalian S.A.S.U. and the agent under the revolving credit facility (acting on behalf of all the lenders)), or, if EURIBOR is not available, the replacement rate as described in the revolving credit facility agreement and (ii) the applicable margin, which was initially equal to a base margin of 2.25% subject to a margin ratchet up or down based on the credit rating attributed to us by Moody's and S&P, and which as a result of the downgrades in our credit ratings by Moody's and S&P in December 2018 is currently 2.50%. Fluctuations in the EURIBOR rate or the replacement rate (as applicable) or changes in our credit rating may increase our overall interest burden and could have a material adverse effect on our ability to service our debt obligations.

For a discussion of our cash flow and liquidity, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"*