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 our principal geographic markets. 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 and the UK, we have historically been exposed to downturns in the rest of Europe including Russia, Turkey, the United States, Southeast Asia and North and West Africa.

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. In addition, in economic downturns in the past, our customers have often reduced the volume of additional services they ordered as supplements to and above their existing contracts, as they typically scale back such 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 the 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.

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 medium-term outlook for the Eurozone remains uncertain. 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.

We are also susceptible to political developments. On January 31, 2020, the United Kingdom left the European Union and entered in a transition period for eleven months during which the United Kingdom and the European Union will negotiate a Free Trade Agreement (FTA) and equivalence in financial services, by the end of 2020. Given the limited time available, the current outbreak of Coronavirus, and the UK Government's stance that it does not want an extension beyond the end of 2020, the lack of an FTA in effect at the end of the transition period remains a risk. Experience has shown that trading concerns for businesses and investors can have negative consequences for the economic outlook.

This may continue to lead to significant uncertainty, volatility and disruption in European and broader financial and economic markets, including the United Kingdom market 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). Our UK operations employ non-British citizens. There can be no assurance that we will be able to retain the same or similarly skilled employees that our UK operations currently employ due to the uncertainty surrounding the terms of the FTA. 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 after the transition period, which could have a material adverse effect on our businesses, results of operations, financial condition and which could also have an impact on our contracts in the public sector.

Our business, financial condition and results of operations and prospects may be adversely affected by the recent COVID-19 outbreak.

The COVID-19 ("Coronavirus") outbreak is currently impacting countries, communities, supply chains and markets, as well as the global financial markets. France, the United Kingdom and the United States, which represent our main regions of operations outside Asia, are currently among the countries most affected by the outbreak. As a result, since the second half of March, we have experienced significant shortfalls in revenue principally in France, the United Kingdom and to a lesser extent the United States, and a decrease, albeit to a lesser degree due to the decrease in our variable costs and our cost mitigation measures, in profitability. To date, the Coronavirus has not had other material impacts on us. However, the scale and scope of this pandemic is unknown and the duration of the business disruption and related macro-economic, financial and societal impact, including on labor costs in the countries in which we operate and prevailing low interest rate levels, cannot be reasonably estimated at this time. While we have taken and are continuing to take a set of actions to mitigate the impact of the outbreak on our business and financial results, there is no guarantee that these actions will be successful. We have already experienced certain disruptions to our business and disruptions may also occur for our customers or suppliers that may materially affect our ability to operate our business.

The extent to which the current outbreak or any other health epidemic may impact our business and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity and longevity of the Coronavirus and the actions to contain the Coronavirus or treat its impact, among others. Accordingly, the Coronavirus could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may not be able to successfully implement our strategies.

Our strategies are to: (i) to drive a sustainable and profitable growth, (ii) to improve operational performance through local, regional and global initiatives and (iii) to focus on deleveraging initiatives to secure leading market shares in each of our geographies. There is no assurance that the cost of any of our objectives will be at expected levels or that the benefit of our objectives will be achieved within our expected timeframe of 2022 or at all. Our strategies may also be affected by factors beyond our control, such as volatility in the world economy and in each of our markets, the impact of the current Coronavirus outbreak, and the levels of activity of our customers. Any failures, material delays or unexpected costs related to the implementation of our strategies could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to integrate past acquisitions successfully, which could adversely affect our operations and financial condition.

Until 2019, our business had grown significantly through acquisitions of companies in new geographical regions. There are risks associated with the continued integration of our past acquisitions which could have a material adverse effect on our business, results of operations and financial condition, including costs and issues relating to monitoring, hiring and training of personnel, or the integration of IT and accounting and internal control systems; 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; new tariffs, taxes and other restrictions and expenses, which could increase the prices of our services and make us less competitive; retention of key personnel or customer contracts of acquired businesses; unanticipated events, circumstances or legal liabilities related to the acquired businesses; and the fact that our acquisitions may not achieve anticipated synergies or other expected benefits.

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 2019, our affiliate Getronics faced severe liquidity pressures, and engaged in an attempted recapitalization of the business. This led to a full impairment of our investment in Getronics. The carrying value of our investment in Getronics at September 30, 2019 was €74 million. In addition, 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 senior notes.

Our international operations may subject us to additional risks.

We operated in 35 countries as of December 31, 2019, primarily in the France, the UK, United States, the rest of 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;
- impositions or increases of investment, trade and other restrictions or requirements by foreign governments; and our use of subcontractors in our international operations, which may 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. 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.

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 2019, 48.5% of our revenue was generated from entities using currencies other than the euro as their functional currency. A decline in the value of foreign currencies against the euro can therefore have a negative effect on our revenue and EBITDA as reported in euro. The United Kingdom is our largest international market in terms of revenue , and we are therefore meaningfully exposed to fluctuations in the value of the pound sterling against the euro. We are 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 2019. 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 UK and 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.

The services that we provide may be exposed to 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. 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, 92.4% of our revenue in the twelve months ended December 31, 2019, 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. The Facility Management presents numerous types of players, targeting global scale and/or multi-services breadth. The FS competitive landscape is made of several players types such as Global generalists (mostly former Soft specialists); National generalists; Global Real Estate specialists offering facility services, benefitting from their privileged client relationship ;Multi-service specialists players targeting adjacent services and new countries, providing bundled contracts of either Hard or Soft services; Global pure players leading global single-service specialists; Local pure players focusing on a selected service, mainly to the benefit of local clients 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 and compliance regulations. 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. Total personnel costs represented 64.9% of our total revenue in 2019. 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 2019 under the national collective bargaining agreement for cleaning services (+1.6% on May 1, 2019 and an 0.2% additional increase on July 1, 2019. Similarly, 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, our UK operations are able to pass through these costs to its customers, there can be no assurance that it will always be possible for our UK operations to pass along these costs. In addition, the impact of the current pandemic of Coronavirus on labor costs and importation and exportation of labor between countries is unknown. An increase in personnel or an inability to adapt labor requirements to service demand, to increase our prices in line with an increase in personnel costs that are the result of unfavorable changes in labor and immigration laws and the labor markets more generally 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 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.. 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 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.

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.

As previously reported, in 2017, following searches by the police and custom authorities acting under a search warrant issued by French judicial authorities that we understand to have been targeted principally at a general contractor regularly retained by us as subcontractor, we conducted an internal investigation that 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, that related to renovation and construction work at a building owned by a company wholly owned by our indirect principal shareholder and Group CEO in Brussels that contains a business center leased by us as well as his private residence. In March 2017, the company owning the Brussels building reimbursed the full amount improperly invoiced to us. 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.

In January 2019, we were informed that our indirect principal shareholder and Group CEO was placed under formal investigation (*mise en examen*) by the relevant French judicial authorities for alleged misuse of corporate assets (*abus de biens sociaux*) in connection with these matters. In addition, we understand that certain employees of the Group performing technical and administrative services were also placed under formal investigation (*mise en examen*) in connection with this matter. In 2019, our compliance team conducted an additional internal investigation of the use of subcontractors by MTO during the period from 2013 to 2017, and we also retained forensic accountants to perform a review of these matters. In certain instances, we were not able to conclude that invoices submitted by subcontractors were properly supported by the services rendered. These invoices included approximately €1.2 million appearing to be related to renovation and construction work in the Brussels building, for which we claimed reimbursement from the company owning the building. These investigations also identified material deficiencies in our accounting systems access controls and led to the discovery of improper conduct on the part of certain of our former executive officers. In July 2019, we filed a criminal complaint against certain of our former executive officers for misuse of corporate assets and other wrongful conduct. Specifically, the complaints alleges are based on the belief that the defendants failed to disclose direct and indirect interests in subcontractors used by the group, used corporate funds to pay personal expenses, obtained unauthorized personal loans and advances, refused to cooperate with internal investigations and the Group's compliance policies and engaged in other improper conduct. All of the individuals involved have been terminated by the Group. As a result, as previously disclosed, we wrote off intra-group capitalized expenses related mainly to the years 2013 and 2014 for an amount of €3.5 million. In addition, in 2018, we wrote off our claim for reimbursement of €1.2 million against the company owning the Brussels building.

We have taken steps to address the deficiencies within our internal control framework brought to light by these matters by significantly overhauling our compliance, internal audit and internal control functions, adopting a code of business conduct and other compliance policies and procedures in all of our countries of operations, as well as conducting training sessions on these matters for our staff and improving our corporate governance. 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.

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. 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.

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

We may also face risks in relation to any divestments we may undertake. We have undertaken a divestment program to focus on our core businesses, and in 2019 we disposed of our landscaping division in France. Our landscaping division generated revenue of approximately €70 million in France in 2018, representing 2.6% of our revenue, and contributed approximately €66 million to our results of operations in 2019. The enterprise value of the sale proceeds amounted to €34 million. 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. 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 France and the UK. 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 focus in France, the United Kingdom and other European countries in recent years on reducing national and local government budget deficits. Any future loss of large public sector contracts could 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 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 could 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 presence involves the retention of local management teams to serve as a link between the local market and the Group. Local managers therefore retain autonomy with respect to the management of our operations in their markets. 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.

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. 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, the upcoming negotiations on the regrouping of professional branches such as cleaning, security, temporary work, catering could in the long term lead to salary increases and the granting of additional benefits based on the most advantageous collective agreements concerned by this grouping. 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.

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. Total goodwill, which represents the excess of cost over the fair value of the net assets of businesses or shares acquired, was €1,066 million as of December 31, 2019 (€1,066 million as of December 31, 2018), or 47.3% of our total assets.

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 goodwill impairment during 2019. 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, Deputy CEO & Group CFO and Mr. Rob Legge, Deputy CEO & Group COO. 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.

In the UK, our catering services provide customers with food products for human consumption, which exposes us 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. We may be impacted by publicity regarding any assertion that our catering services cause illness or injury. We 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 our catering division.

A significant lawsuit or other event leading to the loss of consumer confidence in the safety and quality of catering services could damage our brands, reputation and image and negatively impact sales, profitability and prospects for growth. We cannot guarantee that our efforts to monitor food and product safety risks will be successful or that such risks will not materialize. In addition, even if our products or services are not affected by contamination or other incidents that compromise their safety and quality, negative publicity about our 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 our catering operations' services may damage our reputation, increase its costs of operations and negatively impact demand for our catering services. Our catering operations' 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 our 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 and Group CEO, 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 senior 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 carryforwards 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, 2019, our net deferred tax assets totaled €74.2 million, mainly related to tax loss carryforwards 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 into an indefinite-term employment contract 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, 2019, we the amount of provision incurred amounted to €13.4 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.

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, 2019, we and our consolidated subsidiaries had €1,427.0 million of gross debt (including off-balance sheet factoring and lease liabilities under IFRS 16). In addition, we are party to a €103.0 million revolving credit facility agreement, of which €49.0 million remained undrawn as of December 31, 2019.

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 senior 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 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."*